

ShortTrack CEO

How Mid-Market CEOs Apply Four Critical Concepts to Achieve Their Personal Goals



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Preface

Despite having a common title, CEOs of mid-market companies—which we define as companies between \$1 million and \$100 million in revenue—have vastly different challenges from their counterparts at the enterprise and Fortune 500 level.

Fortune 500 CEOs have almost unlimited resources at their disposal, are constantly in the public eye, and can relatively easily measure their performance—by their stock price. These jobs are extremely difficult to obtain and most CEOs have been groomed for the position for upwards of 10 years, and, while they're high-pressure jobs, even some poor performers get a \$100 million payday. Fortune 500 CEOs are the celebrities of the business world.

Mid-market CEOs have fewer resources, are rarely in the public eye, and cannot so easily measure their performance. Their jobs aren't nearly as difficult to obtain, and many mid-market CEOs haven't been groomed for their position at all. They're still high-pressure jobs, but it's a different type of pressure. Mid-market CEOs are also often invisible in the business world outside their local markets.

On the job, the differences are further amplified. Fortune 500 and enterprise CEOs (which we define as CEOs running companies over \$100 million in revenue) have highly-skilled and well-trained executives to rely upon, large budgets, and an array of MBAs and consultants to deliver the information they need whenever they need it. Mid-market CEOs have a far smaller stable of executives. While an \$80 million company will have more key executives than an \$8 million company, the average mid-market company CEO has a CFO or financial executive, a VP of Sales, one or two operational executives, and two or three key managers.

The net result is that mid-market CEOs end up making far too many key business decisions based on instinct alone, instead of confirming or refuting their instinct with relevant information, as the CEOs at Fortune 500 companies do. While their instincts are typically good, there are far too many instances where gut instinct goes against the correct business decision. This causes mid-market companies to struggle executing the company strategy and the CEO's ultimate personal end goal.

The Forgotten Mid-Market Companies

The majority of the business materials published each year are focused on either general business concepts or specific stories and recommendations for the two other categories of businesses—enterprise corporations and small business owners/entrepreneurs.

The mid-market CEO is often ignored, unable to deploy the general concepts suggested by business thought-leaders, or to find significant value in the recommendations given to small business owners.

This book is written for that often-ignored mid-market CEO and is based on my and my co-authors' research and experiences as we've worked with 2,000 CEOs of mid-market companies over the last 10 years throughout the United States, Europe, and Australia.

Our experiences have yielded two highly intriguing discoveries:

1. Mid-market CEOs fall into five different categories, or “personas” as we’ll call them, and the personal goals of each are distinctly different and directly affect how they can most effectively manage their company.
2. While mid-market CEOs have far fewer resources than do enterprise CEOs, there are four concepts we’ve discovered that, if embraced by mid-market CEOs, can enable them to overcome the majority of elements that cause their companies to struggle, and cause them to fall short of their personal goals. Furthermore, while implementing all four concepts should improve the value of any mid-market company, mid-market CEOs tend to have a specific attraction to the concepts based on their own persona—creating an individual formula for success.

We call the individual formulas for each CEO persona their ShortTrack — the pathway for the mid-market CEO to move directly from Point A (today) to Point B (their personal goal).

Our discoveries resulted from our many years of client work, which enabled us to access the hearts and minds of mid-market CEOs—fieldwork that cannot be replicated in the classroom or learned by analyzing data or statistics.

First I'll share the four concepts that you, a mid-market CEO, can embrace and bring to life to create a more valuable company:

- 1.** Your CFO is not giving you all the numbers you need to confirm your everyday decisions.
- 2.** You have the ability to take the guesswork out of managing your people.
- 3.** You must win mind share to influence your market.
- 4.** Your team must be able to clearly articulate your purpose and your vision.

Concept #1:

Your CFO is not giving you all the numbers you need to confirm your everyday decisions.

It's not difficult to quantify basic operational results from numbers on standard financial statements: profit and loss, assets, liabilities, and equity.

But what do these numbers really tell you?

Do these standard financial statements truly measure the value your operations are generating? Can you use them in real time to confirm or refute your or your teams' instincts, while making the constant operational decisions each month that impact your performance?

For example, if your team were to ask you any of the questions below, how long would it take to respond with a solid answer supported by firm dollar amounts?

