

Why Professionalizing the Business is Necessary

“A man does not build a business, he builds an organization. An organization builds a business.”

- Sign hanging in Dunkin' Donuts stores



Once a man was going through a jungle. He came across a low height wooden bridge. As he started crossing the bridge, he saw the tail of a lion coming out of a hole in the bridge. Out of the overpowering fear, he tightly clasped the tail. The bridge worked as a lever and the lion could not free itself from his grip. However, it was difficult to understand whether he was holding the lion or the lion was holding him. The struggle continued for some time, but he started to feel tired. After some time a stranger came passing by. He enquired about the situation. The man replied, “Why don't you hold the tail, till I tell you the story and straighten my back.” The other man did as was asked. Our man now had many options including walking away.

Without going further in the story, the point made is that when you are stuck with something, it is necessary to find some help. Then only you can open options for you.

The owners struggle hard to succeed and grow. Over time, they might get tired of slogging day in and day out. They don't need to remain stuck with daily operations.

The world of business is a jungle and there are many threats. You can't fight it alone. If you have started feeling tired, why not get some help?

It is well understood that entrepreneurship and managerial capabilities are two different sets of qualities.

At the entrepreneurial stage, individual brilliance is the key; but when the organization becomes bigger and moves on to become an institution, ability to manage becomes vital. Moreover, it is not necessary that good entrepreneurs will be good managers too.

Most family businesses confuse themselves with the issue of ownership and management. The right to manage is considered an integral part of the right to ownership. The two are different.

Ownership can be inherited. On the other hand, management requires certain skills. These skills are acquired with education, training and experience. They cannot be inherited. Hence non-family managers are appointed to bridge the gap.

We all might agree that *as the owner of an asset, one should have the interest of maximizing its value.* But in reality, we are not so objective.

Separation Of Ownership And Management

Business owners are like mothers. They are good in nurturing the business in its infancy stage. But every good mother knows that beyond a point, her affection and care alone cannot make the child grow. The child needs to learn things that are beyond her sphere of knowledge and experience. So he is sent to school, to learn from the teachers and also from other children. A good mother enjoys the feeling that her child is learning new things and growing up in the process. She does not feel sad for this dependence on others. Rather, she moves ahead with other agendas of life.

This does not mean that the child does not require her attention and care. But the dependence has surely lessened. Her job is now confined to monitor the growth and progress of the child. Child psychologists will testify that the more we identify the individuality of the child, the more opportunities we give him to deal with freedom, the faster he learns and grows.

This is what businessmen have to understand. They have to learn to separate themselves from the business. No doubt it is their creation, but still it is different and separate. Once they get out of the operational and day-to-day affairs of the

company, maybe they can do better justice to the role as leaders. Management can be hired, leadership cannot be. Indian groups are starving for leadership and vision.

One can learn from the Hindu mythology. Brahma is the creator of the Universe, but Vishnu is the manager. Brahma is only one, while Vishnu has many Avatars (incarnations), depending on the need of the time. Vishnu is a situational leader. In the context of business, entrepreneurs are Brahma. They need to pass on the baton to other professionals and the governing board, who bring the versatility demanded by the situation. If the affairs are not managed well, Shiva takes over and causes destruction so that a new beginning could be made.



Entrepreneurship is crucial in itself. In today's competitive world, innovation and renewal are necessary to sustain growth. Brands get commoditized unless new elements of differentiation are added at a pace faster than that of the competitors. Owners can delegate management, but all said and done, it is extremely difficult to delegate risk taking. If owners withdraw from day-to-day operations, they can maintain their core strength and do better service to the firm by focusing on business renewal and innovation. Strong businesses even delegate innovation too to competent people.

Growth requires long-term commitment. In the Indian context, growth requires change of radical proportions. Growth requires immense strength of character and persistence. These are not the functions of managers. They are the functions of leaders. Professionals, whose continuity with the organization cannot be taken for granted, may not play these roles perfectly. But they understand numbers. They understand achievement. They understand accountability.

The best executive is the one who has sense enough to pick good men to do what he wants done, and the self-restraint to keep from meddling with them while they do it.

