EDWARD LOWE FOUNDATION

THE PEERSPECTIVES™

GUIDE TO LEADING YOUR COMPANY

The PeerSpectives™ guide to leading your company

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Second-stage companies have survived the start-up stage and have established themselves as growing companies that now contribute to society's economic well-being. But their goals for continued growth will force significant change on both the owners and the companies.

CEOs can best make the transition to the next level by learning from other business owners — their peers. We call this combination of peer networking and next-level thinking "PeerSpectives."

Profit from peer networks

Running a fast-growing business leaves little room for reflection. You're constantly making decisions on the fly, improvising as you go. Your communication with employees, customers and outsiders — from suppliers to government regulators — focuses primarily on tasks, transactions and crises.

Chief executives of many second-stage companies find the rush of daily activity normal and even exciting. Days speed by in a blur. But something's missing.

Leading a company can prove lonely and isolating. Burdens mount and anxieties fester. A common coping mechanism is to suppress the stress or accept it as a cost of success. A healthier, more rewarding response is to view your experiences in a broader perspective and find a safe, supportive outlet for your questions and concerns.

That's where peer networks help. The critical role of peer networks involves guiding executives to develop as leaders. Companies tend to grow faster and weather business cycles better when their CEOs participate in such groups.

Questions and answers

While most business owners are familiar with the concept of peer networks or CEO roundtables, some harbor misconceptions. Here are a few key points that clarify how these groups work:

Q: What is a "peer network"?

A: A peer network, sometimes called a CEO roundtable or peer advisory board, consists of a group of company founders/CEOs that meets regularly to discuss participants' professional and personal issues. The group usually includes eight to 12 peers and a facilitator.

Q: Do these meetings involve traditional networking, such as exchanging leads and soliciting business?

A: No. The purpose of these gatherings is *not* to sell, advertise or generate business, but to provide participants with a forum to gain perspective, learn from each other and discuss their problems in an open, no-holds-barred atmosphere of trust and mutual understanding.

Q: What are some common characteristics of peer networks?

A: Peer networks come in all shapes and sizes, but they usually share four common traits:

1. Most groups meet under the auspices of large, well-established business organizations, such as local chambers of commerce, state business councils, nonprofit trade associations and for-profit companies.
2. The meetings are confidential.
3. The participants within a group come from noncompeting industries.
4. A trained facilitator leads the discussion and encourages participants to share their experiences and practical insights with each other.

Q: Why is a network so important?

A: Lack of experience poses one of the greatest risks to owners of fast-growing businesses, according to a Dun & Bradstreet survey. Reading books or attending training seminars helps, but there's no substitute for learning by doing. Peer networks enable an executive to tap the collective experiences of others.

Q: How do I join a peer network?

A: Find out what types of networks exist in your area. Contact your chamber of commerce and local or regional Small Business Development Center. Also ask other business owners if they participate in any peer groups. The Edward Lowe Foundation's Web site (www.edwardlowe.org) frequently updates a list of organizations that sponsor peer networks. Once you identify your options, shop around for the best group by interviewing facilitators and, if possible, attending meetings.

Q: Who participates in a peer network?

A: Most groups consist of eight to 12 business owners and a facilitator. Some networks set parameters on who can join based on factors such as age of the CEO and/or company revenues.

Q: Are peer networks worth it? I hear they're an expensive and time-consuming commitment.

A: Peer groups aren't for everyone. In some cases, a poor facilitator or the wrong mix of people can sabotage the group. And if your personality doesn't mesh with others or you're unable to attend regularly, the experience may lack value for you. The cost depends on who sponsors the group; some networks charge a nominal fee, while others require a significant investment to join.

Q: Are outsiders allowed to attend peer-network meetings?

A: It depends. Some groups invite outside speakers to give presentations on their area of expertise, such as an employment attorney or information-technology consultant. Certain networks eager to fill a few openings may allow prospective members to observe a limited part of a meeting, but they rarely are permitted to stay for the confidential discussion of CEOs' issues.

Q: What do the participants actually talk about?

A: While the discussions vary by peer group, most facilitators find that business owners ultimately wind up addressing six general topics:

1. Personal isolation. Many CEOs of fast-growing companies feel alone at the top, so they share their feelings in meetings and find they're not the only ones experiencing a sense of isolation.

2. Finance. Participants often want to compare notes on setting financial controls, managing cash flow, securing bank loans and finding other ways to raise capital.

3. Marketing and advertising. Peer networks offer an ideal setting for CEOs to exchange ideas on how to develop public relations campaigns, invest in advertising and develop and expand their brands or positioning in the marketplace.

4. Employee relations. All CEOs must devise systems to recruit, train and motivate their employees. In roundtable meetings, they often share best practices and acknowledge mistakes.

5. Legal compliance. From employment law to government regulations, CEOs must navigate the maze of local, state and federal rules. They can discuss measures they've developed to raise compliance and tighten oversight.

6. Production. Almost every CEO wants to boost productivity. While specific steps may differ by industry, members of peer groups can share their experiences testing new ways to improve efficiency and cut costs.

Q: I've heard about peer groups that meet online. Should I consider this option?

