

Catlin & Cookman Group  
info@catlinandcookman.com  
www.ceoexchange.com  
800.806.8518 / 781.749.3292

## ***The Ultimate Dilemma: Evolution of Your Role as CEO***

*An excerpt from Leading at the Speed of Growth*

*By Katherine Catlin and Jana Matthews*



**CATLIN & COOKMAN GROUP**

*Mastering the Art of Corporate Growth*

*Your company is your idea, your risk, and your life. You are the leader. But as it grows, it needs to change — and your role must evolve to match those changes. Your challenge is to become the dynamic leader your company needs through every stage of its growth.*

In the last decade, entrepreneurship has exploded in America. Ambitious individuals — people like you, who have a dream — are taking control of their own destinies, seizing opportunities, capturing new markets, and creating new wealth for themselves and the managers and employees they lead.

But the sad reality is that relatively few members of this wave of entrepreneurs will still be in charge when the companies they founded break through to super success.

Some people deliberately choose to be “serial entrepreneurs,” starting and selling or leaving one firm after another because the start-up and early stages of a business are what they enjoy most. But many other business founders who do want to stay with their companies fail to achieve their visions of growth, and others are forced out because investors doubt their ability to transform themselves from an entrepreneur to the CEO of a large, high-growth organization.

Why is this? Why are people like Bill Gates of Microsoft, Michael Dell of Dell Computers, Anita Roddick of The Body Shop, and Richard Branson of Virgin Atlantic the exceptions — founders who remain firmly at the helm as their companies soar to extraordinary heights? We believe such leaders succeed because they are able to transform their leadership roles and styles as their companies grow. As Charles Darwin taught us, it's not how fast or smart you are, but your ability to adapt that determines whether you survive

The irony of entrepreneurial leadership is that the very behaviors and habit patterns that lead to success at one stage of growth can contribute to failure in the next stage. It seems that just when you get good at something, you discover it's the wrong thing to be doing! It's important to understand and learn the

different kinds of knowledge and skills that are needed in each stage of your company's growth and development.

- How can you learn to make the right changes in your leadership style at the right time? Begin with this book. This book explains how to lead a company through growth once you've survived the start-up stage. In it, we describe in detail:
- The three distinct stages of growth that mark an organization's evolution after it has passed through the start-up stage and has stabilized into a “real” company: Initial Growth, Rapid Growth, and Continuous Growth.
- The “red flags” that signal the advent of a new stage of your company's evolution and that demand changes in your leadership to ensure continued success.
- Your changing role and the key responsibilities you must assume if you are going to remain an entrepreneurial leader as your company grows through each stage of development.
- The habits you must break and the personal transitions — specific changes in behavior and leadership style — you need to make to successfully take on each new role, growing from a founding entrepreneur into a great entrepreneurial CEO.
- A planning model called Building the Profit Spiral™ that will help you foster the growth of your company.

This book is full of stories of entrepreneurs who have faced the same issues you are facing - men and women who have made the journey from entrepreneur to CEO. Their companies range in size from 10 – 800 employees and from \$1 million to \$150 million in revenue.



We've provided the context, and then organized their stories (their words are in italics) to illustrate the points. Some of the entrepreneurs were not willing to share their confidential stories and candid insights if they had to name names of people and companies, so the quotes are anonymous. We've selected the best stories from **entrepreneurs who are role models – people who have** led their organizations out of start-up and through the three stages of growth. All of them know what it's like to experience significant annual growth of 20 to 50 percent or more. From these successful founding entrepreneurs you can learn what it takes to manage growth and achieve true entrepreneurial success.

Like you, these entrepreneurial leaders began with an intuitive leadership style. In the beginning of your company, you ride the start-up wave, put out fires, and make decisions on the fly. In this start-up phase, your business is still new enough, and generally small enough, for you to manage all its needs on a day-to-day basis and to improvise as needed. You know all the jobs to be done, make all the decisions, work from a plan that's more or less developing in your head as you go along, and make changes as opportunities present themselves.

In other words, you operate in a Do-It-Yourself mode. You are the “Doer” and “Decision-Maker”.

