Management for Professionals

Guido Quelle

Profitable Growth

Release Internal Growth Brakes and Bring Your Company to the Next Level

Foreword by Alan Weiss

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Management for Professionals

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Foreword

Why do people speak so much about "growth"? Business people, farmers, pediatricians, psychologists, fund managers, and landscapers—to name a very few—use the term daily and incessantly. The infinitive has progressed from passive (We want the business to grow) to highly assertive (We want to grow the business).

Growth, whether personal or institutional, is the stuff of life. There are some species of plants and animals which will never stop growing so long as they have nutrients and can escape predation. No one knows how big a giant squid can be, and redwood trees never stop growing.

What I've seen in a quarter-century of consulting is that if you don't grow, you wither. There is no such thing as a "productive plateau." Because of the laws on entropy, all plateaus will erode. Growth is the protein of our souls. If we're not growing, we're dying. That applies to our mental state as well as our institutions.

Will Rogers pointed out that, even if you're on the right track, if you're not moving, someone else will pass you by.

Hence, the focus on growth is legitimate and worthy. However, the pursuit of growth is often misinterpreted or misapplied. Quarterly profits, a closed deal, reduction in expenses, and meeting budgets not only don't represent growth, they might impede it.

Dr. Guido Quelle has performed a great service for us all in with what you are about to read. He reminds you that you must be ready for true growth, remove the obstacles, and relentlessly focus on the key steps. He intertwines innovation, sponsorship, marketing, and leadership as the vital alchemy to create growth from stagnation or merely modest improvements.

Guido has worked with a wide range of organizations and, significantly, has grown (the assertive) his own firm, Mandat, into a leading European consulting company focusing on strategy and productivity. He has done this both with internal resources and through acquisition. The author is distinguished in his having placed his own concepts into practice with dramatic results for himself as well as clients. This is not the case of someone who can't do something trying to teach it. Rather, it is the case of someone who can do something trying to share it.

My advice is to pay special attention to the process approach that Guido brings to readers. Products aren't enough. Services aren't enough. R&D is insufficient, no matter how adept, and sales is only a part of the equation, no matter how effective.

There is a synergy in organizations that can propel growth systemically if you allow it to emerge and embrace it. The whole isn't just greater than the sum of its parts, it is greater than the competition and leads to market dominance.

The nuance that distinguishes this book is the orientation that growth is measured, planned, and pursued in an orderly fashion, never growth for growth's sake. Guido wisely takes the reader through a strategic approach which leads to intelligent tactics, not a frenzied tactical charge that undermines strategy. Growth is not worth it at any cost. Growth only makes sense in terms of ROI.

Look around you. Has your organization grown according to its potential, and not merely in conformance to a business plan, expectation, industry norm, or by default? Have you been engaged in a formal and assertive plan to create intelligent growth, which attracts and retains talent, and which builds "killer gaps" between you and your competition?

If not, why not? If so, how successful have you been?

Profitable growth means exactly that. We've seen aggressive growth attempts in markets ranging from cell phones to cable television, and from investments to low-cost airlines. But has it been profitable in the longer term?

The basic message in this book is preparation, leadership, and exploitation. Preparation of an environment and culture conducive to growth; leadership that places growth at the forefront of priorities; and exploitation of the result of these actions, so that growth isn't for its own sake but for the good of the firm, the employees, the customers, and the investors.

If we look at the most dramatic growth stories in the history of business—Apple, FedEx, Disney, Virgin, and their brethren—we find constants: exciting products, fanatically loyal customers, responsive and proactive services, trend-setting innovation, and prudent risk. Many organizations are excellent at some of these factors, but only at the expense of others. Guido takes you through the leadership business chemistry that produces a fundamental element—profitable growth.

Too many organizations grow and actually outstrip their capacity to support the growth; or depart from their core strength and raison d'être; or squander the opportunity. "Profitable growth" seems redundant but it is just the opposite, a required modification so that growth is intelligent and sustainable, repeatable and manageable.

It is rare that a book with this vision and pragmatic application comes along. It takes a businessman and consultant, a strategist and implementer. It takes Dr. Guido Quelle, and I hope you'll be aware of what a rare resource this is.

Alan Weiss, Ph.D.
Author *Million Dollar Consulting* and *The Consulting Bible*

Preface

There are few managers and leaders who would argue that their company shouldn't grow profitably. So why do we need this book? There are many answers to that question, and they are primarily based on a more sustainable and holistic understanding of growth than what is traditionally taught and discussed.

Firstly, all too often, growth remains nothing more than a trendy topic. I am often approached by conference organizers who would like me to speak at one of their events, and they always tell me that growth is a good topic, as many companies are focusing on it "right now."

What's wrong with this sentence? "Right now": There's the rub. Growth is not something for companies to think about from time to time, now a bit more and now a bit less. It is a basic stance, as truly growth-oriented enterprises have long since recognized. Going with the flow of the economy, jumping on the bandwagon of this week's management trends, and passively reacting to events as they unfold—this is anathema to growth-oriented companies. So, first of all, growth is not (simply) a matter of timing.

Secondly, companies that successfully grow over several years know that they must constantly work to find factors—the brakes to their growth—and work to release them. These companies have grasped that the reasons for their success or failure are to be found internally and not externally.

Yet many managers seek to ensure the growth of their company by making (sometimes more and sometimes less intelligent) external acquisitions. What this approach produces in the worst-case scenario can be seen in the Daimler/Chrysler and BMW/Rover experiments. Beyond the fact that M & A projects often have much more to do with power, and accordingly insufficient attention is paid to questions of how feasible and sensible an acquisition or fusion is, the parties involved also tend to forget that the real work begins *after* the purchase or takeover of a company. If there is no professional post-merger integration process, low effectiveness and a multiplication of problems are to be expected, as internal brakes to growth become even more powerful.

Thirdly, growth is far too often reduced to nothing more than the last entry in a company's or division's profit and loss statement. This approach, too, is foreign to growth-oriented companies. Needless to say, revenues and their growth are interesting and important, but increased profits are only the result of making the right choices; the reasons for these choices can in turn be found in a consistent orientation on customer needs.

Fourthly, this aspect is connected with growth-oriented companies' insight that increasing profits by simply cutting costs is not enough. Profitable growth is always generated by boosting the key elements found higher up in the profit and loss statement. Here we're talking about profits. For growth-oriented companies, it is self-evident that profits cannot remain in the red in the long term.

Fifthly, in practice not enough value is placed on questioning those assumptions we take for granted: Where exactly are the brakes to growth in the individual departments or divisions? Which aspects of our daily behavior serve to institutionally reinforce these brakes instead of releasing them? Where are there interdepartmental brakes? Which interfaces are inefficient and destroy value? What is the policy for cooperation within our company? How do we speak about ourselves, our customers, distributors, and employees? What are our actual priorities? Is there a difference between our official priorities and the priorities that dictate our actions? And, if we're honest: What reason do we have to assume that our organization can actually achieve what we've set out to do?

This last question is especially important, as a successful growth program must be so designed that the company comprehends it, and so that the company wants to and is able to implement it, both emotionally and in terms of available capacities. If these conditions are not met, then even the most conceptually impressive growth strategy is doomed to fail.

I hope you will see yourself reflected in this book. I hope you'll discover situations that have frustrated you in the past, and will now find new solutions for them. I'll also be happy if you realize that in many regards you are already on the right path to real growth. This book is replete with real-world examples from our clients; sometimes it helps just to see that you're not the only one confronted with a certain problem.

All of our clients are successful companies, and many are leaders in their market segment. What they all share: Their management has more ideas than it has arms to implement them. I hope and assume that you also belong to this enviable species, even if that also means you have the luxurious dilemma of choosing the best growth initiatives.

Read this book from cover to cover, or just choose the chapter or chapters that address your current needs; this book is designed for both approaches. If for some reason you can only read one chapter, make it Chapter 11; it speaks to your personal situation.

Just write me if you have questions, suggestions, or comments; I would be happy to discuss growth with you: guido@profitable-growth.com

And now let's take a look at those brakes. . .

Acknowledgements

This book, like so many others, was a “team effort,” which is why I want to be sure to express my personal thanks to those people who supported me most.

First of all I would like to thank my agent, Christine Proske of Ariadne-Buch, who considerably helped me in focusing the original concept for this book, who believed in this book, and who constantly worked to drive the project forward.

Without my coach, Dr. Alan Weiss, this book might never have been written, but since Alan emphasized to me time and again how important it is to write, to speak, to write and speak, I ultimately did write and speak, and will continue to do so. Thank you, Alan!

My heartfelt thanks to Stefanie Winter, my editor at Gabler Verlag, the publishers of the German edition. Ms. Winter displayed a great deal of patience, both in terms of this book’s content and contractual discussions, and who contributed greatly to the entire undertaking.

Equal thanks go to Dr. Martina Bihn, my editor at Springer Verlag, the publishers of the English edition you’re now reading. Dr. Bihn, who I always knew I could count on, was consistently there for me, reacting quickly and professionally whenever questions arose; her commitment and support greatly accelerated a number of the processes involved in completing this book.

Special thanks go to my translator, Dr. Matt Fentem at Com-Unic in Heidelberg, Germany, for the—in my opinion—wonderful job he did of translating the original German text. The hours we spent discussing detailed formulations, terminology, analogies, metaphors, and contexts were a great pleasure for me and greatly enriched the finished product. It is important for an author to find a translator who not only offers the necessary expertise but whose personality “fits.” Mission accomplished.

I would very much like—as always—to thank my colleagues at Mandat for giving me the freedom to take occasional breaks from day-to-day business, which allowed me to finish the manuscript on schedule; it is a great feeling to know how much I can count on you all! My special thanks go to my assistant, Katja Weckeck, who worked hard in order to align the manuscript with the publisher’s standard. Thanks, too, to Nadine Müller for the lovely illustrations that enrich this book.

Without the support I have at home, I would never have made it to where I am, either in my career or in my personal life. My deepest thanks go to my wonderful wife Susanne, who sometimes gets even more excited about the topics than I do. Thanks!

What would a book for experts be without concrete examples? Not a real book for experts; that's for sure. The anonymous examples in this book all come directly from our actual consulting practice, which is why in closing I would like to thank all of our great clients; it is a true pleasure to work together with you to foster profitable growth. My colleagues and I know that each mandate we receive from our clients means they extend their trust to us, and after twenty years we're just as happy as always when one of our exciting, at times difficult but always, important client projects yields brilliant growth. I thank you all sincerely for your trust.

Isn't it fantastic to have so many people to thank? Lovely. But now it is time to get down to business. Enjoy reading!

Dortmund Guido Quelle
October 2012

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1.1 Grow or Get Out of the Way: Those Who Don't Grow Die

Do you ever wake up in the morning and think "Now let's do everything we can to make sure nothing changes for a while"? If you did, you wouldn't be reading this book. If we want to talk about how profitable growth can be achieved, an essential prerequisite is that we agree that growth is indispensable to securing progress, prosperity and fulfillment. Of course from time to time the media puts out grim scenarios implying that growth is bad per se, that we have nearly reached the limits of growth, and that all those who make growth a priority are automatically ruthless neo-capitalists; and of course it's true that there will always be some people who jump on board and use theories on the alleged limits of growth for their own purposes.

Let's be clear: Those who don't grow, die. Those who call for putting growth on hold for a while underestimate the internal drive human beings feel when they pursue a new idea. Championing stasis equates to negligence; calling for a global hold on growth is paramount to calling for the world to hold its breath—and both approaches, if pursued long enough, end in the same way: in death.

Growth is indispensable. There will always be someone somewhere on our planet who falls in love with a new idea, who discovers a new goal, who wants to try something new, someone who wants to prove something, and who's willing to do whatever it takes to do so. As such the call for a stop to growth falls on deaf ears, at both the corporate level (between companies) and the macroeconomic level (between countries). When a company, a nation or an individual ceases to grow, it is nearly 100 % certain that another company, country or person will seize the chance to overtake them.

What underlies nearly every demand for a break in growth, and nearly all attacks on growth in general, is an erroneous assumption about the meaning of "growth" and its characteristics. In order to truly grasp what growth means and comprehensively use it to support the positive development of a prospering company—and ultimately a prospering country—we must bear in mind the following:

G. Quelle, *Profitable Growth*, Management for Professionals,
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- Growth is a process; it cannot be reduced to a microscopically small timeframe. Even at the corporate level, it is hardly enough to reduce growth to a comparison of different fiscal years. It can be thoroughly sensible for a company to massively invest in the expansion of its product or service range for a number of (consecutive) years even if this means no positive results, provided it is done in the well-founded hope that the new products and/or services will contribute to much higher profitability in the future. For example, if a company makes major investments and lives off of its reserves or even external capital, basing our assessment on the individual fiscal years will invariably lead us to conclude that the company is making serious losses. In contrast, if we look at the fiscal year in which the new products and services were successfully brought to market, we might see enormous growth. But it is more important to consider the process that generated that growth. Instead of the individual fiscal years, we need to focus on the process, which is based on a carefully considered strategy and yields success for years to come. Growth is not a snapshot; it is a movie. As such, optimizing individual fiscal years—let alone individual quarters—from a financial perspective will not greatly help a company.
- Growth is not "more of the same." The assumption that growth equates to doing "more of the same" is the essential mistake that critics of growth often make, as they argue that growth consumes resources, that it produces surplus, that every product eventually reaches market saturation, etc. The fact of the matter is that growth, when it is correctly understood, has little to do with unthinking repetition and far more to do with active innovation. True growth means recognizing when it is the right time to innovate and stop repeating your old practices. Companies that pursue growth through repetition are operating on very shaky ground, and their shareholders would be well advised to either initiate fundamental changes or to at least make sure they get out in time. Growth means innovating and listening, it means offering a benefit for the consumers of your products or services and time and again demonstrating that benefit to them. Understanding growth in this way takes the wind out of many critics' sails.
- Profitable growth does not have exclusively financial aspects, and concentrating on this dimension alone is another common error. When we talk about profitable growth, of course better economic performance is part of the equation. But it is not the only relevant factor. Profitable growth also encompasses a company's growth in quality, its creation of more value, its becoming more valuable and more attractive to customers. Further, customer quality, employee quality, and the quality of goods and services must be improved. Lastly, growth means higher quality in processes, organization and working methods (Fig. 1.1).

Your organization needs to understand what you mean by growth. These three general differentiating criteria alone offer plenty of material for reflection and discussion. What is important is that you take the time to discuss these aspects in your organization thoroughly and in detail; otherwise you will fail to use all of the resources at your disposal to push forward profitable growth in your company. At the core of successful companies lies the desire to implement improvements of benefit to customers and company alike. One of our client companies has

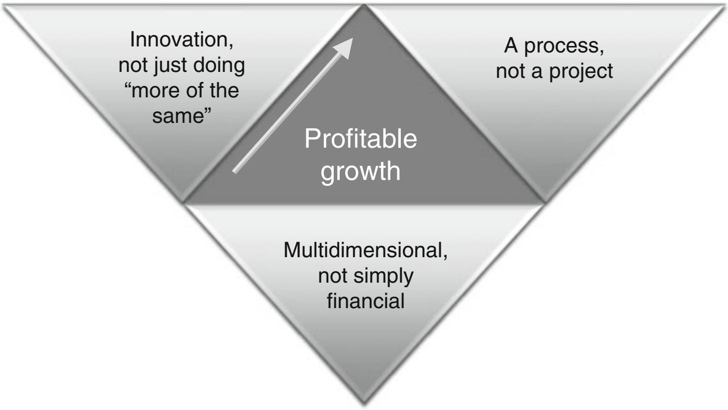


Fig. 1.1 The foundations of profitable growth—correctly understood

established the internal motto "It's never enough." Admittedly companies don't necessarily need to go so far as to make this principle the basis of their conduct—after all, an "It's-never-enough" attitude can spark a great deal of dissatisfaction. On the other hand, said company has made it clear that stagnation, let alone setbacks, will not be tolerated. Employees who can identify with the company's values exemplify its culture of constant improvement, both internally and externally—and the company is one of the most profitable and successful enterprises in its industry worldwide.

If you want to achieve sustainable, profitable growth, there is one thing you can't lose sight of: In addition to the concrete/factual level—or better said, above it—there is the psychological level. Do you currently have the feeling that you have more ideas than you could implement in your organization? Are you coming to realize that it is your own organization that is hindering growth—and that you're standing in your own way? How long do you want to tolerate this? In order to generate growth, and to firmly anchor it in a sustainable, sensible basis, it is essential that you reach your employees, and not just intellectually, but also emotionally. Win them over to your vision of growth and make sure that they not only understand it as a sound concept, but also see that it means tangible benefits for them. Who wouldn't want to be part of a growing, flourishing and respected company that, instead of solely basing its success on optimal financial performance, defines growth comprehensively?

1.2 Innovations as Motors of Growth

Once we have recognized that growth is far more than just doing "more of the same," it means we must pay special attention to innovations. In doing so, we should not limit ourselves to considering only product-related innovations, whether innovations in current ones or the development of wholly new ones; service innovations are certainly also worth our time. This is especially true for companies that offer a service to complement their products, and those that use a service to better sell their products.

An automaker's choices during the 2009 crisis in the automotive industry provide us an excellent example of a service innovation that promoted sales:

In January 2009, the American automakers GM, Ford and Chrysler had to face drops in sales of up to 55 % compared to the previous year for the US market; their Japanese counterparts recorded a 34 % drop. Some German automakers were comparably well off—Volkswagen showed losses of "only" 12 %—, while others weren't so lucky, as Mercedes' 53 % plummet attests.

Yet one automaker remained fairly unimpressed by all of these disastrous figures, as it succeeded in boosting sales by nine percent over the previous year. The company in question was one no one would have expected such performance from at the time, namely Hyundai. Hyundai had accomplished something that put its competitors to shame, and it did so using a service innovation; its products weren't changed a bit.

How? Hyundai had recognized growing unemployment and/or the risk of its customers becoming unemployed as a serious obstacle to growth, and offered an insurance policy together with its leasing program that covered cases of unemployment for a certain length of time, so that any Hyundai customer who lost their job through no fault of their own could continue to drive their leased vehicle without incurring additional costs. If they failed to find a new job within the term of the policy, they had to return the vehicle; but if they managed to find new work, their contract continued as if nothing had happened. The result: Nine percent higher sales than the year before.

I once cited this example in a speech, and a member of the audience complained that it wasn't a fair one, as Hyundai had grown upon a much smaller basis and the other automakers cited all sold far more vehicles on the US market. I don't know their precise sales figures, but I don't find them relevant, either, as the fact remains that, in a field of competition that was in terrible shape, Hyundai succeeded in creating the same growth its competitors could have—or they could have at least used the innovation to significantly counteract their enormous losses. By the way, the Hyundai-Kia Group has since made such strides that it is now considered the Volkswagen Group's chief rival, a position once held by Toyota.