A: While exchanging ideas online with other CEOs may prove helpful, an Internet-based resource should not serve as a substitute for face-to-face interaction. The value of meeting in the same room with your peers and a trained facilitator cannot be replicated in cyberspace. You gain a much stronger level of trust and camaraderie when you meet regularly face to face.

The magic of peer networks

Peer groups help CEOs on many levels. The opportunity to share ideas and experiences with other business owners is in itself fulfilling for many participants. Many of them welcome the chance to gather with a diverse set of peers every month and both ask for help and give it in return.

In addition, something even more valuable can unfold when everyone's engaged in lively conversation. CEOs begin to think in broader, more creative terms about their own businesses as they listen to others. They gain perspective by hearing their peers' success stories, cautionary tales and mounting frustrations. Not only do they think, "I'm not alone," but they also realize, "That could happen to me if I'm not careful," "If they can do it, so can I," or "That's a point I never thought of before."

Epiphanies abound in peer groups. Participants learn how to harness their business growth, retain and motivate employees and develop systems to advance their company's mission. These lessons aren't presented in a do-this/do-that lecture; instead, the breakthroughs come about almost by chance as CEOs exchange ideas and feed off each other's input.

Peer groups work well for a variety of reasons:

Accountability. When the group makes a suggestion, everyone expects you to act on that suggestion and report the results at the next meeting. You cannot wiggle out of responsibility for follow through. When you get feedback, there's an implied understanding that it's not just academic or theoretical — you need to apply it. Procrastinators turn into doers because they know their peers will not accept excuses.

Example: Ray Silverstein, a facilitator of peer networks in Chicago, recalls how an executive fretted about whether to terminate an employee. After describing the situation to the group, the executive found they unanimously urged him to proceed with the termination. By the next meeting, Silverstein marveled at how the group immediately wanted to know if this executive followed through with the termination. He had — largely because he knew his peer group would hold him accountable.

Collective wisdom. A group consisting of 12 chief executives and a seasoned facilitator can give you instant access to more than 100 years of experience. This allows you to pose a question or discuss growth plans with peers who understand your quandary and who might recall their own struggle dealing with a similar challenge. The ability to learn from others' experiences in a quick, efficient manner gives you an advantage over competitors who lack such a forum.

Example: Bill Owens, founder of The Owens Group Inc., a commercial insurance agency in Chicago, asked his peer group to assess his strategic focus on smaller accounts. Many of the members had faced the same issue, and they told him how much more success they had found by abandoning lots of smaller accounts in favor of securing a handful of large, stable clients. Owens followed in their footsteps and now allocates his resources better while establishing long-term relationships with big accounts. As a result, insurance-premium value has grown from $5 million to $7 million in the past three years.

Dispassionate analysis. At some point, every successful CEO exerts "tough love" with employees and makes painful but necessary decisions to run the business properly. A peer network can help you manage a sensitive situation with an unbiased, fact-based perspective. The group can help you detach yourself so that you evaluate what to do without too many swirling emotions clouding your judgment.

Example: After one of Kathy Schaeffer's employees announced her pregnancy, Schaeffer vacillated on whether to approve the employee's request to work from home two days a week. Schaeffer, founder of Kathy Schaeffer & Associates, a public relations firm in Chicago, asked her peer group for advice. They concluded she needed a full-time, on-site employee, so they recommended that she deny the employee's request — despite Schaeffer's eagerness to provide a family-friendly, accommodating workplace. The employee now does contract work for the firm. Schaeffer & Associates has enjoyed more than 20% growth in each of the past three years.

Work-family balance. A peer network provides a healthy outlet for your business-related problems, so you can clear your mind and enjoy "quality time" with your friends and family. Your peers can give you the emotional support to weather setbacks and absorb much of your anxiety so that you don't take out your frustrations on your family.

Example: At first, Eloise Gonzalez-Geller's husband didn't understand why she attended peer-network meetings every month, she says. But in time he noticed that she no longer arrived home burdened by work-related stress. Because the founder of Miami-based Commercial Interior Contractors Corp. (CIC) vented her concerns in her peer group, she could give her family her full attention at home, free of business distractions. CIC's annual sales reached $1.2 million in 2001.

Find the right fit

Selecting the best peer network for your needs is like shopping for a suit: You want to find the right fit and feel comfortable with your choice.

Ask these questions when searching for a peer network:

• **How are facilitators trained?** Join a group where facilitators undergo thorough training on how to lead discussions and integrate different points of view. Some peer networks are sponsored by large organizations that "grow their own" facilitators and train them consistently. In addition to checking whether facilitators receive rigorous training, ask if they meet regularly with each other to hone their skills. Also seek facilitators who've been participants in the peer group.

• **What's the longevity of the current group?** Unless you're part of a newly launched group, ask about the network's history. The best roundtables usually consist of a core group of CEOs who have attended meetings for at least six months or a year. A high turnover in membership indicates a red flag.

• **Is there a track for entrepreneurs to follow within the network as their companies grow?** As your company advances, you may want to switch to a peer group that's more attuned to your needs. Some sponsoring organizations offer different groups based on a firm's annual revenues.