But once the company begins to grow beyond this start-up stage, you must alter your style from seat-of-the-pants, intuitive leadership to a more deliberate approach: growth by design. Yet even as your company reaches new stages of growth and you shift roles, you need to retain the best of your entrepreneurial characteristics and lead with consistent goals. That's one tall order, calling on you to continually:

- Develop markets, products/services, customers, and strategies to win
- Develop internal processes for planning, management and work flow, as well as the infrastructure to sustain expansion and growth

- Develop teams and people to perform the tasks that produce exceptional results
- Develop the cultural environment, so that it aligns and motivates those teams and people to work together as effectively as possible
- Finally, and perhaps most difficult, monitor the evolution of your company and change your leadership style to match its current stage of growth.

None of this will be easy. You will face challenging personal transitions. But since the ability to change grows with learning, constant learning is the most critical behavior you need to develop.

The good news is that you may already have what it takes to transform yourself into a highly successful entrepreneurial CEO. The Classic Entrepreneurial Strengths (see box) provide the strong foundation you need, no matter what stage of growth your company is experiencing,



### **CLASSIC ENTREPRENEURIAL STRENGTHS**

- **Visionary and pioneering**
- **Great at seeing possibilities where others don't**
- **Always searching for new opportunities and challenges**
- **Passionate and energetic**
- **Driven to achieve results with high standards of excellence**
- **Creative and innovative idea generators; thinking “out of the box”**
- **Always striving to do things better**
- **Proactive and future-focused**
- **Smart, capable and decisive**
- **Driven by a sense of urgency**
- **Confident about risk-taking**
- **Problem solvers; love new challenges and believe nothing is impossible**
- **Determined to create wealth, for themselves and others, and make a difference.**

But in order to transform into a truly great entrepreneurial leader of a high-growth company, you'll need to keep practicing all the Classic Entrepreneurial Strengths PLUS learn how to:

- Plan, including balancing short-term and long-term goals of all constituencies
- Communicate to produce alignment
- Build your entrepreneurial team and facilitate their working as a team
- Resolve conflicts

- Understand that people and culture are your key assets
- Learn from every success and failure you have, from mentors, and from other successful entrepreneurs.

As you move through the stages of growth and add new roles and responsibilities, the creativity, drive, and will to succeed that made you an entrepreneur in the first place will enable you to take on the new leadership roles and responsibilities that are necessary to propel the growth of your company. This creates a powerful and even unbeatable competitive advantage. You have experience, insights, and attitudes that are generally lacking in CEOs who have never started a company from scratch. These attributes make you better prepared to deal with the tough challenges that come your way as the CEO of a growing company operating in a highly competitive business environment. In short, you have what it takes to succeed IF you are willing to change and grow into the required roles and responsibilities as the company moves through the various stages of growth.

As your business grows, the new roles and responsibilities will require new knowledge and skills. Sometimes you will simply apply what you already know to new situations, but other times you will have to learn new things and add new skills to your repertoire. This book will show you what you need to know and how your roles and responsibilities will change as the company grows.

As you learn more about the three stages of growth that follow start-up, bear in mind that growth is a continuum that companies move through at different speeds. For example, the transition from Initial Growth to Rapid Growth can happen very quickly, and the two stages may seem to overlap for a time, especially in a fast-paced industry. And sometimes different units of the company can be in different stages, as well. Defining precisely where you are on the growth continuum at any given moment is less important than knowing the types of changes to expect as your company grows so you can become the leader it needs.

In your hands is a book that can guide you through the transitions



you will have to make if you want to pilot your company through this continuum of growth to exceptional heights.

“For a long time after I started my company, I made every decision. I was the only real expert, so I ended up teaching everyone I hired all about it. I also had an ego, so I felt I could make better decisions than anyone else. I ended up being an ill-informed, uneducated dictator. It was very hard to get past that stage. In hindsight, I see how it held everything back. We weren't able to really grow until I was able to change my leadership style. I wish I'd figured that out sooner.”

“Especially in those initial stages, when you're working so hard, it seems like there's no time to seek out advice from others. You're too busy trying to stay focused on doing the right things in the midst of all the stuff that's going on around you. But it's really important to make sure you're always learning. The best way to do that is to get plenty of input from outsiders, like customers, members of your board, and analysts. Listen and learn from them, even if — especially if — they're critical of what you do.”

