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awake at night –
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Insights from
CEO to CEO
July 2013

How Leadership Infrastructure Helps Mid-sized Companies Sustain Their Growth

Growing companies can be victims of their own success. When they get the growth they so desperately seek, they may just as quickly outgrow their leadership infrastructure, rendering the business chaotic and inefficient. Business schools don't teach classes in building leadership infrastructure, and it is not a natural skill for most. Many mid-sized executives shun it, equating it with big-company bureaucracy. Mid-sized companies are always the victims of insufficient leadership infrastructure, because small firms don't need much, and big companies already have it. To transition from small to big, you must build your own leadership infrastructure.



But what is leadership infrastructure?

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**Signed By
Book Publisher**



Robert Sher

People often wonder how I come up with topics for all my articles. Yet I find that there is so much to learn about business leadership for mid-sized firms that the hard part is choosing among the many topics. You see, when I write, I learn. Writing forces me to think deeply, and to reflect on my experience and the experience of fellow CEOs. Now, in addition to writing 40 articles

per year for Forbes, CFO.com and others, I'm finishing my next book, having been signed by publisher [Bibliomotion](#). My manuscript is due January 7th, 2014, with the book to be released around September, 2014. My working title: *Leading in the Middle: Overcoming the Growth Killers That Stunt Mid-sized Companies*. Details [here](#). Stay tuned!

It's similar but not equivalent to what we all know as national infrastructure. This typically refers to the technical structures that support a society, such as roads, bridges, water supply, sewers, electrical grids, telecommunications, and so forth. Wikipedia defines infrastructure as "the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions."



Leadership infrastructure is related but not identical to IT infrastructure, which includes IT systems, network structures and data storage management.

Leadership infrastructure is the sum total of management systems, processes, leadership teams, skillsets and disciplines which enables companies to grow successfully from small scale operations into mid-sized or large firms. Leadership infrastructure is every bit as real as physical infrastructure: servers, wiring, hubs and the like.

Leadership infrastructure includes these elements:

- A leadership team, led by an executive team, illustrated by an organizational chart.
- Proven project management competence.
- Strategic and operational planning processes and governance.
- A market intelligence-gathering team and processes.
- A Board of Directors.
- An effective communications rhythm, among leaders and between management and employees.
- Key tactical experience on the leadership team in the requisite areas: acquisitions, international expansion, divestitures, etc.
- Performance management and other HR systems.
- Proven competence in forecasting and budgeting processes.

Mid-sized firms may possess some or all of these elements, but it doesn't mean they are as robust or effective as they must be.

Here's a dramatic example of woefully inadequate leadership infrastructure. Between 2004 and 2007, Weymouth MS based Charter Airline JetDirect purchased a dozen smaller charter operations, building a \$200 million business in the process. However, the company failed to build the systems or management team capable of integrating the acquisitions or effectively running a firm of that scale. Clients grew unhappy with poor service. Incorrect invoices went out, which many customers refused to pay. The company hit a cash crisis. Only after the acquisition of a larger

midsized company (TAG Aviation, with \$400 million in revenue) did management realize that its “rol-lup” was rolling out of control, but it was too late to make the adjustments. In 2009, JetDirect’s bank seized control and two months later filed for liquidation.

Most of the CEOs and executives in midsized firms are not expert at making the transition to the full leadership infrastructure required. Some common observations I’ve heard from leaders in midsized firms trying to grow is:

- We held a strategic offsite for the first time, but no one seems accountable for delivering on the big ideas we came up with.
- We made what looked like a great acquisition, but it has been a distracting headache ever since, sucking up money and leadership bandwidth.
- Our CEO is creative. He comes up with new ideas all the time, pulling people off their “real” jobs to work on his projects, making us miss deadlines.
- We have two executives who saved our bacon a few years back, but now that we’re larger, they seem lost, unable to step up and do what we need now.
- Two million in cash used to be plenty, but not anymore—it feels like we run low too often.
- With so many people involved in each decision, we seem to waste a lot of time in meetings but still miss our deadlines.
- The CEO sticks his head into everything, making changes and redirecting our efforts. Even some of our best execs have given up and just ask the CEO for direction.
- Our CEO wants us to lead our function at a high level, but also wants us to manage every detail in our function, as he used to do. We don’t have the time to do both well.

