



Industry
Canada

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Self-Study Guide

STEP 4: Demonstrate Your Management Capabilities



Canada

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Demonstrate Your Management Capabilities

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4.1 Demonstrate Your Management Capabilities - Introduction

Risk capital investors know that poor management is often the death knell for a business. So if the way your company is managed is not up to par — even if your business idea is strong — investors will invest elsewhere. We'll help you assess your current management team and consider the options for strengthening it if need be.

Investors are interested in your:

- past — the track record of your management team;
- present — the management team's skills and the company's competitive position; and
- future — preparedness for the growth.

In This Step

You'll learn why risk capitalists will investigate the way your company is managed and discover what they're looking for. You will also find useful tools for evaluating your management strategies and your team, and consider improvements that could make your company stronger. The key concepts for ensuring your company is well managed are explored in the pages that follow:

- What Investors Look For
- Describe Your Track Record
- Prepare Report Cards for Investors
- Assess Your Managers' Abilities
- Strengthen Your Management Team
- Determine Your Competitive Advantage
- Action Items

The New Tech Story

Follow the fictional company New Tech Distributors Corp. (New Tech) as it pursues venture financing. This case example gives you a feeling for the "real" data and strategic decisions you'll be facing.

4.2 What Investors Look For

Good Management — Essential Requirement for Investors

Risk capital investors are like seasoned bettors at the racetrack. They would rather have a great jockey (management team) and a good horse (product/service) than a good jockey and a great horse.

Why do investors put such a high priority on the management of a company? Because a weak management team is the downfall of many businesses. The emphasis on "team" is

critical. Investors don't care too much for one-person operations, no matter how savvy they might be.

Investors Prefer the Team Approach

Investors will want your business to have a management team of, say, three to six executives. This way, all the important aspects of your business — production, marketing, finance, human resources — get the attention they deserve. And the team can survive the loss of a key person.

Investors are looking for a good management team. That means a talented and diverse team with an effective structure and clear roles, and good communication, decision-making, and consensus-building skills.

What's Wrong With a One-Person Show?

If the success of the business rests on one person's shoulders, what will happen to the business if a serious illness or tragedy should occur? Can one single person manage all of the key functions of a rapidly expanding business? Unlikely.

Many companies are founded by visionaries who have great ideas and great dreams. But if those dreams aren't backed up by strong implementation, the accounts get into a mess, the staff is left to their own devices, obligations are forgotten, and clients get turned off. And, while one mistake or problem area won't usually bring a business down, it's often a sign that there are problems on the horizon.

Investors want to be assured that the company has a strong management team that can weather the loss of individuals and respond to the challenges of growth.

Tips

"Venture capitalists say they prefer a grade A entrepreneur with a grade B business idea to a grade B entrepreneur with a grade A idea. And it is generally a strong management team not a lone entrepreneur that they back." (*Pratt's Guide to Venture Capital Sources*.)

*A. Dingee, B. Haslett and L. Smollen, "Characteristics of a Successful Entrepreneurial Management Team," *Pratt's Guide to Venture Capital Sources* (New York: Securities Data Publishing Inc., 1996), p.23.

Key Questions

The members of your management team may be experienced and knowledgeable, but do they have the key ingredients of a good management team?

Good chemistry is an essential quality of an effective management team. A team is more than just a group of people who all want the same thing. The people in a team will support and help each other, tackle problems together, appreciate each other's strengths, and believe in each other's capabilities.

Here are some other factors that can help your management group become a tightly knit team.

Team Diversity

Your management group should have a good mix of personal values and professional experience, skills and abilities. And they should appreciate each other's points of view.

Clear Roles

The roles of team members should be clear to them and to everyone else in the business. An organization chart is a good vehicle for showing the relationships among your team members.

Effective Decision Making

Team members should have the ability to come together to make important decisions in a timely way. It's important that no one person always prevails, that it doesn't take agonizing hours to make decisions, and that meetings don't become watered-down just so agreement can be reached.

Good Communication

Team members should place a high value on exchanging views, consulting each other and keeping each other informed. The climate should encourage asking questions and showing respect for the ideas and comments of all team members.

Other Ingredients

Your management team needs strong leadership. Team members need to be competent, resilient, innovative and, above all, capable of reaching the company's goals.

4.3 Describe Your Track Record

Your Management Track Record

Risk capital investors will, of course, be interested in how well your company is being managed today. But be prepared: they will also want to know how well things went in the past. The investor has the right to know when you have faced problems, how they were caused, how they were resolved and what steps you have taken so they won't happen again. The fact that you've survived and recovered from earlier problems shows that you and your team have experience, and are resilient and open to change.

If your team has a healthy track record...

... highlight your success and use it to convince potential investors that you have the credentials for a successful management team.

If your track record has been below par...

... take the opportunity to show investors that you recognize your weaknesses and explain how you plan to correct the situation.

If you're launching a new business...

... emphasize your team members' performance with previous businesses.

Key Functions

There are several key functions that must be managed to keep any business on track and working toward success. Investors will want to know how well you perform each of them.

Think for a moment about the distinct areas that have to be managed in your own company. Write them down, and compare your list of key functions with ours.

