



Executive Transition: From Large Company to Small

Can Your Candidate Make the Switch?

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Today, about half of all private sector employees work for companies with fewer than 500 people, according to the United States Small Business Administration (SBA). In fact, the U.S. SBA reports that over the last decade, small firms have generated 60 to 80 percent of net new jobs annually and represent percent of all employer firms in the United States today (SBA).

Statistics such as these indicate a measurable shift in the labor force – from large to small corporations – and suggest that increasing numbers of high-level executives are accepting positions with smaller firms.

Indeed, hundreds of smaller businesses – as well as entrepreneurship programs and autonomous business units within large corporations – are actively, and successfully, *recruiting* executives from large, mature firms. Small firms seek these large-company veterans for the proven planning, organizational, managerial, and disciplinary skills – skill that, they believe, will directly affect business growth.

Large-company executives are likewise attracted to the opportunities presented by start-ups, emerging growth firms, and independent divisions of large corporations. Obviously, there is a mutual interest. And the resulting movement of executives, from large organizations to small, might seem perfectly appropriate.

A Comfortable Shift?

Yet all too often, newly recruited executives, after years in larger firms, simply cannot adjust to the very different realities of the small firm. And the high hopes – of both candidate and corporation – can become flat disappointments.

Does this mean that we can clearly distinguish “large” from “small” company executives, and then characterize the traits as mutually exclusive? Does it mean, moreover, that an individual cannot comfortably shift from one environment to the other?

Not at all. It simply means that the set of executive responsibilities assumed in a small organization is quiet different from those assumed in a large organization. And that some candidates will *forever* stand on one side, or the other, of what they might characterize as “the great, large company-small company divide.”

Clearly, then, if you are an officer or board member of a small organization charged with the responsibility of recruiting a large-company executive, you must ensure that your candidates understand the differences between the large environment to which they are acculturated, and the small environment in which they will have to function. Moreover, you should not permit any candidate's zeal, or your enthusiasm, to overshadow the realities of the transition.

We recently conducted a survey of senior executives successfully transplanted from profitable, well-established organizations with more than 1,000 employees, to younger firms with fewer than 100 employees – firms moving along the growth curve from planned loss to profit. From their comments and our own experience recruiting – for partnerships, proprietorships early- and late- stage start-ups, and entrepreneurship programs alike – we have identified a number of small company realities that are *frequently* misunderstood by potential candidates. And we have developed some general guidelines that should help you evaluate each candidate's "fit" in your organization.

EVALUATE THE CANDIDATE'S UNDERSTANDING OF SMALL COMPANY CULTURE

It's easy to assume all executive candidates understand small-company culture. Although their views may be, in the main, correct, they are also, without fail, incomplete. Consequently, you should query candidates at length relative to their understanding. Only then can you determine how closely your actual organization fits their imagined profile.

We have found that candidates reared in large corporate cultures usually typify the small company as follows:

- More individual control, freedom of action
- Faster decision making, fewer levels of approval
- Fewer nonessential demands, less paperwork
- Reduced infrastructure and corporate hierarchy
- Malleable corporate culture

Although these traits may indeed be typical of small companies, it's critical that you and your candidates understand early in the selection process, both what they candidates expects from *your* small company – and what you can realistically offer.

DISCLOSE THE REALITIES OF WORKING FOR A SMALL COMPANY

Once you have an idea of each candidate's typical, small- company expectations, you can then discuss the more specific and atypical realities of *your* firm, such as those listed here.

- ***Fewer Resources: Human, Physical, Technical, Financial***

Resource constraints are a typical, small-company characteristic. Not surprisingly, virtually all our survey respondents indicated an initial, and, in some cases, ongoing difficulty dealing with this reality.

Most revealed that when they assumed their new responsibilities, they were somewhat naïve concerning corporate resources. After years in larger organizations, most had come to rely on and expect certain levels of support, without which they were initially at a loss.

All, however, concurred that the experience made them more resourceful and more creative.

Clearly, then, when interviewing executive candidates, you should, in all fairness to your organization and your candidates, indicate specific resource constraints. Perhaps there are fewer technical personnel to design and enhance products. Or maybe there are fewer marketing personnel to support corporate strategies through public relations, advertising and marketing collateral. Or few, if any, corporate researchers to analyze competitors, obtain market research, and build prospect files.

Whatever your specific limits, they should be presented, in some degree, to the finalist candidates. You can then realistically determine each individual's ability to make the most of what's at hand.

Furthermore, you should determine up front whether your organization requires an "entrepreneurial manager" to build a new staff or a "professional manager" to direct an existing one. If you already have a core group of functional managers in place, you should typically avoid hiring the entrepreneurial manager since these individuals are accustomed to putting their personal stamp on an organization, through hiring. If, on the other hand, your company is a start-up, the entrepreneurial candidate may be precisely what's needed.

• ***Greater Implementation Responsibilities***

As a direct result of resource constraints, the small company demands that executives be implementers, as well as strategists--"players" as well as coaches.

Many large-company executives have difficulty functioning at both ends of this particular spectrum. They often see the strategist/implementer distinction as a *binary* choice, not a range of responsibilities. One either establishes corporate strategy, or implements programs in support of that strategy.

Nonetheless, in small organization, any executives must not only determine strategy, but implement it. One Vice President of marketing and Sales, working for the first time in an organization of only twenty-five people, was stunned to find that he was *solely* responsible for all aspects of an upcoming product roll-out. Recovering from this initial shock, he not only defined the market strategy and positioned the product, but wrote and then oversaw the production of the requisite advertising marketing and sales literature.

The appropriate candidate must not view implementation responsibility as burdensome tasks that are immediately delegated to subordinates. Instead, he or she must possess a *willingness* to implement corporate programs, and an *ability* to do so.

