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# FROM FOUNDER TO LEADER

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## Crossing the Ocean in a Row Boat

The journey from founder to business leader is akin to crossing the ocean in a row boat. It's a difficult journey that few founders survive. And, if you think about it carefully, there's logic to the reasons why.

The founder - filled with passion and creativity - is all about getting the concept up and going. The founder "owns" the idea - they see in their own mind how the solution they have created solves a real problem. They see how their solution is relevant to their customer audience, and

**If you genuinely start having success, there is the real possibility that the business will simply outgrow you - if you are unable to grow yourself. The transition from founder to leader is not an easy journey.**

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they work hard to communicate that message of relevance to prospective customers. This often means small adjustments to the concept so that the solution really becomes a good strategic fit for the customer.

Once one customer becomes three, then becomes ten, a business forms. Suddenly the job of delivering on the promises made begins to consume the founder's time and energy. As this happens, the role shifts from "creating" to "leading" - and an entirely new skill set is required to have success. In short - early stage founders are entrepreneurs who have the insight to **create a product or service** to solve a problem in a meaningful way.

Contrast this core trait to the job of leading a growing business. As an idea becomes a business, the leader's job is to run the company - overseeing financial decisions, streamlining operations, hiring the right functional leaders, setting strategic direction, resolving imbalances, and keeping things on track for more profitability year after year. Those are learned skills.

Not surprisingly, many creative founders find themselves in the difficult spot of leading an organization that may be growing faster than they have professionally grown.

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## The transition from founder to leader involves seven key changes in leadership style.

This period of transition - the phase when the startup must grow up and become a scalable business - is one of the most critical times in both the life of the company and the life of the founder.

On the following pages I have outlined seven key transformations that must occur for a founder to successfully make the transition to leader (CEO). As the founder, you must either commit the time to invest in your leadership skills or prepare to handoff



The task of leadership is not to put greatness into humanity, but to elicit it - for the greatness is already there.

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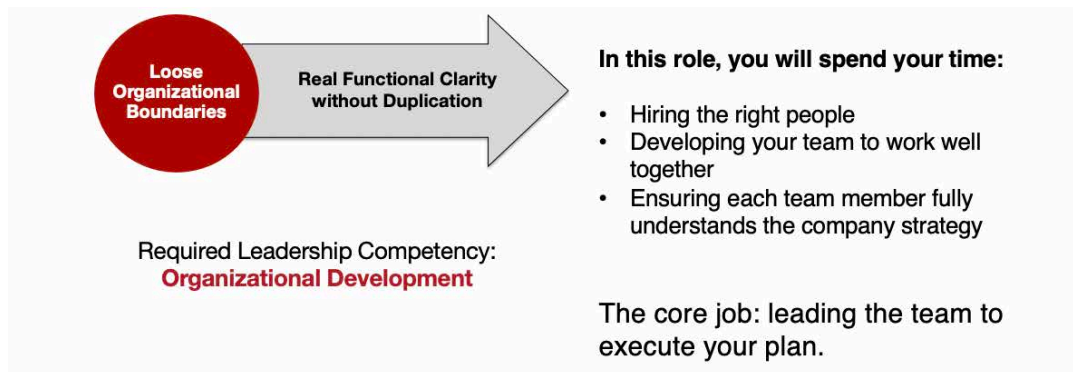
John Buchan

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leadership to someone else who can successfully scale the business and realize its full potential.