Our list of key functions

- selling and shipping it (marketing/distribution);
- producing the product or providing the service (production/operations);
- managing the company's money (accounting/finance);
- finding and keeping the best people to perform the work (human resources);
- developing and improving it (research and development); and
- guiding the business and its people (leadership).

Investors know that all companies that are successful in the long run must pay close attention to these key functions. As you review the list, consider who is held responsible for each of these functions in your growing company.

Each function, or certainly most of them, calls for a specific manager with specific management knowledge and skills. How well your business runs depends on how well your managers carry out these functions. How does your team stack up? That's what we're about to find out.

FAQ

Do I have to let investors know if my last business wasn't successful?

It's better to be honest about previous situations. Investors will likely find out anyway. If you indicate that you've learned from earlier mistakes (whether or not you were directly responsible), potential investors will probably be more reassured about your management capabilities.

4.4 Prepare Report Cards for Investors

A good way to help investors see how the management of your company has evolved for the better is to prepare a report card on each of the major business functions. These report cards will be a synopsis of key management functions over the past four years. Here are some points to consider:

- Prepare customized tables based on our *sample report cards* for each major management function, as the basis for a review of your past performance and as a catalyst for discussion at your next management meeting. Present these to the investors.
- Be prepared for some tough questioning. To help you out, we've listed some key questions investors might ask at the end of each table in the sample report cards. Your answers will help to convince investors of your management team's effectiveness.

Sample Report Card on Marketing/Distribution

Marketing/distribution means moving your goods and services from your plant to the end users. It includes market research and analysis, pricing strategies, advertising and promotion, sales strategies, sales results, distribution channels, and customer response.

Sample Report Card on Production/Operations

Most expenses of production-oriented businesses are incurred at the production level. Buying and transporting raw materials and the costs of production can account for up to 80% of total costs. So, it's important to use break-even analysis to show profit performance and the relationship between revenues and costs (fixed and variable).

Sample Report Card on Accounting/Finance

Investors realize that finance affects all segments of your business activities. They want to be sure about the accuracy, consistency and reasonableness of your information, and to see that your reporting system complies with generally accepted accounting principles.

Sample Report Card on Research and Development

Companies invest in research and development (R&D) to find more cost-efficient manufacturing methods and ways of improving the quality of their products. R&D helps your company to maintain a competitive edge and remain current technologically. It also acts as a signal to investors that you and your team are committed to growth and success.

Sample Report Card on Human Resources

Good human resources management can easily provide competitive advantages for your firm by helping you attract and keep high quality, highly productive, and loyal employees and managers. Good human resource management includes effective policies and a good track record in salaries and compensation, recruitment, performance appraisal and training and development.

FAQ

Do I really have to provide all this information to an investor?

Yes. Investors and risk capital firms usually have a responsibility to other people who are investing behind the scenes. The more thorough you are at the outset, the more confident potential investors will be in your management team.

4.5 Assess Your Managers' Abilities

Are Your Managers Ready for Growth?

So far in this Step, we've been looking at management from the point of view of how well your company functions. But the managers in your business, as individuals, will also come under the investor's careful eye. So, you have to determine if your management team has the skills and experience needed for future challenges.

For a good real-life example of how a company assessed its management team's strengths and weaknesses, read about how Bfound.com adapted for growth. Bfound.com's management team underwent changes during the search for funding. In fact, one of the investors played a key role in helping the company attract the needed expertise for growth. Consider using this example with your current management.

Comparing Available Skills to Needs

Here is a sample of the type of tool you might use to assess your team. A real skills assessment grid like this would have to be customized to your needs and particular situation. Using a matrix like this, you can pinpoint weak areas, i.e., a column with low marks represents a weakness that needs to be resolved.

Functions/Skills	Leadership	Motivation	Initiating Change	Team Building	Decision Making	Planning	Communications	Managing Growth	Collaboration	Strategic Thinking	Average
CEO	5	4	3	2	5	4	5	5	5	2	4.0
V.P. Marketing	4	5	3	2	4	4	4	4	4	3	3.7
V.P. Production	3	3	4	3	5	3	3	4	3	1	3.2
V.P. Finance	4	2	2	1	4	4	4	2	4	2	2.9
V.P. R&D	2	4	3	2	4	5	3	2	2	1	2.8
Average	3.6	3.6	3.0	2.0	4.4	4.0	3.8	3.4	3.6	1.8	

0 = no experience 5 = high degree of experience and skill

Process for Finding Skill Gaps

Here's a process that can help you focus clearly on your management team's true capabilities and how they will meet your future needs.

1. Make a general list of management skills, organized according to key functions.	<ul style="list-style-type: none">• A <i>General List of Management Skills</i> is a good place to start (see Appendix).
2. Customize the list so it's relevant to your situation.	<ul style="list-style-type: none">• To adapt the list to your needs, add the core skills critical for your operations. Try brainstorming with all key members of the team.
3. Take an inventory of existing skills.	<ul style="list-style-type: none">• Be candid, do an honest assessment of skills.• List each person's experience, education, and specific skills and review job descriptions.• Consider having team members describe and evaluate each other too.
4. Evaluate the team's skills in terms of your future needs.	<ul style="list-style-type: none">• Compare available skills to needed skills by mapping out your evaluations on a grid or matrix similar to the sample above.• Use a scale, such as 0 for no experience or skill and 5 for a high degree of experience and skill.
5. Make decisions about the needs you have identified.	<ul style="list-style-type: none">• Decide what is the best way to improve on weaknesses and prepare for the future.