• ***Fewer Established Procedures***

In larger companies, procedures, of necessity, proliferate. In smaller companies, procedures are a rarity. If something needs to be done, you just go ahead and do it—most often without any guidance.

Several of the executives we surveyed said they were energized by this veritable absence of corporate policy. Others were surprised to learn that their new employers did *not* want to capitalize on their large-company, procedural expertise. As one noted, “the focus in the small organization – especially the entrepreneurial organization – is definitely on results, not procedures.”

The candidates most likely to make a successful transition in such an environment, then, are the candidates who are generally impatient with procedures, perhaps even frustrated by them. In short, these candidates possess a “get-things-done” personality. They have often developed the very desirable ability to balance process and results within the corporate environment.

• ***Increased Profit/Loss Responsibility***

Every business is concerned with the bottom-line. Yet the smaller organization, as a rule, demands that executives consider it in virtually every decision.

Generally speaking, the reality of this profit/loss responsibility does not surprise most executives. The extent of that responsibility, however, does.

One executive, after only two months in a the presidential role, faced a critical profit/loss decision; in order to preserve current earning and concentrate on more significant market opportunities, his small firm needed to eliminate a product line and, unfortunately, the associated employees. Nearly one-quarter of the work force would have to be related. Moreover, the corporate downsizing needed to be accomplished within a two week-period.

In his previous position, a decision of this magnitude would be made over an extended period of time by a group of executives. In the small organization, the decision had to be finalized within a week, and the responsibility was his, alone.

• ***Increased Cross-Functional Involvement***

Because there are fewer employees in the small company, it stands to reason that there is more cross-functional communication and involvement. Indeed, every executive we surveyed said that small-company management team was deeply absorbed in issues that

would, in their large company experience, have been the sole province of a particular division or department.

Many executives respond well to such interaction, find the environment it spawns rich, diverse, and dynamic. Others find that such cross-departmental mingling verges on meddling. They view it as distracting, inefficient, and non-productive.

Obviously, you should determine the extent of cross-functional involvement in *your* organization and then carefully gauge each candidate's tolerance for it.

• ***Greater Requirement for Internal Salesmanship***

The small-company newcomer is frequently surprised by the fact that he or she must "sell" ideas to other executives and influential employees. In larger companies, ideas are often accorded a certain status simply because they have emanated from, say, a senior vice president. Title and length of service carry definite weight.

For the smaller-company newcomer, however, it is often necessary to invoke a history of similar, successful achievements as adequate support for a given idea. Executives must therefore become internal salesmen. And they must frequently spend more time fact-finding in order to support their recommendations.

Given this characteristic, you should seek those candidates willing to earn a place within the organization, and capable of the dialogue and persuasive rhetoric that this will most likely require.

• ***Greater Involvement with the Board of Directors***

While most candidates for small-company executive positions are exposed to board members in interviews, few take this as a sign of the ongoing influence of the board in corporate decisions. Virtually all the newly transitioned executives we surveyed were surprised at the frequency of board meetings and at the precedence these meetings took over all other activities, especially in the venture-backed firms.

Moreover, they were surprised to learn the extent of the board's involvement in product development and operational issues. Many found that they had to be exceptionally well-prepared for each board meeting given the questions and analysis that invariably occurred.

• ***Greater Involvement with External Parties***

Given the internal resource constraints of the small organization, most executives spend a great deal of time with external business associates, influencers, and intermediaries: i.e., service vendors, suppliers, distributors, customers, management consultants, venture capitalists, industry analysts.

Not only is there more contact with this diverse, external network, but the contact itself necessitates a greater degree of creativity and, in some cases, assertiveness to compensate for the “smallness” of the organization.

Many of the small-company executives we surveyed indicated that they, quite frequently, had to convince outsiders of their organization’s viability. One executive noted that it had been quite difficult for him to secure a distributor’s confidence in his firm’s products, when he had yet to secure customer confidence.

Given these demands, you should, if possible, seek those candidates who already possess a well developed, external network of business relationships. Such a network generally indicates a candidate with reach, breadth, and a certain broadness of view. Moreover, it spotlights an individual who will most likely be able to manage board-level relationships or development investor confidence.

• *Greater Day-to-Day Emotionalism*

Small companies attract strong personalities. And an organization peopled with strong personalities generally provides a greater day-to-day emotionalism.

Many executives who are accustomed to large, stable organizations, and the mitigating influences of their hierarchies, find small companies unsettling. Several of our respondents – who were themselves possessed of rather strong personalities – did, in fact, mention an initial difficulty dealing with the fluctuating moods that characterized many small firms.

Because there are fewer checks and balances in small organizations, it is necessary that candidates be flexible, self-assured, and resilient. Otherwise, the day-to-day unpredictability of small company existence can be rather fragmenting.

ACKNOWLEDGE THE POTENTIAL DIFFICULTY OF THE TRANSITION

When embarking upon an executive search, many small organizations target the large-company veteran as an ideal candidate. And, in many cases, the large company know-how such candidates possess is precisely what’s needed.

Unfortunately, however, many small organizations fail to recognize that their chosen finalist – despite prodigious experience – is still a small-business neophyte. And the unhappy result is not only misunderstanding, but an awkward, often unsuccessful, transition.

Worse still is the devastating effect “early labeling” can have on a newly transitioned executive. Take care that your organization does not dub the new-comer a “typical, big-company type” – and then experience a self-fulfilling prophecy.

If you acknowledge the potential difficulty of the transition for the candidate, and that candidate acknowledges the challenges small company employment will undoubtedly present, you'll both be well on your way to a successful, long-term relationship.

About the Author

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