## 1. Developing People.

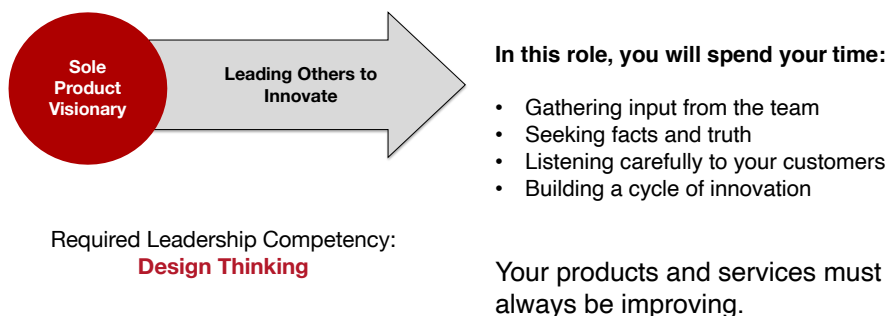
Loose organizational boundaries must be replaced with real functional clarity of roles and responsibilities without duplication. This requires you to cultivate the leadership competency of organizational development. In this role, you will spend your time hiring the right people, developing your team so they work well together, ensuring each team member fully understands the company strategy, and leading the team to execute your plan. To master this phase, you learn to communicate vision and plan.



## 2. Leading Innovation.

As the founder, you are (and have been) the sole product visionary. You saw the opportunity before others. Now you must learn to let your team innovate on the product or service. The input of others - especially as your team interacts with your customers is essential for growth. This requires you to have the leadership competency of design thinking.

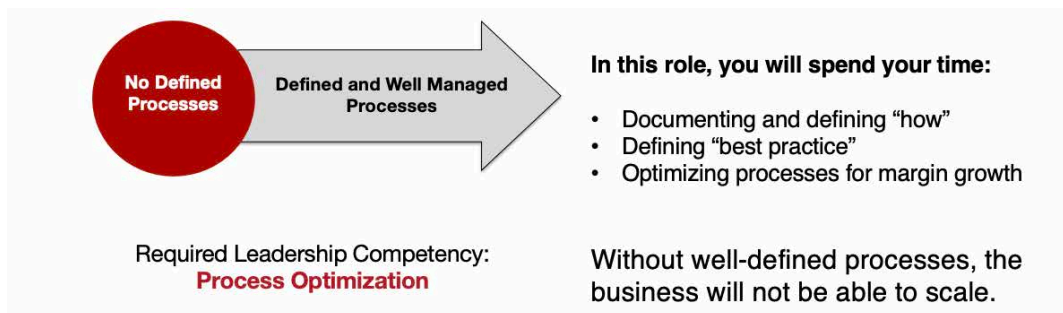
### TRANSITION FROM **FOUNDER TO LEADER**



The work includes gathering input from the team, seeking facts and truth, listening carefully to the input of the team and your customers, and building a cycle of innovation so that your products and services are always improving as you learn more about your customer expectations.

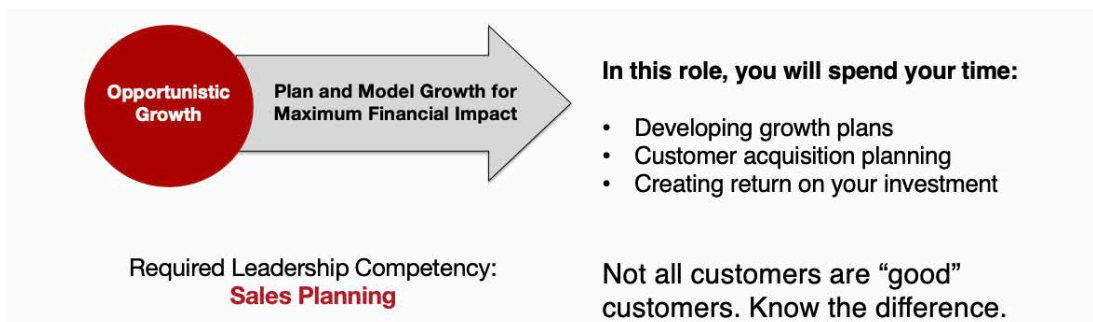
### 3. Optimizing Processes.

The business must make the leap from simply following your lead and thought of the day to having well defined and managed processes. This requires you to have the leadership competency of process optimization. Without well-defined processes, the business will not be able to scale, you'll never leverage your time, and profit margins will be destroyed by inefficiency. In this phase of transition, you learn the fine art of flowcharting!