This example shows us a service that helped to more effectively sell the company's current product range. Product innovations can be evolutionary in nature or quantum leaps. Evolutionary innovations are e.g. the development from televisions with cathode ray tubes to their modern LED offspring. The principle remains unchanged: Moving images are transmitted and displayed. The technology has advanced: the images are sharper, the screen is larger, and the unit itself is flatter and more stylish. But the principle is the same as it always was: Television signals are received and processed. True, televisions can now also project signals from other sources like computers, gaming systems, digital cameras, etc. But for customers the principle hasn't changed, even if the technology is now dramatically superior.

In contrast, the advances in digital telephones are a good example of a quantum leap. Whereas initially you could only telephone with them—and later, could also send text messages—, actual telephoning is becoming increasingly overshadowed in today's smartphones. Manufacturers have identified young people—who know all the ins and outs of their smartphone, use different communications channels, and make the device the center of their day-to-day life—as a target group with great potential for growth.

At the same time, telephoning is falling by the wayside. Social networks, GPS and location services, the telephone as remote control, gaming system, or digital memory—consumers simply use their mobile devices in a wholly new way, as a result of which the telephone has mutated into our constant companion in every situation.

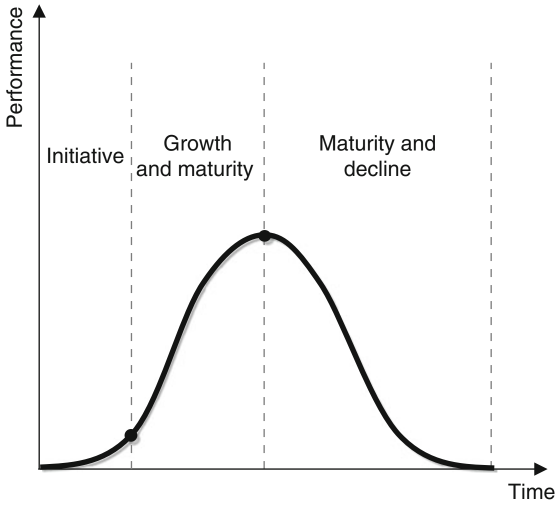
The Internet, too, holds a wealth of further quantum leaps in store for us. Walt Mossberg, the Wall Street Journal's IT guru, once stated at an informal gathering in Naples, Florida, that in a few years' time no one will still say: "I'm going online now," just like no one says "I'm plugging in the toaster now." Numerous quantum leaps, which will in turn serve as powerful motors of growth, still await us.

The question that presents itself is why there are so many innovations at some companies, and so few at others. As is so often the case, the answer is manifold. One thing we can be sure of, however, is that innovation-intensive companies carry within them a sense of renewal that is exemplified by their leaders. These innovation cultures are often the product of an exceptionally long process that started with someone's realization that their established behavior and policies no longer contributed to prosperity. From time to time these cultures are also the result of random innovations, which then provided a solid basis for the research into and development of new products and solutions. However, successful companies have understood that it is essential that we predominantly give innovation a chance, and do not leave it *up to* chance.

Just the word "innovation" intimidates some companies and their employees. They read so much into it that they ultimately assume innovation must be far too great in scope to ever be integrated into day-to-day business. What they're forgetting is that innovation doesn't have to mean a revolution; it can be evolutionary instead. But, nevertheless, some companies, entrepreneurs, managers and employees dislike change of any kind, as it means changing their comfortable, familiar status. We will return to this point, along with "innovation," in the course of the book (Fig. 1.2).

The lifecycle curve above is very well known. Why, then, is it so often ignored? Why do companies falsely assume that their products, services, or policies will continue to function unchanged in perpetuity? "That which must not, can not be," is one possible answer. Inductive reasoning is often a hindrance, as it rarely leads to the right conclusions. Just because business is going well today is no reason to assume that the same will be true tomorrow. Someone who's never had to take their car to the mechanic has no reason to believe this will always be the case. Someone who's never been to the dentist would be unwise to assume his teeth will always stay healthy. Likewise, a company that has always delivered good financial

Fig. 1.2 Typical lifecycle curve Cf.: Quelle, Guido et al., Plan Lead Grow—Systematic Approaches to Success, Münster, p. 106, Ill. 27



performance has no guarantee that its future will be equally rosy. Inductive reasoning, i.e., projecting today's status onto the future without any justification beyond past experience, can create a false sense of security that has been the downfall of many companies and individuals alike.

The fact is that many companies and the people leading them are unaware of where in the lifecycle curve their products and services currently are. Day-to-day business dominates their thinking too much for them to be able to observe from a distance where innovation might be advisable and where it is urgently needed. When drops in sales are recognized, when services aren't requested as often as before and there are no new products or services in the pipeline to replace them, it's often far too late.

Figure 1.3 shows the importance of timing. If we assume that developing a product takes a certain amount of time, then logically we need to ensure that this development takes place when products and services are still performing very well. The ideal time for the conceptual start of an innovation is when a product or service has reached a turning point in the S-curve. Mathematics teaches us that the turning point is the point with the greatest rise, and this momentum must be used and translated into innovative power. In this way, new innovations can be brought to market while a company's current products and services are still generating growth, and the product/service pipeline is always well stocked.

Of course it's very easy to agree with this theoretical consideration, but it's easier said than done. How can we translate theory into practice? We will return to this point later on, when we take a closer look at the character of the R&D department and the characteristics of a growth process.

But there's one thing we can already say at this point: Crisis situations—even if it may not seem that way at first blush—are excellent opportunities for innovation. The greatest winners in periods of economic recovery are those companies

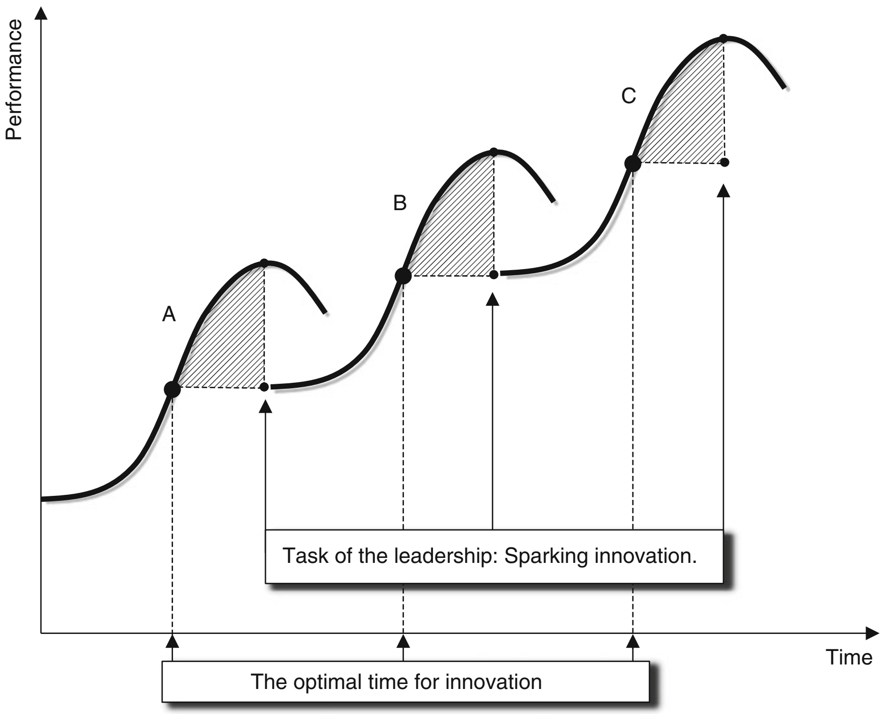


Fig. 1.3 Innovation sequences Cf.: Quelle, Guido et al., Plan Lead Grow—Systematic Approaches to Success, Münster, p. 109, Ill. 28

that made targeted innovations and investments during the crisis. While most companies are wholly focused on themselves in order to overcome the (felt or real) crisis, forward-thinking companies make targeted investments to produce an enormous growth boost in the next recovery phase. Of course, this can only work if two conditions are met:

- Prior to the crisis, a corporate culture of innovation and renewal was introduced and actively embraced.
- Prior to the crisis, available financial resources were used conservatively.

Once the crisis has struck, it can be extremely difficult to quickly undo the mistakes of the past. Companies that are unaccustomed to change, those that only change in response to external pressure or are too afraid of making mistakes, as well as those companies that practice short-sighted financial exploitation, whether in the form of careless management of their financial resources or shareholders lacking in capital, will not be able to lay foundations during the crisis so that they can profit once it’s passed; they will be too focused on securing their own existence, taking short-term measures to do so.

1.3 The Lethargy of the Individual

No one intentionally does bad work. All right, let's make that almost no one. Almost no one gets up in the morning and says: "Today I'll make sure that my laziness or poor conduct does my company serious damage." But that does nothing to change the fact that some employees' work is simply bad. So we need to differentiate between performance and intention. Needless to say, there are various reasons for poor performance. In this section we will concentrate on the lethargy of the individual and the deceptive sense of security generated by groups.

One of the greatest brakes to growth is success. Yes, you read that right: Success makes us tired. Success makes us (feel) secure. Success makes us feel satiated.

The worst thing about goals is when we reach them and have no new ones to pursue; this is equally true for business and personal goals. Growth is only possible when achieving a goal is soon followed by the next goal. Especially in companies, success can be the most important brake to change: The company's doing fine, turnover is solid, paychecks are issued on time, vendor invoices are paid punctually, and there is a loyal customer base. Until suddenly a competitor offers a more attractive service or product, threatening to erode the customer base. Profits dip slightly, then more seriously, the company starts cutting costs, vendor invoices are paid a bit later, commissions and bonuses are put on hold, there's a frantic dash to optimize processes, employees are laid off and their positions are not refilled, profits start to crumble, it's time for serious talks with the bank—a downward spiral.

More often than not, the reason for this type of downward spiral is a satisfaction with what has already been achieved. In phases marked by transitions, by a struggle to grow, and by positive change, many workers are intent on delivering top performance, behavior that can also often be seen in times of crisis. It makes a difference whether they put out good or just mediocre performance; it makes a difference whether they make a deadline or not; and it makes a difference whether they reach their common goal or not.

But once that goal has been reached, many tend to rest on their laurels. Performance sags, there are no attractive new goals, errors start cropping up, and lethargy starts to creep in.

I have made this observation in numerous companies I've consulted. Though I don't want to go so far as to claim this is a perfectly representative observation, it's safe to say there is a pattern of behavior that is worthy of closer investigation.

The status described above of trusting in your current success is also the result of inductive reasoning. It is rarely due to individual employees, but is instead a question of leadership and an error in leadership, as a result of which the "big picture" is not adequately communicated. Leaders who content themselves with having reached a major goal not only waste resources; they endanger their company's future. After all, what happens after the big goal? It is important to maintain perspective and to look at goals within the overall context of the company's development. Of course it's great to be the market leader. But it is far more difficult to *stay* the market leader—and to do so profitably. Yes, we have to

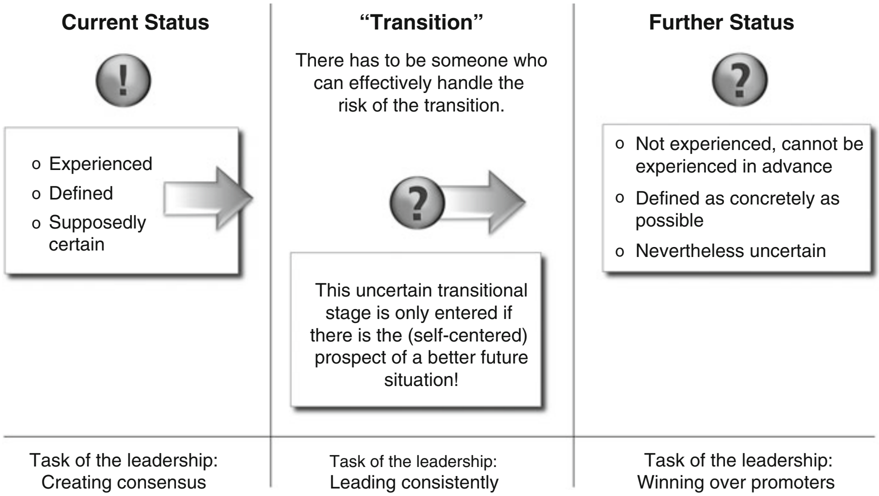


Fig. 1.4 Growth means overcoming uncertainties

overcome crises. But what's next? How does the journey continue? Leaders have to communicate perspectives in a timely manner to avoid unwittingly conditioning their staff to simply reach individual goals.

Further, even though changes are constantly demanded of your staff, almost no one is ever taught how deal with them. And many companies fail to make it clear that it does indeed come down to the individual employee—and each and every one—if changes are to be successfully implemented. Here we should bear in mind that leadership means a one-on-one relationship. Those leaders who limit their efforts to leading groups, departments or teams, neglecting the one-on-one relationship in the process, simply do too little.

Making matters worse, a certain size of group tends to generate a false sense of security. Especially in unfamiliar situations, people tend to rely on their colleagues, whom they assume to have a better grip on things. Growth-oriented projects are there to lead employees through precisely these unfamiliar situations. They are change projects, all of which are characterized by the fact that there are "zones of insecurity," which must be traversed. If in such situations everyone counts on the rest of the team to get them through these zones without ever stopping to make sure they know the way, it can threaten the existence of the company (Fig. 1.4).

Anyone who has spent any serious time with mountain climbing knows that a rope team can only work if each member is able to master uncertain situations. If the team is walking on a glacier and suddenly one member slips into a crevasse, the others have to work quickly to save them. This calls for mental discipline and knowledge of a learnable technique, the so-called "crevasse rescue." If everyone assumes his or her teammates not only know this technique but can also teach it to them in an emergency, the consequences can be fatal.

As an entrepreneur, chairperson or CEO, you should always demand proof that your managers are actually capable of effectively dealing with uncertain situations. Don't just trust blindly that everything will "more or less" work out. As a manager, ask your staff to demonstrate that they possess at least the expertise, and preferably the mental strength as well, to successfully overcome a lengthy situation dominated by uncertainty—and do so for *every* member of staff; don't take your chances that "someone" will fix the problem.

How are employees rewarded for changes at your company? To be clear: We're not necessarily talking about monetary rewards. What is particularly valued at your company? What is especially emphasized? Who is especially praised, and for what? Which topics are especially long, intensively and heatedly discussed at your company? Is everything "a problem" and "difficult," is every new idea (whether internal and external) seen as a threat?

How does your company talk about its customers? Are they all mentioned respectfully, regardless of whether they are individual customers or groups of customers, in B2B or B2C business? Or are your customers seen as getting in the way of your "real" work? Try focusing your attention on the content and focus of conversations at your company, both in formal situations like meetings, conferences and one-on-one talks, and in informal ones, in the office kitchen, in the cafeteria, or in the hallway. What is talked about in these conversations? Do you get the impression that they focus on moving the company ahead, or do they seem to have more to do with management? Keep in mind that language is always an expression of what we think.

A further question that you especially need to ask if you work in Human Resources is how employees are motivated to think about themselves—about their own position and personal development. What opportunities do they have to go beyond simply functioning and give serious thought to their own responsibilities within the organization? Are there any formal forums to help them do so? We're not talking about some esoteric self-discovery courses, but value attached to the individual and to his or her role in the company. But this role also entails responsibility, and responsibility is in turn linked with results. Many companies spend too much time talking about input instead of output. In this context, "input" refers to duties, expenditures and commitment, whereas "output" describes results and tangible benefits.

The next chance you get, ask your employees what they personally feel their responsibilities are. Their answers will provide you with a valuable indicator of the potential speed of growth and/or current hurdles to growth in your company. As a rule, many employees will talk about what they do over the course of the day, what difficulties they run into, what successes they have had, and they'll most likely talk a great deal about amounts of work, the time involved, and similar input-oriented aspects. In our experience, very few employees are able to concisely describe their responsibilities, which is due to the fact that e.g. whenever someone is asked to take on responsibility, it brings a quantifiable aspect with it; and in order for responsibilities to be quantifiable, they must also be transparent, which is not always welcomed with open arms.

If someone takes responsibility for a certain result or development, it is unimportant how long he or she needed to reach that goal; commitment and hard work become secondary. If responsibility for results is the only thing that counts, then the path to achieving the result becomes less relevant—provided it remains within the ethical, moral and legally defined parameters. And the faster the result is achieved, the better.

Questions of responsibility are not posed often enough, and it is the responsibility of a company's leaders to ensure that the lethargy of the individual is nipped in the bud. Activity alone, commitment alone, and hard work alone are not sufficient for the process of growth. Employees must be constantly encouraged to assume responsibility for reaching projected goals, and to achieve new growth—for themselves and the company—in the process. Stasis and growth are mutually irreconcilable, and leaders must make one message clear to their employees: Change, or the world will do it for you.

1.4 Archetypical Brakes to Growth

In order to understand the principles of profitable growth, it is essential that we concentrate on the brakes to that growth. Or, more precisely: On releasing those brakes. Why is this so important? Because those doing the braking are always in a stronger position. In order to put the brakes on growth, they need only to squander or destroy available energies, whereas those who want to push growth forward must toil and labor to create energies and first build up a minimum initial momentum.

In my last driving lesson before my test, my instructor and I were driving through the heart of my hometown, Dortmund, Germany. Traffic was heavy and I had my hands full paying attention to the various factors. Suddenly the light ahead switched from green to yellow. So what do you do if you're a "well-behaved" student driver? You hit the brakes. But my more attentive instructor hit the gas—because he'd seen the semi coming up fast behind use, and was now trying to squeeze all he could out of the VW Jetta's 50-hp diesel. But I mashed the brake in an effort to make sure we got stopped before the intersection, which I succeeded in doing—well, almost. The truck behind us couldn't get stopped, rear-ending us and shoving us into the intersection. I'll spare you the conversations in the car and with the semi driver that followed. Though we weren't to blame for the accident, our car was torn up pretty badly. The lesson I learned: The one doing the braking wins. Always.

So, before we hit the metaphorical gas to promote innovation and profitable growth, we should first make sure that the energy we invest in various initiatives stands a chance of being effective. We must make sure that energy is not wasted because of brakes that we have consciously or unintentionally applied in our company, which make our plans for growth unlikely to succeed.