“You don't ever change who you are, not really. What you do change are some of the roles you play. The way I look at it is that my job changes, but I don't. People always know who I am and what I stand for. Yet, as my company grew, my role had to keep changing, from cheerleader to ego feeder and so forth. When we had 15 people, I was the doer and leader. Now that we have 100 people, I have to be much less of the day-to-day decision-maker, and more a leader of leaders. It's been a real education process for me.”

“One of things I wish I had known that screwed us up in the early years is the importance of understanding what your personal goal is. What are you trying to do with the company? Then make sure that all your systems and all the things you're doing in the company reflect what your personal goals are or what the purpose of the company is.

“For instance, one goal might be quick profits, making some money to do something. Another might be cash flow and personal income. Some people are interested in running their company for a long time, really just to produce a good standard of living for themselves.

Others are looking for capital gains for growing and selling. They really want to build something, grow it, sell it and move on to the next thing.

“There's another set of entrepreneurs who are interested in building sustainable organizations that will last a long time. They are interested in building the next Hewlett-Packard, the next Microsoft. That takes a very different approach to leadership.

“Another goal might be to do something useful. The financial part isn't a key driver for them. Other entrepreneurs are interested in the people aspects of building an organization and having a place where people are all very happy. How you lead your company should really depend on your goals.

“Knowing your answers to these questions helps you determine the design of the organization, and set up your compensation systems, your reward systems, and your culture. Having all those in alignment is really important.”

### **This Book Is Your Map**

In a sense, this book provides you a “map” of the journey from Entrepreneur to CEO. Remember what happened after Lewis and Clark mapped the territory west of the Mississippi? Thousands of pioneers traveled west because they had a map to follow. We want all our readers to use this book as a “map” and lead their companies through the stages of growth to success.

In this book we highlight three stages of growth following Start-up: Initial Growth, Rapid Growth, and Continuous Growth.



## Evolution of Your Role as CEO



Stage 1 Start-up, the time when you're trying to figure out what product or service to offer that fits market needs and what your company's real value will provide for its customers. Your role is Doer and Decision Maker.

Stage 2 is Initial Growth. In this stage your company is very sales driven, trying to launch a new or different product, trying to capture market share, and growing revenues. Company operations are fast-paced, highly flexible – even chaotic. People do whatever is necessary to be successful. Your leadership role needs to change to Direction Setter and Delegator.

Stage 3 is Rapid Growth. Here your company is trying to achieve widespread use of its products or services, gain a significant share of its chosen markets, ward off advances from competitors, and move into a market leadership position. Lots of new people need to be hired – rounds and rounds of them. Integrating them and aligning their efforts can be a daunting, never-ending task. In this stage, your role as leader changes to Team Builder, Coach, Planner and Chief Communicator.

Stage 4 is Continuous Growth which is comprised of successive rounds of turbulence and periodic “re-inventions” of the company. Rapid growth led to many more customers and market opportunities, a much larger employee base, a more complex organization, and the potential to dominate the industry. But more of everything also includes more potential to go out of control.

In Continuous Growth, the company tries to dominate the industry by finding new markets and growing new niches in the current market, expanding the product lines, providing more “total solutions” to help customers, and branding itself and its people as “thought leaders”. Growth strategies include new product development, strategic alliances, acquisitions and mergers, spinning off subsidiaries, corporate partnerships to provide funding, or even an Initial Public Offering. The critical leadership roles you must change to are Strategic Innovator, Change Catalyst, Organization Builder and Chief of Culture.

So as the company changes, so do your roles and responsibilities. You'll need to make those changes in order to successfully lead your company through the stages of growth. That's the ultimate challenge of growth.