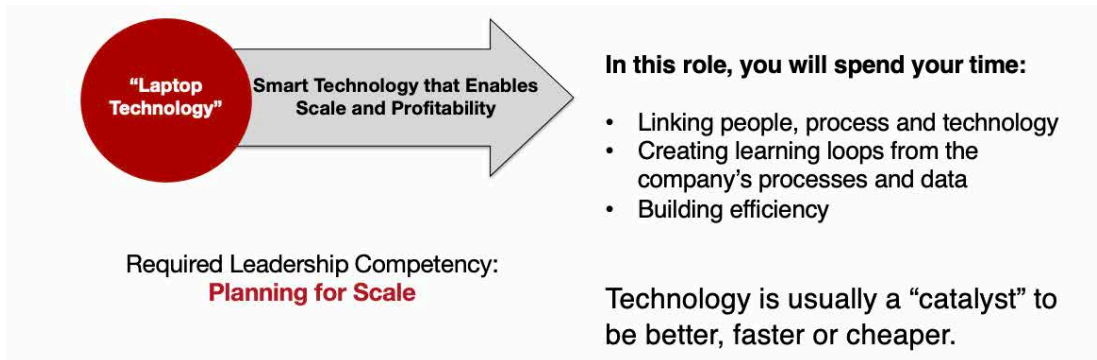
### 4. Financial Modeling.

Growth by need and available cash must be replaced with a solid plan and a financial model for growth. Scaling a business means all parts - including infrastructure - must grow together. This requires you to have the leadership competency of financial modeling. This means understanding the impact of a dollar invested in terms of revenue growth, margin development, customer acquisition and the ultimate return on investment. A discipline for budgeting and measuring monthly performance against a plan helps us accomplish this phase of the transition from founder to leader.



## 5. Enabling Technology.

Most founders begin their business with what I call "laptop technology" - a combination of simple software (Word, PowerPoint, Excel, Free Downloads, etc.). These are great tools for beginners, but many are not designed to scale a business. During this phase of transition, you must develop the leadership competency of growth planning. Simply stated, understanding how technologies can be used to manage workforce costs, optimize inventory, support customers, and create learning loops from the company's processes and data.



## 6. Scaling the Enterprise.

As founders, we obsess over our product or service. Until the product is right, there is no business. But the product or service is not the business either. Your product or service becomes a business only through customer growth and profitability. This requires you to have the leadership competency of a strategic mindset. Over time, your job becomes managing the people - the people are ultimately the product. You will set and reinforce the vision and strategy, ensure the team is well connected and informed, listen to the voice of the customer, and set the direction for the enterprise. You will mentally live 6-9 months ahead of where the business is - planning for upcoming quarters, predicting resource needs, and looking for opportunity. The day-to-day will be managed by the team with your oversight.



## 7. Managing Stakeholders.

Many of you will, at some point, require outside capital to grow. Whether that is through a loan or an equity investment, this means there are additional stakeholders whose input must be considered. They require information. They look to you to oversee their investment and share both good and bad news. This requires you to have the leadership competency of stakeholder management. There are many stakeholders as the business grows - your responsibility - clients, staff, investors, vendors and the community to name just a few.



### The Last Word

The transition from founder to leader (CEO) takes time. There are many lessons you will learn the hard way - by making mistakes and learning from them. Finally, you will need to develop mastery in three key areas:

- Becoming a leader will require mastery of self-discipline: how to focus your thoughts and energy, how to spend your time, and how to become intentional with your words and actions.
- Becoming a leader will require mastery of interpersonal skills: communication, collaboration, giving and receiving feedback, learning to hire the right people and terminating those who cannot perform.
- Becoming a leader will require mastery of key skills and competencies: margin creation, growth strategies, critical decision-making, budgeting and plan execution.

To ultimately scale, the company must have the right person in the right seat. Many founders choose a different role for themselves other than leader or CEO (head of sales, product development, etc.). There's absolutely nothing wrong with either choice. Just make sure that you have cultivated the skills and experience to succeed in the role you choose. We all are our best when we operate within the area of our greatest competence.