It is important that we search for bottlenecks, and to do so in a strictly priority-oriented manner. This bottleneck-oriented approach, and the accompanying focus on where the most serious brakes to growth (which must be released in order to

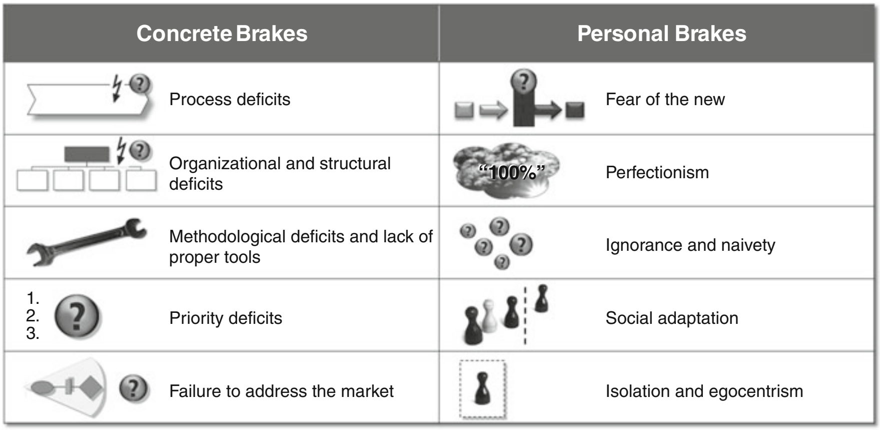


Fig. 1.5 Archetypical brakes to growth

reactivate or expedite profitable growth) lie, have been discussed in various strategic approaches (e.g. by Eliyahu Goldratt in "The Goal" and "Critical Chain," or by Wolfgang Mewes in his EKS strategy), but are regrettably rarely put into practice. Instead, too often those companies that have lost perspective simply redouble their efforts, a step that in our experience usually accomplishes nothing. Since we seem to have grasped what to do in theory, why does the practice show us these misguided efforts time and again?

If it's summertime and we want to water the lawn, but discover that, even though the sprayer head is switched on, there's nothing coming out of the hose, it's not terribly helpful to replace the head, check the hose for leaks, make sure there aren't any knots in it, and double-check the outside water hydrant if we've forgotten to make sure the main valve in the basement is open. But many companies do just this: They attack the symptoms without exploring the causes. As a result, everyone is extremely busy, but no one achieves any headway (Fig. 1.5).

Our consulting experience has shown us that there are essentially ten archetypical brakes to growth, which can be subdivided into concrete and personal brakes:

In the interest of clarity, let's examine each of the archetypical brakes to growth in turn:

1.4.1 Concrete Brakes

Process deficits often manifest when too much time passes without processes' effectiveness and efficiency being (re)examined. For example, one of our clients told us he had taken over the company from his father, the company was fifty years old, and he suspected that it might be worthwhile to thoroughly look over and reconsider the business processes. He was certainly right, and following a process reorganization his company was substantially more effective and efficient, allowing him to sell it to a strategic investor at an attractive price a few years later. Not a bad return on investment.

Symptoms of process deficits include overly lengthy processes, too many interfaces, and obvious or hidden redundancies, including the associated safeguards. But if a company has made profitable growth its goal, it can only afford a small degree of redundancy in its processes.

To a certain degree organizational and structural deficits are linked to the processes, because when processes are not clearly structured, the organization will be hard pressed to form structures conducive to growth. And by the same token: A chaotic organization is the result of chaotic processes. Interestingly, organizational and structural deficits are often the result of rapid growth, because companies often sacrifice carefully defined organization—which, together with the processes, forms the basis for growth—in the interest of accelerating growth, a choice that regularly comes back to haunt them.

One of our client companies, which set new standards for skyrocketing growth, was confronted with a number of organizational and structural deficits at the same time: Firstly, the rapid growth had left its organizational units chronically understaffed, as the company simply couldn't find enough qualified employees to keep up. Secondly, a number of those employees it did have were quite young and had had to take on major responsibilities very early on, which at times overwhelmed them. Excellent specialists became managers overnight, and were expected to lead their departments and manage their sizeable budgets. In a few cases this worked well, but in others performance began to sag. Further, the company had no structured program for fostering talent and young leaders; this could have provided the senior management with more orientation for its internal restaffing choices. Working together with our client, we reorganized the key business units, clearly defined responsibilities, and introduced a project-based working style to counteract the previously mentioned structural deficits, until a fundamental change was ultimately achieved, leading to stable growth.

Taken together, methodological deficits and a lack of proper tools represent an archetypical brake to growth, even if objectively speaking there is no lack of methods or tools on the market. On the contrary: There is a veritable surplus of management methods, and theoretically speaking access to suitable tools has never been better. Nevertheless it is both true and frustrating that we can't always find the right methods and tools, the ones we actually need, because we simply can't see the forest for the trees. Companies often fail to give much thought to which methods and tools should be used (in general, and in specific scenarios); nor do they focus their attention on how those methods and tools should be made available to their staff. Experience has shown us that some companies jump on board every new trend concerning methods and tools, producing confusion instead of clarity. Make sure that those working at your company or in your department have a clear idea of which methods are to be used in various standard situations, that they know which tools they need to master, and that they are actually able to use these tools and methods. You can feel free to discuss these points with them, but ultimately you will need to establish clear policies.

We have observed many companies that rely heavily on IT support when it comes to using methods and tools. This may be sensible in specific cases, but is not generally advisable. Not every process reorganization has to be implemented using a complex business process-modeling tool. Often, the costs and effort involved outweigh the advantages: The investments in the tool and managing its software, not to mention the often-extensive training needed for its users all consume money and time. The same is true for project management software, which, because it has to be purchased, is then automatically used for each and every project, even for "mini-projects," in an effort to get the most bang for the buck. We should also bear in mind that not every employee with business process-modeling software on their computer is automatically a reorganization expert, just as not everyone who uses project management software is a project leader. The quality of the results produces using tools does not depend on the number of tools, but rather on how suitable they are to the situation at hand.

Priority deficits are nearly always leadership deficits. Especially in those companies with a major focus on growth, priorities must often change overnight so as not to miss out on opportunities for growth. Though this may be relatively clear and straightforward in the executive board or upper management, as these actors are directly involved in the changes, it can breed confusion farther down in the organization. Today Project A is our absolute priority, even though yesterday the focus was on Project B. The day before that, Project C was supposedly the key to new growth.

Only one mountain can be the tallest, only one person can deliver the fastest time for the 100-yard dash, and a company can have only one most important project. If a company's different priority levels are "urgent," "extremely urgent" and "must be done ASAP," it should rethink them. But employees need priorities to help them direct their energies along the right channels. If they have none, whether because the declared priorities are not clearly communicated or because they are constantly changed without clear and sound justifications, then we are talking about a blatant leadership deficit that must be immediately remedied.

Many of our client companies suffer from a surplus of projects. New projects seem to come from nowhere, the term "project" is not clearly defined, and which projects have the highest priority is not clearly agreed upon company-wide. We have helped a number of companies to introduce general project management (GPM) systems, on the basis of which their most important projects are managed, coordinated and prioritized. The results of this approach are often remarkable, not only in terms of the smoother coordination of projects and resources, but also with regard to the increased speed of project processing. It also leads to considerably more focused discussions of those truly important topics in the company, further contributing to its growth. A final benefit: GPM systems greatly reduce redundancies.

A failure to address the market can especially be seen in those companies that have supposedly arrived at where they want to be. Customers increasingly become taken for granted as part of the company's inventory: They receive basic support and are a resource to be managed. Wherever possible, their special requests are avoided, as they tend to disrupt standard processes. The company has its customer base, revenues are coming in, and everyone is happy. Finally, there is time to focus more attention on internal matters. Will there someday be an end to this paradisiacal condition? There's none in sight.

If the brake to growth "failure to address the market" seems an obvious error, it nevertheless remains a mystery why so many companies refuse to accept the fact that they are not sufficiently market-oriented. Whether bookstores that bark at their customers, telling them they can only browse through the book after they've bought it—after all, they're not a lending library; car dealers who, in response to a customer's request for a test drive of an expensive car, tell them it would be "very difficult" to arrange, or just flat out refuse; or wholesalers who refuse to make a last-minute delivery because it doesn't fit in their normal delivery routine: What they all have in common is that they've lost their focus on the market. What they also have in common is a very short life expectancy if they don't fundamentally change their policies.

Some would write off the failure to address the market as nothing more than bad exceptions, the poor performance of individuals. We have observed, however, that in most cases the problem is anchored in the institution. The exception becomes the rule.

1.4.2 Personal Brakes

Personal brakes are partly due to individual personalities, but are also reinforced by social interactions. For example, fear of the new or the unknown is often due to the fact that the individual in question cannot yet sufficiently clearly see how a new but still uncertain status or condition could be advantageous. At the same time, many managers fail to communicate to their employees what the advantages of reaching this new but still uncertain status will be for them personally. The question "What's in it for me?" is an elementary one that must be met with a positive and appealing answer if changes are to actually succeed. After all, we normally change when we see some advantage to doing so, and when the effort-to-benefit ratio seems worthwhile. Also, the probability of actually achieving the projected new status must be as high as possible. We can come up with these insights on our own. But it is important that leaders and managers take the time to discuss the "What's in it for me?" question together with their employees; applying pressure will accomplish nothing.

Perfectionism is one of the most common and powerful brakes to growth there is, as many essentially good ideas fall victim to the pursuit of perfection. This striving for perfection in turn often stems from a negative sense of self-worth, as the erroneous assumption that a solution can only be good if it is "perfect" comes from the individual's fear of being attacked for suggesting a potentially effective, but not perfect, approach. The flip side of the coin is that, in business, you almost never find the “perfect solution,” and ironically you almost never need to. After all, the Pareto principle (80/20 rule) also applies for growth initiatives. Instead of aiming for 100 % perfection, it is far more important to recognize the relevant 80 % needed to successfully launch a growth initiative, conserving valuable energies in the process. Unless we’re surgeons or firefighters, we should remember that nearly all of our mistakes can be corrected. As such, striving for perfection is simply counterproductive.

Ignorance and naivety are predominantly an unintentional brake, but a brake nonetheless. Good intentions are the opposite of good work, and time and again ignorance and naivety are to blame for redundancies and—far worse—the failure of growth initiatives. Ignorance and naivety can be seen when employees are willing to start a growth initiative, but their energies cannot be directed along the right channels because they simply lack the knowledge or skills needed to successfully lead the initiative. Of course it could be argued that it is up to a company’s leaders to impart these abilities. And rightly so. The question then becomes why they so rarely do so. We would never entrust a trainee with carrying out a corporate reorganization, or with preparing a complex business plan. Why, then, do managers so often assign employees tasks that they are clearly and objectively incapable of carrying out? In most cases, the causes of ignorance and naivety are only partly to be found with the employee in question; they are often a personal brake, rooted in a leadership style that pays too little attention to individuals.

Social adaptation: “That’s how we’ve always done it!” Whenever employees use this argument to justify a certain type of behavior, managers should prick up their ears—and whenever managers use it, the managerial board or senior management should likewise start listening. Of course new employees have to become integrated in a company, getting to know its values and norms and adapting them for their own work. But it is also important that these employees have the same freedom to create new structures and policies as do veteran employees who are open to change. When a new employee’s outstanding idea is greeted with the cynical words “You’ll grow out of that” and a wry grin, it’s hardly a positive example of social adaptation. This brake can often be found in those companies that believe they can simply sit back and manage their success. If, as entrepreneur, chairperson of the board, CEO or senior manager, you determine that this form of normative behavior has cropped up in your company, you would be well advised to invite those spreading it to one-on-one talks.

Isolation and egocentrism describe a personal brake stemming from employees’ concern that, if they are too open, they might not be able to claim enough credit for the company’s successes. This personal brake is often supported by a rewards system, whether monetary or non-monetary, that is not conducive to achieving growth goals. Of course, part of the problem is a personal predisposition, as a result of which those individuals who isolate themselves and are intent on always being in the spotlight of success place no value on working with others in the sense of sharing successes. Nevertheless some organizations unwittingly reinforce this brake, partly because they do nothing to discourage isolationist behavior.

So we see that managers cannot afford to ignore either concrete or personal brakes. Leadership must concentrate on effectively releasing these brakes.

Stop tolerating the fact that your organization is hindering growth. Search for bottlenecks, make a focused effort to release internal brakes, and work to push forward change. In order to do so, however, you first need to know what shape your organization is in, and if it's ready to grow.

What does your own organization's understanding of growth look like? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 1."

2 Is Your Organization Ready for Growth?

It does no good to consider theoretical options for growth if your organization isn't yet ready to grow. In order to determine if, and if so, to what extent, your company is ready, we need to first do a bit of location work:

2.1 In Which Phase of Growth Are You?

Your company's situation can be summarized in one of the three following phases (Fig. 2.1):

- Your company is growing (more or less quickly)
- Your company is stagnating or growing only minimally
- Your company's growth is negative

You may prefer to take a more differentiated approach, examining your company's individual divisions or business areas and not the company as a whole. And you can feel free to do so; the following observations equally apply to entire companies and departments, product lines, even individual products. Here, however, we will focus our attention on the corporate level, as it is the most complex.

If your company is growing, it is constantly at risk of ignoring or at least neglecting organizational and structural questions for the sake of concentrating on growth. And the faster your company is growing, the greater this risk is. You enter new markets, address new customer groups, new opportunities arise, new networks become vital, new distribution and sales channels are evaluated, new vendor relations are established, and new products and services are brought to market—and as soon as possible!

In these successful phases, companies tend to float on a growth-based wave of euphoria, which often affects employees. Mistakes are forgiven, because they are more than compensated for by the company's success on the market. There are suddenly so many different areas of activity that it seems like something is always going right in at least one of them. Questions of expertise are overlooked, as success

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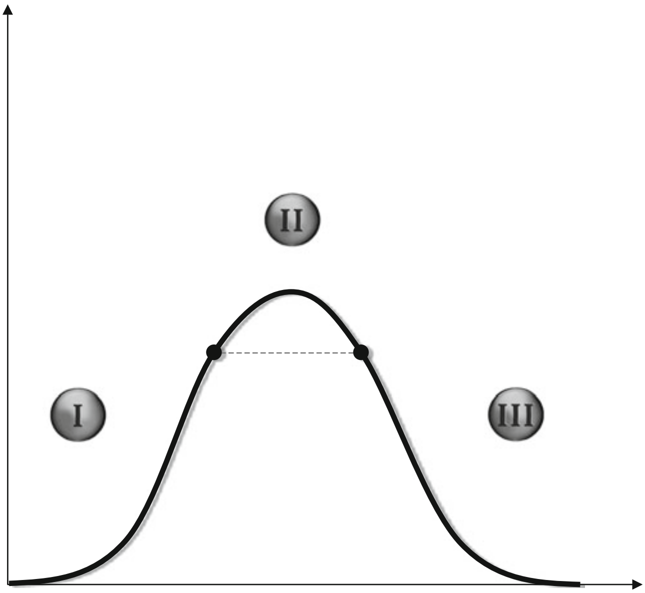

Fig. 2.1 Growth phases

seems a matter of child's play; if anything, then only the available capacities—and here especially available manpower—can present a bottleneck.

Yet it is precisely this question of staffing that often causes rapidly growing companies to falter and fail. If, at the beginning of the growth euphoria, special incentives—whether in terms of content, responsibility, financial rewards, or some combination thereof—can still drive employees to deliver top performance, sooner or later the point comes at which they reach their limits. Fourteen-hour days are no longer accepted without complaint, there are increasing demands for order and structure, and the question as to whether a more systematic form of growth might not be healthier presents itself.

To the external observer, some growing companies seem to build their futures on a bed of sand. New stories are quickly stacked one on top of the other, though no one gives any thought to the strength of the foundations. Quickly growing companies and growing companies in general would do well to (re)examine their structures and processes from time to time in order to ensure that their growth is sustainable and not just a bubble that will inevitably burst. Once this happens, the resulting damage is measured not just in loss of market share and market significance, but is often exacerbated by an exodus of good employees. Growth, even rapid growth, does not free the corporate leadership of its obligation to provide a suitable degree of structure, a clear division of responsibilities, and adequate leadership.

While changes can be made relatively easily in quickly growing companies, provided their necessity is recognized early enough, those companies whose growth is stagnating, are faced with a very different challenge. As a rule, companies without a certain growth dynamic are hard pressed to generate the initial momentum needed to break out of their acquired lethargy. They've often already been in a state of non-growth for years and, having since reconciled themselves to this condition, can no longer muster the energy to break out of their torpor, instead working only to preserve and defend what they have. But plateaus hold certain risks: They are finite, and once they're over things go downhill. Whereas rapidly growing companies need to rein in their energies and direct them into the right channels by focusing more on leadership, organization and structure, stagnant companies must add new energies to the system so as to even have anything to direct into any channels.

In concrete terms this means that the latter group of companies generally have to implement radical measures to put an end to their stagnation: Sleeping Beauty has to be shaken awake. Their leaders must clearly communicate that complacency and self-satisfaction with past achievements are hardly sufficient to secure their future. Tried and trusted methods include the acquisition of another company and it subsequent integration, selling off certain business areas, outsourcing specific functions, introducing a consistently customer-oriented approach to the company's processes and organization, focusing on new performance parameters, and starting a new strategic initiative. These are just a handful of options we have used in the past to help our stagnating client companies to shake themselves awake and get back on the right track.

It is essential that these company's leaders understand that it will take considerable amount of time to get them back on the road to growth. It takes time for employees to realize that their superiors are serious about a new orientation, and that it's not just another flash-in-the-pan initiative. In order to get stagnating companies out of their comfortable rut, something out of the ordinary has to happen. Of course here, too, the principles of successful change apply, which dictate e.g. that the benefits of change are communicated to employees, and that a "critical mass" of them, who are prepared to actively support the planned changes in order for the company to reach a new status, can be won over in time. But the first key step is that the company's leaders give them the necessary impulses. Not everyone is prepared to do so, because it takes a great deal of work to snap a stagnating company out of its slumber. But the effort often pays off.

In contrast, those companies that are in a phase of negative growth have it easier. Though it may seem counter-intuitive at first blush, it's fairly easy to explain, as companies that are shrinking, or perhaps even face restructuring, rarely have to be convinced of the need for change. Assuming companies are fairly transparent about their performance figures, their employees will recognize the need for immediate action without having to be told. The company can no longer keep its head above water, but has a reed for fresh air. That reed is still above the water line, but the question is, for how long.

Like its positive counterpart, negative growth also brings with it a degree of momentum that a company's leaders can capitalize on. Needless to say it is imperative that the fear factor is suitably addressed, as turnarounds and financial restructurings always put jobs at risk, and with them the fates of individuals. Nevertheless there is energy that can be used to set the company on a positive course, or even save it. This is by the way also true for the restructuring of individual business areas.

How a company's leaders respond to the negative growth situation is decisive. If they panic and try to defend what they still have, or if they fail to create new prospects for the period following the restructuring, they squander important opportunities for successful growth. If on the other hand they succeed in creating prospects of a better future while retaining as many employees as possible, i.e., if they manage to approach the restructuring as part of the growth process, they stand a much better chance of succeeding.