• **Are members committed to the group?** Look for roundtables with impressive attendance records. You want to participate in a network where everyone values the experience and treats it as a priority. Investigate whether members arrive on time, ready for action. See if there's a strict attendance policy and how it's enforced. For example, many groups ask CEOs to leave when they miss a third meeting. Beware of networks that justify larger numbers of participants because "not everyone comes all the time;" that shows attendance isn't valued highly.

• **What's the structure of each meeting?** Ideally, you want to join a group where different members take turns running each meeting. This increases accountability and, in a 12-person network, gives everyone a chance to coordinate and host at least one meeting a year. Also ask about the times and locations for meetings to be sure they don't pose a significant inconvenience for you. Finally, check how the agenda gets created and distributed. Many facilitators solicit input from the group in the weeks before a meeting, craft an agenda that reflects what people want to cover, and then e-mail it to everyone a few days beforehand so members can research the topic or prepare relevant questions and ideas.

• **Is the subject matter restricted?** Some groups restrict members' discussions to specific themes such as finance, organizational development or technology. In rare cases, facilitators may focus the discussions on their narrow area of expertise. Look for a group that's not overly regimented or limited in scope. Confirm that you can raise an issue at any meeting, rather than having to wait until it's "your turn."

Example: Brian Vincent, a facilitator in Grand Rapids, Mich., ends every meeting with what he calls the "30-second bullet point." Each member gets a chance to pose a specific problem to the group. Then Vincent goes around the room and invites every participant to deliver hard-hitting advice to that member for 30 seconds.

• **What are the members' backgrounds?** The best groups are comprised of a diverse mix of CEOs with wide-ranging expertise. Study the backgrounds of other members to determine if they bring knowledge and experience that might help you plug holes.

Six ground rules

Meeting with a group of like-minded business owners to discuss your pressing issues improves both your capacity to lead your company and your mental health. Talking through a problem with attentive, supportive peers is in itself beneficial. The opportunity to collect objective, concrete feedback adds another layer of insight.

By following these six ground rules, you maximize your involvement in a roundtable:

1 **Come prepared.** Scrutinize the business issue you want to present before you arrive at your roundtable meeting. Collect and assemble relevant facts in advance. You may wish to create a one-page handout for members that provides a summary of key events, a timeline showing a problem's evolution, or a description of the problem, its cause (or causes) and potential solutions. In the days before your network meets, gather your management team and rehearse stating the issue succinctly and completely. Confirm with them that you understand the situation accurately. Anticipate the questions your peer group might ask, and prepare solid answers. Make numbered lists to convey information more easily, such as the three steps you've taken so far to address an issue or your four objectives in exploring a business expansion.

2 **Monitor your speak-listen ratio.** You derive the most value from peer networks by speaking concisely, asking smart questions and then keeping quiet. If you repeat yourself, go off on tangents or otherwise monopolize the discussion, you prevent others from giving you guidance. By the same token, when you comment on what others say or attempt to answer their questions, keep your remarks crisp and to the point.

3 **Respect the group's time.** Treat every minute of a peer network as a precious resource. Be punctual. Deactivate beepers or wireless-phone ringers. Minimize the number of times you come and go from the room. Give speakers your undivided attention; don't try to review work-related files or glance at a newspaper while others talk.

4 **Honor confidentiality.** A fundamental rule of any effective peer network is that participants respect confidentiality. Facilitators will often ask you to sign a confidentiality agreement prior to your first meeting. As long as everyone knows that their comments will not leave the room, they're more apt to speak honestly and openly about their experiences. When you debrief with your management team about what you learned in a peer forum, it's fine to share relevant insights that you took away from the meeting. But don't divulge who said what or reveal personal issues voiced by other members of your network.

5 **Speak from experience.** To maximize your impact, reflect rather than lecture. Offer here's-what-happened-to-me anecdotes or say, "I tried that and here's what I found." That's better than telling people what to do, even if you're sure you know what's best. Let your peers figure out for themselves what action to take. If you have a suggestion, ask, "Have you tried this?" rather than say, "Here's what you should try." You lose credibility by giving untested advice. Telling others what to do can trigger their defensiveness.

6 **Keep it informal.** Work with the facilitator to set an informal tone in meetings. For example, arranging seats in a circle underscores the nonhierarchical spirit of the group so that everyone feels equal. Dissuade participants from giving audiovisual presentations — and emphasize low-tech tools such as flip charts or simple handouts rather than fancy slide shows — to foster a level of informality that supports candor and openness.

Overcome your objections

The organizations that sponsor peer networks recruit members in many ways. Some host introductory sessions. Others send direct-mail solicitations. Some networks form through word of mouth, where business owners invite their peers to join.

Facilitators often interview potential members one-on-one to determine if these individuals would thrive in the group. If they seem like they'd make a good fit, the facilitator might invite them to attend at least a portion of an actual meeting.

Yet some CEOs resist. Even if they believe that joining a roundtable would benefit them, they may still hesitate to commit. Here are some common objections:

- I'm too busy.
- I don't want to spend the money/these groups are too expensive.
- I'm not a joiner.
- I don't want to divulge intimate things about myself and my company to a bunch of strangers.
- I already share my business problems with my management team/my mentor/my advisory board/my family.
- I can't see how I'd learn much from people who don't work in my industry and aren't familiar with how we do business.

