

Must You Fire Your Managers to Grow the Business?

Building business value is a common goal among business owners. Many successful small business owners find that after years of growth, the company can begin to plateau. It can be frustrating if you and your longtime managers realize that all of the things that grew the business in the past aren't doing the trick anymore. It's especially frustrating if you realize that the cause of this stagnation might be your longtime managers themselves.

Today, we'll look at a touchy subject: what to do about management teams that no longer produce the business growth necessary to support your ideal future.

Overcoming the plateau

Consider a fictional company, Big Brain Streaming Services. Over five years, one of the original co-founders and then-CEO, Riley Ruckus, had grown Big Brain significantly. Then, one of Riley's biggest investors, Huey del Rocha, decided that he wanted to take over as CEO. Huey didn't think Riley had the skills to continue growing the business. Huey demoted Riley from CEO to President. Over the next few years, Big Brain exploded under the guidance of its new CEO.

In this example, firing the CEO achieved the aim of growing the business. But if you're like many small business owners, this can be a problematic solution, especially if you feel a sense of loyalty to your managers. The idea of demoting or firing people who helped you build the business might be unpalatable.

However, to effectively overcome plateauing business value, you'll likely need to install a next-level management team. Next-level management teams are strong drivers of business value because they typically know how to build business value beyond what current management can do. As the Big Brain example showed, sometimes, the ideas that grew the company at first aren't good enough to grow the company going forward. Sometimes, change is necessary, and that change comes in the form of an injection of new, more fitting talent.



**Peter Racen, CLU®, ChFC®, CASL®,
CFP®, AEP®**
peter.racen@nm.com

**Northwestern Mutual Wealth
Management Company®**
www.peterracen.com
424 S. Woods Mill Road
Suite 110
Chesterfield, MO 63017
[314-744-5270](tel:314-744-5270)

Fortunately, you don't necessarily need to fire current managers. Loyalty and change are not mutually exclusive. In addition to replacing current managers, you can take two other tracks to install next-level management and still abide by your personal code of loyalty.

Reassign current managers

In the Big Brain example, the new CEO replaced the old CEO because it was necessary for the business' success. This is an important thing for you to understand. It is completely normal for growing businesses to replace all or part of an existing management team.

One way to split the difference between doing nothing and replacing everyone is to reassign current managers to more fitting roles. For example, your business may have an operations director who does incredible work when managing five people. But for your business to grow to the point where you can reach financial independence post-exit, it may need an operations director who can manage many more than five people. Rather than hiring an outside director and firing the current director, you can hire the outside director and move the current director into a role where their skill set is still valuable.

The consequence of taking this tack is that you've taken a step toward growing the business while giving your current manager the best chance to succeed, rather than throwing them in the deep end.

Retrain current managers

Current managers of successful businesses have obvious talent. Thus, it's possible to retrain current managers to go above and beyond what they currently do. You can potentially train promising managers to continue building business value beyond what they're producing today.

However, this strategy requires commitment and forethought. It may require outside counsel. You cannot simply expect current managers to "do more." You must instead define what you expect from managers, make those expectations achievable, and reward managers for achieving and surpassing expectations. First, giving top managers access to training, education, coaching, and the like builds their skill sets. Then, setting ambitious yet reasonable goals can motivate your current managers to use their new skills to grow the business as you need it to grow.

Conclusion

To continue growing your business, you may need to determine whether your current management team is the right group to grow the company appropriately. In terms of planning for your business' future, "appropriate growth" means the amount of growth necessary to provide you with financial security when you eventually leave it.

If you'd like to discuss how to potentially grow your business while still being loyal to your current management team, please contact us today.

The information contained in this article is general in nature and is not legal, tax or financial advice. For information regarding your particular situation, contact an attorney or a tax or financial advisor. The information in this newsletter is provided with the understanding that it does not render legal, accounting, tax or financial advice. In specific cases, clients should consult their legal, accounting, tax or financial advisor. This article is not intended to give advice or to represent our firm as being qualified to give advice in all areas of professional services. Exit Planning is a discipline that typically requires the collaboration of multiple professional advisors. To the extent that our firm does not have the expertise required on a particular matter, we will always work closely with you to help you gain access to the resources and professional advice that you need.

This is an opt-in newsletter published by Business Enterprise Institute, Inc., and presented to you by our firm. We appreciate your interest.

Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Peter Andrew Racen is a Representative of Northwestern Mutual Wealth Management Company® (NMWMC), Milwaukee, WI (fiduciary and fee-based financial planning services), a subsidiary of NM, and federal savings bank. All NMWMC products and services are offered only by properly credentialed Representatives who operate from agency offices of NMWMC. Representative is an Insurance Agent of NM and Northwestern Long Term Care Insurance Company, Milwaukee, WI, (long-term care insurance) a subsidiary of NM, and a Registered Representative of **Northwestern Mutual Investment Services, LLC** (NMIS) (securities), a subsidiary of NM, broker-dealer, registered investment adviser and member FINRA (www.finra.org) and SIPC (www.sipc.org).

The products and services referenced are offered and sold only by appropriately appointed and licensed entities and Financial Representatives. Financial Representatives and their staff might not represent all entities shown or provide all the services discussed on this Web site. Not all products and services are available in all states.

Peter Andrew Racen is primarily licensed in Missouri and may be licensed in other states.

CA License: #0D29950

AR License: #3201464

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

The Chartered Advisor for Senior Living (CASL®) designation is conferred by The American College of Financial Services.

©2019 Business Enterprise Institute, Inc. All rights reserved.