- Theodore Roosevelt

They understand 'how to'.

Somewhere, the entire concept of separation of ownership from management is grossly misunderstood. The roles are looked as adversary in nature, whereas in reality they are complimentary. None excludes the other. Each has its role and each has to play the assigned role to perfection to reach to the aspired heights.

Business deserves to have the best managerial talent. An individual needs to be recruited on the basis of his or her ability to contribute. Needless to say, competent individuals from the family deserve to be provided employment within the business and may also be put on a fast track to the top. However, if they are not competent, they should relinquish management roles to competent non-family managers.

Growth may necessitate increase in the number of employees. As the circle of business widens, more and more people get distanced from the center and work on the fringe. These employees are to be trained and managed. At times, some problems may arise which may require specialized skills. Outsourcing itself requires time in terms of identification of the right source and also for interaction. All this may consume a major part of the owners' time. They may fail to the strategic needs of the business.

If most family members are engaged in the day-to-day activities, they often fail to keep themselves up-to-date with the latest developments. This affects competitiveness of the business. Many companies have a separate CEO center away from the administrative office of the organization so that the senior management can distance itself from operational work.

Growing family

Family grows faster than business. If owners don't learn to withdraw from business, over time, there can be an overcrowding of family managers resulting in conflicts and unhealthy environment. Ambitious non-family managers may feel disheartened to note that they have little chance of being promoted to senior positions. Presence of too many like-minded

people can make the firm vulnerable.

The deterrents

'Corner-room syndrome' or passion for power on the part of business owners is the major deterrent to true professionalization. This makes the entire process self defeating. Non-family managers can not perform with a sense of powerlessness.

Eileen C. Shapiro has developed a new set of definitions:

Accountability: A worthy constraint that everyone else in the organization must demonstrate to a far greater extent than do today. Not to be confused with authority, which is what I need more of.

Authority: A form of power of which I need more if I am to do my job properly. Not to be confused with accountability, the discipline that everyone else in the organization sorely lacks.¹

OWNERSHIP	GOVERNANCE	MANAGEMENT
Monitoring the value of business assets	Defining values and vision	Developing the strategy
Exercising the oversight on governance	Approving budgets and capital expenditure	Preparation of budgets and investment proposals
Monitoring ownership risks	Identifying and evaluating senior Managers	Developing and retaining talent
Managing control issues	Monitoring risk and compliances	Day to day running of the businesses

Professionalization cannot happen if seniors are not accountable and if juniors are not empowered.

Powerlessness corrodes and absolute powerlessness corrodes absolutely. Wherever people have a sense of power commensurate with their responsibility, they are motivated and they do the work.

Many business owners tend to be authoritarian and control-oriented and view the business as an extension of themselves and their families, rather than as an independent entity.

“What usually prevents most business owners from delegating, leaving their hands off things, relaxing, and finally retiring, is their inability to accept some dust. They can always see something wrong and they fix it. Other people always seem to leave more dust than they ever did. But what

they fail to realize is that others don't do a worse job. They just tend to dust in different place, for different reasons, under different priorities, in different times.”²

Conclusion

Nobody expects business owners to be masters of operations. Naresh Goyal of Jet Airways is not needed to fly the aircrafts, nor is Azim Premji needed to program software. These things can be best left to skilled people. However, I have sadly observed many owners micro-managing the experts that they hire and pay hefty salaries to. The experts are forced to make compromises and the end result is a mess nobody understands and everybody blames the other party for the failure. In any case, *success has many fathers and failure is an orphan.*

Business owners can choose to play various roles:

There is a saying: *'Where attention goes, energy flows.'* The biggest problem that man faces today is one of too much clutter. We don't have time to pay attention to even important aspects of our lives.

Playing the roles of owners and governors is very critical, and ideally speaking should occupy the major attention of business owners. However, in reality, most owners find themselves occupied with playing management roles. In the process they lose sight of the broader vision and fail to manage the value of their business asset.

¹“Fad Surfing In The Boardroom” by Eileen C. Shapiro

²“Inside the Family Business” by Dr. Leon A. Danco, Ph.D.