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Surviving the major stages of organizational growth

Moving from an entrepreneurship to a professionally managed firm

By Doug Brown

Editor's note: *This is the fourth of four installments of the series surrounding what it takes to move from a relatively small, micro-business to a more robust, larger organization. Each article explores a different aspect of that journey.*

In previous issues, we discussed the initial phases of making the transition from a business in its infancy to becoming a sustainable business. We discussed the challenges and the growing pains experienced by many businesses in that part of the growth curve and an understanding of the six key organizational development tasks they have to navigate as well. Also, we have covered how to better understand the four major stages that an independent insurance agency must pass through on its way to greatness, the typical characteristics of those stages and the nine discreet result areas that are different between the entrepreneurial management style and a professional management style.

In this installment, we discuss the tactical transitions that must be successfully executed.

It is helpful to have a road map before we begin this relatively long journey. It is even better if we have a map that gives us indicators when we are successfully going in the right direction, and indicators when we have started to stray off the plan.

By reading through the series of areas below and the problems that commonly occur and fester, it is my hope that you will be able to get a sense of what new behaviors you need to begin implementing immediately.

What follows are a series of descriptors that indicate a less than desirable way of operating in the business environment of today. Both individually and collectively they create problems that rear their ugly head and then must be managed.

Culture. The company thinks and acts like a "family" of sorts with many agency leaders and managers "looking the other way" to avoid conflict. Productivity is defined and measured so loosely that it almost seems normal to tolerate poor performers.

Planning. No formal business plan, goals or objectives exist and so little consistent direction is provided for people regardless of their position or level of responsibility.

Control of the organization. Control often is ineffective or it is sporadically handled in fits and starts. When control is exerted, the primary style is top-down or command-and-control type management.

Decision making. People at the top are making decisions slowly and changing them quickly. This leads to false starts and a lack of commitment to follow-through.

Roles and responsibilities. Roles and responsibilities are not defined clearly and no measurements or standards of performance typically exist. This leads to overlapping responsibilities, role confusion and multiple areas where nobody is responsible for an outcome.

Communication. The overall level of poor written and verbal communication contributes to confusion among both the staff and management.

Performance reviews and appraisals. When appraisals take place, if at all, only a surface level discussion takes place between a manager and the subordinates. Consistent with leaders and managers avoiding conflict, only positive feedback is given. Little thought and effort is made toward muscle-building the organization or developing the individual staff members for the long term.

Recruiting. No formal recruiting, manpower planning and succession plan exists.

Training and development. Little to no leadership, sales or soft skills training outside of product-oriented or comparative rater training exists.

Budgets and accounting systems. No formal budget exists or if it does, it is viewed as purely an "exercise." More often than not, data or numbers are inaccurate or incomplete. Financial information typically is gathered for the agency as a whole and not broken down into functional areas.

Let's compare these to the characteristics of a high-performance organization. We'll also speak to what it can take to get there.

Culture. The company thinks and acts to generate profits on a consistent basis. Managers have learned to deal with and manage conflict as a result of being trained and developed. Productivity is measured using simple-to-administer tools and closely tied to the desired profitability targets. Poor performers are not tolerated for long. They are provided with the tools to improve at a quick pace and are given the chance to make different choices. If they are not showing adequate progress, they are removed from the position and if possible reassigned to a better match for their skills and abilities. If not possible, the agency will give them the opportunity to find a new career path in another firm.

Planning. A formal business plan exists, along with the supporting goals and objectives. The top team and other appropriate parties went through a strategic thinking and business planning process as well as annual goals reviews. The initial process involved determining elements such as the vision and values, determining market needs, assessing the competitive situation and objectively assessing internal strengths. A shorter-term mission also was determined and action steps began to be fleshed out. Appropriately detailed plans were then built by people closest to the issue, and then communicated to people at every level of the organization.

Control of the organization. Regularly scheduled meetings are used to monitor performance. After training in both the basics and advanced levels of communications and meetings management, a participative management style is used to ensure an appropriate level of buy-in by the staff at all levels,

Decision making. Appropriate decisions are being made by every level of the organization. In the cases where subordinates should have made different decisions, the leaders recognize that it probably not an insubordinate act, but instead indicates a lack of understanding about an issue, value, goal or priority.

Roles and responsibilities. Roles and responsibilities clearly are defined and standards of performance (measurements) exist and mutually are agreed upon as a result of both one on one and work group or department meetings. This effectively avoids overlapping responsibilities, role confusion or areas where nobody is responsible for an outcome.

Communication. The overall level of written and verbal communication contributes to a motivated, can-do attitude among both the staff and management. Leaders keep their eyes open and their ears to the ground so to speak to listen for both what is said and what not is said about what is happening inside the organization. Also, leaders seek out opportunities to listen to and get unsanitized feedback from real customers.

Performance reviews and appraisals. When appraisals take place it is not done as an afterthought. It is conducted in an appropriate environment and at an appropriate time of day where positive and negative constructive feedback is given. The subordinate and the manager use it as an opportunity to revisit career path decisions, discuss exhibited strengths and weaknesses and look for and select opportunities for personal and professional development. The organization operates with the understanding that people are an asset that can and should appreciate in value over time.

Recruiting. Formal recruitment is a planned activity. Managers are provided training in recruitment and interview techniques. Cultural differences among changing demographics are researched and explained. Recruitment strategies and tactics are determined in enough detail to make them executable and actionable. Once in place, managers are expected to hit recruiting goals and targets.

Training and development. A full range of soft skills and hard skills training and development is supported by budget dollars as well as by senior leadership, who show genuine encouragement to others to help them excel. The promotion structure has been changed to reward proper behavior.

Budgets and accounting systems. The formal budget exists. More often than not, the financial information system provides data or numbers that are accurate and complete. The field has been trained in the need for generating and maintaining timely, accurate data and people at every level have become accustomed to having accurate data available to support their ongoing decision-making.

As you can conclude, significantly different behaviors are manifested through the two scenarios. That attention to detail among the well-run firms allows them to leapfrog their other competition.

Doug Brown is the chief executive officer and chairman of Paradigm Associates LLC, headquartered in Cranford, N.J., with locations throughout the United States. Paradigm Associates specializes in strategic and executive leadership development for insurance professionals in both agencies and the carriers they represent. As a speaker, Brown combines an innovative thinking style with his conversational questioning ability to provide "Breakthrough thinking for your real world." Visit www.ParadigmAssociates.US, or call (908) 276-4547 for more information.