Building Your Top-Tier Team

Taking your organization to the next level requires the right management team with the right combination of skills and expertise.

EXECUTIVE SUMMARY: MESHING PEOPLE, CULTURE AND VISION

Sponsored by Bank of America Merrill Lynch and written by Inc. magazine, the following article describes how owners of growth-oriented businesses typically wear many hats in the early years of their ventures, a situation often dictated by financial necessity as well as the desire to retain maximum control over critical business functions. As your company grows, however, you are likely to face an increasing need for more professional expertise in order to get the most out of your business’s performance. That means finding the right people to fit your culture and vision while also accepting that the perspectives they bring to the table may suggest shifts in direction that ultimately benefit the business—even when those perspectives differ from yours.
The process of expanding their management teams can be challenging for entrepreneurs because many are initially reluctant to delegate responsibilities, says Bruce R. Evans, a managing director at growth equity firm Summit Partners. It is a challenge that must be overcome, however, because building a management team can be a vital step in a company’s transition from a small organization to a mature, stable business with greater capacity for future growth. “By hiring the right people at this stage, you can lay the foundation for the future, ensuring that your company has the resources and expertise required to reach its full potential,” he says.

This white paper looks at the elements that comprise a true management team, in terms of individual positions as well as what each position should contribute to help professionalize your business.

THE MANAGEMENT HIERARCHY

Determining who belongs on the management team is a critical question for business owners, and many get it wrong, says Gordon Curphy, president of North Oaks, Minnesota-based Curphy Consulting Corporation and co-author of Leadership: Enhancing the Lessons of Experience, the top-selling leadership textbook in North America. “Ideally, strategy drives structure, which drives staffing,” he says. “Businesses need to figure out how to make money, what the optimal structure is for making that happen and who has the right skills to fill each seat. Because businesses and their strategies vary considerably, there is no set formula for the positions that comprise a true management team.”

In too many cases, he says, businesses reverse that sequence. They ill-advisedly put friends and family members into key leadership positions, then create organizational structures to accommodate their roles. When that happens, “Business performance and employee morale and engagement suffer,” Curphy says.

Sorting out leadership needs

Dan Roitman, founder and CEO of Stroll, a fast-growing Philadelphia-based education e-commerce platform company, agrees with Curphy, to a point. “Each business is different, and there’s no one-size-fits-all solution,” he says. But there are essential functions requiring leadership positions in just about every kind of business. These include the person heading the company (chief executive officer or president), a head of sales and/or marketing and a finance professional. “During the initial growth phases, ongoing capital-raising is an important business activity,” he says. “You know your CEO and CFO are going to be tied up with that initiative, so you might need a chief operating officer
or general manager—someone who can make sure the business functions efficiently day to day."

Jeff Connally, a professor at the Acton School of Business and president and CEO of national technology services provider CMIT Solutions, both based in Austin, Texas, says that aside from needing a CEO, every growth-oriented business eventually needs a qualified segment leader for customer acquisition, service/product development, customer support, finance and human resources. “There also may be other senior executive needs, based on the company and the industry,” he adds.

**WHAT C-LEVEL HIRES SHOULD BRING TO THE TABLE**

All C-level positions in your business should be filled by individuals who not only have a depth of functional and industry-specific experience, but also share with the rest of the management team your holistic view of the company, Connally says. They must be committed to placing the overall success of the organization above the narrower focus of the functions they lead.

In building Stroll’s management team, Roitman set his sights on candidates who were “equipped to give the right amount of time and attention to their area of expertise and responsibility and prepared to bring that perspective to the management table. So when the team comes together, you have a full picture of the business.” His company is currently in the process of adding a general counsel to the management team, but it is screening heavily on business acumen. Although the new hire’s focus will be on legal issues, “To be considered for our management team, candidates have to be strategy-minded, growth-oriented and business savvy,” Roitman says.

Every member of your management team should have three critical abilities, Curphy says:

- **First**, they should have a proven ability to get results. “The CIO has to deliver new software on time and on budget; the head of sales needs to hit his or her top line and margin numbers, etc.”

