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How to Know When You're Losing Control

By Toddi Gutner | [Business on Main](#)

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Entrepreneurs are a unique breed — they are visionary risk-takers with the ability to turn a mere idea into a business. They are the engine of growth for our economy, but they are also often mediocre managers. In fact, there's a tipping point at which entrepreneurs turn the reins over to professional managers. Think Larry Page and Sergey Brin of Google, among hundreds of others, who have successfully stepped out of their own way as their company grew.

The question: What are the warning signs that tell a small-business leader he or she is losing control? Depending on those signs, does that mean it's time to turn over the reins? To answer those questions it's important to understand that companies grow in stages.

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Stage one is the startup phase, when the owner is involved in everything from creating the product or service and selling it to hiring employees and doing payroll. For many companies, "this begins to establish a culture of controlling every aspect ...

and this creates bad habits," says Mike Janicki, managing partner for the Jan Consulting Group, a management consulting firm for emerging companies.

In stage two, when the company has clients and cash flow, entrepreneurs bring people in to manage the functional areas, but in many cases the owner continues to keep control. "They don't empower their employees and [they require that all the business] decisions must run through the owner," says Janicki. As the business grows, the owner becomes a bottleneck and the company stumbles.

To avoid such a scenario, business owners need to address the following issues and watch for warning signs:

Time management. Every business owner needs to assess how his or her time is spent. As the business grows, the owner needs to shift from an operational role to more of a strategic, big-picture thinker. The quicker that happens, the more the company will grow. "Most [business] owners are still stuck in the day-to-day" rather than long-term strategy, says Mary Hladio, CEO of Ember Carriers Leadership Group, a leadership and organizational development company. "They need to decide, 'What are the critical decisions that I can delegate?'"

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Business procedures. Often in the startup phase, small-business owners fail to create essential standardized processes and procedures. "When a business grows, there is more data, and it needs to be controlled," says Clate Mask, CEO of Infusionsoft, an e-mail marketing firm for entrepreneurs, and co-author of "Conquer the Chaos: How to Grow a Successful Small Business Without Going Crazy." Without organized and centralized processes, entrepreneurs lose control of their company. "It's really hard to follow up effectively when the sticky note is on the floorboard of your car," says Mask. In addition, owners need to automate their businesses as much as they can.

Management team. Most studies show that individuals can manage three to six people effectively. As soon as we add the seventh or eighth person, the chances of losing control increase. "Most owners neglect to add on that extra person who can handle the additional people," says Hladio. It's essential to establish some type of infrastructure to manage a growing number of employees. Along the

same lines, many owners “fail to bring in higher-talented individuals into a role that is beyond the owner’s capability, such as a CFO or controller who is more effective as the sales of the company grows,” says Tom Bonney, founder and managing director of CMF Associates, a financial consulting, staffing and executive recruiting firm.

Finance and inventory levels. Every company engaged in a significant growth phase needs capital. Bonney describes a CEO client who was so focused on the sales side that he didn’t realize he was running out of an available line of credit. “Going to the bank at this point, the bank sees you are out of control and won’t continue the credit,” he says. Other red flags: over-ordering inventory, increased levels of out-of-stock inventory, or returned goods. “These are all examples of a situation where the business has outgrown the system,” says Bonney. It’s never easy for anyone to admit loss of control, and it’s probably even more difficult for the CEO of a growing company. But the sooner problems are acknowledged and addressed, the sooner the company can move to the next level.

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