

# Big fish, little pond

*How large-company execs best fit into smaller businesses ... and their boardrooms.*

BY DAVID J. MALIZIA

**I**N MY 20 YEARS in business I have worked for, interacted with, and assessed many CEOs and managers in dozens of companies across a range of industries — large and small, public and private. Much of my energy over the years has been focused on making investments and building management teams in small companies with revenues under \$20 million.

In these experiences, I have frequently participated in the selection of CEOs and developed some contrarian views on the topic. Conventional wisdom says that if you need to build a management team or hire a CEO, then you should look to hire managers who run Fortune 1000 companies. After all, if a person can successfully manage one of the world's largest corporations, then they should be able to lead a small business.

However, in contrast to that conventional wisdom, I argue that the opposite is true: Executives of large organizations may not be the best stewards of small companies, but they can be excellent advisers and an invaluable resource.

So, here are my top-five tips in developing a board and a strong management team for a small business:

**1. Look for Leaders Who Can “Roll Up Their Sleeves” to Run Your Small Company** — Instead of recruiting an executive accustomed to running a large company, focus your efforts on someone with hands-on experience, an entrepreneurial bent, and the ability to relate to anyone, no matter their education, background, or position.

Executives of large and medium-sized organizations tend to be good at delegating rather than doing. Small-company environments tend to be dynamic and require a hands-on approach to doing the work, as well as quick, impromptu decisions. In these smaller organizations, successful leaders must wear a lot of hats and lead through motivation and example, not by power, position, or pedigree.



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**2. Fortune 1000 CEOs and Executives Belong on Your Board** — Even though many executives of large and medium-sized businesses would make poor small-company managers, they can be an invaluable resource to the board of a small business. Senior-level executives with large-company backgrounds possess an innate ability to apply more thorough processes and structure, which is needed in a small company as it begins to grow and mature.

As advisers to your team, these board members can help successfully engineer your company and help navigate through strategic, operational, and human resource landmines. They know what infrastructure and metrics are needed to manage those businesses. Their experience can help the small-company CEO mature and possibly make the leap to large-company CEO. But be careful when appointing seasoned veterans to your board. Just as with all relationships, respect and compatibility are important in building a productive board.

**3. Don't Limit Yourself to Current and**

*Former CEOs to Fill Board Positions* — Many companies would consider landing a Fortune 1000 CEO to be a trophy catch. However, there's more to consider than pedigree when it comes to choosing the right executive for your board. In fact, in many instances, CEOs may not be the best option.

Let's face it: CEOs are busy. While appointing a well-known exec to your team is enticing (even glamorous), you'll stand to gain more by selecting professionals who will directly and significantly impact your organization. Consider other senior-level executives, such as CFOs, COOs, and CIOs. These individuals often have valuable business savvy and expertise, and — honored to sit on your board — they may bring more enthusiasm and dedication to their role than a CEO.

**4. Use Your Board to Address Weak Spots** — Life is about networking and leveraging relationships. Every company has expertise gaps, and nobody knows your shortcomings better than you. Use the leverage and networking capability of executives on your board to assess the managerial positions in your company and to develop the correct job description and criteria to ensure you will hire the best employees.

People are expensive, and you cannot afford to make the wrong hire. Seasoned executives have made the hiring mistakes and they have various tools and methods that can be useful in hiring the right personnel. Leverage their experience and knowledge. You will be grateful!

**5. Communicate, and Be Open with Your Board** — If you are serious about having an effective board that can contribute to building a successful company, you have to communicate with your board members on a regular basis and be completely open with them about your company. Too many small-business owners want to have boards, but they continue to be guarded with information about their company and restrict access to their employees. This guarded approach will only create an uninformed

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back to the profound impact Confucius had on their culture and the emphasis placed on obedience and order. Chinese businessmen enter a room in the order of their rank and they expect counterparts to do the same, allowing both groups to immediately understand each other's hierarchy. Only a leader speaks during meetings, and the Chinese expect that the opposing delegation also will have only one speaker — a condition that most individualistic Westerners find difficult to follow. ■

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## QUIDDITIES

### Alignment strikes out

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was due not to Casey's managerial skills but to the Forbes Field groundskeepers. (Absent the pebble, the Yankees would surely have won, *despite* Casey's wrong-headed pitching rotation.)