Such reservations are understandable, especially for workaholic CEOs who feel immersed in their businesses and rarely "come up for air." But these are precisely the individuals who can benefit most from participating in peer groups.

The ability to gain access to fresh perspectives and expertise justifies the time, energy and money that roundtable participants invest. Also note that the cost to join such groups varies widely. Networks created by local chambers of commerce or regional business associations may charge a nominal fee, while higher-level groups that include individual counseling with facilitators in addition to group meetings can charge thousands of dollars a year.

Successful peer networks are built on trust. If you're reluctant to open up about your business to strangers, you'll soon find that they're intent on learning from each other. Experienced facilitators won't force you to reveal more than you're willing to reveal; instead, they'll allow you to conclude for yourself that it's in your best interest to level with the group and share enough information so that they can provide insight.

If you already have an outlet for sharing your business problems, such as talking with a mentor or your top managers, that's a good start. But the opportunity to question other CEOs adds a critical dimension to your leadership. They can tell you what no one else will. And if, say, your management team lets you hog the conversation or dodge underlying issues, it's unlikely your peer network will.

If you believe that someone must work in your industry or know your business to offer great advice, ask participants in peer groups if they agree. In fact, roundtables provide a stimulating forum for executives from totally different industries to share their experiences. Participants inevitably wind up saying, "I can relate to that." Single-industry networks usually offer limited value and may prevent the cross-germination and wide-ranging perspectives that spur new ideas.

Warning signs of a faulty network

Not every peer network works equally well for everyone. In the best groups, a personal chemistry develops among the members and the facilitator. They trust one another to communicate forthrightly with the best of intentions.

In a faulty network, however, the people don't mesh. Their personalities may clash. Or an ineffectual facilitator may allow the most vocal members to dominate the proceedings.

In other cases, the problem results from a mismatch of your needs and the group's needs. For instance, if you run a $10 million company and are plotting next-level growth, but your peers are primarily concerned with raising start-up capi-

AIM TO TEACH

Embody these five qualities, and you'll derive the greatest return on investment from peer networks:

Thick-skinned: Accept criticism enthusiastically, especially if you hear something you don't want to hear. Suspend your ego so that you can evaluate even harsh feedback without flinching.

Eager to learn: Crave your peers' insights like oxygen. See yourself as a curious student who leaves every meeting knowing more than when you entered. Listen for understanding, not agreement.

Adaptable to change: A flexible mindset will help you bob and weave with the group as everyone tosses around ideas. Keep an open mind. Beware of stamping peers' comments as "unworkable" or "too different from what we're doing." Prepare to change your mind, your assumptions and/or your strategy based on others' sound input or similar experiences.

Committed to continuous improvement: No matter how fast your business has grown or how much success you've earned, be hungry to improve. With your peers' help, raise the bar so that you continuously set higher standards of excellence for your company.

Helpful to others: Join peer groups not just to get, but to give. For many CEOs, the primary satisfaction of roundtables is sharing their experiences and expertise for others' benefit.

tal, you may not find the interplay useful. Or if you're eager to ponder big-picture strategic issues, but your group repeatedly focuses on daily crisis management, you may lose interest.

If you realize after the first few meetings that you've misjudged your network, switch to another group. Sample different roundtables until you gain full value.

Above all, recognize what's to gain by joining the right group. Once you find a network that's aligned with your needs, it's like stumbling upon an advisory board that's ready, willing and able to help you and your company attain new heights of success.

Reaching the next level

What really separates the top tier of entrepreneurs from everyone else is their cognitive ability. They adopt "next-level thinking," a forward-looking mindset that paves the way for a company's continual growth.

The Edward Lowe Foundation's emphasis on PeerSpectives as a vital element of entrepreneurial success reflects our long-standing belief, based on decades of experience and research, that second-stage business owners benefit greatly by gaining perspective from their peers. And plotting your path to reach the next level is a key component of the PeerSpectives model. When you learn from other business owners how they've mapped the stages of their company's development, you gain a better understanding of what it takes to engineer next-level growth.

Next-level thinkers straddle two worlds. They oversee the day-to-day operation of their business, making key decisions and putting out fires. At the same time, they anticipate and address issues that arise as their company grows. Thus, they marry the challenges of the here and now with their vision of what lies ahead.

Next-level thinking girds you for the inevitable roadblocks that second-stage business owners face. If you're keenly aware of what people, systems and strategies make sense for your business both now and years from now, you can manage disruptions and setbacks with an eye on long-term expansion. And you'll maintain perspective.

Profile of a next-level thinker

There's no single "right" way to acquire next-level thinking. It's an ongoing process that varies by person. Yet many entrepreneurs know that they'll face organizational upheavals at some point — and that makes them more open to take appropriate action now to prepare for such growth-oriented changes later.

Next-level thinkers tend to embrace three core beliefs as a starting point:

1 **Lead, don't manage.** Achieving next-level growth requires a commitment to leadership. That means delegating decision making to the employee who's closest to the customer, reinforcing core values that everyone understands and believes in, and creating learning opportunities that stimulate and motivate employees to excel.

Ask chief executives who've built multimillion-dollar businesses how they lead, and they'll tell you that they ask for ideas from their teams rather than bark orders. They listen and observe more than they talk. They communicate a simple yet captivating vision that unifies employees and lends an underlying purpose to their jobs.