Keep the review process positively focused on the future. You need the team's cooperation in this process, and your company won't benefit if loyalties become divided or hard feelings develop. Manage the process and keep your team's eye on the future.

Management Audit

To help you assess your team — and to view an extensive list of skills — we strongly recommend that you look at the *Management Audit Tool* in the Appendix. The tool is organized under the key business functions you've looked at earlier in this Step: Accounting/Finance, Marketing/Distribution, Human Resources, Production/Operations, and Research and Development. Too many "No" responses on this comprehensive list are a signal that you need to make some improvements.

Entrepreneur Stories

How Bfound.com Adapted for Growth

In order to meet their full financing needs, Bfound.com's founders understood that they would need a stronger management team. While the original team could secure the smaller amounts needed for the initial growth phases, the large injection of capital required for the second and third rounds of financing would only be met if investors had complete confidence in management.

The Bfound.com team members agreed that given the urgency of their financing needs they needed to bring in outside management expertise to attract the funds and take Bfound.com to the next level.

Adding to the Team

As is the case for many high-tech companies, Bfound.com initially focussed more on its technology initially than on the marketing of the products and services that would result from this technology. The first addition to the management team, after involving the investor, was a Vice-President of Marketing — someone who had a lot of compatible experience. This addition allowed the Bfound.com founders to focus on their areas of strength and move the marketing function to an experienced marketer.

Getting Help from Investors

The management change for Bfound.com didn't come until after the first round of financing had been concluded. In fact, the active private investor who sponsored the first round of financing played a critical role in transforming the management team and governance structure in preparation for second-round overtures.

Solid Human Resources Policies

Since the quality of the people working in a high-tech company is so critical to the success of the technology, Bfound.com had to demonstrate not just a strong management team but also a committed work force. Providing stock options to employees was a way to provide the Bfound.com team with incentives while demonstrating to potential investors that the employees had a stake in staying with the company in the long-run. Stock options also helped in hiring, which is a big issue for high-tech companies.

Tip***Managing the Review Process***

It's not always easy to be objective about management co-workers. You may have a long history with some of them, through the difficult early days of business start-up in some cases. Your current managers may be very keen and committed to the company's success and vision, and you may feel an obligation of loyalty to them. But if, taken altogether, your management team has gaps in ability, experience and knowledge, you (and they) will have to face up to adding new managers and maybe replacing existing ones.

Keep Your Team's Eye on the Opportunity

Your management team members may be inclined to avoid having their (and their colleagues') capabilities reviewed openly. They may feel that the company's success to date is ample evidence of their competence. So you may have to help them see that the company's opportunity for growth is the real goal — that staying in the same place is to no one's advantage.

4.6 Strengthen Your Management Team

By now, you should have a fairly good idea of your team's weak spots. There are several ways to shore up these weak areas, depending on what suits you best. Here are some options:

- Upgrade Your Managers' Skills
- Hire New People
- Modify Team Structure and Roles
- Bring in Outside Directors and Advisors
- Look for Investors Who Will Enhance Your Team

Upgrade Your Managers' Skills

If you can afford the time or if the skills gaps are minor, consider upgrading the skills of some management team members. There is a wide variety of training options available: short intensive business-type courses, college or university courses and programs, self-study programs, and Internet-based training courses like this one.

Hire New People

Hire people with the skills you need to fill in the gaps. Be sure your hiring process is carefully targeted to recruiting to gain the necessary capabilities, and rejig the roles and responsibilities so new managers aren't perceived as invading someone else's turf.

Modify Team Structure and Roles

Are your management team's skills and abilities being used to best effect? Consider whether a reworking of management roles and responsibilities might open up the opportunity for an existing manager to use more of his/her qualifications and skills.

Change is an integral part of a growing business. Changes in management should put key members of your team where they are best qualified. Many companies rebuild the management team continually — to adjust to changing circumstances.

Bring in Outside Directors and Advisors

You can improve your management team by forming a board of directors with reputable and credible outsiders. They can legitimately help a growing company grapple effectively with the many challenges of the early years. And investors will be impressed with your foresight. Another option is to seek advisors with abilities in areas where your team is weak. Look for people who have a reputation for integrity, foresight and success. Consider part-time advisors: your lawyer, financial advisor, accountant or even your potential investor.

Look for Investors Who Will Enhance Your Team

The degree of investor involvement in your company is sometimes based on the investor's perception of your team's management capabilities. If investors have confidence in your team, they may play a passive role and allow existing management to continue. Otherwise, they may want an active role in policy decision making, financial problem solving, and recruiting managers. This could be good for you, especially if investors complement a specific skill or provide growth opportunities that you would otherwise not be able to exploit.

4.7 Determine Your Competitive Advantage

What Makes Your Business Different?

So far in this Step you've looked at several views of how well your company is managed. It's time to bring your thinking together and assess your overall competitive strength. Assessing your competitive strength shows investors that you have thought about whether you have the management and business skills to exploit your long-term competitive position.

In today's business world, you need to focus on how your products or services will be different and better than the competition, and on how you can maintain and increase this advantage. In many industries, for example, consistent high quality is no longer a differentiator; it's simply the norm.

