

The 1st in the Series of Guidebooks on the Midsized Mastery Method

DRIVING MIDSIZED GROWTH

BOOK 1 > **PEOPLE**



How the Best Midsized Companies Systematically Recruit, Develop and Team their Talent

ROBERT SHER

Author of **MIGHTY MIDSIZED COMPANIES**

ACCLAIM FOR *DRIVING MIDSIZED GROWTH:* *PEOPLE*

*“Just as you would never treat a teenager like you would a baby, or even an adult, you can’t handle a midsize company like a small start-up or a large corporation. It requires a unique touch. Robert Sher’s terrific new book, *Driving Midsize Growth*, brilliantly distinguishes the critical differences that come with midsize companies and provides 3 critical ways to effectively drive growth. Not surprisingly, his focus is on people, people, people! An excellent read!”*



Stephen M. R. Covey, *The New York Times* and #1 *Wall Street Journal* bestselling author of *The Speed of Trust*

“I’ve spent the past 10 years conducting research on middle market companies, and Rob Sher truly understands the challenges and issues facing these businesses. Through his own experiences running a midsized company, to collecting qualitative examples through conversations with middle market leaders, Rob’s ability to translate the critical issues into actionable recommendations is of value to any company. He speaks the language of the middle market”.



Doug Farren
Managing Director, National
Center for the Middle Market at
The Ohio State University Fisher
College of Business

“Many midsized leaders I encounter lament that “we’re too big to be little, and we’re too little to be big.” Rob’s engaging book reassures, motivates and offers easy-to-implement strategies for those seeking to manage and accelerate their midsized company growth. His relatable examples highlight midsized businesses’ unique competitive advantages along with their capabilities and cultures that enable them to control their own destiny.”



Steve Gido
Principal, ROG Partners

“Middle market enterprises depend on people to grow, but their busy leaders tend to underinvest in the strategic thinking and execution that will help them find the right people, help them grow, and build the capability to lead. What’s brilliant about this book is that Sher understands how to do these things without overburdening a company with process, policy, or procedure. Every executive at a midsized company can benefit from the ideas and insights in this book.”



Thomas A. Stewart
Chief Knowledge Officer,
AchieveNEXT and author of
Intellectual Capital

DEDICATION

*To the leaders of midsized companies everywhere,
who despite all the challenges, get up every day and
strive to build mighty midsized companies.*

INTRODUCTION

Midsized companies are not simply bigger small businesses, nor are they smaller big businesses. They are their own thing, *sui generis*, and their challenges—and their advantages—are unique to them, not shared by smaller or larger businesses.

Right now, a major challenge confronting all midsized businesses is talent. They are starved for it; they need it to grow, and many simply don't know how to get or develop it.

By the time a company reaches midsized, the people practices it used as a small business are neither adequate nor appropriate, certainly not as a platform for growth. The owner or CEO may realize they have to recruit and retain the best talent to compete with larger or smaller businesses, but he or she often has no idea how to make that happen. And leaving positions unfilled is a guaranteed growth killer.

Even when midsized companies have exceptional people, their leaders usually are too busy to help them develop. That's one of the curses of midsized businesses, especially those on a growth trajectory. Also, as the needs of the business increase, its people may not have the skills to keep up with the new demands created by that growth. They usually don't.

Midsized companies' people problems don't end there. If their best people aren't learning and growing, and aren't enjoying a rewarding work experience, they could leave for greener pastures.

I know all of this because I've experienced these problems as a midsized business owner and I've seen them emerge at the midsized companies I work with in our consulting practice.

And I know there's a better way.

By adopting a few key people practices, midsized companies can attract the talent they need in sufficient quantities to grow their businesses. They can keep them happy. They can even lure people away from much larger companies or appealing startups precisely because they're midsized. That's one of the blessings of being midsized. Call it the Goldilocks factor—for many people, they're not too big, not too small; they're just right.

I've identified three practices that, if done well, will drive a midsized company's growth. These practices—

the people drivers for which I've named this book—aren't borrowed from larger enterprises, which have more money and bigger human resources staffs. Instead, they are the sometimes-overlooked practices that the best-managed midsize companies use to recruit and retain top talent, to develop future leaders, and to create high-performing leadership teams that enjoy working together to grow the business.

This book focuses on leaders. But it also covers the people leaders employ. If you adopt these practices to make your own talent strategies even 10% better than the competition's, that difference in your ability to drive growth will be visible and palpable.

And that will be fun.

Midsized businesses are an economic force

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The midsized company market is huge, but information on talent management practices for the midmarket is scarce.

The United States is home to approximately 200,000 midsized companies. Companies that fall into this category have annual revenue of \$10 million to \$1 billion. Midsized companies are a foundation of the U.S. economy, accounting for a third of private sector GDP and employment. That's according to the National Center for the Middle Market, run by Ohio State University's Fisher College of Business, one of

the country's preeminent researchers of the middle-market economy.