An essential component in this regard is reliability, as it is impossible to lead in a restructuring situation without reliability in interpersonal dealings. Arbitrariness is always ill advised, and most of all in such situations.

So, in which of these phases are you? It is only once you have answered this question for yourself, and have classified the individual business areas in your companies, that you can start the necessary initiatives.

Above all, make sure that you don't confuse innovation and reorganization; this is one of the fastest ways to spread confusion throughout your company, and can often result in irreparable chaos. Reorganization and innovation can only very rarely coexist. Whereas the goal of a reorganization or restructuring is to ensure a company's long-term survival, innovation situations entail a certain amount of room for error. Innovation requires a degree of creative freedom, while a restructuring must be strictly managed. The leadership styles that lead to success in phases of restructuring normally differ significantly from those used in phases of innovation: Apart from the need to delegate authority in some cases, the reins are held far more tightly in a restructuring than in a phase of innovation. The only exception to this rule is when an innovation is absolutely necessary to push a restructuring forward. In such cases, however, the innovation is under enormous pressure to succeed.

Some companies confuse these two approaches because they assume they can use the same resources and to the same degree to implement both restructuring and innovation, and are then baffled when this policy works very poorly, if at all.

A company's central divisions can be extremely important if the company has certain divisions with an acute need for restructuring and others in which innovation is sorely needed, and it is in a phase of high growth.

One of our consulting assignments consisted in boosting the growth of two related but independently functioning corporate divisions. One division had to first undergo a turnaround, as the development of its performance figures was intolerably in the red, while the other, the market leader for Europe in its industry, needed to be reoriented to enable it to successfully defend its leadership position and expand in the long term. The two divisions were supported by shared central services, and it proved to be a major challenge to communicate the divisions' different needs in the respective phases of growth to these central services. In order to do so, we needed to help the central services to understand the different mentalities underlying a phase of restructuring on the one hand and a phase of innovation on the other. The time we invested in our dialogues with the services paid off several-fold, as we arrived at a mutual understanding, ensuring that the two operative divisions were provided all central services needed for their respective situations.

It is essential that leaders confronted with situations in which different business areas are in different phases of growth include the central services in their planning, as this guarantees that they act in accordance with the company's true priorities. What do the different business areas need, and how urgently? Which projects come first, and which can be put on the back burner? Who should be preferred in conflicts over resources? What type of internal organization will best allow them to support the different business areas? These are all questions that need to be discussed together with the central services and the respective business areas. In some cases it can also be helpful to establish clear-cut, business-area-based responsibilities for the central functions, which remain in effect until the desired results have been achieved in the business areas.

2.2 Fast Business Processes Aren't Enough; You Need Good Interfaces

Once you have determined which phase your company or business area is currently in, your focus should shift to business processes. As we all know, there is a wealth of different approaches to optimizing business processes. Primarily touting themselves as consulting methods, they have found their way into the corporate world under the titles "business process optimization," "business process modeling," "process restructuring," "business process reengineering," etc. And don't forget kaizen, the management of small changes in processes.

Besides the fact that these approaches are often very similar, raising the question whether it's just the same old product with new packaging—or, as the case may be, a new product in the same old packaging—and despite the fact that in terms of business process modeling and optimization many consulting firms have become a bit too enamored of the methods used instead of focusing on the results for their clients, it should be said that efforts to optimize business processes are of course praiseworthy. Fortunately, many companies have now made to process optimization, and the accompanying drive to more efficiently produce results, part of their own management repertoires. Here, the specific methods used are secondary; what is important is that you opt for some effective, tried and true method and lead your organization so that the method is consistently used. The results are what count.

One result of the growing awareness of the need for efficient processes in divisions and departments is that many of them, taken individually, are actually in very good shape. And when we as an external party examine our clients' individual functional divisions, we often determine that many processes within the different units are already very lean, efficient, at times even excellent. Of course there's still room for improvement, and in some cases a great deal of room.

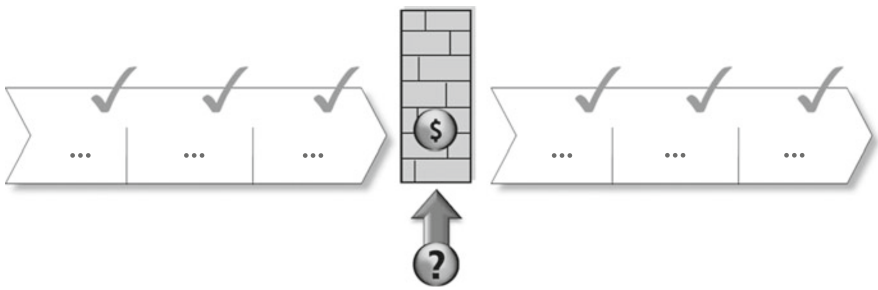

Fig. 2.2 Process potentials are to be found in the interfaces

In comparison to the situation as it was a few years ago, however, there have been very positive developments in various departments.

Efficiently running departments and divisions are of course a solid basis for corporate growth. In logical terms, they are necessary but not sufficient, as the real attrition does not arise in these units themselves, but in the interfaces between them. As such, the greatest potentials are also hidden in these interfaces (Fig. 2.2).

It should really come as no surprise that we have this regrettable situation, as the heads of the departments and business areas are evaluated on the basis of their unit's performance, but not on the performance of larger process chains that involve several such units or even third parties. It is still very often the case that those who succeed in getting their own unit in solid shape are praised or even rewarded, regardless of how much or how little they considered the greater processes beyond that unit. Some companies, above all very large ones, have recently introduced agreements between their different units, establishing criteria for process performance and expected results. Some companies refer to these as "performance agreements" or "service level agreements," while others call them "interface descriptions" or "interface agreements." Regardless of the nomenclature, they all mean the same thing: Joint answers to the questions of how, when and in which form one member in the process chain passes on results to the next member.

In our experience it is essential that these questions be answered if we want to truly address the issue of growth. Companies that have not sufficiently clarified the interfaces between their different organizational units are still a far cry from having a reasonable basis for growth, because the efficiency generated in the individual units goes to waste at the interfaces. This can be particularly dramatically seen when we turn our attention from the interfaces within one company to those between two or more companies.

Take for example one of our client companies, which practices intensive product development involving very precise scheduling. The company had to face the fact that, time and again, its products were not available in a sufficient amount, not available by the agreed-upon deadline, or not in suitable quality. The products themselves were market-oriented, and reasonable conditions had been agreed upon with the vendors, so that both our client company and its vendors were making a good deal, the resellers were quite satisfied with the products, and the logistics providers were prepared for both shipping and receiving needs, but nevertheless, something always managed to not go according to plan—to put it mildly.

When we assessed the entire chain involved, we noticed that the different parties involved had not sufficiently discussed the interfaces between the individual processes. True, the Purchases department had discussed conditions with the vendors, and the delivery dates had been set. Yet no one had taken the time to clarify the interfaces between the vendors in the Far East and the logistics providers; as a result, the vendors had the product ready on-schedule, but the logistics providers e.g. had to wait too long on the loading rack to be able to deliver the goods to the warehouse on time.

In another case, the Purchases department decided to raise the quantities ordered, and the domestic warehouse wasn't able to process the higher quantities because other business units had simultaneously upped their amounts, too, a fact that was not internally communicated between the units. And in yet another case the outlets weren't supplied with sufficient stock in time because no one had bothered to discuss the new stocking structures with their logistics partner.

In all of these cases, making a breakthrough was only possible by focusing on the interfaces between different business units and their partners in the value chain. Needless to say, not every problem disappeared overnight, but in most cases the situation improved dramatically. Clear coordination between business units is what had been missing; the individual units themselves—the vendors, the Purchases department, product development, internal logistics, the logistics provider, and the resellers—all ran smoothly.

When assessing the interfaces between business units, or even between companies, it is important that we proceed top-down, shifting from a macro-perspective to a detail-oriented perspective; if we don't start with the big picture, we run the risk of getting lost in detail. Examples of questions to be addressed in this regard include:

- Which processes are relevant to assessing the interfaces?
- Who is responsible for these processes at our company / at the company in question? Is anyone responsible for the overall (entire) process?
- Which interface agreements have already been concluded?
- What are our performance requirements?
- Are these performance requirements clearly communicated?
- What tolerances are acceptable at the interfaces? What happens when these tolerances are exceeded? What "plan B" then goes into effect? What punitive measures are there?
- How often are interfaces placed under review? How are the results documented?
- What incentives for smooth operations at the interfaces are there?

In our experience it is essential that leaders hold both the person responsible for the process delivering results and the one responsible for the process taking over and further processing those results accountable for an interface's performance. Only when both parties have embraced the fact that they are mutually responsible for the interface and the success of the process as a whole, can we reasonably expect them to have an interest in shaping the interface as optimally as possible.

Here, too, we should bear in mind that there will never be 100 % perfection. But that's not the goal; it is far more important that we spark an interest in shaping the interface, and that people also consider aspects of process optimization beyond the limits of their own business unit.

2.3 Working Methods are What Count

The way your employees work together can yield valuable insights into how your company views growth, and whether it is ready for change at all. After all, the way employees work together influences the results of their shared labors, and we can find differences in working methods between individual units and between different project groups or work groups. In the following you'll find seven indicators that help us determine whether work groups tend to think in a growth-oriented way, or their mentality is more traditional and conservative:

1. Results versus duties
   It can't be emphasized enough: Focusing on results is one of the key growth-promoting elements in cultures of cooperation. Project and work groups that concentrate on results, on the desired status, on the goal to be met and who focus on the fastest way to get there are faster, more effective, and contribute more to growth than work groups for whom duties, workloads and produced quantities are more relevant. The major difference in these two viewpoints is that a results-oriented approach puts the focus on objectives and the present serves only as a point of departure for reaching that objective, whereas in a duties-based approach the present situation and overcoming all obstacles between it and our goal are given far more weight. If we follow this approach, we will always manage to find a wealth of obstacles in our way. Growth-oriented working methods focus on results.
2. Top-down versus bottom-up
   Project and work groups that use working methods conducive to growth always move from the big picture to the details. They first ask themselves, "What exactly are we talking about?", and then, "How can we approach it?" Here the focus is on doing the right things, even if they can't yet be done as efficiently as we might like. Work groups that tend to preserve the status quo focus instead on better shaping what they already have, and tend to focus too heavily on questions of "how." Whereas conservative working methods tend to be characterized by individual steps, growth-oriented working methods focus on leaps forward. The next time your employees seem bogged down with optimizing what the company already has instead of innovating, remind them what the right order is: First "what," then "how."
3. Asking questions versus insisting on being right
   Growth-oriented working methods thrive on asking questions, even if this means having to reassess your own position. Project and work groups that use growth-oriented working methods appreciate the power of the best argument, regardless

of which hierarchical level that idea comes from. Improving the company as a whole is more important than personal vanity. In work groups that tend to preserve the status quo, you will find very hierarchical thinking that has no qualms about torpedoing good ideas, especially those that come from lower levels in the hierarchy. These employees define themselves more by how often they have been proven right, and less by which profitable solutions they have helped to create. In this behavioral pattern, personal vanity and personal vulnerability are central aspects. And this is no surprise, as in conservative circles those who are not proven right are automatically the losers. As a leader, you can contribute greatly to establishing growth-oriented working methods by communicating the value you place on the best argument, even if that argument does not always come from the upper management.

4. Fewer projects versus more
   Because project and work groups that use growth-oriented working methods have implicitly or explicitly agreed to focus on promoting company-wide progress and to generate exponential learning, these groups concentrate on only a few, truly effective projects, instead of becoming hopelessly overwhelmed with too many, all of them under construction. While those using traditional, more conservative working methods place the emphasis on optimizing their own business unit, this is much less relevant for those pursuing more growth-oriented approaches. Focusing on fewer projects means pursuing intensive dialogues over what the priorities should be regarding the use of the company's resources. These discussions can add up to a lengthy process, but a worthwhile one nonetheless, as investing in fewer projects and necessarily ending or calling off of several others can tremendously improve focus. Since the remaining projects are much more likely to actually be valuable, they now receive much more attention, which in turn boosts their chances of success. Take a look at your company's project landscape: Has it become far too complex over the years? Are there projects there you had no idea about? Are all employees working on the projects clear about the company's priorities? You can do a great deal here to get growth moving in the right direction.
5. Guide versus dictator
   Not surprisingly, the role of leaders is a very important one when determining which working methods promote growth. In settings conducive to growth, leaders serve as guides. They create conditions that allow employees' talents and abilities to be cultivated within certain targeted parameters. The result is a highly intrinsic motivation on the part of the employees, as a result of which leaders can focus less on expensive motivational programs and more on their real job: leading. In more conservative settings leaders tend to establish the rules of the game and to dictate a certain way of doing things. Here we can often see the misguided assumption that leaders should extrinsically motivate others. Working on the assumption that extrinsic motivation is necessary is, to put it mildly, nonsense. Employees are already highly motivated when they start out at a company, and it is up to leaders to preserve that intrinsic motivation, not to constantly work to make them more motivated. This is a topic we'll return to

later on. For now, it suffices to say that those leaders who feel they have to dictate to their employees what to do are not promoting growth.

6. Chance versus drama
   In growth-oriented settings, mistakes are seen as chances to do better in the future. In conservative settings, they are treated as dramas: Those responsible are made examples of, and the hierarchy displays its power to the fullest. Workers in growth-oriented settings recognize and accept the fact that the past cannot be changed. Mistakes aren't played down or ignored, nor are they blown out of proportion; instead they are used as a point of departure to determine whether some pattern of behavior or policy led to the mistake and can be avoided in the future, or if the mistake was simply a glitch. Here the principle of trial and error, which supports rapid learning, applies. In growth-oriented settings, this learning is institutionalized as a process of improvement and recognizable patterns are often discussed. In contrast, in more conservative, traditional settings, the mistakes themselves receive much more attention. Take a look at how mistakes are handled at your company and you'll have a very good indicator of how growth-oriented the working methods are.
7. Speed versus size
   In growth-oriented settings, speed is often discussed, whereas size receives little attention, as the employees have understood that size is not a criterion for quality, success or future growth; at the same time, they know very well that speed can be highly advantageous to spurring growth. Here growth is not understood as doing more of the same thing; instead, a more comprehensive decision has been embraced. Due to their intensive focus on speed, growth-oriented teams tend to be highly flexible, while an approach more characterized by political maneuvering can be recognized in traditional, conservative settings. As a further result of the recognition that speed is more important than size, at the financial level returns are discussed more than market share in growth-oriented settings. After all, by now it should be common knowledge that today market share is only of secondary importance, even in oligopoly-based structures. What do your employees discuss intensively? How they can accelerate innovations, provide their customers faster service, and complete projects ahead of schedule? Or do they spend more time talking about the importance of the company's size? At the individual level, we can simplify the question to how often you observe that your employees discuss the relevance of dollars, staff and square feet of office space—or, for that matter, the size of the office chairs, number of windows, and number of delivery trucks.

While assessing your employees' working methods, it is essential to also talk about your company's meeting culture. Here, too, we should examine the subject at the business unit and top (inter-unit) level. After all, nearly every employee will tell you they never have enough time. So it makes good sense to take a closer look at the number 1 time-killer in companies around the globe: meetings.

The question of the value of *jours fixes* has been discussed at a number of our client companies. There's no universal answer, but it is certainly worthwhile to reconsider the *jours fixes* we already have, as well as all other meetings that continue to be held “because we always had them.” There is too great a risk of people attending a meeting simply because it has become a tradition. The value of meetings must also be measured in terms of their contribution to the company’s success. There doesn’t have to necessarily be a monetary value, as simply discussing current issues can help to make concrete headway, but every meeting should produce a benefit of some kind; otherwise it is obsolete.

A company’s meeting culture is a good indicator of which growth stage it is currently in. While we were carrying out a project review with roughly 20 employees within the scope of an extensive project at a major German company, three people we’d never met before suddenly entered the room. As it turned out, they were the direct supervisors of some of our participants, and wanted to get a glimpse of how the project was coming along. Besides the fact that their behavior was unusual, improper and wholly inappropriate, they put the icing on the cake by explaining that they were in between two meetings and just thought they’d pop in. This was the first time anything like this had happened to my colleague and myself, and we were so taken aback that we allowed our uninvited guests to stay until their next meeting started. Today we would respond differently, and would ask them to leave the room. The remarkable thing about the situation was the phenomenon of “meeting hopping,” which we later learned was often done at the company. Once we knew this, it was clear to us that we’d just discovered a significant indicator of a growth-braking approach to the precious resource of time.

If we take a look at the details of meetings, we can fairly quickly recognize a highly reliable reflection of a company’s orientation concerning growth:

- Killer phrases: I’d be willing to bet that by now my colleagues and I have heard roughly 95 % of all standard killer phrases; you may know a few dozen yourself. “We’ve always done it like that.” “We never did it that way before.” “That didn’t work for our competitors.” “Why do we already need to do this again?” “We’ll have to make a new work group to do that.” “That will never work.” The list goes on *ad nauseam*. I can still recall the case of a young employee at one of our client companies who took part in a meeting attended by several members of the upper management. After some initial reservations, he rose to make a suggestion. His idea was a very good one, but also a bit uncomfortable. In response one of the seasoned veterans present turned to him, looked him over intensively and slowly asked, “How long did you say you’ve been working here?” This is a perfect example of how to de-motivate your staff. How many killer phrases are used on average at your company’s meetings? How do you combat them? How do you make it clear that thinking outside the box does not necessarily mean rocking the boat?
- Taking on responsibility: “What we really need to do is . . .”—Theoretically, this can be a good point of departure, provided it is subsequently followed up on, concretely and honestly. But all too often the phrase is used to mention a desideratum, which as a rule produces a great deal of nods in agreement, only to then discover that in fact no one is prepared to take over responsibility for pursuing the topic they all feel the company “really needs” to do something about. In fact, saying, “What we really need to do is. . .” is the best way to emphasize that you are

well aware of the need for action, but clearly lack the time and resources to personally get involved. As such, statements starting with "What we really need to do is. . ." normally refer to things that will in fact never be done. What we really need to do is clean out the garage. Phase 1: planning. Duration: ten years.

- Customer focus: How often do discussions at the meetings you know concern your customers—whether internal or external customers? What percentage of the time spent at meetings is wasted talking about self-optimization, or in other words, about busywork? Growth-oriented companies spend considerably more time talking about the services they offer their internal and external customers than about internal optimizations. The degree of orientation on internal and external customers is a one of the most important indicators of how ready for growth your organization really is.