Investors Will Want to Know

- How strongly is your firm holding its present competitive position?
- Can your firm's position be expected to improve or deteriorate if the present strategy is continued?
- Where does your firm rank relative to major rivals in terms of key success factors?

- Does your firm have a net competitive advantage or disadvantage?
- Does your firm have the ability to defend its position in light of industry driving forces, competitive pressures and the anticipated moves of rivals?

List and Examine Success Factors

To help answer these types of questions and assess your competitive strength in key areas, use a form like the one below. Rate your key rivals (1=low; 10=high). Add up the ratings and draw your own conclusion about your company's and your competitors' positions.

Key Success Factor/Strength	Your Company	Rival 1	Rival 2	Rival 3
Quality; product performance				
Reputation; image				
Technological skills				
Marketing effectiveness				
Distribution efficiencies				
Financial resources				
Relative cost position				
Price competitiveness				
Overall strength rating				

Rating Scale: 1 = weak; 10 = strong

You can adapt the competitive strength assessment for your own business. List six to ten of your industry's key success factors (product performance, distribution efficiencies, price competitiveness, etc.) in the left-hand column. Examine each success factor honestly and ask, are you weak or strong in this area?

Act on Your Findings

The analysis will show you how to improve your standing in relation to each of your rivals. Low scores in one area will mean putting more attention on how it's managed. Your weak areas point out aspects of your business that could be managed more effectively to improve your competitive position.

Tip

Benchmark Your Business

Get useful comparative data on your industry. Compare your firm with others in your industry. Try the **Performance Plus** (<http://sme.ic.gc.ca/>) profiling tool.

4.8 Action Items

In this Step you have seen that the management of your business will be of keen interest to potential investors. You've seen how to examine, assess and present your management team's track record. And you've seen how to provide a competitive assessment of your company.

The following checklist will help you to:

- assess your understanding of the ideas covered in this Step;
- gauge your progress; and
- plan your company's approach.

Tip

Here are some other actions you should consider:

Get Expert Advice

If management capabilities are a touchy issue for some of your managers, consider hiring a consultant to do an objective assessment and make recommendations for improvement.

Involve the Team

It may be tempting to do the entire management review yourself and simply present the management group with your findings and decisions about action to be taken. Think again before you take this approach. Even if the results show your managers are all doing a superb job, leaving them out of this important activity deprives them of contributing their ideas for how the company can be more effectively run. And if you find there are areas that need improvement or individuals who must move on, your remaining managers may lose trust that you or the company will be fair and open with them in future.

Checklist

	Status	Target Date	Responsibility
<i>Management and Company Performance</i>			
Take stock of your company's track record and consider how best to present it to an investor.			
Identify the key functions that need to be managed in your business.			
Assess your management strengths and weaknesses in each of the key areas. (Use a Management Audit Tool or other method.)			
Prepare "report cards" on each of the important management functions.			
Prepare for investors' questions in each of these areas.			
Compare the management skills you have with those you need on a grid.			
Strengthen your management team through training, hiring, realigning roles, or adding expertise through a board or through advisors.			
<i>Competitive Position</i>			
Assess your overall competitive strength relative to your competitors.			
Develop strategies for managing areas of weakness more effectively.			
Be prepared to explain to investors your competitive position and the strategies you are using to improve it.			

Appendix

Take a Closer Look - Sample Report Cards for Investors (see section 4.4)

Sample Report Card on Marketing/Distribution

1. Create a table similar to this one, but adapted to suit your business.
2. Fill in the information as best you can.
3. Prepare yourself to answer possible investor questions.

	Prior Year	Prior Year	Prior Year	Current Year
<i>Internal and market information</i>				
1. Sales revenue				
2. Number of units sold				
3. Market share (%)				
4. Number of retailers				
<i>Financial information (\$)</i>				
1. Sales activities				
2. Distribution activities				
3. After-sales service activities				
4. Market research activities				
<i>Operating performance as a % of sales revenue</i>				
1. Salaries				
2. Advertising				
3. Promotion				
4. Distribution				

Questions Investors Might Ask

- Why did your sales performance (for each product line) increase or decrease?
- What was your growth rate for each product line for your units? For your revenue?
- To what extent has your firm established a strong market share in the total market and key sub-markets?
- How effective was your market research system?
- How did your customers respond to the quality of your products and services?
- How skilled were you in determining your pricing strategies?
- What was the productivity of your sales force? Your average sales revenue per individual?
- How effective were your advertising and promotional programs?
- Were your customers satisfied with your after-sales service? Why?
- Can you comment on the efficiency and effectiveness of your distribution channels?

- Can you comment on the turnover rate of your marketing and sales personnel?

Sample Report Card on Production/Operations

1. Create a table similar to this one, but adapted to suit your business.
2. Fill in the information as best you can.
3. Prepare yourself to answer possible investor questions.