Midsized firms have been a powerful engine of economic growth since the Great Recession of 2007-2008. Until the Covid-19 pandemic, they performed better than companies of other sizes by several measures. For example, from 2012 to 2019, midsized companies averaged 6.5% revenue growth compared to 3.5% for large businesses. During the same period, midsized companies averaged 4.3% employment growth, compared to 2.3% at big companies. According to NCMM, midsized company employment growth also outperformed that of small companies.

Of course, the pandemic hurt all companies of all sizes. No one was immune. As I write this in spring 2021, many still aren't out of the woods. But midsized companies contained their losses during the crisis better than both larger and smaller companies. Resiliency is baked into the nature of midsized companies.

Mighty, but invisible

Despite their outsized impact on the national economy, the total number of companies that can be defined as midsized is small. They barely make up 3% of all U.S. businesses. Because there are so few of them, in many ways midsized companies have been invisible, rarely studied or written about.

Why? Along with the fact that they are small in number, midsized businesses often are privately

owned by founders who bootstrap their way to becoming bigger businesses rather than taking outside financing. That's why you don't read about them as often in coverage of entrepreneurs and the venture-capital industry. And they're too small to be lumped in with Fortune 500 companies in business-school case studies. There aren't many consultants like me who specialize in mid-sized companies. The management consulting industry's titans—firms like McKinsey, Boston Consulting Group, and Bain—largely ignore them, partly because mid-sized businesses don't have millions of dollars to spend on them.

However, their in-between size isn't the only thing (or even the most important thing) that makes mid-sized companies different. Through my work, I've come up with a half dozen other characteristics that set them apart:

- They have a lower tolerance for risk.
- Their internal communications tend not to be so hot.
- People management practices are rudimentary.
- Leaders have less time to develop.
- Leaders have less time to think strategically.
- Leaders rose as technical experts or entrepreneurs, but without much executive experience.

This may sound negative—and in our research, we’ve seen some midsize companies get hammered by these problems—but we’ve also seen others grow like Topsy, avoiding what we have found to be the most dangerous growth killers. We call these companies “mighty,” and I wrote about them in my last book, *Mighty Midsize Companies; How Leaders Overcome 7 Silent Growth Killers*.

Most midsize companies need to grow to stay healthy. The status quo is never a friend to the midsize business, as it may sometimes be to the neighborhood mom-and-pop or to the global Fortune 500 behemoth. After all, many small businesses just strive to stay alive to pay a salary to the owner and a few helpers. Massive global companies have access to public markets and the momentum to carry them onward for years. But many midsize company owners and CEOs aspire to grow their businesses to the next level. In *Mighty Midsize Companies*, I examined the seven silent factors that can kill growth and explained how to avoid them. I call them “silent” because they can slip in and set up shop before you realize what’s happening. It takes skill to recognize them:

- A lackadaisical approach to time and deadlines
- Needless tinkering with top-level strategies
- Reckless attempts at growth
- Fumbling strategic acquisitions

- Operational meltdowns
- Running out of money
- Tolerating bad leaders

The Nine Growth Drivers for Midsized Companies

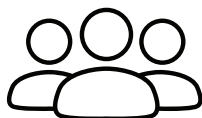
The flip side of growth killers is growth drivers. Through my consulting work and the midsized companies that I've researched since *Mighty Midsized Companies*, I've identified nine key areas that midsized companies must focus on to grow. The people drivers this book is about are part of this all-important group.

Before I share more, let me be clear about how I define growth. It means:

- Growth of revenues
- Growth of profits
- Growth of a company's value if it were to be sold

Growth may not happen quickly, but its pace shouldn't be glacial. The big question for most midsized company leaders is what they should do differently to achieve their growth goals, whatever they may be. Our answer is to focus on one or more of the nine drivers.

The Nine Growth Drivers of Midsized Companies



Focus Area: PEOPLE

1 Recruiting

Systematically recruit high-quality talent at all levels. Great people—the most talented people—drive growth faster, creating midsized companies that are stronger than their competition. Midsized companies that commit to a systematic recruiting process make talent a competitive advantage.

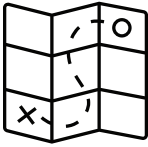
2 Developing Talent

Investing in your highest-potential people drives growth. Our research shows that concentrating professional development initiatives on your highest-potential employees has the biggest impact on your growth. Developing even four or five of your best people moves the needle.

3 Leading with Teams

Teams—not individuals—lead the organization. Growing midsized companies can't scale on the backs of a few heroes. The real heroes are strong teams. The strongest midsized companies intentionally strengthen their teams' ability to perform to consistently drive growth.