2.4 It Can't Work Without Growth Sponsors

Let's assume for the moment you want to orient your company much more on growth than in the past. And let's further assume you don't feel your company is ready to meaningfully discuss growth in its current state. Thirdly, we'll assume that you have limited resources and you can't do it all on your own. If that's the case, you'll need to find internal and external "growth sponsors" who can work together with you to push forward your vision of growth. The fact that a number of growth sponsors who can focus their efforts on a company's development are needed tends to be overlooked. All too often, companies seek to simply administer growth, not realizing that internal and external drivers are vital.

But where can you find growth sponsors? There are various options:

1. Employees as growth sponsors
   Keep your eyes open: Many of your employees are just waiting for the chance to try a new direction, to move things forward instead of just managing them. At the same time, they are often prisoners of their own structures: When departments, divisions or other units are run by leaders who are themselves not prepared to push forward change and bear the consequences, employees often become apathetic and resigned. It's fairly clear that you should first discuss with your managers which employees they feel are most capable of pursuing and promoting growth. Doing so has a double effect: On the one hand, it communicates your strong orientation on growth to your managers; at the same time, it means you will need to intensively focus on your employees to determine who might be best suited to which type of growth initiative. Some managers will find this threatening; others will welcome it as a new opportunity. In either case, something will actually *happen*, and that's the most important prerequisite if you plan to mobilize your organization.

   When talking with your managers and employees, try to keep the following grid in mind. In a simplified form, it represents the difference between the desire to push forward the company's growth and the actual ability to make it happen (Fig. 2.3):

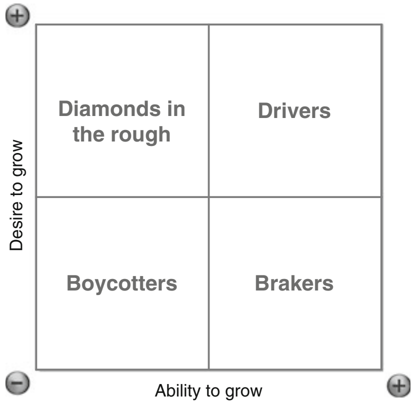

Fig. 2.3 Desire to grow vs. ability to grow (Thanks to Dr. Alan Weiss for the initial idea for this double-axis chart)

The skills needed for growth can be taught and learned; the desire to change, in contrast, can only stem from sincere conviction. Accordingly, you will find it far easier to train those employees who are essentially in favor of change than to convince those employees who already have the skills needed that doing so is in their best interest. Skills can be imparted by internal or external trainers; conviction can only be achieved when your employees recognize the advantages that working harder to promote growth will have for them personally. You should try to convince them of these advantages, even if it is of course far easier to teach them new skills. When it comes to employees and managers who lack both the desire and the ability to push forward change, the only thing you have to consider is how to consistently get rid of these boycotters; the last thing you need is a premeditated or passive-aggressive torpedoing of your growth plans from within your own company. For many other employees, you can safely assume that they'll join the "growth movement" once it has reached a critical mass among your staff.

2. Customers

Involve selected customers in your growth planning. This can work extremely well for both B2B and B2C through the creation of customer councils; these have no formal function, but by examining and discussing your company's strategy on a regular basis, help to constantly improve your products and services. Even if these councils at times produce seemingly abstruse requests and demands, it's worthwhile to give them a bit of thought; after all, if these "odd" demands start to add up, it suggests a serious interest of some sort, and you should explore whether that interest could help to point your company in a fruitful new direction.

Shaping and moderating these councils can be demanding work, and especially at the outset you should bring a great deal of patience with you, because your tasks will be to arrive at way to work together productively, to block out those who just want to hear themselves speak, and to steer discussions into the right channels. The effort often pays off, though, when you succeed in addressing the right topics and in giving the council a clear job to do.

3. Vendors
   In terms of viewing your value creation chain from the top down, it is essential that you break down internal barriers and also include vendors in your strategic planning. That doesn't mean you should share all of your strategic ideas with your vendors; instead, you should integrate them in your growth initiatives, and do so as openly as possible. Keep in mind that your vendors very often see weaknesses in your processes and policies that you might overlook. Give them the chance to share their thoughts on these weak spots with you, and on how you can improve them. Just as with the customer councils, the idea here is not to blindly accept every suggestion, but to promote an ongoing dialogue. You know how important good vendor relations are for the growth of your company. The last thing you need is to have to change vendors just when you want to launch a new growth initiative. Invest the time to talk with your vendors; you might just be surprised what you can learn from their strategic ideas.
4. Consultants
   No, it's not time to advertise our own services. But engaging consultants as growth sponsors is often an effective way to get out of your rut and find promising new paths. Assuming the consultant has no hidden agenda and an ethical basic stance, they will always recommend the course of action that experience shows to be best for their client company, uninfluenced by the corporate (tunnel) vision and without regard for bruised egos. A good consultant—one who isn't already too busy thinking about the next juicy job and who can offer you objective advice, and who is further able to adapt that advice to your company's individual situation so as to better assess the feasibility of its implementation—can be a major growth sponsor. They can serve as a "sparring partner" for the company's Senior Management when it comes to frank discussions of the pros and cons of different initiatives, and as an internal driver they can ensure that project teams focus on what is really important. They have the latitude to speak freely on subjects that would be considered politically incorrect—or even absolutely taboo—within the company, and they bring the experience gained in numerous prior projects. Consultants of this caliber, and with the necessary degree of spine, can be true growth sponsors. Consultants who are nothing more than yes-men, who depend on keeping their clients happy just to ensure they keep getting asked back, those who are automatically *for* everything or *against* everything, and rookies looking to learn the ropes at the company's expense, need not apply.
5. The workers' board
   There are actually only two categories of companies that have a workers' boards; there are those who view the board as a partner, and those who go to war with it at every opportunity. And the same is true for workers' board: Some view the company as *their* company, as something they want to help shape, and view its leaders as their dialogue partners; the others act as if it were their life's mission to fight tooth and nail with the same company that signs their checks every month.

My colleagues and I have had very good experiences with involving workers' boards in growth initiatives, and for a variety of reasons. When companies take an open approach to their workers' board, it shows that they see themselves as partners and are also ready to act accordingly. It also shows that the company's priority is to move forward, not to craft its own secret plans. The sense of transparency generated by involving the workers' board is self-evident. Further, when a company's leaders make the workers' board part of their strategic planning, they can also avoid a great deal of posturing and saber-rattling, which very often only come to pass in the first place because the workers' board feels that its involvement came too late, was poorly handled, or was insufficient. This doesn't mean that you should inflate the board's importance; it simply means that you are respectful in your dealings with it—and that you can in turn reap all of the advantages created when the management and workers' board are all pulling together. As a rule, it's better to discuss the pluses and minuses, as well as the feasibility, of a particular growth initiative in advance and behind closed doors, than to hold these discussions once the initiative has already been launched, which can lead to good proposals being lost in shouting matches.

A workers' board that is taken seriously, is involved in planning, and correctly understands its job, will always act in the best interest of the company's future—within the institutional limits of its responsibilities. Generally speaking, leaders who approach their workers' board with these expectations and a cooperative attitude will more quickly achieve growth than those who take a confrontational approach. You have a workers' board, so you should also get along with it—and at a professional level.

How ready is your organization for the growth you've planned? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 2."

We've now dealt fairly intensively with your company as a whole, and in the process we've found a number of indicators that can help to show you whether or not it is ready for growth. It's now high time that we take a closer look at the company's individual divisions, as each contains its own specific areas where you can release the brakes holding your company back from growing.

Take a Good Look at Your Marketing Department: Do You See Creative Geniuses Or Conceptual Pros?

3

Marketing—the isle of bliss. The company's internal stage, a place for self-discovery, press conferences, radio, television, the world of show business, glitz and glamour, and the great conceptual successes. But wait, what do I hear? Reality has finally caught up with the once oh-so-perfect Marketing world. More and more companies want quantifiable results, the value of Marketing is being seriously called into question, and its contribution to corporate growth is now viewed more critically than in the past. As such, it is worth taking another look at this aspect—for a variety of reasons.

3.1 Marketing Can't Be Measured?—A Misconception

A major problem in Marketing departments is the fact that what constitutes "Marketing" is not precisely defined, or that it is not clearly established just what these departments are responsible for. But if its area of responsibility is not defined, we can't expect its performance to be measurable; after all, we can only measure what has been previously defined.

So, how is Marketing defined at your company? Is it more Product Marketing, Service Marketing, an Advertising department, a PR unit, or a Communications department? What is within the scope of the Marketing department, and what isn't?

Above all, many Marketing professors claim time and again that Marketing defines a company, that Marketing is the most important department in any company, and that Marketing is effectively everything (that matters). Because of these exaggerations of its role, many companies have no clear concept of what Marketing is, and everything remotely connected to the company's external image is automatically considered to be Marketing. The consequences: a conglomeration of tasks, an inadequate understanding, a lack of transparency concerning interactions with other departments, and no clear concept of the services the department is responsible for—and all of these factors exacerbated by the hobby Marketing experts from other departments, all of whom feel entitled to share their input on Marketing, and

G. Quelle, *Profitable Growth*, Management for Professionals,
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always find the time and energy to note that Marketing actually does very little to move the company forward.

Clear criteria and defining its area of responsibility are the be-all and end-all when it comes to professionalizing the Marketing department. In one of the client companies with which we worked intensively, the Marketing department largely consisted of two units: Product-Based Marketing and Point-Of-Sale (POS) Marketing. The Product-Based Marketing unit had no advertising duties, as at the time the company did no advertising whatsoever. Instead, the unit was responsible for the timely discovery of trends that would ultimately result in new products. The staff travelled—and continue to travel—around the world to find the latest trends and translate them into marketable products. In other words, it was the task of this Marketing unit to supply the market with highly attractive products, and its performance could be measured by assessing consumer acceptance of those products.

The Point-Of-Sale Marketing unit was responsible for designing single and multi-label sales display areas so that the products were presented in a modern and appealing way. The success of its efforts was measured according to the increased traffic at the points of sale, acceptance of the store layout and the display on the part of the company's commercial partners, up to increased sales of specific products thanks to their presentation in tailor-made display solutions and accompanying support elements like shelves, choice of color, etc.

Are these criteria clear-cut and free of overlap? No, they're not, but they at least made it possible to measure the performance of Marketing in these two areas, and, as such measurements tend to be long-term in nature, they certainly also offer comparability, provided the basic parameters remain unchanged. In any case, the company's successful Marketing department was glad to have these criteria, which allowed it to clearly delineate its responsibilities. Even at times when its performance was deemed unsatisfactory, analysis could be used to develop approaches to improving it.

Especially in trading companies, be they wholesalers or retailers, Marketing is often reduced to its purely advertising-related aspects. Whereas the retailers have long since recognized the importance of positioning themselves as a brand instead of just dealing with brands, we still have far to go before this insight is sufficiently embraced by wholesalers, only very few of whom see themselves as a brand, link their target group with that brand, and consciously work on their brand image. Today the majority work as auxiliaries for their industrial partners and share a classic understanding of their role as facilitators in the value chain or as pure logistics service providers. As a result, valuable potential is rashly and unnecessarily squandered.

One of our client companies, a major wholesaler, decided to create its own store brand so as to circumvent the pressure of competition. But in the company's specific industry, the development of store brands was largely out of the question, making such brands possible only at a very limited level. Nevertheless the company set its sights on achieving—under the operative leadership of the Marketing department—a new market position that would allow it to reach new customers in a more focused manner, while at the same time ensuring the continued loyalty of its current customers. In taking this step, the company was well aware that some of its customers might no longer be able to identify with its new position.

The Marketing department, which in the past had primarily prepared customer seminars, had focused on acquiring advertising subsidies from its vendors, had published a customer newsletter, and had explored effective advertising options, now suddenly had a strategic function—and by all means a quantifiable one, as Marketing was now made responsible for improving customer loyalty and focusing the image the company projected to its customers. This was measured e.g. by monitoring customer fluctuations, and in the form of surveys on the image customers associated with the company. These surveys were repeated at regular intervals, helping to make the Marketing department's performance more measurable. That performance was also indirectly measurable in that the company repeatedly placed among customers' top three preferred business partners in an annual competition organized by an independent institution.

Are these criteria clear-cut and free of overlap? Just as above, once more the answer is no. Needless to say, Sales also influences the company's image, as do the PR department, and the truck drivers who deliver its goods. Nevertheless, it is better to use these (imperfect) criteria than to simply not measure the Marketing department's performance. Advertising subsidies and their amounts may well be concrete parameters, but they tell us nothing about the company's strategic development. In the case in point, Marketing was given the chance to finally supplement its operative duties with strategic ones, and the company's market position increasingly moved in the desired direction, which was accompanied by the hoped-for level of commercial success.

In some companies, the function of "corporate public relations" can also be found in Marketing. Despite the fact that I feel corporate communications have nothing to do with Marketing, and should instead be directly connected to the senior management or managerial board, here we should take a moment to discuss corporate communications and PR as elements of Marketing.

If you ask them, any PR consultant or member of the PR staff will assure you that they have no influence on which press information is published, how much of it is published, or where. After all, they claim, the press is independent and free of external influences.

This statement can't be allowed to stand. Of course the press is independent, just as it should be. Nevertheless, journalists and editors are sure to publish information from a company if they believe the readers of their newspaper, magazine or Internet portal would be interested in it. So we're not talking about putting editors under pressure; that never works. Instead, we're talking about generating interest, so that the media are ready to fight tooth and nail over the company's news. Too many PR departments focus on the number of press releases they put out in a year, or on the number of journalists and editors they reach on a regular basis. But this is all input, with no output. It would be much better if they measured their success on the basis of how many responses they receive from editors and journalists, on how large the network of editors and journalists who approach the company with questions has grown, as well as on how well the company's news reaches its intended targets on the Internet, and on customer reactions to their PR work.

Many PR consultants and departments vehemently reject such performance criteria. But it is essential that we establish a degree of measurability in this field that is based on results, and not on the work invested. The often-heard excuse that PR can only communicate something if the company delivers good material is a fairly flimsy one: Good PR consultants and departments know the right questions to ask in order to find content worth communicating; in many cases, the company itself can't recognize what news treasures are hidden within its very walls, simply because everyone knows their own products and services so well they don't consider them to be anything newsworthy. Good PR experts will always find a way to sort out those aspects that are most interesting for the public and the company's target group, as well as for journalists and editors, so that they ultimately create a good story. Poor, so-called PR experts are content to simply prepare and manage press releases.

In short, it becomes clear that especially when it comes to services, more expertise is expected from (internal or external) PR consultants than e.g. in departments producing consumer goods, as it is considerably easier to create articles about the advantages of products than ones about the advantages of less tangible services: Corporate communications for services represent PR at its finest.

To review: Marketing can indeed be measured if we take the time to find the right criteria, which are results-based, and if we are prepared to engage in the (not always pleasant) internal discussions on these criteria. When all is said and done, the Marketing department and above all any good Head of Marketing will be glad to have arrived at quantifiable criteria, which help the department both to justify its existence within the company and to better gauge its own performance.

3.2 Marketing Needs Creative Minds

Of course Marketing needs creative minds. But we need to differentiate a bit: Creativity is certainly a necessity, but good Marketing takes more than just creativity. Without the absolute resolve and ability to translate ideas into realities, creativity can offer nothing more than theoretical benefits. Unfortunately, these additional skills are rarely advertised for in recruiting efforts. Job postings for Marketing positions that appear in print media or on the Internet are normally greeted with a flood of responses; especially for younger applicants, "Marketing" is still one of the most appealing branches to work in. This can also be seen in its popularity as the major of choice for countless university students.

Top Marketing managers aren't doing themselves any favors by painting a glamorous picture of their department and acting as if things always ran smoothly there. In fact, they're only fooling themselves, as our experience has shown that Marketing departments tend to score well in terms of their conceptual work, but generally fare much worse in terms of the frequency and quality of their ideas' implementation.

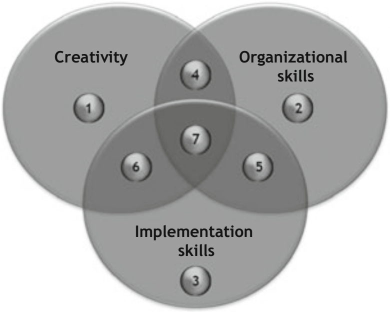
Where can you find the staff you so urgently need for your Marketing department? And how can you be sure you're signing on men and women who can contribute not just creative potential, but also the ability to see projects through? Admittedly: You'll rarely find brilliant creativity and equally impressive organizational and implementation skills in one and the same person; the working preferences needed to deliver creativity, solid organization and concrete implementation are simply too disparate. Nevertheless, it pays off to pay special attention to who can help your department implement its concepts and projects.

One way of releasing brakes to growth in this regard is as simple as it is necessary: You need to clearly define duties; you need to include a results-oriented description of the responsibilities attached to each position in Marketing; you need clear profiles. We're not talking about traditional job profiles, which are often prepared by the HR department. These tend to be filled to the brim with input-oriented descriptions, and are so crowded with superficial information that the potential employees reading them get the feeling they need to have every skill on earth in order to qualify; at the same time, they usually forget the details because there's simply too much information to absorb. What we need instead are results-oriented profiles, which describe both the purpose of the position and the results that will be expected from the person holding it. If you're looking for a pro, he or she can consider how they measure up to your expected results, and can use the results of their past performance to prove that they're capable of meeting your expectations.

You should especially focus on teambuilding in your Marketing department. Though the word "team" is often used too generously, we especially need smoothly running teams in Marketing because, as previously mentioned, we seldom find creativity, organizational and implementation talents in just one person. So take a good look at your Marketing department: Who's most creative and needs support with the organization and implementation of their ideas? Who's best at organizing complex projects, but is a bit lacking when it comes to creativity or implementation? And lastly, is there someone there who can see any task through to the end, no matter how complex? What shape is your team in? What opportunities do you create for staff with complementary skills to come together in projects—or in routine processes?

Though it's fundamentally advisable to combine complementary skills in every department of your company, in Marketing it is critical. This is where new ideas are brought to life, where the company is positioned in the market, and if you raise your target group's expectations, but the skills needed to deliver on those hopes cannot suitably be tapped, the consequences can be devastating (Fig. 3.1).

When you're considering reassigning staff positions or hiring new employees for your Marketing department, get other links in your value chain involved in the search. For example, retail companies can greatly benefit from hiring employees who previously worked for one of their vendors; we don't always have to recruit staff from our own sector. If you are a wholesaler and are looking for new staff, hire someone with retail experience and you'll see that they can contribute wholly different types of expertise. The same is true for manufacturers: If you want to know what your customers think of your Marketing, and to shape it to address them in a much more focused manner, look for new staff from among your customers. As a manufacturing firm, this means seeing what small retailers and/or wholesalers have to offer; or, if you're a supplier to other manufacturers, look there.



