

## Health is Wealth



# THE NINTH COMMANDMENT

MAINTAIN A DETACHED  
POINT OF VIEW.

*Managing a growing business requires unyielding dedication that can consume the body, impair the senses, and warp the mind. Such effects are harmful to the individual and the enterprise. Clinical objectivity is the only preventive. Growth implies and entails risk. Risk begets failure as well as successes. Wide perspective gained through non-business experience or study helps one endure the pressures and accept with equanimity the results, good and bad, of business decisions.*

Few new ventures get very far without a lot of what is termed “sweat equity,” the investment of many, many long days of toil by the key people. Just why this investment seems to be mandatory is unclear. It may be a law of the universe. It may have something to do with giving birth to a new entity. The explanation may reside with the fact that entrepreneurs typically have sizeable egos, so they try to do everything themselves. Whatever the cause, when there is an excessive amount of sweat equity invested over time by one or more individuals, the size, success, and overall health of the total enterprise is going to be at risk.

**CASE U.** Sam J., aged thirty-six, was hired away from a large electronics firm to be the general manager of a startup company. The company was founded and financed by two older, private investors and a venture capital fund. The company did well and within a year Sam was made president. During that year fourteen-hour days were the norm for Sam as he hired, fired, sold, billed, designed, cajoled, figured, and, on occasion, worked on the production line. Sam was the hub of the wheel, and as the company grew, he took great pride in being on a first-name basis with every employee and issue. The company prospered, but by the third year Sam was clearly stretched too thin. His board prevailed on him to add three vice-presidents. He did, but for the most part they were not strong people. Probably subconsciously, Sam tended to hire dependent subordinates so that his position as the hub remained undisturbed.

The flourishing company sold stock to the public and moved into its own new factory, during the fourth year. That same year Sam and his wife built a new home high on a hill near the factory. The axis of the new home was aligned with the factory, and the living room bay window looked directly down on it. Sam often invited groups of employees other than his officers, to dinner. He invited the officers, too, on occasion. The dinners were one of the many ways Sam was

*(case continued on next page)*

able to keep his finger on the pulse of the operation and perpetuate his network of information sources within the company. Sam continued his twelve-to-fourteen-hour days. Everyone felt he set an excellent example.

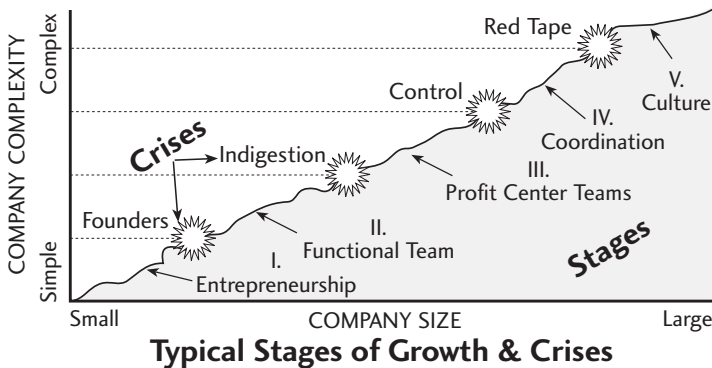
The growth of the company slowed in its fifth year. Sam took it quite personally and chided his vice-presidents to work harder. The problems which seemed to be overtaking the company included a lack of new products, a rather primitive accounting and control system, aging production processes, and weak marketing. Sam attacked all of the problems. A downturn in the economy aggravated the situation. At that point Sam became desperate. During one week he fired two vice-presidents, signed a \$200,000 contract with a consulting firm to diagnose the company's situation, and triggered a violent oral exchange with the two founders regarding the source of the company's fall from grace in terms of performance.

Within four months the founders had sold their sizeable block of the company to an acquisition-minded conglomerate. The conglomerate picked up the rest of the stock of the company at a bargain price six months later.