	Prior Year	Prior Year	Prior year	Current Year
<i>Production information</i>				
1. Plant capacity (%)				
2. Number of units produced				
3. Cost per unit (\$)				
4. Reject rate (%)				
<i>Financial information (\$)</i>				
1. Purchases				
2. Freight in				
3. Salaries and wages				
4. Quality control				
<i>Operating performance as a % of sales revenue</i>				
1. Purchases				
2. Freight in				
3. Salaries and wages				
4. Quality control				

Questions Investors Might Ask

- What type of analysis was used to determine your plant capacity?
- How did you determine the state of your manufacturing technology?
- What are your fixed and variable costs? How much is it for each unit?
- What is your historical break-even point? How far were you from your profit break-even?
- Who are your suppliers? What is your relationship with them? Why are they reliable?
- What is your cost of raw materials? What is it on a per unit basis? How does this cost compare to your major competitors?
- How much inventory do you have in stock? In raw materials? In process? In finished goods? Describe the inventory management system you are using to keep your inventory at a low level.
- Is your plant unionized? What is the climate between your management and the union?
- What quality control mechanisms have you got in place? What have you done to maintain superior quality?

- Did you obtain your ISO 1900 certification? Is it important for your industry? Why?

Sample Report Card on Accounting/Finance

1. Create a table similar to this one, but adapted to suit your business.
2. Fill in the information as best you can.
3. Prepare yourself to answer possible investor questions.

	Prior Year	Prior Year	Prior year	Current Year
<i>Financial information (\$)</i>				
1. Payment of dividends				
2. Total debt				
3. Total investments				
4. Cash flow from operations				
<i>Financial ratios (times)</i>				
1. Debt-to-equity ratio				
2. Total assets turnover				
3. Current ratio				
4. Times interest earned				
<i>Operating performance as a % of sales revenue</i>				
1. Gross margin				
2. Operating income				
3. Income after taxes				
4. Quality control				

Questions Investors Might Ask

- Can you describe the accounting principles regarding your depreciation?
- Have you attached your company's five-year financial statements?
- Can you comment on your company's credit rating?
- What is your relationship with your major lenders? Your investors?
- How do you manage your cash? What is your liquidity position?
- How does your cost of financing relate to your return on investment?
- What type of financial and capital budgeting procedures do you have?
- Who are your external auditors? Can you comment on your audit practices?
- What payment terms do you offer your customers?
- What payment terms do your suppliers offer to you?
- What is your executive compensation plan? What benefits do you offer your employees?

Sample Report Card on Research and Development

1. Create a table similar to this one, but adapted to suit your business.
2. Fill in the information as best you can.
3. Prepare yourself to answer possible investor questions.

	Prior year	Prior year	Prior year	Current year
<i>R&D information</i>				
1. % dollars from new dollars				
2. Number of patents				
3. Number of new products				
4. Turnover of personnel				
<i>Financial information (\$)</i>				
1. Basic research				
2. New product development				
3. Product improvement				
4. Process improvement				
<i>Operating performance as a % of sales revenue</i>				
1. Basic research				
2. New product development				
3. Product improvement				
4. Process improvement				

Questions Investors Might Ask

- What have been your research capabilities within your firm? What are they now?
- Can you comment on your ability to meet your design goals and customer requirements?
- Can you comment on the quality of your physical laboratories and testing facilities?
- What percentage of your operating income or sales revenue is allocated to your R&D effort? Were your R&D scheduled objectives and plans achieved?
- How many employees have been working in your R&D department? What are their qualifications?
- Is the work environment in the R&D department suited to creativity and innovation?
- Is your company affiliated with any independent or government laboratories, research institutions or consultants?

Sample Report Card on Human Resources

1. Create a table similar to this one, but adapted to suit your business.
2. Fill in the information as best you can.
3. Prepare yourself to answer possible investor questions.

	Prior year	Prior year	Prior year	Current year
<i>Human resources information</i>				
1. Number of employees				
2. Turnover of personnel				
3. Absenteeism rate				
4. Average age of employees				
<i>Financial information (\$)</i>				
1. Salaries				
2. Training and development				
3. Employee benefits				
4. Employee relations				
<i>Operating performance as a % of sales revenue</i>				
1. Salaries				
2. Training and development				
3. Employee benefits				
4. Employee relations				

Questions Investors Might Ask

- What has been the evolution of your organization's structure, culture and value system?
- How effective are your corporate-staff support systems?
- What is the profile of your employees?
- How effective have your relations been with employee unions?
- How effective are your personnel relations, policies, staffing, appraisal and promotions, training and development, and compensation benefits?
- Can you comment on your corporate image?
- How productive are your employees?
- How creative and innovative is your staff?

Take a Closer Look – General List of Management Skills (see section 4.5)

Chief Executive Officer (CEO)

- Transformational leader, visionary and culture builder.
- Strategic thinker with good knowledge of each area of the firm's marketplace and operating functions.
- Strong leadership qualities and good communication skills with the ability to organize, direct and motivate people, to resolve conflict and keep the organization moving toward its goals.
- The driving force that makes the organization work.
- Strongly committed to the products or services, and an impassioned believer in the company's vision and mission.
- Must be able to provide the necessary force to propel product development and marketing.

Marketing Vice-President

- Creative insight to discover opportunities, strengths and advantages.
- Expertise in marketing and sales.
- Capable of:
 - identifying markets and customers;
 - spotting trends leading to new opportunities; and
 - developing and implementing marketing strategies (including advertising and promotional plans).
- Strong understanding of how to gauge customer needs and tastes.
- Well-informed on the product, distribution, packaging, service and price effectiveness required to compete in the marketplace.
- Selling skills required to build and train a sales force, knowledgeable in sales compensation and able to motivate a sales staff.
- Working knowledge of territory management.