The Nine Growth Drivers of Midsized Companies



Focus Area: PLANNING AND EXECUTION

4 Planning and Managing to Plan

Clarity about your direction and the exact steps to get there. A strong plan and implementing that plan are equally important for sustainable, predictable growth. The most successful midsized businesses create strategic plans that look forward 3-5 years, and separate shorter-term operational plans that clarify activities.

5 Data-driven Decisions

Successful midsized business can't rely on instinct to grow. Midsized companies are way too complex to make decisions without data. To grow and scale your business, you need systems. Strong systems require collecting accurate data, analyzing it and using it to make decisions.

6 Finance Capability

Forward-thinking financial leadership. Hitting ambitious goals requires availability of resources—especially financial resources. Finance and budgeting teams who can accurately forecast what resources will be required to drive growth must play a pivotal role.

The Nine Growth Drivers of Midsized Companies



Focus Area: GO TO MARKET

7 Market Intelligence

Understanding customers, competitors, talent and vendors. The top midsized companies track and analyze shifting marketplace conditions and use that intelligence as a competitive advantage to stay ahead of the competition, anticipate market trends and attract the best talent and partners.

8 Strategic Growth

New markets, new products and M&A.

Significant sustained growth requires strategic growth initiatives. Companies need to look for opportunities to enter new markets, launch new products and attract new customers.

9 Systematic Sales and Marketing

The right systems and tools deliver predictable, positive results. Achieving sustainable growth requires a selling system with the right people and tools, supported by marketing that puts leads into your pipeline and nurtures them until they are ready to buy.

Midsized company owners and CEOs are aware of these growth drivers but they may undervalue or skip implementing certain aspects of each. That can reduce their effectiveness and negatively affect outcomes. Midsized companies may deploy other means to support growth, including managing operations, leveraging intellectual property or other assets, and so on. But those functions don't necessarily *drive* growth.

Putting systems in place is especially important for emerging midsized companies: companies that are just entering midsized territory, with annual revenue of \$15 million to \$200 million. As they grow from small to midsized, they need many more people than an owner or CEO can reliably hire through their own networks or local advertising. For talent needs of that scale, companies need systems such as those I'm about to describe.

People drivers

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This book homes in on the first three growth drivers: those that pertain to people. Many insights and examples I share are directed to leaders and managers, and in particular to owners and CEOs. Yet much of what you'll read could help anyone at a midsized company, from someone in an entry-level position or their first job out of college to someone years into their career.

Here's an introduction to the three critical people drivers that I will expand upon in the chapters that follow.

Recruiting top talent. Consistently recruiting enough high-quality talent at all levels fuels growth. But many midsize companies struggle with recruiting and settle for people who are nothing more than a good fit. But “a good fit” is not the same as “a great fit.” Midsize companies with an abundance of creative, talented people at the top of their class grow markedly faster than their competition. They just do. I've witnessed it. That's why I know it's worth the time and effort to find the great fit.

In Chapter 1, I spell out why it's important to take a systematic approach to finding and signing the best and brightest for your company. This includes using tactics that sales and marketing departments use to prospect for customers. I will discuss short-term tactics to use when your hiring needs are urgent and longer-term strategies that can make your company a consistent magnet for top talent. I illustrate these tactics with real examples, something you'll see sprinkled throughout the book.

Developing talent. Some of your employees are capable and eager to move up as your company grows. They love what they do, love the company, and have bought into your mission. These are your high-potential employees. Actively developing high-potentials reduces the time it takes for them to

take on leadership roles. It also increases your pool of potential leaders. Systematically helping high-potential employees earn promotions and increase their responsibilities fuels growth. It's also relatively less expensive and less risky than hiring from the outside.

In Chapter 2, I lay out the professional development that midsized companies with ambitious growth plans must offer high-potential employees, including internal and external training, mentoring and coaching.

Leading with teams. Many small companies succeed and grow on the backs of their owners and founders and other individual heroes. That's great. But that's not how midsized companies grow. A hero can lead, inspire, and solve problems for 10 or maybe even 20 employees. No one can do that for 100. Not well. That requires teams. Excellent teamwork is a hallmark of successful midsized companies where teams at every level work together productively, cohesively and happily.

Chapter 3 explains what it takes to make the transition to team-based leadership. I call this the journey from "I" to "we." I will walk you through the elements necessary to make a team-leadership model work, one that will give top leaders more time to create the long-term plans that drive growth.

Research on midsized company growth backs up what we know from our work: implementing these

three people drivers will have a direct and positive impact on growth.

Attracting and retaining talent and staff development are two of seven key management practices and behaviors that drive growth at mid-sized companies, according to NCMM. Not only that, 71% of mid-sized companies identified as “growers” (those with year-over-year revenue growth of 30% or more) are adept at attracting top managerial talent. And 64% provide clear career paths for employees.

