

Making the Transition from an Entrepreneurship to a Professionally Run Business

By Terry H. Hill

Starting a new business is an exciting venture, full of challenge, opportunity, and excitement.

Especially, if your entrepreneurial concept gains traction and generates growth. When it does, the next step is transitioning from an entrepreneurship to a professionally run business.

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However, here is the irony. At this transition point—precisely the one you want to reach—is where many small businesses run into trouble. Because while the entrepreneurial skill set is great for creating and building new businesses, it is not as well suited to transforming fledgling businesses into long-term companies.

As a business grows beyond the startup stage, the ingredients that made for a winning start become a recipe for disaster. This is where entrepreneurs often make big mistakes. As Bill Gates observed, “Success is a lousy teacher. It seduces smart people into thinking they can’t lose.”

Smart people can lose. And many entrepreneurs do every day. The key is to understand the business lifecycle and how to move from one stage of the lifecycle to the next. Transition is a natural part of the process. A rapidly expanding company can quickly outgrow its infrastructure. Suddenly the informal management style that worked so well in the beginning no longer gets the job done. The organization’s existing infrastructure cannot support the next stage of growth, and the fallout is upheaval.

In truth, rapid growth and expansion place an incredible strain on resources. The gap between the infrastructure you will need and the infrastructure that has evolved becomes painfully evident. If your business is to succeed, you need systems and processes that will stabilize your company and support future growth. This is why a well-planned transition strategy is so important.

In most cases, with an entrepreneurially run business, management is more growth-and innovation-driven and less profit-driven. The emphasis is on creativity and innovation rather than structure or operations. Planning is haphazard rather than systematic. The organizational structure is loosely defined. Budgeting is implied. In essence, an entrepreneurially run business is an adolescent in the business lifecycle, pursuing growth, change, and opportunity but is desperately in need of stabilization.

On the other hand, a professionally managed organization is one with formal, thoughtfully-developed systems and processes and a disciplined, profit-oriented approach to doing business. In professionally managed organizations, management techniques have evolved beyond the spontaneous, reactive mentality typical of startups. Management styles are established. Professionally managed organizations are more democratic (typically consultative or participative). Professionally managed enterprises are based on clearly communicated objectives, expectations, and accountability.

To advance beyond an entrepreneurship business, the entrepreneur must take stock and implement systems, develop processes, and hire people who can steward the company into the future. This transition requires formal planning, meetings, systems, and clearly defined roles, responsibilities, and processes.

The first step in advancing from an entrepreneurship to that of a professionally run business is to recognize that the business has reached a new stage in its business lifecycle. The second step is to acknowledge that it is now time for change. The third step is to enlist the help of outside [professional business advisors](#) to assist you with the transition.

With a professional general business advisor, you obtain an accurate and an unbiased diagnosis of your entire business. Only then can you develop and implement an effective strategy to transition from

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entrepreneurship to a professionally run business. The [professional general business advisor](#) assists you with the development and implementation of the following:

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- **Assess your organizational infrastructure** to determine how well existing systems, processes, and structure support future needs.
- **Know where you are headed** so you can communicate to your employees the direction that your company will take in future developments.
- **Draft a development plan** that maps out how you will build the competencies you need for the next stage of development.
- **Create or revisit [your business plan](#)** and use it to guide and monitor your progress.
- **Develop training and [mentoring programs](#)** to cultivate the management team's capabilities.
- **Implement realistic systems** for planning, organizing, managing, and increasing accountability.
- **Standardize the various processes** for the best efficiency.
- **Define the roles and responsibilities** of each employee.
- **Establish and communicate objectives**, goals, measures, and rewards to your stakeholders.
- **Let go**, and let the experts do their jobs.

When companies transition from startups to professionally managed enterprises, founder/entrepreneurs often arrive at a crossroads. As the business owner, you need to consider if you should step back and hand the reins over to an experienced, professional management team? Or, should you stay and attempt to adopt a more structured management style?

The decision is yours. However, keep in mind, that the skills it takes to hatch a business concept ... identify a market ... develop a product or service ...and assemble the resources and operations to bring it to market are not the same skills you need to shepherd a company into the future.

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An author, speaker, and consultant, Terry H. Hill is the founder and managing partner of Legacy Associates, Inc., a business consulting and advisory services firm based in Sarasota, Florida. A veteran chief executive, Terry works directly with business owners of privately held companies on the issues and challenges that they face in each stage of their business life cycle. Contact Terry by email at <http://www.legacyai.com> or telephone him at 941-556-1299.

An author, speaker, and consultant, Terry H. Hill is the founder/ managing partner of Legacy Associates, Inc., a business consulting and advisory services firm. By signing up for Business Insights from Legacy eZine at <http://tinyurl.com/2t4fxs> you can keep abreast of the latest tips, tactics, and best business practices. You will, also, receive the free eBook, Jump Start Your Knowledge of Business. Contact Terry at <http://www.legacyai.com>