

## **Entrepreneurs vs Managers**

by Patrrick Smellie, BusinessDesk

As one of the founders of fast-growing bio-informatics company BioMatters, Daniel Batten found he was spending more and more time doing what he didn't like.

"I wasn't doing things I was passionate about," says the Aucklander, who five years down the track has founded a new company, BeyondTheCeiling, offering business mentoring and training.

"I was doing a lot of shareholder management, administering government grants, board reporting.

"I realised I needed someone who could do those things, so I spent half a day writing an 'anti-me' role profile."

The person he appointed went on to become the general manager, while Batten got to experience a sense of 'absolute relief'.

"As an entrepreneur you want to do everything yourself and that's a false mindset," he says.

"When you outsource your less enjoyed activities, it liberates you to operate in your sphere of excellence again."

### **The difference between success and failure**

Over and over again, versions of this story mark the defining difference between entrepreneurs whose companies succeed, and those whose best efforts fail.

"Start-ups are business reduced to its essence," says the author of "Founders at Work", Jessica Livingston.

"The reason their founders become rich is that startups do what businesses do—create value—more intensively than almost any other part of the economy."

But a time comes when scale - the ultimate objective of any business - dictates that the initial rush of founder enthusiasm is unlikely to be enough to carry the business forward.

One of the most common questions from would-be angel investors is 'what's happening to the founder', says Colin MacKinnon, who heads the New Zealand Venture Capital Association.

"Do they recognise they they're not the person to carry on the business because it's beyond their competencies?

"That's always an interesting conversation for an investor," he observes cryptically.

Campbell Means, at Wellington business development consultancy Igniter, says entrepreneurs tend to be 'obstinate optimists, sometimes to the point where they don't take people with them'.

"That's what's needed to get off the ground, but as it starts to scale, that 'do it by yourself loner approach' and often ignoring what the data is telling you can become a danger."

That's when they need to get out of the way, says Means.

While the occasional rare beast will be able to make the personal journey from successful entrepreneur to competent manager, the 'smart ones' are far more likely to see when the time has come to appoint a chief executive, whose job will be to make more money than the founder-shareholder could do on their own.

"The person in the CEO chair may be passionate about the idea - for example, maybe they like to write computer code - but they may have no idea about market entry, how to extend product cycles, targeting profitability, a raft of things that you have to think about to get a business to grow."

As Daniel Batten puts it: "Some people hold too tightly to control, not realising you don't have to own more than 51 percent to maintain control. Better to have 10 percent of something valuable than 100 percent of nothing."

### **Complementary strengths**

Entrepreneurs who build teams that complement their strengths are more likely to be successful, especially given entrepreneurs' fatal tendency not to let the facts get in the way of a good story, says Paul Robinson, chief executive at Team Leadership Services in Auckland.

"Usually that discussion occurs once they are making enough money to get their idea going, and that's the point at which they see the need to get some balance."

So if entrepreneurs are slightly maddening Pollyannas who don't like to analyse and prefer to act on instinct, who are these handbrakes who can bring order to chaos?

Managers, of course.

"Where the entrepreneur tends to be extroverted and creative, and you'll find them in start-ups, people who are analytical and structured will predominate in a corporate structure," says Robinson.

"The entrepreneur doesn't want to be constrained by that. They wouldn't need to feel they were going through a logical business case process."

As a result, they tend to have a lot of jobs, bouncing from one innovative challenge to the next, often following ideas rather than a career. They may fail to thrive in corporate environments, where their skills are needed but where process-driven management structures are the enemy of innovation.

"On the other hand, companies that already have managers can find it very difficult to be entrepreneurial," says MacKinnon. "Often they do that by creating special groups, sometimes outside the business."

Commonly cited examples of the sweet spot between managerial and entrepreneurial extremes are Apple and Virgin, where founders Steve Jobs and

Richard Branson have been able to stay inventive pioneers, while leaving others to run their global behemoths.

Among senior managers, says Robinson, it's common not only to find a bit of entrepreneur-type creativity, but they are also more likely to bring the creativity that the disciplines of strategic planning require.

Successful senior managers, in other words, are likely to be more rounded personalities, and often more extroverted than managers further down the line management chain.

However, don't ever expect to find the perfect package, Robinson warns. A person who seems to tick all the boxes of both an entrepreneur and a manager is likely either to lack self-awareness or to be a jack of all trades who won't excel in any of the roles they seem suited for.

### **The importance of shared values**

While diversity of skills is important, Batten says there is one thing that entrepreneurs and the managers they choose must share: the same values.

With the wrong manager, a passionate entrepreneur can feel their idea has been hijacked, lose motivation, and the result will be bitterness and dysfunction.

Likewise, the entrepreneur has to accept the value of the manager's skills.

"You get problems where people have a visceral reaction against anyone who wants to sell anything, or who hate structure so much that they won't allow management to occur. You need to be mature enough to allow it to happen.

"Entrepreneurs' skills will be around risk taking, creativity and so on. But they need to be able to speak management even if they don't want to do it," says Batten, who recommends entrepreneurs offer options and other non-cash incentives when seeking skilled managers that they can't yet afford. Reward for mutual success further down the track is often enough to attract a great manager to work for less than they could earn elsewhere.

"Likewise, the manager needs to be able to speak entrepreneur. There needs to be some overlap. A healthy respect is important."

Source: NZTE