Was Sam a hero or a villain? A very thin line separates the two in the world of entrepreneuring. He gave the enterprise what it needed in the early days. He gave it all he had. In the process, his personality became inseparable from the business itself, and the vital element of objectivity was lost. People didn't work for the company; they worked for Sam. Sam wasn't the president of a growth venture, the captain of the company's management team. He was a self-appointed king of the realm. The *company* didn't fail; it outgrew its leadership and then collapsed when the single hub could no longer support the weight of the enlarged wheel.

Sam's inability to step back and put some distance between himself and the enterprise is a common problem. It is particularly visible at the entrepreneurial end

of the sequence of stages through which most successful companies pass. In recent decades, scholars have analyzed a cross-section of companies in an effort to discover any distinct and recurring growth patterns. Notable among the efforts was a comprehensive study done by Professor Larry E. Greiner at the University of Southern California. It supported the conclusion that, indeed, many companies pass through some common stages and crisis points. An appreciation for the stages and crises can assist top managers in piloting their enterprises over time. The highlights in the corporate metamorphosis are illustrated in the diagram below.



As companies become older and larger (x-axis), they usually also become more complex (y-axis) because of either product line or market expansion, or both. As a given company becomes more complex, the managing practices used by the key people need to change; often the structure of the company has to change as well. Stage one in the diagram, growth through **Entrepreneurship**, is the subject of this book. Here, one person or a small group works long, hard, informally, and quickly to launch a new enterprise. A certain percentage of startups succeed because of the energy applied. But the single-minded dedication of the early executives often also

contains the seeds for the first crisis: the **Founders** crisis. The entrepreneur tries to do everything himself or herself; he or she won't let go of some of the reins; the company's needs exceed the grasp of the one or two individuals in the driver's seat; the enterprise bumps off the road to success.

What does it take to stay on the upward growth curve, to continue succeeding beyond what is typically the first crisis point? Usually it takes a broadening of the management talent base, some effective staffing that adds up to the well-rounded **Functional Team** needed for stage-two growth. Such a team might include accounting or manufacturing or marketing experts depending on the needs of the business and the voids in the entrepreneur's expertise. In this second stage the entrepreneur, if she or he is to make the transition personally, must begin getting results through others as opposed to through her or his own individual efforts. Many entrepreneurs find this a tough transition to make, and many don't make it. Sam in Case U above illustrates this point.

In companies where this leadership hurdle is cleared, progress up the growth curve often continues. Products and markets are typically added; the business prospers and also becomes rapidly more complex. The stage is set for the second major crisis, **Indigestion**. The single level of general management normally found in a functional organization gets to the point where it simply can no longer efficiently handle the increasingly diverse issues, problems, and questions flooding in from the various functional vice-presidents. (Refer to section 6.0 in the material on Preparing a Business Plan, Commandment Four.) General management suffers an overload. People miss schedules and overrun budgets. Communications bog down. Silly mistakes are made. And the quality of decisions at the top declines because the distance be-

tween the general management and the realities at the customer interface has become too great. The enterprise is suffering from success. Usually the best medicine is to break the company into smaller, more manageable pieces—to decentralize into **Profit Center Teams**.

Stage-three growth, with its multiple profit centers, means that at least one additional layer of general management is added to the organization. This puts key decisions closer to the customer interface. It is often also true that now there will be a more homogeneous character to the range of issues with which each profit center team must deal, since profit centers are typically formed around a single product line, geographical area, or type of customer. Stage-three growth, however, like the other stages, carries with it the seeds of the next crisis. The varied actions of independent profit centers breed the crisis of **Control**.

Profit center teams have a tendency to go off in their own directions. When this happens, the total enterprise can become merely the sum of the parts, instead of more than the sum. Corporate management gets increasingly uneasy as it senses that it's losing touch with what is going on. The objectives of the enterprise become fuzzy as it is stretched in several directions. Overall, things get out of control. The people at the center of the complexity can't spell out for sure what business they are in. **Coordination** is needed in order to exploit competitive advantages systematically on a company-wide basis. Such coordination, stage four of growth, usually takes the form of added management information systems and progress-reporting mechanisms and a more rigorous planning schedule throughout the year. In short, more meetings, manuals, and memos—the bane of the traditional entrepreneur!