2 **Work *on* your company, not *in* your company.** A next-level thinker never loses sight of the big picture. While details still matter, real growth results when leaders look beyond the minutiae and think in broader, more holistic terms about their business.

CEOs who participate in peer networks, such as TEC (The Executive Committee) and YPO (Young Presidents' Organization), often learn from their cohorts that reaching the next level requires detachment. By stepping back and viewing the business from a "macro" perspective, trends emerge. Navigating for the future thus becomes easier.

3 **Seek growth on *your* terms, not any terms.** Growth comes at a price. An entrepreneur who abandons strategic direction in favor of growth at all costs can wind up running a business with a shaky foundation. In the late 1990s, for example, many Internet-based companies attempted to grow without weighing the consequences of a downturn. As a result, they fizzled in 2000 when the market crumpled.

Next-level thinkers, by contrast, heed the lessons of history. They identify and pursue the kinds of customers who produce sensible, controlled growth. They take on debt selectively and reassess their business assumptions continually. They still take a leap of faith to launch and build their companies, but they have the wind at their backs the whole way.

How *not* to reach the next level

Misconceptions abound when it comes to next-level thinking. Founders might assume it's a frame of mind, a lofty exercise in envisioning the future.

In truth, next-level thinkers combine vision with action. They involve everyone in their organization in the process of looking ahead and laying the groundwork for entering new markets. It becomes a way of preparing for and embracing change.

Leading your company to the next level also requires that you adopt a long-term perspective. Rather than obsess over closing a big deal or trumping a competitor's latest move, you want to lay out a path that you and your employees can follow to reach a more broad-based, enduring success.

To make sure that you're on the right track, beware of these next-level thinking traps:

It's not about reacting to market swings by chasing flavor-of-the-month business. Following a hot trend to ramp up growth might result in a quick boost in profits. But that's not the same as determining what kind of changes you'll need to make, stage by stage, to stay ahead of the curve.

For Sheila Hale Ogle, founder of MRPP, a media agency in Cary, N.C., the lure of capturing high-tech clients in the late 1990s led her to think that she was pursuing next-level growth. But when these companies collapsed in 2000, so did a chunk of Ogle's business.

"Business was just flowing in from the tech sector," she recalls. "I look back now and see that we wasted time trying to get more and more business from that sector at a time when we should've stuck to our long-range growth plan."

Today Ogle prefers to load up on "steady-growth clients," rather than stake her firm on big, hit-or-miss projects. Her approach is working: MRPP's sales hit $20 million in 2001.

It's not something you do in good times and abandon in bad times. You don't turn next-level thinking on and off like a faucet. It affects every aspect of how you perceive your business — and it remains an integral part of your decision making even when you're immersed in crisis.

Jerry Jendusa learned this lesson after Sept. 11, 2001. The co-founder of Emteq Inc., which makes electrical and mechanical parts for airplanes, found his industry in upheaval after the terrorist attacks. But that didn't stop him from thinking ahead. He concluded soon after Sept. 11 that his clients would farm out what they used to do themselves in response to the slowdown in the aviation business. So Jendusa started to offer services such as certification and engineering to fill that anticipated gap.

"Now we're growing in a market that's dying," he says. "Part of thinking about the next level is identifying a niche even before it has fully formed in the market."

Such thinking has served Jendusa well. Emteq, based in Muskego, Wis., has grown into a $10 million company since its launch in 1996.

It's not the same as left-brain, creative thinking. Next-level thinking differs from mind mapping, brainstorming and other creativity tools and exercises. Visionary business owners may dream up great ideas in the shower, but their real talent lies in keen observational skills and a hard-nosed awareness of economic realities.

Nancy Gruver's next-level growth has resulted largely from her ability to listen and learn, rather than create great ideas from scratch. As founder of New Moon Publishing Inc. in Duluth, Minn., Gruver started the firm in 1992 by creating an informative magazine for girls. When her magazine published an article about a parent-daughter dogsled trip, Gruver decided to offer adventure trips for girls and their parents. When parents told Gruver that they'd like their own publication filled with helpful ideas, she responded by launching a newsletter especially for them.

"Innovating is part of next-level thinking," she says. "But for me, a bigger part of it is constantly thinking about what's going on around you, what people are telling you and what kind of business decisions you can make based on that."

With an average annual growth rate of 40% over 10 years, Gruver's eagerness to spot good ideas and act on them serves her well.

It's not the same as strategic planning. It's often said that the entrepreneur who plans is the entrepreneur who succeeds. True enough. But next-level thinkers go beyond planning; they see their business as an organism that needs nurturing to grow and thrive.

For Juventino Cano, founder of Cano Container Corp. in Aurora, Ill., formal planning is only one piece of the growth puzzle. Since launching the company in 1986, Cano has sought incremental growth by building long-term relationships with Fortune 500 customers. Cano climbs the growth ladder rung by rung by requesting referrals from each big corporate client. Annual sales now approach $13 million.

"All the planning in the world won't open doors for new business the way a testimonial from General Mills or Miller Brewing will," he says. "I've found that reaching the next level is all about satisfying your customers so much that they lead you to more customers."