Joe Torre should be admired for refusing to participate in a misguided exercise in "alignment." It is past time for Corporate America to stop swinging at this same screwball. ■

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## BOARD LEVERAGE

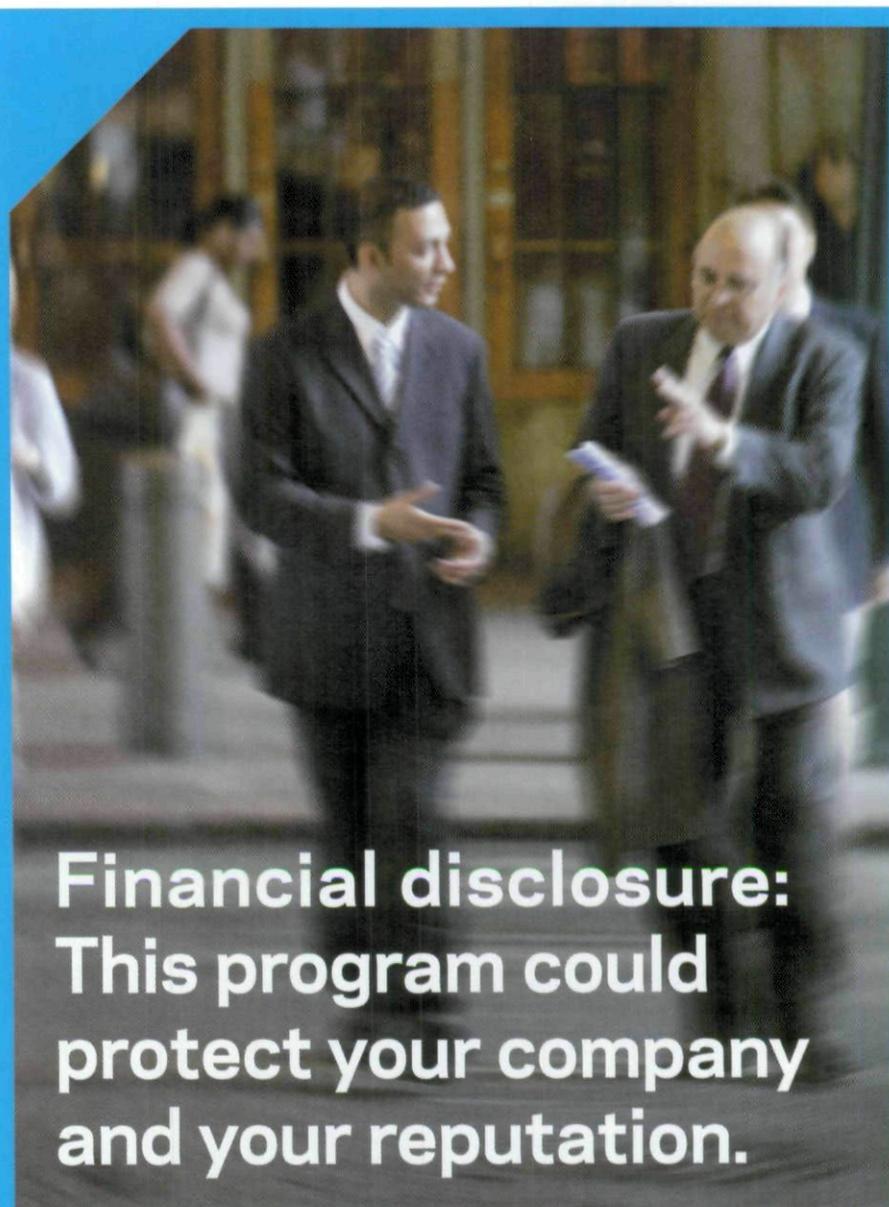
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board that will eventually wither away and become disengaged.

Allow total access to information, financial statements, compensation, strategy, and personnel. This openness will produce a vibrant board whose members will feel that their efforts are for a good purpose — thus, keeping them engaged, helping your company mature, and professionalizing the organization. ■

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