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BEST PRACTICE BRIEF – Balancing an Entrepreneurial Company

By:

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BACKGROUND

Entrepreneurs share many of the same characteristics – they are risk takers, they crave independence, they are free thinkers and visionaries, they have passion for their businesses, and they seek to control their own destiny.

Unfortunately, entrepreneurs share other characteristics – they wear too many hats within their organizations, they do not typically like to ask for help until it is almost too late, and they do not have an organized support structure around them (i.e. board of directors / advisors).

DRIVING THE BUSINESS

Entrepreneurs need to take time to work “on” their business as opposed to simply “in” it. Too often the business grows and begins to drive the entrepreneur instead of the other way around. These entrepreneurs are typically always “busy”, “running”, and “reacting” as opposed to being “in control of” and “focused on” their enterprises.

THE IDEAL ENTERPRISES

An effective tool used in assessing, developing, and managing a business is called the “Enterprise Design Model”. This model “componentizes” the major functional areas present in all businesses – Executive, Finance, Sales, and Production functions. Large or small, regardless of industry, these four major functions exist in all companies. The key to successfully managing the growth of the business is in keeping these functional areas in balance.

THE FOUR FUNCTIONS

The **Executive** function has two sub-functions – Management and Administration. Management sets direction and policies. Administration creates procedures to follow policies and ensures compliance.

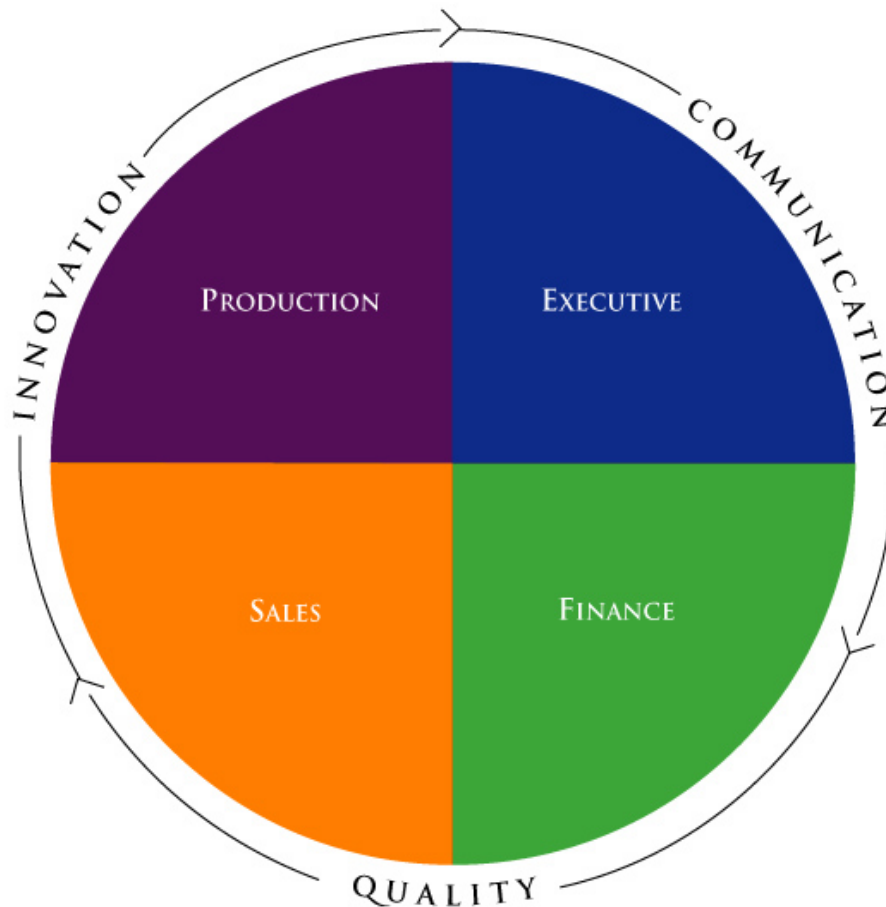
The **Finance** function is where the scores are kept. How well the company executes in the other three functional areas flow in the financial results for the company. Finance is typically the entrepreneurs’ weakest suit and the first function to be “out sourced”. The danger is the entrepreneur needs to make sure that they only delegate the responsibility not abdicate it.

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The **Sales** function covers both sales and marketing. Sales is converting the company’s products and services into cash and profits and is tactical in nature. It is also very measurable. Marketing is positioning, branding, packaging, etc and is more strategic. Marketing success is harder to prove out.

The **Production** function is the “making” or “delivery” of the product or service. (Sales and Production is where most entrepreneurs’ strengths lay.)



Around the four major functions are Communication, Quality, and Innovation. Open active communication drives innovation and produces quality results.

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To discuss balancing your organization or other organizational matters, please contact one of our Directors at (714) 668-9500 or Info@ClientAdvocateNetwork.com.