Production Vice-President

- Competencies in low-cost manufacturing, quality control and design capability.
- Ability to solve production problems in product manufacturing.
- Excels in the supervision of a large number of people and capable of implementing change.
- Knowledge in the area of team building and ability to promote teamwork.
- Mastery of important manufacturing technology.
- Capable of implementing and managing total quality control mechanisms (ISO 9000 type). Knowledge in production planning and scheduling, just-in-time, quality assurance and process innovation. Purchasing and materials management qualities.

- Effective in negotiating with suppliers for high-quality materials at lowest possible cost.

Controller

- Facilitator with good understanding of all operating functions.
- Abilities in communication and motivation.
- Public relations qualities and writing skills.
- Ability to focus on cash needs and tackle required fund-raising activities in advance of critical situations.
- Strong analytical skills in financial management, and ability to gauge investment proposals through cost-benefit analysis techniques and time value of money yardsticks.
- Ability to prepare and communicate projected financial statements.
- Capable of asking pertinent questions that lead to new ideas and opportunities.
- Ability to prepare and analyse detailed budgets, handle payroll, process accounts payable and receivable, maintain the general ledger and provide monthly financial reporting.
- Must also establish internal controls for expenses, administer contracts and perform (in conjunction with the Production Vice-President) the purchasing function.

Research and Development Vice-President

- Performs research activities in product/service R&D and process R&D.
- A skilled innovator in production improvement, able to identify and suggest low-cost marketing and manufacturing strategies.
- Ability to work with the marketing, sales and customer service departments to:
 - transform discoveries into marketable products; and
 - spot emerging product opportunities from internal and external information.
- Must produce basic design for new products and work with product manufacturing to get products into production efficiently and effectively

Human Resources Vice-President

- Knowledgeable about all aspects of human resources: recruiting, selecting, training, developing, evaluating and compensating people.
- Ability to assist and advise line managers in these areas.
- Excellent interpersonal and communication skills with the ability to organize, direct and motivate people.
- Must be sensitive and knowledgeable about external forces such as labour legislation, human rights legislation, collective agreements and union activities.
- Ability to work with the rest of the management team to implement strategic plans, improve productivity, and foster innovation.

Tool – Management Audit (see section 4.5)

There are three management audit tools.

Tool #1

General Management Audit Tool (Short Form) for Your Company's Future Growth

This tool was developed based on the materials presented in the Demonstrate Your Management Capabilities course.

Since most Investors will focus on the future growth potential of your company, you should be able to answer all of the following questions in preparing your Investment Proposal and before meeting the Investor for the first time.

In areas where you answer "NO", and you feel these require improvement, you may wish to proceed with a more detailed audit using the Supplementary Management Audit Tool following this short form. Feel free to add additional questions to the short form.

(For a more detailed description of each of the following categories, see the Demonstrate Your Management Capabilities course.)

Finance	YES	NO
Has our management team raised capital for start-up and growth before? Under what circumstances (write answers below)?		
Are they familiar with sources and vehicles for short and long-term financing?		
Were they able to manage the finances effectively during previous periods of growth?		
Were they able to manage the finances effectively during previous periods of difficulty?		
Can our manager effectively explain the results and implications of all financial analyses to our management team?		
Can our finance manager explain, in simple terms, the financial implications of the new project or opportunity to the remainder of the management team?		
Does the manager know how to obtain financially useful and appropriate data from the team or outside sources?		
Can our manager prepare realistic and achievable forecasts?		
Can the finance manager gain commitment from the entire management team on the financial projections?		
Marketing and Sales	YES	NO
Is our team experienced with marketing and sales during periods of growth in the past?		
Has our team demonstrated success by closing deals in the past?		
Can they develop and provide analyses which demonstrate our control over service and warranty costs?		
Can the marketing and sales team set challenging and achievable goals?		

Can they establish a reliable distribution and sales network?		
Can they prepare clear and realistic marketing strategies?		
Has the team been successful in executing effective marketing strategies and plans in the past?		
Operations	YES	NO
Does our team have experience in managing production to produce within time, cost and quality constraints during periods of growth?		
Are they able to prepare and analyze sensitivity analyses which compare our production costs at varying levels of production (if we are manufacturing our product)?		
Can they summarize our inventory, quality, and purchasing controls? (This illustrates we have considered and planned for alternative scenarios.)		
Can our production team develop and provide comprehensive analyses to support our production levels?		
Can they demonstrate how they manage our production costs effectively?		
Do they have the ability to set up inspection systems and standards for effective control of incoming, in-process, and finished materials?		
Are they aware of modern inventory management techniques?		
Top level leadership	YES	NO
Do our key managers bring relevant experience to our business, and in particular, for this new opportunity?		
Do we have specific criteria to select the members of our management team?		
What were their past achievements, positions and education levels? (Insert your answer following this section) Is their experience compatible with our management needs for the future?		
Do all of our key managers have up-to-date resumes and biographies?		
Does our team have a tolerance for taking risk?		
Is it accepted by all management and staff our underlying management approach is profit driven?		
Have we done projects in the past which would "qualify" us for this current opportunity?		
Am I able provide the necessary sponsorship and authority to members of my management team to allow them to perform to their capacity?		
Do we have well-tuned project management skills?		