	Creativity	Organizational skills	Implementation skills	Result
1	✓	-	-	Creative chaos
2	-	✓	-	Basis-free planning
3	-	-	✓	Quickly bogging down
4	✓	✓	-	Toothless tiger
5	-	✓	✓	Efficient repetition
6	✓	-	✓	Missed opportunities
7	✓	✓	✓	Growth-oriented Marketing

Fig. 3.1 A critical need in Marketing: The combination of creativity, organizational and implementation skills

Our observations have taught us to watch out for a special phenomenon concerning working methods in Marketing departments: These departments, too, thrive on the delegation of responsibility and on trusting in the performance of others. Yet all too often, we encounter Heads of Marketing, Marketing Directors and Chief Marketing Officers who are completely overwhelmed because they either want to make every decision themselves, or feel that they are expected to. If no decision-making responsibilities are delegated to the department's second tier, then the Head, Director etc. automatically bears sole responsibility for all decisions, and their calendar quickly fills with project meetings, topics meetings and networking meetings.

Though this pattern of "non-delegation" and a focusing of responsibilities at the top can of course also be found in other departments, it is particularly apparent in the Marketing world. The question as to why this is the case is a moot one. Take a moment to consider what shape your Marketing department is really in: Is there lively and creative collaboration, followed by shared and fairly distributed implementation duties? Or is it more hierarchically structured, so that all major decisions are made at the very top, stifling both the ability and desire to make decisions at all other levels? The latter condition is often due to a lack of clear goals, results to be achieved, and clearly defined responsibilities, and is inextricably linked to the previously discussed measurability of Marketing. Here the most important thing is that you recognize this pattern when you see it, and then take clear and decisive action to break that pattern. To do so, you will need—once again—to ensure that Marketing is measurable at your company, and that complementary skills are brought together; lastly, remember to especially look for new Marketing staff in the other parts of your value chain.

Ultimately, Marketing needs not just creative minds, but also a smoothly running team that also knows and understands the company's routines.

3.3 Marketing's Aversion to the Daily Routine

The word "routines" is a good starting point. If you took a survey of what people working in Marketing departments hate most, you'd very often hear the word "routines." It's only natural; after all, except for those Marketing departments that have degenerated into doing little more than printing out brochures, we tend to expect more innovation and less administration from them. And in the vast majority of our client companies, we find Marketing departments populated by people who are fascinated by new things, and who are quickly bored when faced with routine tasks, which is problematic because we absolutely need employees who not only focus on the "what," but also on the "how" in these departments. The previously discussed hierarchy of "first 'what,' then 'how'" is equally applicable here. Unfortunately, Marketing departments' discussions of the "what" are often fairly superficial; accordingly, decisions are made without due consideration of the "how."

This aversion to the daily routine is inexcusable, because Marketing departments, too, are rightfully expected to consider the feasibility of their plans and to coordinate with other departments. If at all, this attitude can possibly be explained by a lack of leadership; when the Head of Marketing makes it clear through his or her actions that there's no real need to focus on questions of "how," let alone to ask neighboring departments for their thoughts—because, after all, Marketing is an absolutely essential function and, as any number of textbooks will tell you, is all you really need to conjure up corporate success—it should come as no surprise when the majority of the department's staff echo this behavior.

Is this depiction too black and white? Perhaps a bit, but in our experience it's not that far-fetched. But let's get back to talking about solutions; our job is to release brakes to growth, not to complain about them. So how can Marketing be better integrated into the daily routine without sacrificing the department's creative strengths?

Traditionally, Marketing has always had strong ties to Sales. Some time ago we conducted a very well-received study that focused on the cooperation between Marketing and Sales departments. Over the course of the study we determined that, contrary to our initial assumptions, the main problem is not the frequency of meetings between the two, but is almost entirely due to the quality of those meetings. Though we had assumed that Marketing and Sales departments didn't talk enough, the study showed us otherwise: They are in constant contact with one another, but fail to discuss the right topics, making goal-oriented cooperation between Marketing and Sales a promising candidate for promoting growth in your company.

Get your Marketing department actively involved in the development of your sales strategy, and make sure that Marketing staff actively work to implement that strategy under the leadership of Sales. Accept the fact that as a result discussions will grow longer, as Sales staff normally focus heavily on implementation, and are often confused when their colleagues in Marketing want to stop to reexamine certain fundamental aspects. But all of this enriches their cooperation and helps to make Marketing a more active part of the company's routines. If you don't happen to be working on a new sales strategy, you can still involve Marketing in the routine reviews of your current strategy. Have Marketing join in on the regular Sales meetings; this fosters mutual understanding and helps Marketing staff to better grasp what it looks like to be in daily contact with the market. As an additional benefit, such cooperation also forces Sales to more intensively address the conceptual level of Marketing.

When discussing potential new sales channels or the adjustment of your current ones, don't just stay at the conceptual level; instead, get both Sales and your Logistics department actively involved in Marketing's deliberations. In this constellation, Marketing assumes a leadership role and must at the same time listen to and address any operational reservations/objections the more implementation-oriented Sales and Logistics departments may have.

It is essential that Marketing become much more intensively involved in questions of "how" to do things, and an ideal solution is to push the department to actively deal with the justified concerns of experienced colleagues from its own company. If you have work groups or teams focused on the redefinition or adjustment of sales channels, have them consider at length what implications the planned changes would have for the company as a whole. Which of our current Marketing services could we keep? Where do we need to perhaps approach the market in a more varied way? Which messages that we put out today will continue to work in the future, and which won't?

The same is true for networking Marketing with your Research and Development department. Make sure that Marketing also has the lifecycles of your products and services on its radar. It's better to get Marketing on board early on, so that it knows what R&D is thinking well in advance, and not when current products have already been updated or new ones have already been created. Have Marketing also address the questions being considered in R&D; in our experience the cooperation of these two departments, too, can bear valuable fruit.

At most Marketing departments, the desire and ability to see things through are what are most lacking—a state of affairs exacerbated by its lack of connection with other departments and resultant status as an island. The simple step of strengthening its ties with the company's operative departments can lend Marketing considerably more punch, as suddenly here, too, implementation and concrete results are on the agenda. If you can also succeed in introducing project management principles in order to ensure that the progress toward reaching goals is monitored, you will have made another step in the right direction.

One of our client companies was under serious pressure to constantly develop new marketing concepts that were to produce services more appealing to consumers. Early on in our cooperation, which first started in a different department of the company, we recognized that their Marketing seemed to possess an impressive level of conceptual expertise, but that implementation skills were sorely lacking there. Consequently, clearly promising marketing concepts could not be further developed because the efforts to implement them were half-hearted at best. As such, though the company continued to perform well in general, it was clear that a great deal of market potential was squandered.

There were a number of reasons for this problem. For one thing, one of the chief talents of the Head of Marketing was his ability to see "the big picture" and to communicate it both within the company and without. At the same time, he did not have the right tools or—at least in his own opinion—enough time to successfully implement his concepts or to attend to their details. This was worsened by his direct supervisor at the top Management level, the COO, who had no desire to concern himself with details, either, and who was more concerned with protecting his department from any and all potential threats.

The Head of Marketing's staff could hardly keep up with him. Among other things, this was due to a lack of clear priorities, which should have been discussed together. Further, there were no guidelines or policies for internal cooperation; as a result, the Head himself had to attend every project meeting, which, given his perceived lack of time, often put him under pressure. And last but not least, no one could fill in for him, because no one else was authorized to make the necessary decisions to move projects forward: a dilemma.

The CEO had also noticed this situation, and when the Senior Management was reorganized a bit, he seized the opportunity to assume overall responsibility for the Marketing department from his colleague the COO, who had left the company. From this time on, the Head of Marketing was much more closely integrated into the company's affairs, and a project was soon launched that, with our support, ultimately produced a much more effective Marketing department. And the Head of Marketing himself welcomed the change, as he had realized that he, too, would clearly profit from the new level of cooperation, even if it took some time before the processes, areas of responsibility, and organization were in the shape they needed to be in to dramatically boost Marketing's implementation power. A change in leadership can sometimes be helpful—or even essential—in order to bring about such paradigm shifts.

3.4 The Goal: Marketing as a Catalyst for Growth

The question that arises is how you can more closely link Marketing with your company's other departments, so that, instead of eking out a lonely existence, it can serve as a catalyst for growth. Before turning to how this can be done most effectively, let's first take a moment to consider how *not* to do it: Involving Marketing in routine topics, *jours fixes*, or strategic topics without giving it new tasks is not helpful. There are already more than enough conferences, work meets, team meetings, or whatever else you want to call them; bringing in additional staff who have no concrete duties at these gatherings would only be counterproductive. Sensibly integrating Marketing means assigning the department and individual members of staff clear duties and responsibilities, in combination with predefined deadlines.

I'll bet you've already guessed: The best vehicles for the focused integration of Marketing are change projects that the company already wants to launch. In the following you'll find four especially revealing situations in which we saw outstanding results in terms of boosting Marketing's performance. I'm sure that, as you look through these situations, you'll also come up with a number of ideas of your own:

3.4.1 Situation 1: Developing a New Sales Strategy

Within the context of developing a new sales strategy (or of adjusting the current strategy), it is imperative that Marketing be actively involved. Otherwise, what marketing concept is Sales supposed to use? Here we should bear in mind that, though Sales has one of the most important—perhaps *the* most important—functions in any company, the Head of Sales and his or her staff often have a self-image based on the implementation of ready-made concepts—and rightly so; after all, Sales is responsible for supplying the company's target groups with its current products and services, for determining what those groups actually need, and for ensuring that those needs are met. The Sales department is not responsible for creating or intentionally changing the company's market position; nor is it responsible for the conceptual planning of broad-scale target group screenings. Though Sales can at times offer content-related or executive support for the implementation of customer surveys or other market research activities, these do not belong to its conceptual duties.

If your company's sales strategy is to be revised or replaced, the Marketing department is ideally suited for the sub-projects "Positioning and Brand" and "Target Groups" (Fig. 3.2).

The sub-project "Positioning and Brand" is intended to determine how the company is currently positioned in relation to its competitors, how it should best be positioned in the future, and which policies or measures can best get it from its current status to its desired position. Further, those elements of the company that contribute to brand creation must be identified, and it should be checked whether they reflect the company's desired brand creation goals or not. Just what brand does the company currently stand for? And what should its brand look like in the future? What is at the heart of the brand? These are all questions that must be asked and meaningfully answered in the scope of this sub-project, and under the leadership of the Marketing department.

The sub-project "Target Groups" focuses intensively on the company's current target groups and on potential new/future ones—and in some cases also on groups for specific products or product ranges—, as well as these groups' various needs. Here, target groups should not only be viewed demographically, but should also and above all be classified in terms of their needs structure and purchasing behavior. As such, we are not only faced with descriptive, but also with analytical questions that must be answered. Precise dialogues with Sales are indispensable. This sub-project should also define which target groups the company expressly does *not* want to serve, what potential each target group holds, which current measures allow the company to successfully serve its target groups (which are classified by their needs and purchasing behavior), and which measures are needed to ensure future growth,

Fig. 3.2 Marketing sub-projects within the "New Sales Strategy" project

whether in the form of new target groups or of better addressing and supporting its current ones. Preferably, this sub-project should be headed by a member of staff who holds decision-making authority in Marketing. Their right hand should be an employee with decision-making authority in Sales.

3.4.2 Situation 2: New Sales Channels

If you have launched a project to open new sales channels or to determine whether certain channels offer prospects for your company's growth, the Marketing department should ideally lead a sub-project on "Potentials Analysis." In doing so, it assumes responsibility for ensuring that the company's current sales channels are analyzed in terms of their potential and its current utilization, and that further channels are validly and reliably investigated in terms of their potential for the company's future growth (Fig. 3.3).

In this type of sub-project, it is also up to Marketing to determine whether there are further, untapped sales channels that should also be taken into consideration. In this regard it can be worthwhile to take a look at your direct competitors, as well as potential latecomers from completely different market segments, who could use their current expertise to suddenly break into your traditional segment.

3.4.3 Situation 3: New Corporate Strategy

Projects intended to develop a new corporate strategy are of course a domain in which Marketing in its classic sense should feel right at home (Fig. 3.4). Though we should recall that it's not *all* about Marketing, the Marketing department does play a key role, making it especially well suited to the following sub-projects:

Sub-project "Target Groups". For the most part, this sub-project is very similar to its counterpart in the context of developing a new sales strategy—and rightly so, as the sales strategy must be oriented on the corporate strategy. This also works in the opposite direction: If no target groups have been selected as part of the new corporate strategy project, no detailed target group analysis has been conducted, and/or there is insufficient information on this aspect in general, it is imperative that

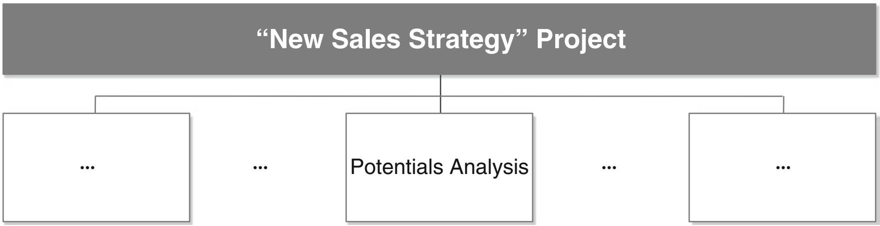


Fig. 3.3 Marketing sub-projects within the "New Sales Strategy" project

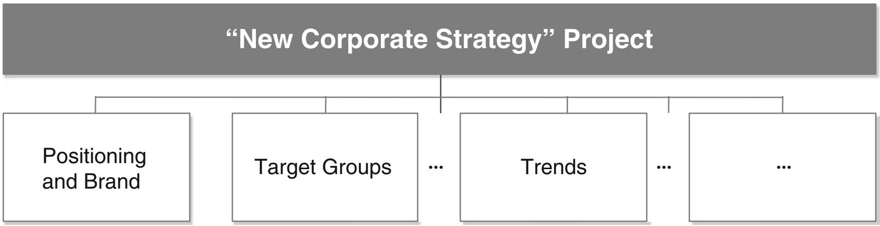


Fig. 3.4 Marketing sub-projects within the "New Corporate Strategy" project

the sub-project "Target Groups" within the new sales strategy project makes sure it has the blessings of the Senior Management; if not, the chaos will only be multiplied.

Sub-project "Positioning and Brand". This is also similar to the sub-project of the same name in the framework of developing a new or revising a current sales strategy. What should be kept in mind here, just as in the sub-project "Target Groups," is that when we talk about corporate strategy, several different departments and business fields are bundled under the term, which can mean that we need to take a more differentiated approach to questions of positioning, brand and target groups.

Sub-project "Trends". In this sub-project Marketing must recognize, analyze and assess current trends. These can certainly include megatrends, as we are now working at the level of the corporate strategy, where it can definitely be worthwhile to discuss megatrends. Needless to say, not even the best-equipped Marketing department and the most experienced Senior Management together can offer a crystal ball that allows you to peer into the future. Nevertheless, simply discussing trends and potential megatrends can pay off, as it can create a shared understanding within the work groups and teams in terms of the settings the company is currently active in and may enter into in the future. Here Marketing receives a value-creating role, which consists not only in market research, but also in dialogues with respected trend analysts. The insights gained from consulting these experts must in turn be made available to other departments (and in language they can

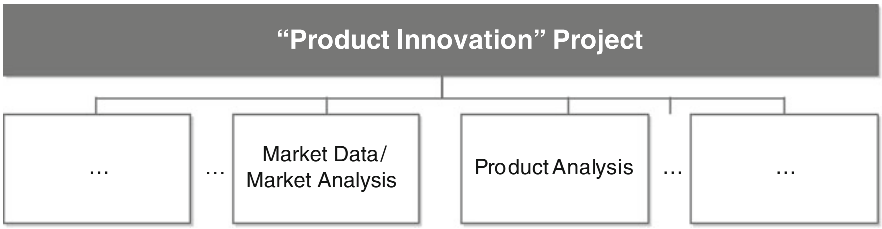


Fig. 3.5 Marketing sub-projects within the "Product Innovation" project

understand); this is a key interface between Marketing and other departments within the "new corporate strategy" project.

3.4.4 Situation 4: Product Innovation

Marketing can assume a variety of functions in innovation projects. This is equally true for market research and for product assessment (Fig. 3.5). Marketing can especially support the following sub-projects:

Sub-project "Market Data/Market Analysis". A sound market analysis provides the foundation for drawing the right conclusions. Here Marketing can truly shine, as most departments either have outstanding market data at their disposal or maintain close contact with market research institutes. The task here is to both examine the current data and to consider alternative conclusions on the basis of it. In individual cases it can be helpful to prepare and initiate customer surveys, which can in turn be conducted by Sales; they don't necessarily have to be done by an external institute. In this regard it can also certainly pay off to "resort" to operative levels of analysis such as measuring customer visit frequency, analyzing sales receipts, and collecting customer fluctuation data.

Sub-project "Product Analysis". Here, too, Marketing's operative side can shine. Assuming the company already has a sales strategy—which should be the case before innovations are launched; otherwise what are they based on?—, Marketing assesses the current products that are relevant for the coming innovation in terms of their effect on target groups. Here, again, keeping the competition in mind is important, as we should also consider if our competitors have already introduced innovations that would be rivals to our planned innovation; alternately, we should consider if there is information from our field indicating which developments the competition might soon introduce. Once our planned innovation has become more concrete, Marketing should step up to assess the ideas put forward by the Research and Development department in light of the target groups. Focus groups must be created, and should be both adequately representative and capable of substantively evaluating the planned innovation. It is crucial that the R&D department be integrated in these activities, so as to ensure that the innovation is positioned on the market as effectively as possible from the start.

Surely you can find a wealth of other points to work on for your own situation. Observing your competitors, optimizing your store layout, professionalizing Marketing activities, revising the Corporate Design—these are all areas where you can really put your Marketing department to work; ideally, it shouldn't work on them alone, but should coordinate with other departments. If a project is headed by Marketing, work to integrate other departments in the project; one elegant solution is to award positions as assistant sub-project heads.

If another department is running the project, use Marketing diligently and intelligently in sub-projects. On the basis of a suitable methodology, make sure the contributions of the individual sub-projects are measurable; this will allow you to better gauge the project's overall progress.

Interestingly, this approach can also be helpful for the Sales department, as we will see in the next chapter.

Is your Marketing department a growth driver or a brake to growth? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 3."

4 Is Your Sales Organization a Dark Silo or a Real Growth Driver?

In part, growth is generated by customers who are not just satisfied but enthusiastic, making Sales particularly important to promoting growth. Conversely, if your Sales department is weak, isolated or lacking in focus, it can be one of the worst possible brakes to growth. Power brakes in cars are nothing compared to a Sales department that intentionally or unintentionally stands in the way of your growth.

