



The Leader's role in today's challenging SME business domain

Optimizing personal performance and decision making for sustainable business success

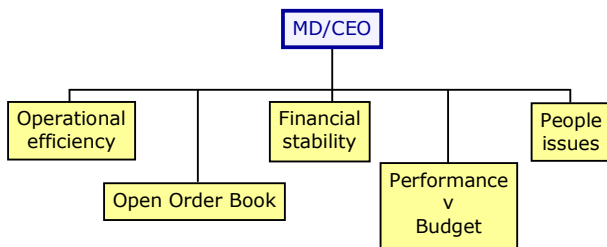
Traditional Approach to the MD role:

In today's competitive business world, success is often measured against short term performance metrics measured against weekly, monthly and annual budget and plan. This approach forces short term decision making focused around 'historical' financial results and can 'motivate' the leader to become:

- reactive to change and risk management
- 'hands-in' to operational efficiency and customer service and therefore contribute to the dilution of delegation skills
- sympathetic to the constant call on personal time supporting people issues and therefore impairing time management
- distracted from personal development and risking failure to keep up with the pace of change demanded of them

This situation is often exacerbated in SME's as they cope with the real world challenges of limited resources; both human (knowledge, skills and experience) and financial (balance sheet and working capital). Furthermore, within SME's, the MD has probably not received any formal training or development for their role and can find the promotion from a line management role to that of directing and leading a real challenge. It can often be a case of 'sink or swim'; which again contributes to short term focus in the drive to add immediate value. The diagram represented in Fig 1 therefore reflects the MD role and focus as influenced by these naturally typical circumstances.

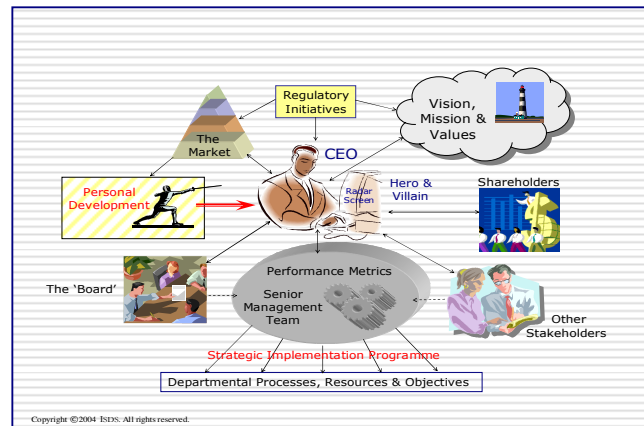
Fig. 1 – Traditional focus



Contemporary pressures driving a new approach:

The MD is held most accountable for increasing value in the business over (acceptable) time. It is therefore imperative that their leadership, management and decision making is focused for best effect. As if the role is not already challenging enough, Fig 2 illustrates the increasing diversity of roles and pressures which the modern MD has to cope with and which are too often seen as being of a lower priority or even a distraction as their focus is dominated by operational metrics and issues. The reality is, however, that it is practically impossible to cope with change, manage risk and deliver real sustainable value unless proper focus and priority is allocated by the business leader to all of these factors in an appropriately balanced manner.

Fig. 2 – MD/CEO; where it all comes together!



Major hurdles to achieving sustainable success:

The majority of business plans are out of date as soon as they are written. It is therefore vital to ensure an efficient and effective implementation process. The traditional approach impedes this process by a) decision making based upon operational performance against an annualised budget driving a focus on short term issues & b) poor alignment of resource, organisation and key business processes with strategy and vision. Both of these 'hurdles' disable an effective performance management process such that change and risk often come as a surprise and at best, lead to a reactive response.

Changing MD role perspective enables an appropriate balance on the strategic and operational activities necessary to identify change and risk drivers early enough for keeping your business plan 'live'.

Fig. 3 – Change driving operational & strategic balance

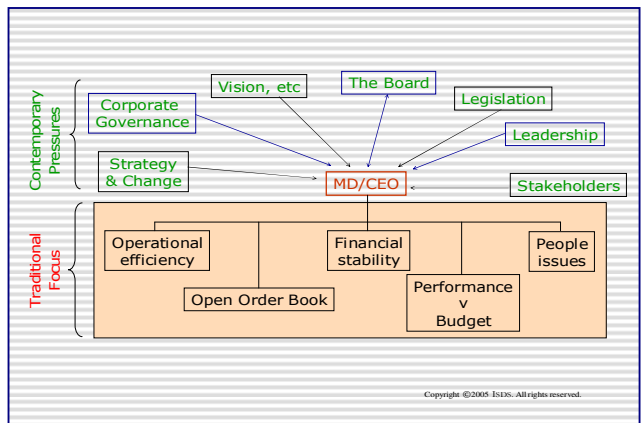




Fig 3 therefore represents the changing domain for the contemporary leader who wishes to achieve sustainable value for their business. For maximum effectiveness these seemingly disparate elements of the role must be applied in a co-ordinated and integrated manner. Holistic benefit can be achieved by considering the role as a dynamic process for leadership and corporate performance management in achieving strategic and operational balance. Then an understanding of role duties, responsibilities and accountabilities will be greatly simplified.