- If we increase our prices 3%, will our revenue go up or down? What about our profits?
- What happens to our company value if we enter this new market?
- If we offer a 5% discount to our suppliers to pay net 10, does that improve the value of our company?
- Our input prices are rising. Should we lock in a fixed price? How can we quantify the impact on our business if we don't do this, and prices keep increasing?
- Can we afford this new equipment?
- Should we lower our prices to sell more and increase our revenue?
- How is this strategic investment affecting our financial performance?
- How are our staff costs tracking against revenue generation, and what impact will a 2% increase in productivity have on our cash flow and return?

To get the answers, do you refer to your P&L, your balance sheet, or your cash flow statement?

Of course you don't. Standard financial statements don't deliver answers to these questions.

But savvy mid-market CEOs learned long ago that there are plenty of numbers that can be extracted from these financial statements—hidden from plain view, but accessible—that can deliver the answers to these types of questions.

To get the numbers you and your team need to confirm everyday decisions, conduct the following activities (which we'll discuss in detail in the book):

1. Change your budgeting and forecasting methods from year-to-date or TTM, to 24 month rolling.
2. Manage your strategic investments in a J Curve register.
3. Build relevant financial modeling to get numerical answers to the questions you currently answer based on pure instinct.

Concept #2:

You have the ability to take the guesswork out of managing your people.

Have you ever hired a smart person with a strong resume and plenty of experience, expecting a certain level of performance, but ending up with something completely different? Do key members of your leadership team have certain traits that may be holding them back from achieving their full potential?

For most mid-market CEOs, the answer to both questions is a resounding Yes.

This is natural, as humans are imperfect creatures driven by emotion, beliefs, quirks, and irrationalities. The good news is that over the last 20 years scientific

research has begun to unlock many of the complexities of human nature. Today, mid-market CEOs have access to effective, scientifically proven employee assessment tools that enable them to sharpen management skills, strengthen team performance, identify hidden skills in employees, and remove the guesswork from the hiring process. These assessments are backed by decades of scientific research and have the capacity to:

- Identify and describe the facets of an employee's personality
- Identify leadership qualities and leadership style
- Determine an individual's natural reaction mode to environmental stimuli—their personal behavioral style
- Measure emotional intelligence—the ability to adjust to one's environment

Once thought of as a “soft skill,” the ability to assess these characteristics is becoming more quantifiable in many professions—especially in leadership roles—and they play a significant role in overall job success.

To take the guesswork out of managing your people, conduct the following activities (which we'll discuss in detail in the book):

1. Map your people using a carefully chosen set of validated assessments.
2. Coach your people based on the findings.
3. Use a structured hiring system to get the right people on board and protect your people assets.

Concept #3:

You must win mind share to influence your market.

Years ago Peter Drucker, the father of business consulting, made a very profound observation:

- ■ *Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.*

Yet the marketing function is broad, challenging, and often misunderstood, especially at the mid-market level. Ask several people to define it and you'll probably get very different answers.

The Fortune 500 and savvy mid-market consumer products companies approach the marketing function from a fundamentally different angle from that of most mid-market companies:

They start with market research and devise a focused, comprehensive strategy to penetrate their market, build their brand, and win mind share before they enter a market.

The typical mid-market company is focused on sales, a tactical function of the marketing process, and gives little thought to researching the market, building a brand, and winning mind share. When you consider the mindset of the typical mid-market CEO, this makes sense; most were very skilled and well-trained engineers, salespeople, or finance people prior to starting their own company or taking over the top role.

To win mind share and influence your market, conduct the following activities (which we'll discuss in detail in the book):

1. Determine the mind share you want to win.
2. Create a brand strategy that embodies the mind share you seek to own.
3. Use a systematic approach for all your marketing and sales activities.

Concept #4:

Your team must be able to clearly articulate your purpose and your vision.

Your company's purpose is the single driver of all company activity. It's the reason you, the CEO, come to work each day; it's the reason the company exists—a reason that your leadership team can clearly articulate, and the market understands.

That's how it should be, but it's not true for many mid-market companies.

It's easy to think that the company purpose is to return profits to owners or shareholders; however, profits are simply the end result of well-run companies. An effective purpose reflects people's idealistic motivations for doing the company's work and doesn't just describe the organization's output or target customers; it captures the soul of the organization.

Great companies operate with a public purpose that is supported by a strong foundation. Company purpose and foundational work became very commonplace in Fortune 500 companies starting in the mid 1990s, much of it resulting from lengthy research and findings published by renown business authors, such as Jim Collins and Jerry Porras.