The countdown to next-level growth

Are you and your business poised for next-level growth? To pave the way for the next stage of your company's development, you need three key ingredients: the right employees, systems and strategies.

The right employees. Even if you're a top-notch next-level thinker, you cannot translate your thoughts into reality on your own. You need to train and motivate your employees to work diligently today while gearing up for tomorrow.

Your challenge is to help your work force understand how their daily jobs influence not just the bottom line, but the big-picture direction your company will take. The more they connect their individual efforts with the greater good, they become participants — not spectators — in the organization's growth.

An effective way to coach your employees to adopt next-level thinking is to pepper them with future-oriented questions at staff meetings. Enlist them as allies in your vision, and solicit their ideas and opinions. Use these questions to spark lively next-level discussions:

- How do you think we will change as a company one year from now? Why?
- How can we position ourselves to take advantage of changes in our primary markets?
- What do you see as our current niche(s)? Are there other niches that we should pursue now — or in the coming years?
- What are our customers telling us about what they need? As market conditions change, do you think they expect to stick with us or abandon us for competitors?
- What do you think this company will look like when we reach the next level? (Consider our product or service mix, customer base, internal structure, etc.)

You need not know the answers when you ask these questions. There's immeasurable value in simply exchanging ideas and sharing experiences, observations and insights. Getting everyone talking about the future is in itself a healthy first step in turning them into next-level thinkers.

The right systems. Setting the stage for next-level growth requires that you understand the changes that you'll need to make and the issues that you'll need to confront as your company graduates to a higher level. To gain this understanding, take a *systems approach* to building your organization — an appreciation of the interrelationships of people, units and functions within your company.

If you're a technologist, for example, you may devote much of your energy to experimenting with the latest high-tech tools. That's fine as long as you constantly assess how technological advances affect your customers' needs and experiences. Founders of successful technology companies often master next-level thinking only after they look beyond the technology itself and adopt the perspective of the customer.

"You can't fall in love with technology for technology's sake, or you'll never reach the next level," warns Alex Bakman, founder of Ecora Software in Portsmouth, N.H. "I've seen it happen all too often. You need to view a certain technology not in isolation, but in how it will impact every aspect of your business." Ecora has doubled annual revenues each year since its founding in 1999.

The right strategies. Leaders of fast-growing companies can usually finish this sentence easily: "Our strategy to reach the next level is … " They know why they're building a company and what they need to do to get there. They devise strategies to attain incremental objectives and continually confirm that those strategies make sense.

Once you've identified the actions, programs and procedures that will raise your company's production and transport you toward your next goal, you're thinking in next-level terms.

For example, Jack Stilwell's growth strategy consists of partnering with companies that can help him expand his market penetration. "You can only do so much with the resources you've got in hand," says Stilwell, co-founder of Rymic Systems Inc., a tech firm in Huntsville, Ala. "So we find partners to license our new technology and take us into vertical markets. We want partners that we can grow with in the future."

In fact, Rymic's Web site (www.rymic.com) spells out its strategy for all to see. The firm seeks to establish "strategic partnerships with complementary companies, incorporating new and patentable technologies and building on cooperative marketing agreements."

Sales for 2002 should hit $1 million, and Stilwell expects that figure to more than double in 2003.

Communicate your next-level vision

A true next-level thinker does more than think ahead and dream big. The real test is alerting your employees, partners and investors *how* you intend to reach the next level. This involves encouraging everyone to shift into an anticipatory mode, where they think of the future consequences of present actions.

Turning your colleagues into next-level thinkers will not happen by default. You must convey your vision on a daily basis in clear, consistent terms. It's a process of continual education.

To sell your vision of the future, open everyone's minds to embrace wide-ranging possibilities. This requires flexibility rather than adopting a narrow, limiting perspective. If you cast a competing company in nasty, spiteful terms, for example, you might alienate your employees. It's fine to rally your troops to beat a larger rival, but promoting a villain-victim story line where your company (the "victim") suffers at the hands of a bullying competitor (the "villain") can hurt morale. Next-level thinkers don't demonize competitors; they see them as wily opponents. And they realize that in this age of fluid partnerships and alliances, today's rival can become tomorrow's savior.

Sharpen your communication skills by leading with "the 3 H's" — your head, heart and hand:

1 Use your *head* to devise a strategically sound next-level plan.

2 Use your *heart* to radiate passion and enthusiasm. Your energy will prove contagious and spur others to persevere and succeed in the months and years ahead.

3 Use your *hand* to point to the most important goals and mobilize every one to focus on what matters most.

Taken together, the 3 H's ensure that your message of next-level growth strikes your listeners as sensible, exciting and practical. It's hard to resist the power of a leader who presents a reasonable vision for the future, speaks with sheer joy and zeal and maps out a game plan that gives everyone a specific role in contributing to goal attainment.

Among the 3 H's, most CEOs have little trouble strategizing (head) or conveying their love of the business (heart). But communicating goals and pointing to what employees must actually do to get there (hand) can pose a challenge.

For Bob Gandee, co-founder of BackTrack Inc., an employment screening firm in Mentor, Ohio, communicating his next-level vision means motivating his 50 employees to deliver exceptional customer service.