Once you have answered all of these questions and addressed the issues they raise, you will be in a better position to demonstrate your capabilities to prospective investors.

Tool #2

Supplementary Management Audit Tool for Our Company's Future Growth

This tool was developed based on the materials presented in the Demonstrate Your Management Capabilities course.

An investor must be convinced our business is effectively managed, has strong leadership, and is capable of achieving the goals laid out in our Investment Proposal.

You must be ready to discuss the strengths and weaknesses of our management team with the Investor and demonstrate how the experience and training of our key people provides the leadership skills required to manage our future growth.

The following detailed management audit tool will assist you in identifying our strengths and areas for improvement on our management team.

(For a more detailed description of each of the following categories, see the Demonstrate Your Management Capabilities course.)

Financial Management	YES	NO
<p>Does our financial manager have specific skills and experience in the following areas:</p> <ul style="list-style-type: none"> • Investment analysis (i.e. return on investment, pay back) • Financial statement analysis • Product costing • Cash flow analysis • Break-even analysis • Contribution analysis • Budgeting and profit-planning techniques • Present value analysis • Financial statement analysis • Analyzing overhead, contribution and absorption • Preparing profit and loss and balance sheets • Raising capital • Cash management 		
Can they prepare responsible and accurate budgets and cash forecasts?		
Has our management team raised capital for start-up and growth before? Under what circumstances? (write answers below)		
Are they familiar with sources and vehicles for short and long-term financing?		
Does our management team have experience with money management?		
Do they have experience with the design, maintenance, and use of accounting and control systems?		
Has any member of our management team managed accounting staff?		
Does our financial management team have experience in managing financial growth?		
Were we able to manage our finances effectively during previous periods of financial growth?		
Were we able to manage our finances effectively during previous periods of financial difficulty?		

Were we able to identify and overcome these financial difficulties easily? (How? Insert answers below.)		
Sales Management and Marketing	YES	NO
Can our team organize, supervise, motivate, and provide merchandise support to a direct sales force?		
Can our team analyze territory and sales potential?		
Can we manage a sales force to obtain a target share of the market?		
Do we have experience in identifying, meeting and developing new customers?		
Has our team demonstrated success by closing sales?		
Does our team have experience in identifying service needs for particular products, in determining service and spare parts requirements, handling customer complaints, and managing a service organization?		
Can our team explain our service and warranty policies?		
Can they develop and provide analyses which demonstrate our control over service and warranty costs?		
Has our team managed a marketing campaign? What did they market? (Insert answers at the end of this section.)		
Were they successful?		
What additional skills and knowledge does our team need to improve our campaigns?		
Operations	YES	NO
Does our team have knowledge of production processes, machines, manpower and space required to produce our product(s)?		
Does our team have experience in managing production to produce products within time, cost and quality constraints?		
Are they familiar with techniques of controlling raw materials, work-in-process and finished goods inventories of materials and finished goods?		
Do they have the ability to set up inspection systems and standards for effective control of incoming, in-process, and finished materials?		
Are they aware of modern inventory management techniques?		
Can they identify appropriate sources of supply and the amount of material in inventory?		
Can they demonstrate we have reliable sources of supply with sufficient access to a backup supply if necessary?		
Are they familiar with economic order quantities and discount advantages?		
Are they able to prepare and analyze sensitivity analyses which compare our production costs at varying levels of production (if we are manufacturing our product)?		
Can they summarize our inventory, quality, and purchasing controls? (This illustrates we have considered and planned for alternative scenarios.)		
Can our production team develop and provide comprehensive analyses to support our production levels?		
Can they demonstrate how they manage our production costs effectively?		
Are they aware of various methods of production management?		

Technical skills	YES	NO
Does our team have technical expertise appropriate to our product? (Example 1 — advanced or precision product technical expertise, such as evaluating tolerances and designing appropriate dies or equipment to ensure tolerances are met. Example 2 — If we produce wood chips for gardeners, or bottle and sell maple syrup, the level of technical expertise available be sufficient to determine the moisture content of the wood or the sugar content of the syrup.)		
If we rely on a third party to manufacture our products, does our team have the expertise to ensure our technical specifications are being met consistently?		
If required, does our team have ready access to external, knowledgeable technical support in the area in which we are trying to grow?		
Research and Development ("R&D")	YES	NO
Have members of our management team been involved in the management and control of complex, or similar, production or R&D projects?		
Does our team have specific skills and knowledge does in the area of this new opportunity or area or growth which we trying to finance?		
Leadership and General Management	YES	NO
Do we have a mission statement which clearly defines how we operate?		
Do our key managers bring relevant experience to our business, and in particular, for this new opportunity?		
Do we have specific criteria to select the members of our management team?		
Were they selected on the strength of their experience and qualifications?		
What were their past achievements, positions and education levels? (Insert your answer following this section) Is their experience compatible with our management needs for the future?		
Do all of our key managers have up-to-date resumes and biographies? (Note: Ensure each document effectively and accurately reflects the manager's experience, education and outside commitments.)		
Do we natural leaders who excel at team building?		
Does our team have a tolerance for taking risk?		
Does our management and staff share the same drive and energy to succeed?		
Is it accepted by all management and staff our underlying management approach is profit driven?		
Does our management team understand the difference between tasks, the leader, and the followers?		
Do we have the ability to lead when it is appropriate?		
Does our management team have the willingness to manage actively, supervise, and control activities of others through directions, suggestions, inspiration, and other techniques?		
Have we done projects in the past which would "qualify" us for this current opportunity?		
Does our whole management team have the commitment to succeed?		