These adjustments, in time, do bring about a higher degree of coordination. Experience indicates that they

also can usher in the next crisis, **Red Tape**. The busy business builders in the emerging profit centers find they are spending two-thirds of their time justifying what they do during the remaining third. The control systems developed for the decentralized company become anchors instead of sails. How is the red tape cut, or thinned, without letting the pieces of the enterprise fly apart again?

A variety of human overrides to control systems have been tried. Examples include task forces, matrix structures, and administrative maneuvers to promote the productive interaction of seasoned people for the good of the whole organization. These overrides are sometimes successful, but as a rule they are not particularly enduring. For example, how long can a task force prevail on a subject? The latest thinking on how to accomplish optimal coordination in companies with increasingly diverse activities (products/services/markets/technologies) is to try to *internalize* the values, checks, and balances in at least the key players. Such internalization suggests the development of a corporate **Culture**, a term introduced in Commandment Five. The existence of a culture implies that a group of people share a point of view about matters important to a larger enterprise of which they are a part.

A key point to remember is that the management practices (like the investment of sweat equity during the Entrepreneurship stage) that breed success at one stage carry with them the seeds for a crisis. In a sense, this kind of a crisis is part of the price of success. The important point: It is necessary for an entrepreneur to change his or her managing style as his or her company prospers. What worked yesterday or today is not the formula for tomorrow. A sensitivity to this issue of managing style is essential if a person is to achieve the degree of clinical objectivity called for here in Commandment Nine.

What else is required? Good health, including adequate rest, and some semblance of a balance between vocational and avocational interests. Few people appreciate the physical wear and tear required to found and run a dynamic enterprise. Any busy manager or executive in any business can tally the litany of meetings, emails, phone calls, airports, rent-a-cars, airplanes, hotel rooms, deadlines, and so forth that he or she endures. Now add to this litany the incremental burdens on entrepreneurs who have to initiate everything, work without staff support, and shoulder the stress of possibly being wrong or ineffective on a critical item at any given point in the day. The load on the individual, the entrepreneur, the person who is his or her own boss, is often essentially doubled.

The only antidote is physical and mental fitness equal to the load. Self-help books by the hundreds prescribe appropriate routines for getting and/or staying in shape. And any competent M.D., especially one associated with preventive medicine—the entrepreneurial end of medicine in many respects—can help you tailor-make a program compatible, within reason, with your own lifestyle. Likewise, regarding mental health, particularly stress, there is a growing body of knowledge about what causes stress and how to deal with it. A pioneer and foremost authority in the matter is Dr. Hans Selye, M.D., professor emeritus at the University of Montreal and president of the International Institute of Stress.

Dr. Selye, among others, has pointed out that at its roots, stress results from the body trying to readjust or adapt itself to a new situation. But please note: The new situation can be good or bad, real or imagined. This is a very important point to appreciate. Your body reacts measurably to each of the following kinds of events:

A threat by a mugger on a city street.  
Receipt of a huge order for your company.  
A death in the family.  
Leaving on a vacation trip to Europe.  
A sudden shortage of cash to pay bills.  
The apparent failure of a key subordinate to  
meet expectations.  
The loss of a major client.  
Extensive, unexpected bad weather.

Each good, bad, real, or imagined event (the mugger may just be a shadow, for example) causes a physical reaction of one sort or another, whether it be an increased pulse and breathing rate triggered by adrenaline or a feeling of malaise brought on by hormones or “. . . newly discovered brain substances, endorphins and enkephalins, and activities of the nervous pathways that mediate and alter the stress response.”\*

Dr. Selye puts the situation this way. “They (the events) produce a body change—in effect, a derangement. And, having done so, they also make a demand on the body to readjust itself. This demand is nonspecific. It requires adaptation to a problem regardless of what the problem may be.

“That is to say that all agents [heat, cold, jogging, drugs, hormones] to which we are exposed produce not only their specific actions but also a nonspecific increase in the need to perform certain adaptive functions and then to reestablish normalcy—and the nonspecific is independent of the specific activity that caused the rise in requirements. This nonspecific demand for activity as such is the essence of stress.