NEXT-LEVEL THINKING: A TEST OF YOUR COMMUNICATION SKILLS

How well do you communicate your vision for your company's future? Take this test to find out. Read the following statements and grade yourself on a scale of 1 (never) to 10 (always).

____ I encourage employees to ask — and answer — two important questions: *What do we need to know now?* and *What will we need to know later?*

____ When I discuss the current state of the company with our employees, I also spend a few moments exploring how our present actions will affect the future.

____ I use visual aids (such as timelines, graphs and flow charts) to help employees and other interested parties understand what's ahead for our company.

____ I define the next level so that if I ask employees, "How will we know when we've reached the next level?" they all give the same answer.

____ I help employees understand what's in it for them if we reach the next level.

____ I communicate our next-level growth in a simple, transparent manner, so everyone knows exactly why we're in business and what goals drive our success.

____ I share my next-level thinking with my mentors, advisers, partners and investors on a regular basis and solicit their feedback.

____ When I convey next-level thinking to my employees, I refer to the company as separate from myself. (For example, I say "The company's future … ," not "My company's future … ")

____ **Total**

Add your score. If the total exceeds 56, you're communicating effectively. If the total is 42-56, you need to tweak your message so that it captures your next-level vision in a more compelling, persuasive manner. If your score fell below 42, revamp your communication style. Involve your team more fully in your next-level planning, and take a fresh approach to expressing the challenges and opportunities that will influence your company's growth.

"I don't just focus on growth when I talk with our employees," he says. "I tell them we're in a repeat business, like a restaurant. No matter how many times you go to a restaurant, you expect a quality meal and quality service. If it fails once, you may never go back. I'm always using that analogy with our employees so they remain committed to great service. It's that belief in excellence that will lead us to the next level."

Gandee's ability to direct everyone's attention to outstanding service has paid off. His company has grown 800% in the past five years.

Anticipate and remove barriers

Almost all entrepreneurs thirst for growth. Yet wanting the business to grow isn't enough. Even if you're determined to nurture your company and develop new ideas for its evolving success, there are no guarantees. Next-level thinkers face all kinds of hazards that threaten to derail their plans. Here are five of the most formidable obstacles:

1 **Fear of heights.** Some entrepreneurs aren't ready to climb so high so fast, whether emotionally or strategically. They may fear success or lack confidence in their planning ability. As a result, they resort to self-sabotage and subtly foil their attempts at growth. This commonly occurs when a business owner repeatedly rejects sound advice to, say, make a timely, opportunistic investment in a developing market. Deep down, they know they should act. But fear stops them.

2 **Misguided assumptions.** You may think that you can only reach the next level after you meet certain prerequisites. Some founders assume that the next stage of growth depends on penetrating specific markets, winning key accounts or attracting a substantial amount of funding. Yet next-level thinkers see beyond such assumptions. They're not locked into following just one path. They free their minds to anticipate dozens of alternate scenarios and take stock of an ever-changing marketplace.

3 **Jumbled priorities.** Next-level thinking becomes impossible if you get too caught up in minutiae. Focusing on cosmetic aspects of the business at the expense of the larger, core drivers of the company's success can prevent you from understanding the changes necessary to ascend higher. Ancillary concerns can take on a life all their own. That's why it's crucial to set priorities that help you map out a sensible growth trajectory, rather than stick to a questionable action plan against the advice of mentors and respected peers. Next-level thinkers know when to be stubborn — and when to back off and reassess what matters most.

4 **Runaway enthusiasm.** Next-level thinkers harness their enthusiasm to shepherd their companies into the future. But they also know that too much enthusiasm can blind them and lead to impulsive moves that backfire. It's a battle of gulp vs. sip: Taking action in big gulps can shake the foundation of the business and drain human and financial resources. But proceeding in small sips affords next-level thinkers the time to savor each stage of growth and look ahead with just the right dose of excitement and anticipation.

5 **Perfection or bust!** Perfectionists make poor next-level thinkers. Their perfection-or-else mindset prevents them from accepting their best efforts and moving on. Instead, they may redo old work or revisit dormant decisions in a futile attempt to achieve perfection. Founders who climb the ladder of growth hold themselves to a different standard. They prefer to take goal-driven actions and rack up accomplishments, even if there's room to improve. They would rather settle for 97% task effectiveness and embrace the next challenge than squander time and opportunities by insisting on an impossible 100%.

What's your next-level thinking IQ?

The next step to achieving next-level growth is to develop five key characteristics that will set you apart from the pack. Use the checklists below to assess to what extent you exhibit these five success traits:

1 **Become an "idea magnet."** Extract ideas from all credible sources, such as employees, customers and vendors. Act on what you learn, stage experiments and measure the results.

Example: Josh Allen, co-founder of Companion Baking Co. in St. Louis, declares, "You've got to get your ego out of the way to get to the next level." He readily admits that his best ideas have come from others. Since launching the company in 1993, he has made a habit of visiting bakeries across the United States to watch and learn. In 1994, for instance, Allen toured a Chicago bakery where the owner used his empty flour bags to deliver bread to customers. Allen copied that idea. "We save 40 cents per bag by not having to buy them," he says. "Over eight years, that has saved us tens of thousands of dollars." Annual sales in 2002 should hit $5 million, he adds.