*Excerpted from Leading at the Speed of Growth: Journey from Entrepreneur to CEO by Katherine Catlin and Jana Matthews. Published by Hungry Minds. © 2001, Kauffman Center for Entrepreneurial Leadership, Ewing Marion Kauffman Foundation*



Catlin & Cookman Group  
241 Central Street  
Hingham, MA 02043  
Voice 781.749.3292  
800.806.8518  
Fax 781.740.8134  
info@catlinandcookman.com  
www.ceoexchange.com

## Catlin & Cookman Group: Corporate Profile

### *Building a Community of CEOs Who Are Growing Great Companies*

In today's fast-paced world, CEOs have the toughest job of all. While it's both exciting and rewarding, it can also be extraordinarily challenging. Where do CEOs turn for guidance? Since 1989, CEOs of emerging-growth companies have come to the Catlin & Cookman Group for our unique expertise and resources – proven methods and frameworks to plan for and manage growth and change. Our sole focus on the CEO experience sets us apart, and the highly targeted resources we offer – CEO forums, consulting processes and practical tools – are developed exclusively for CEOs who are committed to growing great companies.

#### **High-Growth CEO Forums™**

More than ever, CEOs need a group of peer advisors to help grapple with issues they can't discuss with their teams or Boards. Our unique Forums are tightly-knit groups of CEOs from similar stage companies who meet quarterly to discuss their business challenges, advise each other about critical decisions, and develop best practices for managing growth. Our focus on customizing agendas to address members' real-time, bottom-line issues keeps the group accountable and the payback measurable. And, through our licensed partners, we are growing the number of High-Growth CEO Forums worldwide, creating a powerful, wide-reaching community of over 70 venture-backed CEOs.

#### **High-Growth Consulting**

To succeed, CEOs must create a shared vision and strategy with the executive team – and then execute ... flawlessly. We work closely with CEOs to define their strategic vision and annual plans, build and align executive teams, and create the organizational design, operating system and culture for impeccable execution. Our systematic, proven frameworks for growth deliver measurable results.

***Building the Profit Spiral®** Our foundation framework. Uncovers impediments to growth and helps CEOs and their executive teams create and implement strategic plans that include market focus, mission, values, vision, strategies, structure and culture — and an operating system to make sure the plan works. The result is the path to extraordinary growth.*

***Building the Executive Team as Leaders of Growth®** Defines the key responsibilities of the executives beyond their functional roles and develops a highly-focused and exceptionally strong team capable of leading the company to successful growth, breakthrough innovation and maximized profits.*

***Building the Awesome Organization.** Drives the strategic plan down into the organization – ensures that the critical metrics, operating processes, culture and activity alignment exist to execute the plan.*

#### **Thought Leadership**

Our deep understanding of the high-growth CEO experience is reflected in our books, articles and seminars – and on our website, [www.ceoexchange.com](http://www.ceoexchange.com).

***Books:** **Leading at the Speed of Growth: Journey from Entrepreneur to CEO** (Wiley, 2001) and **Building the Awesome Organization** (Wiley, 2002) by Founder Katherine Catlin and Jana Matthews.*

***Seminars and Speaking Engagements:** “Growing Your Company: The CEO's Challenge,” a two-year, 7-part series for the Massachusetts Software Council, “The New Breed of Leader” at the Future Forward Conference, “Planning Bootcamp,” and many other engagements.*

**Clients Include:** Anaqua, Antenna Software, aPriori, Authentica, Authoria, Avotus, Bluespec, Circles, Concord Communications, Constant Contact, e-Dialog, Empirix, eRoom Technology, Experience, I-Logix, Inmagic, iRobot, LiveVault, PeopleCube, Monster.com, mValent, OneSource Information Services, PanGo Networks, Pantero, Soundbite, Steelpoint Technologies, The MathWorks, VFA, Sevin Rosen Funds, Polaris Venture Partners, and North Bridge Venture Partners



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# The Bottom-Line Impact Experienced by our Clients

## High-Growth CEO Forums™

“The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being.”

*Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million. He was also E&Y Entrepreneur of the Year winner in 2003.*

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

*Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member.*

“The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board, not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships.”

*Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003*

“The Catlin & Cookman Group’s High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award.”

*Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001.*

“Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement.”

*Gene Robinson, CEO of I-Logix, Inc*

## High-Growth Consulting

“I’ve always been an entrepreneur, and one of the things I learned early on was that I couldn’t get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world.”

*Jeff Taylor, Founder and Chief Monster, Monster.com*

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

*Tod Loofbourrow, CEO of Authoria Inc.*

“When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team.”

*John Rizzi, CEO of e-Dialog*