“It doesn’t matter whether the agent or situation we face is pleasant or unpleasant. All that counts—from the standpoint of stress-producing, or stressor, activity—is the intensity of the demand for readjustment or adaptation.

\* Hans Selye, “On Executive Stress,” *Executive Health*.

“If it seems difficult to see how such different things as heat, cold, drugs, sorrow, and joy can provoke an identical biochemical reaction, nevertheless it can be demonstrated by actual quantitative biochemical measurements that certain reactions of the body are totally non-specific and common to all types of exposure.

“Stress is not something to be avoided; in fact, it cannot be avoided. As the response to a stressor, a stimulus, a set of circumstances that induces a change in the flow of physiological and/or psychological functioning, it’s inevitable and as essential and useful a part of living as changes in breathing and blood circulation produced when exercise is the stressor.

“Depending upon their intensity and the way they affect the individual, stress reactions can be pleasurable as well as helpful. *But when they are inappropriate or excessive, they can exhaust the capacity to respond and lead to difficulty—emotional distress, behavioral disturbances, or symptoms of illness.*”\*

Dr. Selye goes on to say that included on the list of stress-related diseases are peptic ulcers, high blood pressure, and many others.

Now what does all this mean to the entrepreneur? It means that whether the fledgling business does well or poorly, the absolute number of significant events good and bad, real and imagined, cascading down on the founders and managers is likely to be high. When the number of events is compounded by the inherent risk of failure in both an economic and a psychological sense, it is easy to understand why stress goes with the territory, particularly in the earlier stages of growth.

Physical and mental robustness is achieved, like most everything else in life, through conscious effort. The components of such an effort can be boiled down to these highlights:

\* Ibid., p.2.

- 
- Exercise, food, and drink in amounts that result in a physical condition that has a high degree of resilience.
  - Purposefulness in one's chosen work.
  - Avocational interests that regularly require undivided attention.
  - Perspective on the risks and rewards of decision making, which is a major component of your professional lifestyle as an entrepreneur.
  - Simplicity, even in the face of gargantuan success.
- 

Detailed consideration of these components is beyond the scope of this book. But research indicates that the more the matter of physical and mental health in executives is studied, the more these five components tend to stand out as signposts along the road of a full life. Since stress itself is a biochemical phenomenon, a person needs to keep her or his body well tuned, resilient. Purposefulness is the flip (and positive) side of uselessness and its byproduct, frustration. A serious avocation is useful like a haircut. One enjoys, or at least endures, a short respite from intense professional activity and comes away different—at least temporarily. Decisions are the tracks that change runs on, but significant distance can't be covered without encountering some ups, downs, and twists. Planning helps a person select the optimum routing. And simplicity, from cars and clothes to food and entertainment, is one of the few proactive defenses against the turbulence of these fast-paced times.

A wise person once said, "A man is rich who has enough." What is "enough" for you? In many respects, entrepreneuring is a lifestyle choice. Like other lifestyle choices, entrepreneuring has pluses and minuses, risks and reward. A new enterprise, being small, fragile, and

even beguiling, can be loved to death, especially by its parent or parents. Excessive affection and the intertwining of personalities with the sinews of the business may be acceptable practices for the permanently small businesses of the world, but they have limited application in the intentionally higher-growth, business-building situation that is primary subject of this book.

Does the above point of view preclude wide-eyed enthusiasm and the do-or-die attitudes generally attributed to successful entrepreneurs and always espoused by them in speeches *after* they have emerged into the limelight? Of course not. The best analogy is that of a sports hero or heroine. While the contest is on, there is no limit to what the hero or heroine will pour into the pursuit of victory. And he or she will exhort his or her teammates to excel at almost any cost. But when the contest is over, the hero or heroine who lost doesn't despair for long or drink himself or herself into a stupor. He or she accepts what happened, tries to learn from it, goes on living, and aims to win next time. That's professionalism, the kind of professionalism that is a vial part of entrepreneuring in the early 2000s.