CHECKLIST:

❑ I have a reliable mechanism to collect input from employees on an ongoing basis.

❑ I make it easy for customers, suppliers and others to contact me with their suggestions, comments and complaints.

❑ When I come across a good idea, I act on it by, say, running a pilot program or delegating it to an employee to test out.

2 **Straddle present and future.** To reach the next level, you must address day-to-day operational issues, which often are all-consuming, while also pursuing long-term goals. It's a tricky balancing act.

Example: Carol Ann Clements, founder of Jen-Cyn Enterprises Inc. in Camden, N.J., grapples with the "daily nightmare" caused by the steel tariffs that the federal government imposed in March 2002. Because a big part of her business is distributing galvanized steel, her days are mired in buying steel in an unusually volatile market where material costs have increased by more than 60%.

At the same time, however, Clements has a long-range plan to acquire additional warehouse space and expand her operation in Camden, based on her belief that state officials will continue to target Camden for revitalization and economic development. She also knows that diversifying her current product lines and entering new markets will propel the company to the next level. "We're talking with the state and the Port Authority and establishing partnerships for five and 10 years down the road," Clements says. "If we abandoned that long-term effort and just focused on the mess we're in now because of tariffs, we'd stall out."

Jen-Cyn's annual sales have more than quadrupled over the past nine years to reach $13 million in 2002.

CHECKLIST:

❑ I weigh future repercussions of the big decisions I make today.

❑ Even when we're immersed in daily crises, I still devote at least some time each week to map out long-term growth plans or forge alliances that will serve us well in the future.

❑ I share my long-term vision with my managers so they can think both a few days in advance and a few years in advance.

3 **Choose profitable growth over fast growth.** Smart CEOs resist price wars. They exceed customers' expectations and thus build long-term client relationships. As a result, they can price their products and services to earn a fair profit. While competitors might charge less in an attempt to steal business, next-level thinkers cultivate customers' loyalty and retain them over time.

Example: James Winterle, founder of International Delivery Solutions LLC in Cudahy, Wis., reveals that the secret to reaching the next-level is "not growing too fast." Before launching his firm in 1999, he worked for other mail consolidators and learned from their mistakes. These firms would "grab more and more volume by dropping their prices, thus losing millions on their accounts just to gain market share," he recalls. Winterle prefers a steady growth path: "We treat customers like gold without trying to be the cheapest kid on the block." He expects 2002 sales of $11 million.

CHECKLIST:

❑ I set prices that ensure decent margins, rather than merely undercutting the competition.

❑ I track our customer retention and learn lessons from lost business.

❑ I communicate to all employees — and demonstrate through my own actions — the importance of pleasing customers and going the extra mile to delight them.

4 **"See" the future through peers and advisers.** Next-level thinkers learn what lies ahead for their companies by talking to business builders who've been there. By holding periodic discussions with CEOs of companies one or two levels beyond yours, you can not only anticipate impending challenges, but also gain insights on how to deal with them.

Example: Will Smith, founder of Enscicon Corp. in Denver, attends monthly peer-group meetings through the Young Presidents' Organization (YPO). He also has friends and informal advisers who have built companies larger than his and who sharpen his next-level thinking. He recently wrote a private-placement memo (PPM) after reviewing four PPMs from business owners in his YPO group. "I leapfrogged from their experience," Smith says. "They told me how their first PPM was OK, their second was better and how their third and fourth were much better. They advised me how to lay out the answers to certain questions in a certain order, to structure the memo so that it's just enough to get investors to talk with me and prove I know my stuff."

CHECKLIST:

❑ I participate in regular, supportive conversations with heads of firms that are one or two rungs higher on the growth ladder than my company, whether through a formal peer network or an informal board of advisers.

❑ When I face a new challenge or responsibility, I don't just improvise; I ask a more experienced CEO for advice.

❑ I have a trusted friend or mentor who can tell me what I don't know — and what I need to do to find the answers I need.

5 **Hire for the present and the future.** To reach the next level, you need to assemble a dedicated group of employees who can develop their skills, collaborate freely and change direction rapidly. Next-level thinkers recruit flex-

ible self-starters who thrive in an unstructured environment.

Example: Paul Finkel, co-founder of Potomac Digitek Inc. in Gaithersburg, Md., challenges his employees and lets them decide how to maximize their contributions to the company's success. When he hires Web editors, for instance, he does not place them on a rigid career track (such as junior editor, senior editor, team leader, manager). "We like to bring in employees who are willing to share what they're doing and help each other," Finkel says. "We don't want them to feel like there's only one track for them to grow with us, and by giving them more freedom, they tend to work together better and find the best fit to help us grow."

Since the company's founding in 1994, Finkel says it has enjoyed an average annual growth rate of 20%-25%.

CHECKLIST:

❑ I'm always recruiting. When I meet promising individuals, I look for ways to bring them aboard in some capacity — even if there's no defined job opening for them.

❑ I like to hire individuals who share my excitement about reaching the next level and who exhibit a high tolerance for change.

❑ I attract candidates by emphasizing job satisfaction rather than pay, especially since I can't match the salaries they can earn elsewhere. I want people who want to work here for reasons that transcend pay.

WRITER: Morey Stettner