Why does the leadership infrastructure issue hammer midsized firms as they grow? Because it’s often the first time they need it. Small firms don’t need much because while they’re getting rolling, the leaders must handle all the details. Even the CEO is at ground level, answering the phone, managing every detail. Soon the CEO has a band of helpers, but he tells them what to do and how to handle each task. This is the way it must be. Survival is the prime directive and there is no budget for overhead or “the long term”. The business stays lean, with little leadership infrastructure.

On the other hand, big firms already have the strategic, visionary c-suite. They already have solid middle managers who oversee getting the work done. They already possess trained workers, with

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defined processes and clear instructions. Big firms are rich in leadership infrastructure. The myriad of business books aimed at big companies assumes that a significant leadership infrastructure is in place—and helps them manage it, leverage it and improve it. But these books don't tell mid-sized firms how to build their leadership infrastructure from scratch, with very little time and resources.

Thus, mid-sized firms must design and build their own leadership infrastructure, but it poses a difficult task. Why is it so difficult?

- **One-size fits all is a nonstarter. The requirements for a \$10 million revenue business are quite different from those of a \$75 million or \$250 million business.**
- **Leaders who developed their skills in small firms don't understand what they need in a growing company or that constructing one calls for a skill set they generally don't possess.**
- **Leaders who developed in big-companies overinvest in leadership infrastructure, often making it cumbersome, overly bureaucratic and thus unsustainable.**

Many CEOs try piecemeal approaches based on books they read, or bits of advice from peers or other advisors. But the entire organization was used to things “the old way” and generating change from within the organization is difficult and liable to fail. One firm in particular heeded the call from the team for more meetings and began meeting more often. However, the meetings were long and disorganized, without clear outcomes. They ultimately had no benefit.



Many external consulting firms have big company experience; they're accustomed to large, rigid systems which are cumbersome to implement and even harder to maintain and govern. For example, one \$20 million firm began their business planning process with good success, but the executive team kept making the process more detailed and more far-reaching. After 3 planning cycles it grew so comprehensive that they couldn't find the time to plan anymore and went 18 months without any plan at all.

Some mid-sized firms try to act both big and small at the same time. Their CEOs still obsess over every detail, changing directions and directives all the time, all the while proclaiming big strategic imperatives, but never focusing on them. Still other times, they abandon their small company agility and try to tackle long term objectives without the resources they need. Worse, they demand big company skills out of a loyal team that doesn't have those skills.

Look at the company's needs for leadership infrastructure holistically—looking at all the elements of leadership infrastructure—and try to envision a picture of what needs to be in place one to two years hence. Assess your past performance in such endeavors, and get the guidance you know you need to build it right the first time. Then tackle the work in phases.

Here's a step-by-step approach to building your leadership infrastructure:

- 1) Assess your own and your top team's experience in larger mid-sized firms, as well as your assembled knowledge and past success building leadership infrastructure. Do you know what you need to do? Have you done it in your collective careers?
- 2) Assess your recent attempts to build leadership infrastructure. What worked, and what did not? Have you been able to significantly raise the performance of your leadership team over time?
- 3) If points one and two both receive positive self-ratings, it may be that you only need to make building leadership infrastructure a priority, and/or appoint a senior exec (CFO, CEO, CHRO) to drive it.
- 4) If points one or two above highlight a weakness, bring in outside help who can act as a catalyst for change, as well as a source of knowledge. Help could come from a new C-level executive brought in for this purpose, or it might be a mentor or a consulting firm.
- 5) The outsider should start by listening, not only to the CEO, but to others in the environment, perhaps in a series of interviews. Additionally, there are a number of effective survey tools, of which my favorite is the Elkiem assessment. Create a project plan around each phase—clarifying job descriptions, creating and guiding your business plan, building a communications cadence, and so forth—each with clear objectives and deadlines. Manage the building of leadership infrastructure just as you'd manage any other plan.