- **Second**, top managers must be able to build their own high-performing teams as your business continues to grow.

- **Third**, they need to get along with each other, know how to operate in a corporate environment and be willing and able to adapt to your company’s corporate culture (if that is the culture you have decided to keep).
BREAKING DOWN THE ROLES

The duties and responsibilities of specific management team positions may vary based on the needs of your business and the industry in which it competes, but most C-level and other senior posts will have certain attributes and characteristics in common.

- **Chief Executive Officer.** Every business needs a “commanding officer” in charge of overall business strategy. In most organizations, that is the CEO or president, a role typically filled by the founder or owner in the early stages of a business (although a time may come when it makes sense to cede this position to a professional manager). The CEO functions as a leader, driving organizational change as needed and taking responsibility for employee motivation and morale. He or she should be a visionary, constantly looking to future opportunities for the company; a decision maker, formulating policies and planning and setting the course of action; and a manager, overseeing operations, implementing plans and allocating resources. In most organizations, the CEO is the chief strategist, although in some cases that role might be filled by the CFO or CMO, says George Bradt, author of The New Leader’s 100-Day Action Plan (Wiley, 3rd Edition, 2011) and managing director of PrimeGenesis, an executive onboarding and transition consulting firm headquartered in Stamford, Connecticut.

- **Chief Operating Officer.** Sometimes given the title of director of operations, the COO is usually one of the highest-ranking C-level positions, reporting directly to the CEO. The COO is responsible for the company's daily operations, although the scope of those duties may vary across industries. In manufacturing, for instance, the COO is usually responsible for making sure business operations are conducted efficiently and effectively, resources are properly allocated and the proper distribution systems are in place. In service businesses, the COO’s duties might be skewed more toward organizational and performance-monitoring issues.

- **Chief Financial Officer.** Traditionally, the CFO has been responsible for financial planning, record-keeping, reporting and risk management as well as analyzing and interpreting financial data for the CEO and other members of the management team. However, in recent years—and especially since the Great Recession—CFOs have been playing a much more strategic role in many businesses, actively participating in long-range planning and the development of future business initiatives.

- **Senior Sales Executive.** The title may vary (executive vice president, senior vice president, director of sales, etc.), but this is a pivotal position in any growth-oriented business. The senior sales executive is responsible for
driving growth by identifying and qualifying sales prospects; hiring, training, motivating and monitoring the sales team; designing and implementing a sales pipeline; and establishing and maintaining relationships with customers. In most cases, these duties have been handled by the founder, owner or CEO, so this addition to the team frees up the CEO for more strategic activities.

**Chief Marketing Officer.** Marketing has become an increasingly critical C-level function in the digital age, when finding and keeping customers is more about relationship building than the hard sell. A 2011 IBM study of 1,700 CMOs found that the four biggest challenges they face are the explosion of data (a phenomenon dubbed “big data” in marketing circles), social media, the proliferation of channels and devices, and shifting consumer demographics. At the same time, today’s CMOs must still handle the position’s traditional responsibilities, which can include advertising, promotion and other marketing communications; market research; participation in strategic planning; and shared responsibility for, or at least participation in, sales management, product development, customer service and distribution channel management.

**Chief Technology/Information Officer.** Technically, there is a difference between CTO and CIO, but for the most part, only large organizations have both. The important thing for a growth company is that it has at least one go-to person who is responsible for technology needs. In larger organizations, the CTO is outward-facing, focused on technologies the company hopes to commercialize or that are critical to the development or manufacture of products it sells, while the CIO is internally focused, responsible for the technologies (primarily information technologies, or IT, in most cases) used to keep the company running efficiently. Whatever his or her title happens to be, a growth company CTO/CIO should be capable of handling both functions and of providing needed input to the strategic planning process.