A process driven approach to the leader's role:

However 'distracted', most MD's within SME's today acknowledge that their role entails:

- Providing Vision and establishing cultural value standards
- Being a Leader and driving necessary change
- Managing performance and strategy to improve business value
- Developing an innovative continuous improvement culture

Therefore, the fundamental starting point in this 'process' is to recognize that the 'prime directive' of the MD is to deliver sustainable shareholder value and that this is most effectively achieved by recognizing the constituent stakeholders and defining, delivering and managing their value over time.

Fig 4. A procedural approach to MD/CEO role

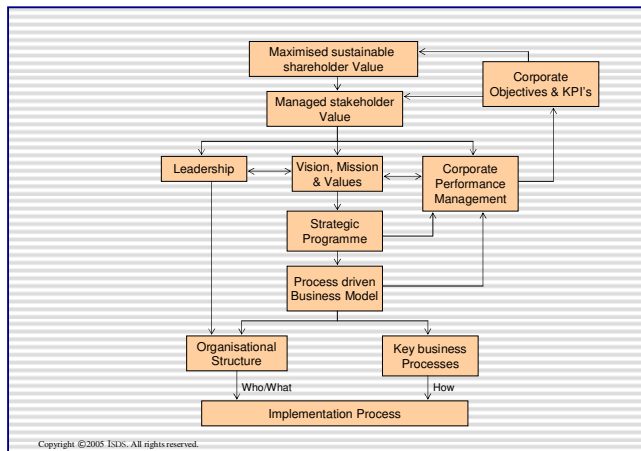


Fig. 4 illustrates a simple flow chart process which highlights the major elements of the MD role. In this process, Stakeholders are usually represented by customers, suppliers and staff as this is where the conversion process of resource and IPR into value takes place. Articulating Vision for all staff to understand their role provides a sense of purpose, direction and an improved appreciation as to what they are working to achieve.

Leadership aligns and motivates staff through the challenge of change, to create a team with a sense of belonging and to inspire innovative continuous improvement which challenges status quo.

The strategic programme, utilizing an integrated rolling budget, is the 'live' business plan for delivering corporate objectives and vision and for managing change and risk as a pro-active process.

Performance Management improves decision making utilising a balanced approach to both long and short term objectives, within the context of the business environment and with appropriate consideration given to all financial and non-financial assets within the business.

A process driven business model enables organizational structure and key business processes to be developed directly aligned to strategy and the key value drivers within the business.

Fit for the Future:

This process driven approach not only facilitates a simple and efficient method of generating the MD job specification but also enables the following benefits:

- Provides focus and structure for personal development
- Facilitates senior and key staff alignment & consensus
- Establishes a clear focus on the real business value drivers
- Is fully compatible with best practice corporate governance
- Complements the requirements for Board Director fiduciary duties
- Is fundamental for successful fund raising or exit
- Enables the leader to maintain corporate longevity
- Facilitates improved job satisfaction and corporate performance
- Enables the business plan to be kept 'live'

About ISAS:

ISAS was specifically established to provide practical support to SME leaders on the value driving processes for growing sustainable value in their businesses AND for improving their leadership skills, job satisfaction and longevity in so doing. The practice uses an integrated approach to leadership, personal development, strategic planning and performance management to assist in the creation of balanced short and long term value and establishing the principle of strategic performance management as a core skill.

This approach, based on best practice processes applied successfully in many SME's uses leading edge, yet proven tools and methods commensurate with 21stC business performance management techniques applied in a logical and practical manner. These processes are designed as stand alone packages which can be integrated for holistic benefit and are also scaleable for expansion in line with the size of business and its needs. The approach is guided by two rules:

- Keep it simple
- Make sure it makes common sense

As an outsourced service ISAS provides objective, dispassionate and confidential support directly to business leaders on these crucial and often sensitive issues, by working with them on-the-job and therefore within the context of their business enabling minimum time away from the helm. Thereby coping with the 'busy people' syndrome by improving their time management & delegation skills; as well as developing their leadership attributes.

Ensuring a business and leadership competitively 'fit' for today and the future.