**If your leadership infrastructure building is going well, you should see the following gradual changes as the company grows to the next level:**

- 1) The CEO transforms from a doer/innovator to a leader of leaders.
- 2) The top team changes from being the CEO's helpers to executive level leaders.
- 3) Middle managers are hired, allowing the c-suite to be strategic and concentrate on the long-term.
- 4) Reliance on instinct and slavery to urgency are reduced, mitigated by planning and processes.
- 5) Heroic individual actions are replaced by disciplined teamwork.
- 6) The startup "do it all" team of three becomes a three to four level leadership team.
- 7) Growth comes not just opportunistically, but by staking out strategic customers and acquisitions.

Robert Sher's Column On Forbes online

GAME RAISING INSIGHTS: CEO TO CEO

I'm posting new articles regularly on Forbes! You'll find links to the three recent posts on my home page: www.ceotoceo.biz. Please weigh in online and let me and everyone know your opinions and share your experience.



How To Avoid Being George Zimmered Out Of Your Company

Some companies let time slip away from them. The result is one missed deadline after another. CEOs must come down hard and enforce deadlines. Read how treating time with such disrespect can kill growth, and what to do about it. [Read more.](#)

Lapsed Deadlines: A Silent Growth Killer of Midsized Companies

Some companies let time slip away from them. The result is one missed deadline after another. CEOs must come down hard and enforce deadlines. Read how treating time with such disrespect can kill growth, and what to do about it. [Read more.](#)



Games Gone Haywire: What All Companies Can Learn From the Travails of Zynga

Zynga had such a fast acceleration to a billion plus in revenues, and now the growth curve has reversed. Zynga didn't move early enough to a new market (mobile) and failed to execute it well. [Read more.](#)



How Impossible Dreams Can Destroy Value in Mid-Sized Firms

Most mid-sized business cannot be an amazing growth story. While the media loves crazy-fast growing companies, trying to make a company grow faster than it should often destroys value.

Shooting for a billion dollar revenue line is a bad idea for most mid-size firms. Read my new post on Forbes that addresses what CEOs can do to determine if their company has big-growth potential, and what they could do if it doesn't qualify for their personal aspirations of running a big firm. [Read more.](#)

Why IBM CEO's Public Spanking of the Sales Func- tion Was the Right Move

CEOs aren't tough enough on poor performance. Last week IBM's CEO publicly criticized her sales function, and I think she was right to do it. [Read more.](#)



The Lessons of JC Penney: How Bringing in New Blood at the Top Can Lead to Substantial Bleeding

JC Penney's board of directors brought in a big-name CEO and let him run free. When companies are struggling, boards must do their duty by governing more closely. [Read more.](#)

Will Your Fore- cast Make You Look Stupid?

Forecasts can make CEOs look really stupid at the end of the year. Delve into how to figure out how good your team is at forecasting. [Read more.](#)



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GAME RAISING INSIGHTS: CEO TO CEO



When Persistence Can Be Perilous

Many mid-market business leaders waste their resources and talent being persistent. Assess your current situation and pick new opportunities wisely. [Read more.](#)

Why Industry Consolidations like the American Airlines and US Airways Merger Are Not Just for Big Companies



Buying competitors and gaining market dominance may become the only way to reduce costs, gain pricing power and ensure profitability. [Read more.](#)



Why Dictatorial CEOs Increasingly Put Their Companies at Risk (and What to Do About It)

Too many CEOs simply don't realize how much of a turnoff it is to have a boss who knows it all, calls all the important shots and dominates every conversation. [Read more.](#)

Robert Sher's Column
On CFO

BUILDING THE CEO/CFO DYNAMIC

CFO Magazine's online edition has asked me to write a monthly column about improving the CEO/CFO dynamic in mid-market companies.