**Human Resources Director.** In some organizations, this is now a C-level position (chief human resources officer), an acknowledgement of how important the human resources function has become to business success in the 21st century. In 2009, the Cornell Center for Advanced Human Resource Studies did an extensive survey of the CHRO’s shifting roles and challenges and found the position responsible for a wide variety of duties: strategic advisor and confidante or coach to the executive team, talent architect, leader of the HR functions, liaison to the board of directors (in larger organizations) and representative of the firm to external stakeholders. The senior HR officer is also “the canary in the coal mine,” responsible for sensing morale problems in the workforce and finding solutions to them. CHROs spend 45 percent of their time collaborating with other senior business executives.
PUTTING IT ALL TOGETHER

It’s a rare growth company that can instantly form a top-tier management team. Exceptions, Connally says, include acquisitions where an intact management team comes as part of the deal as well as venture capital-backed businesses that are preparing for a public offering or the next stage of growth, in which case the backers may “plug in” an entire management team to get ready for the event.

At businesses with an organic growth strategy, the management team tends to evolve. “Pain is usually the trigger for evolutionary growth, as this clarifies the need for leadership expertise in specific functions,” Curphy says. “For example, organizations experiencing major IT problems hire CIOs; those with recruiting, turnover, payroll or compensation problems hire heads of HR.” Along with the need for new expertise, other triggers for adding senior executive positions include capacity issues and strategic-focus changes, Bradt says.

Where culture fits in

Corporate culture is an important consideration, too, and not just from the perspective that new hires have to fit the existing one. A major benefit of recruiting new blood to C-level positions is the fresh skill, experience and point of view it brings, and it can be a big plus when those views differ from those of the founder. “It’s a choice,” Bradt says. “If the current culture is appropriate for where the organization is going, new members of the team should fit into it as much as possible.” But if the current culture is not working, the organization will need to change the culture as soon as possible, Connally says, and new senior hires can help drive that change. Such change can be an opportunity for you to foment a new corporate culture that better aligns with your clients, more accurately conforms to the image you want to project and creates a more positive work environment for your employees.

Your own network of contacts, professional organizations, clients and competitors are all potential sources for finding top-tier managers for your company, but at some point you may find yourself working with an executive headhunter. The pros of that approach include speed, the ability to cast a wider net over a more-qualified slate of candidates and the brand-name recognition some headhunters have, which can get you access to candidates you might not be able to reach on your own. Downsides to consider are the cost, which can be considerable, and questions about how well the headhunter really understands your business.
CONCLUSION

The challenges don’t end once you have identified and recruited viable top-tier management candidates. You must determine and negotiate salary and benefits packages that are strong enough to attract them but that remain within the parameters of your financial resources. A good starting point is to visit a website that provides local comparison for the same job and industry, such as salary.com, payscale.com or cbsalary.com. It is also important that you sketch out clear executive career paths that promise continued growth within your company. Having a route to the top can help businesses boost employee morale and retain high-caliber talent. It is also considerably less expensive to develop internal candidates than to hire from the outside.

“Determining who should be on the team is only half the battle,” Curphy says. “Business owners also need to get their management team members operating as high-performance teams, and they often fall short in this area. Many top management teams are dysfunctional and suffer from efficiency and effectiveness problems.” Often, part of the problem is that owners have grown up almost solely within their own businesses. They lack a sophisticated understanding of what it takes to build cohesive, goal-oriented teams or maintain performance when new members are added, Curphy and co-author Robert Hogan write in *The Rocket Model: Practical Advice for Building High Performing Teams* (Hogan Press, 2012).

Finding ways to meet the challenges that come with building a top-tier management team is critical to the long-term success of any growth-oriented venture. “Building a management team is the ultimate task and test of an entrepreneur,” says Roitman, who has grown Stroll’s revenues by an average of 73 percent a year since 2002—135 percent in 2011 alone. “Moving from being an entrepreneur to a professional manager is a very critical transition point. The question becomes: Can you move from having all the weight on your shoulders to having it distributed appropriately across the organization? Many people have difficulty making that leap, so transitioning to a hierarchical structure is an important and careful process.” Bradt agrees: “Leadership is about inspiring and enabling others to do their absolute best together, in order to realize a meaningful and rewarding shared purpose. That starts with the top-tier management team.”