Am I able provide the necessary sponsorship and authority to members of my management team to allow them to perform to their capacity?		
Do we have well-tuned project management skills?		
In the past, have we been successful in planning, implementing and managing activities?		
Do we have strong problem solving skills?		
Personality features	YES	NO
Does our team have an identifiable management style?		
Are we discouraged or challenged by failure?		
Does our management team interact well on a social and business level?		
Do we have ways of resolving conflicts and differences of opinion?		
Does our management team ask for and willingly provide help to each other and to our employees?		
Do we have the ability to identify situations where help is warranted?		
Competency management	YES	NO
Have we assigned responsibilities to team members which reflect their core competencies?		
Do we have training programs for our employees which directly reflect our business requirements?		
Does our management team coach employees to enable them to increase their competency?		
Performance management	YES	NO
Are employees rewarded for performance?		
Have we established challenging and realistic performance goals?		
Do we offer our employees the opportunity to improve performance?		
Interpersonal skills	YES	NO
Are the members of our management team good listeners?		
Do we all offer and accept constructive criticism?		
Do we have a corporate code of ethics to which all employees, including management, are expected to adhere?		
Do we work as a team, or are we a group of individuals?		
Do we confront differences openly and deal with them until resolution is achieved?		
Level of commitment	YES	NO
Do all employees share the management's team level of commitment?		
Have we taken steps to minimize outside involvement in order to maximize our commitment to this business?		
Human Resource Management	YES	NO
Is our HR team capable of developing effective recruitment, HR, and personnel policies and practices?		
Have we established connections with universities, technical schools or professional associations to find qualified employees who have necessary skills?		
Personnel Administration	YES	NO
Does our team have the ability to set up payroll, hiring, compensation, and		

training functions?		
Is our management team able to coach or mentor our fellow employees effectively?		
Have we asked our employees recently how they feel about our personnel administration systems?		
Succession Planning	YES	NO
Have we made appropriate plans to ensure the continuation of our business if a key member of our management team leaves or becomes sick?		
Delegation	YES	NO
Does our management team understand the difference between "delegating authority" as opposed to "assigning responsibility"?		
Is our team capable of delegating authority within reasonable limits to key personnel?		
Are members of the management team willing to listen to subordinates and accept constructive criticism?		
References	YES	NO
Can we provide references to explain who we are and how we run our business? (Note: Personal references include people who we know but are not part of our business. Business references include people with whom we currently have or had a business relationship. They should be able to provide information on how we run our business, and on our professional capabilities, vision, and drive.)		

Tool #3

Assess Your Management Skills

This tool is based on materials courtesy of Bank of Montreal's Institute for Small Business (c) 1995

Do you have what it takes to succeed?

How good a manager are you? Use this chart to identify your management skills. But remember - be honest. You are only cheating yourself if you are not completely candid.

Consider how frequently you use each of the skills below in running your business. Rank seven skills with an "H" for High Frequency (skills you use most often; seven skills with an "M" for Medium Frequency; and seven skills with an "L" for Low Frequency.

(7 High, 7 Medium, and 7 Low)

Management Skill	Frequency
<ul style="list-style-type: none">• Adaptability• Business and Industry Knowledge• Communication• Customer/Vendor• Relations Delegating• Employee Development• Ethics• Financial Management• Human resources Management• Leadership Status• Listening• Marketing• Motivating Others• Organizing• Planning/Goal Setting• Problem Solving/Decision Making• Relationship Building• Sales Management• Self Motivation• Time Management• Vision	

Now compare your results to the following research results.

Self-Reported Frequency of Behaviour

High Frequency

- Ethics
- Self Motivation
- Business and Industry Knowledge
- Customer/Vendor Relations
- Leadership Status
- Relationship Building
- Delegating

Medium Frequency

- Problem Solving/Decision Making
- Adaptability
- Listening
- Financial Management

- Sales Management
- Motivating Others
- Employee Development

Low Frequency

- Vision
- Organizing
- Marketing
- Planning/Goal Setting
- Human resources Management
- Communication
- Time Management

Charts courtesy of Bank of Montreal's Institute for Small Business (c)1995

Refer to the self-assessment charts above. If you have not already completed it, this is the time to do so. The following process should be completed by each member of your management team.

Using the Management Skills list in the first chart, identify those skills which you believe you are strong in, which skills you are adequate in, and which skills you need to improve. Have someone else rate you, and compare the results. Better yet, get more than one person to rate you. You could have your spouse (assuming you have one), a colleague, a friend, or a competitor participate. The only rule is that they must know you well enough to give you good feedback. Honesty is important! Discuss the results, especially where the responses differ. Do not be confrontational. If the respondent has agreed to participate in this exercise, they want to help. Listen - it is a management skill. Not only will this exercise allow you to evaluate your management skills, it will help you define your strengths and will provide you with guidelines for those skills you need to add to your management team.