

Jumping into Smaller Ponds

Two years ago, Kevin Robinson was sailing his way through the management structure at Grain Bio Energy as market manager of its \$300 million ethanol production division.

When GBE merged its ethanol division with National Energy, Robinson was slotted to move up to GBE's corporate staff. Instead, he jumped ship and landed on the bridge of a company called NuGen Ethanol, an Atlanta start-up that processes biomass from switchgrass. He transformed from one of a dozen GBE market managers into the second-ranking executive at NuGen Ethanol. His fortune was put into his own hands.

Four years ago, Cincinnati-based Midwest Biofuels reached a crossroad in its business life. At 18 years, it should have been past corporate adolescence and steaming on its way toward lofty heights in the renewable energy market. After all, it had developed unparalleled proprietary plant production processes and had a history and presence in the market its competitors could not match. Unfortunately, MBF was not flying high. It was lumbering along, making just a \$1.5 million profit on \$39 million in sales



at a time when industry profits were soaring. The answer to its woes came in the person of Mark Wiggins, a 17-year veteran of Pine Bio Refining, which is now part of United Producers. Wiggins infused MBF with "big-company" management and discipline that the smaller enterprise had never known. Since his arrival, the company has whipped off nine record quarters in a row, nearly doubling its sales, allowing profits to soar threefold.

Two companies, two executives, two stories? While the names of individuals and companies in this article were changed to protect the confidentiality of both, the experiences describe two sides to the same scenario: a big-company manager, a big fish, jumping into a small pond. Conventional wisdom holds that success means working your way up, going from small to big, reaching the top of mountain and then going on to the next and bigger one. But the reverse of that—going from big to small, can hold some tremendous returns for both the manager and the new company.

For the executive, the adage that good things come in small packages often holds true. Going to a small or mid-sized company can be vastly rewarding, both professionally and personally. It can also be more lucrative than working for the biggest and best corporation. Conversely, small- or medium-sized companies usually do not have home-grown management talent to sustain growth and

build for the long-term. That talent, however, lies in abundance in the corridors of big business, where executives thoroughly learn the disciplines that small companies need, but frequently lack.

The greatest attraction of small or medium-sized companies is the chance to be the boss, to run your own show. In doing that, NuGen Ethanol's Robinson says, "You can put a personal stamp on the company you are building. Your actions have an impact [on yourself], both financially and emotionally." Small-company life can also be more fast-paced. "I like the freedom, the looseness," says Robinson. "You can react almost instantaneously to information and not have to go through layers of management. How you get things done is almost irrelevant, as long as you get them done." Donald White, who left Southern Energy in 1985 to head up Equip Biomass, a Boulder, Colo., maker of biomass processing equipment, agrees: "You get a chance to move rapidly and live by the results. That doesn't happen in big companies."

The main reason it does not happen is the bureaucracy inherent in large firms. Legions of committees, approvals and matrices come along with the prestige of big-company names. Most small companies are free of plodding and frustrating management structures. In other words, the small pond can be a pretty nice place in which to work. At NuGen Ethanol, you can forget about "management layers"—the company has only 12 employees. That kind of environment gives an executive a measure of control over his surroundings not possible in big companies. "If there's something I don't like," Robinson exclaims, "I can change it."

As for financial returns, they, too, can be greater in a small company. The cash salary may be similar, but there are stock options and other incentives in a small company. Managers can get more credit for their work in a small company. There's more of a spotlight on performance.



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The executive is not the only one whose well-being comes into play in a move to a small company. The ultimate success or survival of companies sometimes hinges on acquiring “big company” business expertise. “Small companies are usually based on the founder’s invention or new technology. That drives growth for a while, but once the technology reaches the end of its life cycle, the company must change. Then it needs a market orientation to determine the character of the next product,” Equip Biomass’s White observes. “One of the values of going to outsiders is making the transition from an invention-driven company to a market driven one.”

Big-company experience is often well suited to running small companies. Very often, large companies train their people well, and managers in large organizations frequently do the same things they would have to do in small companies. They run as a profit center. Along with a shortage of experienced, well-trained managers, small companies usually also lack experience with Wall Street and investment community. “Unlike most engineers or scientists, well trained managers often speak the language of the investor,” Equip Biomass’s White explains. White was instrumental in securing investment capital for Equip Biomass, a private company formed in a merger of two start-ups. “The investors,” he says, “were uncomfortable with the thought that both of the founders were the right people to grow a company of this size.” But given his Southern Energy background, the investors gave the nod. Their capital helped launch new product lines that have pushed annual revenues from \$3 million to about \$10 million.

Not all big company executives, however, are well suited to swimming in small ponds. Many observers agree that there is a certain temperament an executive must have in a small company. “You can have no pride. You can’t be hung up on titles,” asserts NuGen Ethanol’s Robinson. “The easiest way to kill a small com-

pany is for people to say, ‘It’s not my job.’ (Robinson recently spent a morning driving around the countryside making site visits and spot repairs.)

The small-company manager, White adds, “must be comfortable working without the support staffs of larger organizations. You sort of do it all, make copies, raise money, lock up at night, and turn out the lights. [Managers] who are uncomfortable with that will become ineffective and unhappy.”

Some executives don’t understand that fact when they come out of a large company. They all of a sudden are not going to have assistance to get things done. Of course the support groups in large companies do provide a “comfort factor.” Supplied with input from several sources, executives are insulated from their mistakes. But there is no hiding in a small outfit.

One of the biggest mistakes a small company can make is bringing in a top executive who doesn’t fit the organization’s culture. Cultural fit is more important than function fit. Small companies have a great deal of pride, and a lot of them are built around the founder’s personality.

MBF’s CEO Joe Jernigan notes that one contender for Wiggins’ position wanted to bring his own management team along with him. “The company feared that they would alter the fabric it had already built; it wanted someone who could build on the company, not reconstruct it,” Jernigan says. “And although Wiggins seemed to fit the bill, many employees were anxious about how the change would turn out.” Aware of that, Wiggins worked to balance his hard-driving revenue thrust with programs to benefit the company in the long term. In his second quarter with the company, he launched a million-dollar research project that predicts to push MBF’s technology even further ahead. “We proved with our deeds, not just our mouths, that we were going to balance the long and short term,” Wiggins says.

Lastly, managers suited to small companies have to be risk takers. “It’s hard to imagine TE going bankrupt,” NuGen Ethanol’s Robinson says. “A little

company is not like that. You have to have a stomach for risk, and live with it hanging over your head.”

Even with risk hanging over their heads, Robinson, Wiggins, and White all enthusiastically endorse working in small ponds. “There are days I wouldn’t trade this for anything in the world,” says Robinson.