4.1 Why Worry About the Brakes If You Never Even Get in Gear?

A client of mine, the CEO of a listed Germany company, once told me, "You know, Sales really *is* a driving force at our company—especially when it comes to driving off our customers."

We both laughed at his quip, even though neither of us felt much like laughing, as we'd determined that Sales was a serious brake to growth at his company. Every planned change was boycotted, either actively or through passive-aggressive behavior. The company's operational processes were in top shape, and its productivity set the standard for the European market in its industry. The company's operative units were highly innovative and, in terms of costs, contributed greatly to its high profitability. Even the IT department contributed a great deal.

In terms of revenues, however, which are much more influential on dynamic growth, nothing was happening. Though as a rule revenues more or less grew in keeping with market growth, they were a far cry from above-average growth that the company could be proud of. In the company, its industry and beyond, the CEO was well known as an extremely active manager. He had a reputation—and rightfully so—for never missing a thing, for always coming to meetings extremely well prepared, and above all, for not allowing himself to be derailed by flimsy arguments. In organizational terms the problem was that, as the CEO and Chair of the Managerial Board, he could only indirectly influence the Sales department's performance through one of his fellow Board members, who was responsible for Sales.

G. Quelle, *Profitable Growth*, Management for Professionals,
DOI 10.1007/978-3-642-32787-2_4,

Once the weaknesses in Sales had become apparent, our client used a clever bit of legerdemain by asking his previously mentioned colleague to examine the department's performance. The situation was objectively analyzed, yielding a remarkable insight: The Sales department's performance was limited to what the CSO was able to dictate, exemplify and allow. Simply put, the CSO was neither effective nor hungry enough to push through any significant progress, which might have meant sailing into uncharted waters. Instead, he was busy working to preserve what his department had already achieved, and protecting it from any and all potential threats. Goals were set loosely if at all, appointments were only more or less kept, and there was a palpable lack of drive.

As a result, the CEO consulted with the Supervisory Board, moving them to fire the CSO and hire a successor. Once this was done, a new wind began to blow: A comprehensive program to create and implement a company-wide sales strategy was launched, which precisely followed the steps needed to meet the newly defined, proposed growth targets. The entire Managerial Board received regular reports on the status of the project, which was placed under the responsibility of the new CSO.

Now the Sales staff finally had a chance to show what they were capable of. Some had initially assumed a "wait and see" attitude until they were convinced that the new initiative was more than just a flash in the pan; others could hardly wait to finally invest their expertise and energies in a promising growth strategy.

Sales organizations need firm leadership (which should not be confused with closer supervision). Well-structured leadership can help to involve different Sales units, which especially in international organizations are often geographically distant from the headquarters, in the company's values, goals and methods, providing a strong basis for growth.

In our consulting work, we see time and time again that Sales staff try to bring their company's products and services to market using methods that have precious little to do with professionalism, to put it mildly. When this happens, it usually has less to do with a lack of individual expertise and far more to do with a lack of leadership.

At the beginning of a project designed to focus a new company's sales strategy, we asked the members of the project team how they would describe their current sales strategy. After listening to references to various strategy papers, being shown several-page monthly analyses, and being told about the head of the department's clear instructions to focus more on A-customers, none of which really convinced us, a member of the Sales staff finally spoke up: "People, let's be honest: We have no strategy. We more or less systematically approach our customers and do our best to follow the guidelines for the frequency of visits and number of daily customer contacts without annoying our customers. Our planning is always last-minute and essentially worthless, though somehow at the end of the day things usually work out. We don't have any strategy; we try to sell wherever we see a light in the window." After a silence that seemed to go on forever, everyone there broke out in roaring laughter. He'd hit the problem right on the nose.

The project itself needed one thing more than anything else, namely a critical mass of supporters. We were able to win them over with the incentive of doing something completely new for and with the staid, traditional company. More precise positioning, a new approach to customers, more reliability and responsibility, and new measurement methods: All of these elements were part of the growth program.

After lengthy work, their and our efforts were rewarded with remarkable growth rates, a climbing market share, consistently high profitability and the company's new status as a lighthouse in its industry. Everyone involved agreed that they never wanted to go back to the halfhearted approach to Sales practiced in the past.

The answer to the question of whether a company's Sales department is ready for growth or not doesn't necessarily have to have anything to do with the company's sales strategy. Even an excellent sales strategy alone is not enough to guarantee effective sales. And even the best customer loyalty program, which has to be derived from that strategy, will do no good if the Sales staff have never heard of it.

Many successful companies have effective customer loyalty programs. By that I don't mean programs that largely consist of yet another customer card and a boring newsletter. I'm talking about dynamic programs that offer your customers real advantages and truly encourage them to buy from you. If you already have a program like this, ask yourself: How good is it really, from the customer's perspective? And above all: How well do your own employees know the program?

While on a domestic flight in the US with an American airline, I asked a flight attendant if he could give me a brochure on their frequent flyer program. His response? A perplexed look. What felt like a minute later came the question: "A brochure—on what?" Up to that point in time, I had assumed my English skills were sufficient for a conversation of this caliber. "On your frequent flyer program."

The look on the flight attendant's face was just as puzzled as before, but he now hurried over to one of the stewardesses; the two then came back to my seat, only to present me with two confused faces instead of one. After trying in vain to discuss the matter further, I was directed to consult the in-flight magazine, which I found crammed into a box on the wall, together with the what-to-do-in-an-emergency instructions and various and sundry other materials. Thanks, very helpful indeed.

If you use a customer loyalty program as part of your sales processes, you need to make sure of two things: First, it should offer your customers concrete benefits, and second, each of your employees should be familiar with it. If one or both of these is missing, change the program or just shut it down.

4.2 Sales Hates Structure

Most Sales units and Sales employees are about as fond of structures as the devil is of holy water. In many companies, the Sales employees are even self-proclaimed masters when it comes to evading structured procedures.

This aversion to structures needn't be malicious, or even deliberate, in nature. But the question of intentions does nothing to change the result, namely, that in many companies it can be extremely difficult to get Sales to use structured procedures. The drive for independence at the heart of the Sales mentality is too strong, as can be seen both in the department's relation to the company as a whole, and in the behavior of individuals. Those who have chosen to work in Sales and are good at their jobs tend to be highly flexible, rather extroverted, and can quickly adapt to new situations, an essential skill that allows them to accommodate to customers' current priorities and identify potential future needs. Many working in Sales list "independence" as one of the chief perks of their chosen field.

The flip side of the coin can often be seen in a lack of consistency and reliability when it comes to aspects involving corporate organization. "Well, boss, what do you prefer? Should I sit around talking about the strategic project, or would you rather I went out and made us some money?" is a classic catch-22 question. Of course strategic projects and the involvement of Sales in them are important, just as it is essential to deliver solid profits. Yet it is wrong to phrase this as an either-or question, as Sales staff, too, must be able to reconcile strategic planning with their operative responsibilities. What's more: If Sales is not kept in the loop on an important project, the chances that it then complains about not being able to contribute are roughly 100 %.

There is no good answer to the question above; the only sensible response is to reject the question outright. And there's no reason to treat project staff from Sales any differently than their colleagues from other departments. On the contrary: If one member of the project team gets special treatment, all of the others will automatically ask themselves why. In the best case, this will only produce counter-productive bickering and complaints; in the worst, the project head will have their hands full trying to restore the discipline needed to successfully see the project through. As such: Members of the Sales department working on projects with others should never receive special treatment.

A further example of trying to evade established structures can be seen when it comes to regular and consistent reporting. Especially in larger companies and divisions, Sales can't avoid having to more or less plausibly plan for the future and regularly report on its progress. This balance between planning and reporting is a significant element of both leading companies and leading Sales, so as to provide a degree of certainty when assessing current growth in comparison to desired growth.

Neither planning nor reporting is terribly popular in Sales. Interestingly, resourceful Sales staff almost always find a way to squeeze out of this process. Normally they can only do so for one of three main reasons:

- An overly complex planning and reporting system
- A lack of discipline among the Sales leadership
- A lack of interest in details on the part of the Senior Management (Fig. 4.1)

Some planning and reporting systems grow so complex that not even those who are meant to use them fully understand them anymore. As a result, missing and erroneous entries are noticed too late, if at all. The more complex the company's range of products and services is, and the larger its Sales organization is, the worse this problem becomes.

But even if manual or partly manual planning and reporting systems are employed, those employees looking to get out of using them are likely to succeed

Cause	Overly complex planning and reporting system	Lack of discipline among the Sales leadership	Lack of interest in details on the part of the Senior Management
Effect	o Lack of commitment o Application errors o Risk of hidden errors	o Overly lengthy planning process o Unnecessary delays o Implausible figures	o "Bazaar" atmosphere o Risk of arbitrary decision-making o Empty promises to shareholders

Fig. 4.1 Planning and reporting as a bottleneck in Sales

if their supervisor doesn't take a disciplined approach to reporting and planning. A simple test is for an employee to keep writing the same thing in a report over and over, and to see if their supervisor notices. If they don't, it's a written invitation for negligence on the part of their staff.

The same applies for the Senior Management. With all due respect for the need to delegate and share responsibilities, we should still remember that the top brass also has to concern itself with some Sales details—where the core value-creating activities take place—if it doesn't want its duties to be reduced to rubber-stamping plans and reports. But in my eyes, that is all too often precisely what happens. First, unrealistic plans are presented; then the reports that follow either echo those plans or are ignored—in either case, this means ideal conditions for those who want to get out of planning and reporting.

Of course there are also many Sales representatives, Sales Managers and Senior Managers who invest considerable time and energy in consistent planning and reporting. The point here is that those employees who want to evade these systems have any number of ways to do so. In two out of three cases, these loopholes are due to people or their behavior, not due to the system itself. As such, positive change has to start with the individual and not the system.

Effective company-wide cooperation is only possible once Sales has adopted structures—meaningful ones, and not ones that only look good on paper—for its department, systems and processes. This insight automatically leads us to a further brake to growth, namely how Sales cooperates with other departments.

4.3 Sales and Cooperation: When Worlds Collide

If we can't succeed in establishing a smoothly running Sales department in our company, pretty soon we won't have any need for our Purchasing department. And then we really don't need Accounting, Controlling or the Management, either; it's as simple as that. Sales truly is the most important part of the company, a fact the department itself is often all too aware of and consistently uses to its own advantage. In more than a few Sales departments, cooperation receives precious little attention. But effective cooperation is a basic prerequisite in order to avoid growth based on doing more of the same and to instead spur focused innovations (Fig. 4.2).

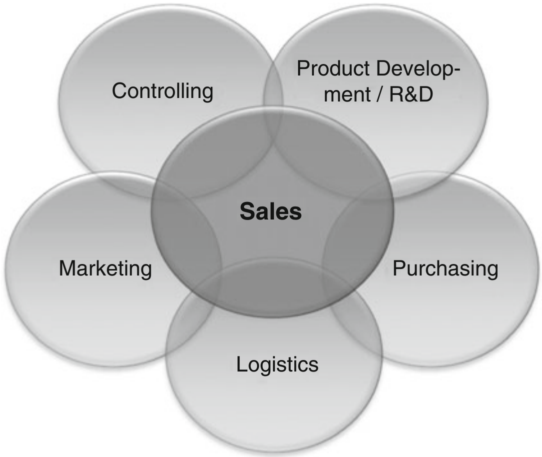


Fig. 4.2 The key aspects of cooperation between Sales and other departments

The following aspects of internal cooperation are especially important to promoting growth-oriented Sales:

- Sales and Marketing
- Sales and Product Development / R&D
- Sales and Purchasing
- Sales and Logistics
- Sales and Controlling

4.3.1 Sales and Marketing

Discussions as to which of these two departments is more important tends to be popular in academic circles: Various Marketing professors never tire of arguing that the whole company should be oriented on Marketing, because Marketing is the department that actually makes up the company. But, as said, this discussion is (in both senses of the word) academic, as Sales is who earns the company's money. Maybe there are simply more famous Marketing professors than Sales professors, because at many universities Sales is still considered nothing more than distribution. This reduction of Sales to a purely mechanistic process is not only objectively wrong; it also terribly jeopardizes corporate growth.

But cooperation between Sales and Marketing concerns much more than the question of which department is more essential, as a study we recently conducted shows. It has to do with concerted efforts focused on the market, as it is undeniable that Sales and Marketing send out the company's core messages to the market. As such, the Senior Management is called upon to consider how the two departments or divisions can most effectively cooperate to promote growth.

In this context, the primary brakes to mention—beyond individual egos—are ineffectiveness and inefficiency concerning the exchange of information. Our study shows that, though there are any number of formal and informal venues for Sales and Marketing to compare notes, they aren't focused on communicating truly important information. This is to some extent due to the fact that their meetings often lack in structure and don't tend to be led in a consistent way. At the same time, it is because no one seems to know just what the "truly important information" is.

Does this, too, constitute a failure in leadership? Yes, at least in part, as a lack of transparent objectives can massively hinder concerted efforts between Sales and Marketing. In our survey, 53 % of the respondents claimed that their Sales department received no information on the company's market-related objectives from Marketing, and 42 % claimed that Marketing received no information on what Sales objectives were being pursued.

The question that presents itself here is whether the company lacks precise objectives per se, or if its objectives are simply not (or not sufficiently clearly) communicated. In either case, only the company's leaders can remedy the problem.

Clear and coordinated departmental goals, as well as focused information, seem to be key factors in cooperation between Sales and Marketing. And there is a third: The number of meetings between these two business areas is not too low; it is too high. Routines can produce lethargy, and participants lose their focus on what matters most. Try the following rule of thumb: Cut the number of meetings between Marketing and Sales in half, and consistently focus the remaining meetings on growth-related topics.

4.3.2 Sales and Product Development/R&D

This interface is closely related to that between Sales and Marketing, and in some companies Product Development and Marketing work very closely together. This is especially true for service providers. Nevertheless, the following considerations are equally valid for manufacturing companies, vendors and service providers alike.

In order to do its job, Product Development relies on objective information from the market. How Product Development (or R&D) can itself be a brake to growth, and how that brake can be released, will be discussed in the next chapter. Sales, which is expected to provide said information, primarily represents a brake to growth in cooperation with Product Development because it often lacks clearly structured market information, doesn't know how to best use that information, or fails to invest the time needed to prepare the information so as to make it useful for Product Development.

If you notice problems in the cooperation between Sales and Product Development/R&D, the first thing to check is if there is an actual willingness to work together or not. Does Sales often complain about the lack of product acceptance? Is Product Development fed up with receiving no or only the most basic market information from Sales? If so, bring the heads of the two areas together and have them work out together why exactly it is important that their departments work together, the potential advantages of cooperation for each, and what that cooperation should look like so as to generate growth without distracting either department from its core duties.

Above all, you should check whether the personal attitudes of the people involved, a lack of proper tools, or a lack of skills are responsible for the poor cooperation. The second and third reasons can be dealt with fairly simply; the first can only be successfully addressed by changing attitudes. By the way, a transparent innovation process communicated to Sales in its own language often represents a nearly magical opportunity to dramatically improve Sales' view of Product Development and to boost the former's readiness to invest its energies in cooperation.

4.3.3 Sales and Purchasing

To clarify: By "Purchasing" I am not referring to the purchase of machinery or equipment, but instead the procurement of consumer items or raw materials. The brakes to growth in cooperation between Sales and Purchasing can be broken down into two categories: the question of how much stock should be on hand, and the fundamental question of the product range.

Logically, large inventories should mean more security; after all, if the company has major stock on hand, it can be confident of its ability to deliver goods on time and in sufficient amounts. Just what every Sales department dreams of: Every product is constantly in stock, and in surplus. Though this is clearly not in the best interest of the company as a whole, it does little to deter Sales representatives from calling for higher inventories time and again. But, especially since different Sales representatives often have very different preferences when it comes to inventory, it would be ill advised for Purchasing to respond to these demands.

Often Purchasing is also confronted by Sales' unrealistic demands when it comes to defining the product range. While it's true that a broad product range to cover every conceivable customer request can give Sales a huge degree of freedom, we have to remember that every policy ultimately has to be profitable—on its own merits, and ideally in the short term, not just in the long term.

In the course of a consulting project with a leading European tile wholesaler, we once spread out all of the company's different sorts of tiles on the ground in a huge tent for representatives of Purchasing, Marketing and Sales to see. The sight of the dozens upon dozens of tiles in different sizes and shades of white fairly stunned those in attendance. Sometimes it's necessary to resort to such drastic measures so as to concretely show just how extravagant the inventory is. At any rate, in our customer's case Purchasing and Sales very were quick to agree that only a much leaner product range could produce profitable growth, a view that was especially reinforced by taking a look at the numbers of units sold and corresponding profits, as it turned out that a number of articles were only stocked because they had been special-ordered once and were then mistakenly listed as part of the standard inventory. Ever since, they had done nothing but depreciate and gather dust.

4.3.4 Sales and Logistics

Just as the inventory represents a high degree of security for Sales in its cooperation with Purchasing, when Sales and Logistics are to work together, deliveries are a source of regular conflicts. Whether because of the delivery speed, the correctness of the commissioning, frequency of deliveries, the personality of the delivery man/woman, or what have you: Sales is who receives and has to respond to customer complaints, and interactions between Sales and Logistics are at times characterized by language that is a bit coarse, to say the least.

Of course many pharmacies, assuming they receive no shipments at night, want to receive their first delivery as soon after opening in the morning as possible. And construction workers want the materials they need to arrive at the construction site bright and early—and *only* the material they'll need for that day. Many consumers want to get the products they've ordered as soon as humanly possible, since it already took them some time to decide to order. But is it reasonable to demand all of this from Logistics?

No, it certainly isn't. Doing so is neither ecologically sensible nor economically necessary. In my experience, when Sales puts pressure on Logistics to deliver ever-better service, it's usually because Sales itself has failed to clearly talk with the customer to determine their needs. The reasons for this oversight can be found in a lack of self-confidence—when Sales staff are thankful the customer placed an order at all—, or because Sales failed to use internal checklists—they simply forgot to ask about the customer's specific needs.

Another factor to bear in mind concerning cooperation between Sales and Logistics is that the two departments generally use very different criteria to evaluate their own performance. While Sales is generally assessed in terms of revenues, Logistics is usually measured on the basis of costs, whether absolute costs or productivity. As such their disparate perspectives, as well as the different means they use to pursue their own goals, often collide. In the worst case, Sales complains that of course it can't generate any revenues in the face of "such unacceptable logistics performance," while Logistics makes it clear that "Sales should keep its nose out of our business." This is hardly the ideal basis for fruitful cooperation, and is further undermined by the fact that in many companies Sales is very arrogant in its dealings with Logistics; after all, the former *is* the most important business unit. True, but does that mean they have to emphasize it at every opportunity?