To clearly articulate your purpose and vision, conduct the following activities (which we'll discuss in detail in the book):

1. Clarify your purpose.
2. Define your core company values.
3. Build your supporting foundation infrastructure.

We discovered that many mid-market companies had already implemented bits and pieces of the concepts before we began working with them. This finding did not really surprise us, since the activities that support each concept are already part of the fabric of most Fortune 500 companies. While it's natural for good business practices of big companies to trickle down to mid-market companies, we learned that there's still a large gap between the two, leaving plenty of opportunity for mid-market CEOs to improve the way they run their companies.

The second major element of our discovery was that every mid-market CEO we encountered fell into one of five specific profiles, based on their personal goals. We call these the *CEO personas*:

1. **The Growth CEO** — You have a desire to move forward, to get bigger, to expand, to beat your competition and win the game. While this seems to be the logical profile of all CEOs, that isn't what we've experienced—approximately 30% of the CEOs we encounter are true 'growth CEOs.'
2. **The Hired Gun CEO** — You've been brought into a new company with the goal of making a short term, immediate impact. It's usually a turnaround or preparation for a company sale, and you have a big financial gain at stake and a reputation for being a

turnaround expert. Approximately 15% of the CEOs we encounter fall into this persona.

3. **The Strategic CEO** – You’re striving for a mid-term exit in 10 years. You’re either a company founder, or you’ve run the company a long time—and you’re focused on improving the business, to sell or transfer to a family member. Approximately 20% of the CEOs we encounter fall into this persona.
4. **The Career CEO** – You’re a new CEO taking on your first command and have achieved your dream role—you plan on being a CEO for multiple companies over your career. Approximately 10% of the CEOs we encounter fall into this persona.
5. **The Auto-Pilot CEO** – You’ve achieved continued success with your business, but it still requires all your attention to operate the company at your desired level. You’d like to get the business to the point where it can perform at this level without your constant involvement, so you can work less and have more time for other activities. Approximately 25% of the CEOs we encounter fall into this persona.

And finally, we learned that each of the five CEO personas has the ability to embrace and implement the concepts in order to achieve their personal end goals. The CEOs didn’t suggest the formulas to use—they became apparent throughout our work with them.

The ShortTrack for the Five Mid-Market CEO Personas

CEO Persona	Goal	ShortTrack
Growth CEO	Build a bigger company.	75% concept 3 + 15% concept 4 + 10% concept 1
Hired Gun CEO	Turn around a company in a short period of time.	65% concept 1 + 20% concept 3 + 15% concept 2
Strategic CEO	Build value for an exit within 6 to 10 years.	25% concept 1 + 25% concept 2 + 25% concept 3 + 25% concept 4
Career CEO	Enhance skills to be able to run other companies.	Focus on your weakest concepts.
Auto-Pilot CEO	Have existing company continue current performance with less time commitment.	Focus on your company's weakest concepts.

Our Background

My co-authors, Jim Sagar and Nick Setchell, and I have each devoted our careers to solving the challenges of mid-market companies—the “forgotten” companies of the business landscape.

Each of us was pursuing solutions independently in our areas of expertise for many years before we met: I as a former CEO training others in sales, leadership development, business foundational work, and people management; Jim in marketing and sales; and Nick in operational management.

Our paths crossed in 2006, and since then we’ve worked to organize and synchronize all our findings into a framework and solution that touches every area of managing a mid-market company. Independently and together, we’ve worked with CEOs of more than 2,000 mid-market companies in the United States, Europe, and Australia.

Part of our key findings in working with mid-market companies is that, while most CEOs and executives find value in the ideas and concepts presented in business books, few have the time or resources to synthesize those concepts and deploy them in the business to make tangible improvements. As such, we realized that taking the traditional course of presenting our findings in a book format would present only half a solution for many companies.

Because of our desire to create a complete solution, we took a different approach:

We developed the ShortTrack CEO book to present our findings to the general public, while at the same time creating a business management system based on the concepts — supported by a complete set of tools designed for mid-market companies to use in their day-to-day operations, to implement the concepts presented here.

This enables mid-market CEOs who want to implement the four concepts within their companies—or their specific ShortTrack—the freedom to use their own timeframe and tools, or to use the structure, timeframe, and tools of the business management system we created.

To download the complete eBook, please visit [ShortTrack CEO](#).

Ken

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