Feeling overwhelmed? Don't be. Most mid-sized company CEOs don't have the time nor the resources to institute all three people drivers at all levels, and to every employee. Instead, I encourage them to start by focusing on those high-potential employees. These stars will pull everyone along with them, so focusing on them can have the biggest immediate impact on the business.

Why listen to me?

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Before I consulted with mid-sized companies, I ran one myself. It was my introduction to the power of people as drivers of growth. From 1984 to 2006, I was a founder and the CEO of Bentley Publishing Group. I led the business through four acquisitions that turned it into one of the country's leading decorative art publishers. I wrote my first book, *The Feel of the Deal*, the year after I left Bentley, which merged with another firm to form the Bentley Global Arts Group.

In the 15 years since I formed Mastering Mid-sized, our firm's business consultants, coaches, and I have helped more than 170 mid-sized companies tackle many of the same issues that I cover in this book. We worked hand-in-hand with them to turn their people into drivers of growth. Helping those companies provided us with the insights that I'm sharing here. Organizations such as NCMM do commendable work collecting data on mid-sized companies. And I routinely refer to and depend on their research. But to understand what needs to happen, and what practices need to change, to accelerate mid-sized company growth, there's no substitute for working one-on-one with mid-sized company leaders.

I'm a big believer in sharing what I've learned through my involvement in peer organizations and in my writing. I joined the Alliance of Chief Executives, a private group for CEOs, back when I was still running Bentley. I frequently speak at Vistage, a peer mentoring group for CEOs, and groups like it. I've led or participated in hundreds of peer-group sessions. And I've listened to the real-world challenges that mid-sized company leaders face. And, from their experiences and hard-won wisdom, I believe I've learned how to solve the problems and address the challenges that arise uniquely in the midsize space.

Since 2014, I've written a monthly Forbes.com column on the art and science of running mid-sized companies, and more than a half dozen articles for *Harvard Business Review*. To write this book,

I conducted research with more than 130 owners, CEOs, and other executives at midsized companies around the country.

How to use this book

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This book is designed for executives and managers leading midsized companies. It's especially relevant to CEOs at emerging midsized companies as finding the talent you need to grow is especially urgent. I've also written this book for the owners of privately held or family-owned business, and CEOs of companies with outside funding, as well as for those running a small publicly traded company.

As is the case with some of the companies for which we consult, you could be CEO of a professional services firm—an architecture, accounting, law, or engineering firm—that's owned by one or more partners in the business.

I also have written this book for heads of small businesses knocking on the midsize door, needing to put systems in place to get it to open. And, finally, for midsized companies whose rapid growth has outrun their management capabilities.

I want to help midsized companies of all kinds be more successful in improving their people drivers. *But this is not an HR book.* It's a book about leadership, and how owners and CEOs of midsized companies

must hire, develop, and direct people. I firmly believe that if CEOs insert my philosophies about people drivers into their companies' DNA, their business and people will thrive. But if CEOs think of these activities as HR's responsibility, they won't lead the charge to change the ways their businesses hire, develop, and team people to drive healthy growth. And they need to. That said, I believe HR leaders will embrace the philosophies I share and support the actions I recommend.

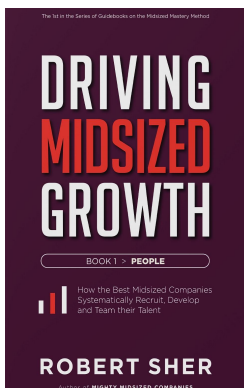
You'll also see QR codes sprinkled throughout the book. I added them to share more material at no extra cost should you want to delve deeper into specific topics. Just scan the QR code with the camera app on your mobile phone or tablet to see in-depth case studies, videos with CEOs, tools, and more.

So, let's dive into the first people driver: improving recruiting to spot and hire the high-potential employees you will need to push your company to the next level.

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Includes exclusive online companion with deep dives on interviews, exclusive videos and a full audio copy of the book.

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emerging midsize companies and well-established organizations, in industries of all kinds, everywhere in the country. Companies that can find and hire great people when they need them grow faster and more profitably than those that can't. It's that simple.

Of course, finding the best candidates for critical jobs is neither simple nor easy. Midsize company leaders say that attracting, training, and retaining talent is among their top five challenges. That's especially the case when it comes to staffing upper-level positions.


Peterson, who participates in lots of roundtable discussions with other midsize company CEOs, says it's a constant refrain among his peers: "Every year, it's 'How do you hire? How do you find good people to hire?'"

What this chapter will cover

General best practices for recruiting are well known and shared in enough books, blogs, and podcasts that there's no need to rehash them here.

IN DEPTH ► THE P2S INTERVIEW

P2S's successful recruiting program includes internal recruiting, spirit teams, internship and new hire programs, and an interviewing scorecard. Read the full detailed summary of the interview between the author and CEO Kevin Peterson and the analysis and advice on Forbes.



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