CFO & CEO: How to Avoid Organizational Mood Swings

CEOs and CFOs must deliver a carefully crafted duet when they communicate to the team, balancing optimistic messages and cautionary ones. [Read more.](#)

Keeping Revenue and Budget on Target



Staying focused on the business plan is often as hard as crafting a great plan in the first place. Use this approach to keep the C-suite on track. [Read more.](#)



CFOs Can Help Themselves by Helping Sales Improve Forecasts

Many chief sales officers are notorious for making pie-in-the-sky forecasts that can lead their company to overspend. CFOs who provide sales forecasting modeling—and train the sales leader on how to use it—can save their company from financial calamities. [Read more.](#)

Here is a fine example of intentionally building leadership infrastructure. Pelican Products is a manufacturer of high performance protective case solutions and advanced portable lighting systems headquartered in Torrance, CA. For over 28 years, the company expanded only through organic growth, but in October 2004, Behrman Capital—a private equity firm with 1.8 billion in assets—bought out the founder for \$200M. At the time the firm was generating revenues of approximately \$100M with 500 employees. In August 2006, Lyndon Faulkner came on board to lead the company. Faulkner is a serial CEO, most recently General Manager of Microsoft's Americas Operations Group.



In September 2008, just as Lehman Brothers filed for bankruptcy, at the edge of the abyss that was the great recession, Lyndon was negotiating to buy Pelican's arch competitor: Hardigg Industries of South Deerfield, MA, the world's leading manufacturer of roto-molded protective cases.

Lyndon comments, "By then, Pelican had advanced significantly from being a totally entrepreneur-run company to being a more delegated-style company, generating sales gains, planning. We were now doing a lot of planning first and execution second, as opposed to daily execution of a series of tasks. I will admit that the day to day execution style had delivered excellent results in product development over the years. Yet we had begun to bring strategy to bear in the company. Everybody knew their roles and responsibilities. Many people had been empowered to do more during this period of time than ever before. That in turn allowed us to drive growth."

When the deal was announced in January 2009 and valued at \$200M, Pelican jumped forward, now 1300 employees strong with revenues approaching \$300M.



While the target firm Hardigg had been successful, they had always been run informally, with little emphasis on planning, project management and the tight accountability required by firms which choose to grow aggressively. It was precisely this sort of management discipline that the Pelican team had been learning since Lyndon's arrival. They had refined it during ongoing operations and their first two successful acquisitions.

"We discovered in the acquisition of Hardigg that they were still in that place--where Pelican was three years ago. Hardigg was still a very execution focused company, not a big analysis company. They made great products and brought them to market. It was what they had decided to do every day and they did it well.

"We went in and with a clean piece of paper, built a plan

A young, still developing leadership infrastructure leaves midsized firms particularly vulnerable. CEOs must assess the state of their leadership infrastructure then intentionally design and build their leadership systems and team based on the future requirements of the firm.

around merging the two businesses. A secondary plan was crafted to bring Hardigg’s planning and project management acumen up to the place where Pelican was, but in a much shorter time frame.”

Midsized firms which choose to grow must build their leadership infrastructure, a difficult task that can take many years. A young and developing leadership infrastructure leaves midsized firms particu-

larly vulnerable to the organizational problems that slow growth. CEOs must assess the state of their leadership infrastructure then intentionally design and build the leadership systems and team based on the future needs of the firm. ■



Robert Sher is the founding principal of CEO to CEO, a firm that improves the skills of chief executives of mid-market companies who are navigating major shifts in their business or marketplace. The author of the book, The Feel of the Deal: How I Built My Company through Acquisitions, Sher was CEO of a publishing company for more than 20 years before launching CEO to CEO in 2007.