In order to promote better cooperation between Sales and Logistics, it's essential that we differentiate between actual customer needs (that can directly influence whether or not they buy from us) and their assumed preferences. If Sales does its part by differentiating between what Logistics *could* do for the customer and what it *must* do for them, Logistics is in turn much more likely to reconsider its established processes and to squeeze in an exception every now and then. Here, too, these topics need to be personally addressed by the departments' leaders, so as to better ensure that agreed-upon solutions are also accepted. By the very nature of their functions, Logistics is responsible for keeping the promises made by Sales. And Sales should of course be careful not to push Logistics too far.

4.3.5 Sales and Controlling

Now that we've taken a look at how Sales works together with Marketing, Product Development, Purchasing and Logistics, it's time we turned to a tougher nut to crack: the cooperation between Sales and Controlling.

Controlling enjoys a unique status in almost every company; after all, in the final analysis success and failure are measured in hard numbers. Consequently, there are close ties between Controlling and the Senior Management, namely the CEO or CFO. Controllers have the advantage of being able to show everything in terms of quantifiable data; there are very few gray zones. In contrast, Sales has to use comparatively vague arguments, often works on the basis of assumptions and gut feelings, and can't—or won't—be bound to hard figures. Put the two together, and you have a volatile mixture.

As a result, unpleasant discussions between Sales and Controlling are par for the course. In my personal experience, I've heard many a regional head of sales say something like, "I'll be so happy when I can leave headquarters and get back to my own neck of the woods"—some versions of which were so full of expletives as to not be suitable for printing.

The cooperation between Sales and Controlling often starts with planning, and here we have to stick up for Sales a bit, as some planning meetings can be extremely unpleasant. Someone once said that, "Planning replaces trial and error with *just* error," and some companies get so caught up in overly detailed planning that they end up paralyzed by inactivity. Boards, committees, even entire departments and business units are sent to planning meetings to ensure that the figures for the new fiscal year can be discussed and forecasted as precisely as possible. As soon as this round of meetings is over, the next is right around the corner, and there are update meetings in between. Horrible!

The result? An enormous waste of time. Why? For one thing, because no one can truly predict the future; and secondly, because planning only replaces trial and error with error *alone*, which may make the process a bit smoother but does nothing to change how far the actual results differ from the projections.

Good planning (for Sales or for the fiscal year) can be recognized as follows: On the one hand, it is detailed enough to allow a reasonable discussion of how to achieve the desired results; on the other, it should be general enough to avoid wasting too much time on planning, allowing your staff to concentrate on the market. At the very latest, if your planning meetings start to feel more like a bazaar, with the Management, Controlling and the various departments, especially Sales, haggling over every percent, you'll know it's time to end or restart this round of planning.

Your shareholders demand precise figures for the future? Ask them what they prefer: a mathematical fabrication that is pseudo-precise at best, just like in previous years, or time wisely invested in better understanding the current market, which holds a real chance for profitable growth. The alternative: Start looking for a crystal ball.

This is where we can also find the key to fruitful cooperation between Sales and Controlling: when Controlling can accept the fact that not everything Sales does on the market is measurable; and when Sales recognizes that it is essential to have some degree of certainty about the company's growth, that this can and should be primarily expressed in hard numbers, and that planning above all serves to provide as realistic, results-oriented a forecast of the future as possible.

If, however, things develop as they did in a project I once worked on, in which the Head of Controlling shouted out in the middle of a sales strategy meeting that "it" (Sales) should just leave everything up to him; he would show "them" (again Sales) how to do business right, it's not exactly the best atmosphere for mutually successful teamwork. At the very least, this kind of arrogance should be penalized with a call for order on the part of the Senior Management—which is exactly what happened. Unfortunately, the Head of Controlling was later actually made Head of Sales, and the company continues to suffer for that decision to this day.

One of the best ways to move Sales and Controlling to work together is to create a mutually designed Sales Controlling team to better reconcile the needs of Sales with the needs of the company as a whole. If such a system is professionally introduced, it can provide an outstanding basis for a successful friendship—or at least peaceful coexistence.

4.4 The Goal: Growth-Driving Sales

Sales as an organizational silo? A department that only grudgingly clues others in to what it's up to? An isolated department that seems to have more to do with an art form than a concrete skill? Sometimes, in fact all too often, these depictions ring true. In addition to the lack of cooperation with other departments, many Sales staff have at least one skeleton in their closet and accordingly no interest in more transparency, even though it's essential for growth strategies.

Sales makes "deals" with customers: Price lists and contract conditions are artfully and creatively circumvented, special discounts are cooked up, and the principle of "one hand washes the other" is a time-honored tradition. Profits come before ethics. In connection with a recent investigation of circumventing policies in a company's Sales department, a full-blooded Sales pro played down the whole affair; after all, he said to me, I "knew" how things really work in Sales. I countered that, though I knew full well how things work in Sales from time to time, I would personally tell any employee caught making these backhanded deals in violation of the company's declared values to clean out their desk. I was glad it wasn't one of our clients who said this to me; otherwise I would have immediately informed their Senior Management.

If this kind of circumvention is discovered, the Sales employee in question can expect harsh punitive measures, provided the company's Senior Management practices consistent leadership. And the Head of Sales will surely be none too thrilled about these facts being revealed to the company at large. This factor contributes to Sales rarely being interested in cooperation with other departments. It's all well and good if other departments take care of some of the legwork, but true cooperation really isn't a must.

However, our goal is to make Sales conducive to growth, because Sales is the true market driver. In order for Sales to promote profitable growth, it must first know just what exactly it is meant to achieve, and the company's leaders must clearly communicate what they expect of it. One of these expectations must be that Sales knows its customers and their needs.

What about your company? Does Sales know its customers and their real needs? Really? And, if you have thousands of customers: Do you know the needs of your relevant customer groups?

How many of your customers aren't just satisfied, but are enthusiastic? Five percent? Ten? Thirty, or even more? If more than thirty percent of your customers are enthusiastic, it means you're doing a good job; if half of your customers are on that list, then you're the cream of the crop.

Why are enthusiastic customers important, and how are they characterized? Generally speaking, there are three things that identify enthusiastic customers:

1. They don't have to buy from you, but do so anyway.
2. They're not overly fixated on price differences.
3. They actively recommend you to others.

Satisfied customers are the basis of your business, but enthusiastic customers guarantee that it has a future. When you succeed in turning satisfied customers into enthusiastic ones, then Sales has done its job. You can even measure how enthusiastic your customers are. Over the course of a year, monitor how much the percentage of your work based on recommendations has grown, how the average adjusted revenues per customer have grown, and how the average price of your products has improved. At the end of the day, enthusiastic customers translate into higher profits.

As we can see, there really is a difference between "good" and "excellent." Has your Sales department also come to this conclusion?

How well does Sales department promote your company's growth? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 4."

5 Is Your R&D Department Focused on Growth, or Just Its Own Ego?

Nearly every company has a department, division or business unit that, at least in the broadest sense, is concerned with the topic "research and development" (R&D). In fact, many companies have several different areas that work on different aspects of research and development, which hardly helps to simplify the matter. In some cases these business units are called upon to develop new products and services; in other cases they've simply made doing so their job, and no one has raised any objections. As such, the first question in approaching the field of "research and development" is the following:

5.1 What Does R&D Mean to You?

At your company, how important are the research into and development of new products considered to be? Do you have a dedicated R&D department/division, or are these duties broadly covered by other units? (Here the classic choices are Marketing and Sales).

The question of R&D's status is closely tied to your company's basic strategy. If you are an innovation leader you automatically depend on a high-performance R&D unit that proves time and again its ability to stay one step ahead of market developments and create trendsetting products and services.

If you are a follower or a fast-follower, your focus should be less on the creation of new products and more on the adaptation and modification of current ones. The skills and expertise needed from your R&D unit are wholly different from those of a company determined to become or remain an innovation leader. For followers and fast-followers, research is largely reduced to market research.

The first step is to determine in which areas of your company research and development are currently done. In terms of their organization and processes, how are these areas tied to the company? How does each area view itself in relation to the company's R&D activities? If you determine that there is a great deal of fragmentation in your organization's R&D work, there's every reason to believe you've found a brake to growth. There are simply too many companies where

G. Quelle, *Profitable Growth*, Management for Professionals,
DOI 10.1007/978-3-642-32787-2_5,

people who, whether they were asked to or not, engage in research and development work without using any clearly organized process, let alone seeking to measure and analyze the results of their labors. And for many of them, there's no guarantee that they're qualified to do the job.

The goal here is not to advocate a large, central Research and Development department. In many companies, especially mid-sized ones, it is neither necessary nor productive to have a large, central R&D. But it certainly *should* be our goal to bundle the processes associated with research and development, and to organize them and anchor them in the organization in such manner that they both involve and support the company's routine processes. As we've already seen in Chap. 3, various developmental duties can also be found in Marketing. Ultimately, the name of the department isn't what counts; what counts is how effective the processes resulting in an attractive range of services are.

We should also bear in mind that the principles of product development are not solely valid for commercial enterprises or service providers. CEOs, chairpersons, company owners and senior managers don't have the luxury of putting their feet up and relaxing, working on the assumption that R&D is always product-related; R&D is also becoming increasingly important in the area of services and other non-tangible assets.

For the sake of simplicity, in the following we'll use the terms "the Research and Development department" or "the R&D department," regardless of what it is actually called at your company. If your R&D activities are strewn across different areas, do yourself and your company a big favor and bundle those activities within a process overseen by a clearly defined responsible party. If doing so seems too complicated and you'd prefer to use more traditional means to promote organizational clarity, then combine your R&D activities in a department, regardless of how small it is.

It is important that the information from your R&D department all flows to a central position. Further, you need to clarify to whom the R&D department or the Head of R&D reports: The CEO? The Chief Product Development Officer? Or perhaps even a member of the Senior Management who is solely responsible for R&D? There's no right or wrong answer here. What matters is that the previously mentioned alignment of R&D activities with the corporate strategy happens on a regular basis. If your company is determined to remain or become an innovation leader, everyone involved with R&D needs to know it, because it will mean much higher demands on the R&D department. By the same token: If you have decided to pursue a more fundamental strategy, there's no need to trim your R&D department for top performance.

At many companies, R&D is reduced to the development of new products; true research is to be found in fewer and fewer companies—partly due to cost cutting. Those who do still conduct research of their own are primarily large companies, especially those from the pharmaceuticals, food and beverage, and engineering industries, but also micro-enterprises engaged in targeted niche research, e.g. in biomedicine or nanotechnology, to name but a few. In classic mid-sized businesses in traditional industries, research is extremely limited, as these companies often have their hands full developing market-oriented products in response to their customers or customer groups; research tends to take a back seat. Of course this isn't categorically true, but experience has shown that major research and niche research are predominant.

The Boehringer Ingelheim group, which consistently outperforms its competitors in terms of rapid and effective research, offers a remarkable example of how research can contribute to corporate growth. In an interview with a major German newspaper, the CEO, Andreas Barner, claimed that this was partly due to the fact that close ties between the Management and researchers are institutionally anchored.[1]

Regardless of the status enjoyed by research at your company, it is essential that your R&D activities have a consistent flow of reliable information. So where does the information that moves you to develop a new product or improve a current one come from? If it comes from external sources, you need to ascertain that they are reliable and not based on speculations and assumptions. This also means thoroughly testing the validity of studies to ensure they provide a reliable basis for decisions that may involve considerable investments.

The market is often used as a source of information, and especially responsive companies use dialogues with their customers to develop a feel for which products might be future market successes. Here, too, we should be cautious: More than a few product developments have turned out to be nonstarters because they were based on the opinions of only a few customers without said opinions being analyzed in terms of how potentially commercially lucrative they were. To make matters worse, with each step along the way between the original information and its reaching your R&D department the risk of its becoming distorted, if not outright manipulated, continues to grow. If the Sales department is who provides your R&D with information, you must always bear in mind that the former might seize the opportunity when customers claim a product might be a success on the market. Sales often has only a vague idea of the steps and costs involved in developing or adapting products, and can quickly be blinded by the tempting prospect of a higher market share (and a corresponding bonus), leading it to filter any potential concerns out of the information it passes on—the kind of information that should never be the basis for an immediate decision.

I can already hear the proponents of making developments as quickly as possible, who emphasize how important it has always been to be able to immediately respond to changes on the market, how essential it is to be able to respond flexibly to customer requests, and who claim that taking too much time to verify information can only serve to hinder new developments. And I'm sure there have been random cases in which unchecked information has led to good products, and there have also been chance developments that have had the same result. As a rule, though, if R&D wants to support growth and not be a brake to it, it has to thoroughly check the

[1] Cf. *Frankfurter Allgemeine Zeitung* from April 19, 2011, p. 16: „Wir behalten unsere Forschung im eigenen Haus“ (“We keep our research in the company.”)

information it uses, and the Senior Management of companies looking to grow would be well advised to support this thoroughness.

Even if you have your own Market Research department or engage the services of an external institute, you should give due thought to which questions you ask so as to arrive at the market information you need, as some questions contain their own answers. Ideally you should involve your R&D department in the preparation of these questions; this ensures that not only a sales-oriented, but also a development-oriented perspective is taken into account. This may slow down the process of establishing the research materials somewhat, but pays off in the considerable amount of time saved in both the data assessment and the discussion of the results. In this regard external research institutes and universities offer a tried and true way to arrive at high-quality research findings in return for a reasonable investment.

In order to ensure organizational clarity—and again, this is equally true regardless of whether or not you have a dedicated R&D department—, it is essential that you concretely define what your R&D processes are meant to accomplish. Without going into too much detail, you should also describe which responsibilities might normally be expected of an R&D department but do not apply to your specific company. By doing so, you can help the department to better understand its own responsibilities, and can simultaneously ensure that the scope of R&D activities is one that best benefits your company, not the absolute maximum of what can be done. The status of R&D at your company needs to be clearly delineated; only then can the R&D department deliver focused work that promotes growth. Make sure your R&D knows what its own job is!

5.2 How Much Love Does a New Product Need?

R&D departments serve a single purpose: developing products that perform well on the market. The market decides whether or not a product is truly competitive; in this regard, functionality is not the only criterion, as design, ease of use, pricing, sales approach, and above all the product and/or company brand are just as important. But this shouldn't distract us from the fact that here, too, our focus should be on output and not input. Results are what count, and perfection is rarely rewarded; for the most part, it only costs valuable time. Our goal is to create market-ready products that either meet a real need or awaken an assumed one. We need to provide our customers and potential customers with the things they need, not merely with the things they want. So we see that what is true for Sales is equally valid for Research and Development.

R&D departments and R&D activities can tie up huge amounts of resources, both in terms of money and time. Interestingly enough, there are no systematically positive correlations between investments in R&D and a company's power to innovate. Ultimately the market decides whether an innovation was sensible or not. The idea is to make suitable investments in R&D, not to base our planning on hope and spend all our time waiting for immense investments to finally pay off. Here, too, the bottleneck-oriented approach can help us, as can Carl Sprengel's Law of the Minimum and the more popular form put forward by Justus von Liebig, if we think of the task in terms of plants and fertilizer: Our goal shouldn't be to use as much fertilizer as possible, but instead to find out which elements the plant needs in order to flourish. The minimum factor is just as essential for the growth of the plant as it is for the effectiveness of an R&D department. You need to invest sufficient time to determine where you can most effectively release the brakes to growth in your R&D department. Do you find room for improvement in terms of research activities or the conceptual work, both of which are there to derive effective conclusions from the results of research; or in terms of development activities, which are intended to transform concepts into concrete results? Here you should pay particular attention to the interfaces between the individual areas—just as in other departments, here it is especially true that there can be considerable loss of information at these points.

Research and development activities—and the innovations inextricably linked to them—can especially profit from the use of consistent methodologies. Yet they profit even more from a mindset and perspective strictly oriented on the market. Generally speaking, it is much easier to establish a certain methodology in your R&D department than it is to get it to embrace market-oriented thinking. We hear time and again the argument that no idea should be too strange for R&D, which has to be open for even the most outlandish notions. That's certainly true in theory, but in practice it only holds true for those departments that conduct intensive, large-scale research, and even they need to maintain a healthy degree of realism in order to develop market-ready products.

Needless to say, it is extremely important to recognize new opportunities, and as such R&D departments not only work to improve current products, but to create wholly new ones. It doesn't necessarily have to be something revolutionary, like Apple Computer has accomplished by redefining the entire music industry in terms of its service processes. Sometimes this simply means recognizing trends and reconciling them with your own corporate strategy, but the consequences can nonetheless be radical. In fact, in many cases what really happens is an iterative process, though in retrospect it always looks like a strategic masterstroke.

Danone (marketed in the US as Dannon) is a good example of what can happen when a company strictly focuses on trends. The French corporate group has given its Research and Development division a consistent focus: Danone products are to especially represent the trends "Thinness," "Fitness" and "Health." Above all, the company has oriented its efforts on "Health," increasingly bringing health-oriented and supposedly healthy products to market. Whether or not these products actually contribute to improved health is a matter for the courts, as consumer protection institutes and the competition have regularly voiced their doubts. What is clear at any rate is that the R&D division's focus on these three trends has had major consequences: In fact, Danone ultimately did away with all business units and products it didn't feel to be compatible with "Thinness," "Fitness" and "Health."

There's an invaluable lesson to be learned from this example: Even if we're talking about business areas, business units, products, product lines or organizational units you've come to cherish, you're much better off to get rid of them if they no longer fit your corporate strategy than to retain holdovers that clearly don't match your new positioning. Most likely in the middle term, and in the long term at the very latest, trying to maintain this balancing act will tear your company apart. At Danone, the right answer was to consistently do away with alcoholic beverages, mustard and similar products.

Once your company has succeeded in narrowing its focus, it will be much easier to concentrate your resources on the remaining fields. If we again take a look at Danone, we can see that several hundred researchers work on the core business area "Dairy Products" alone.[2]

When do you consider a product to be ready for the market or worth testing? Can you see patterns in your company that result in extremely high standards being applied in questions of market readiness and testing? If so, you need to explore the reasons for these rising standards. It is important that you determine whether they are rising due to sound, objective considerations or are primarily a response to the fear of failure. Striving for perfection can spread like a cancer; as a result, the flimsiest reasons are used to justify a product not being manufactured, tested, or brought to market on schedule. In order for your R&D department to be both effective and efficient, it is indispensable that you understand the reasons behind potential delays before taking measures.

What should you do if you determine that it truly is an undue striving for perfection, i.e., an over-the-top love of the product, that is preventing your company from drawing the right conclusions from the use of the product (or service) in a timely manner? Needless to say, I'm hardly in favor of unneeded or defective products, but a few bugs in new products can certainly be tolerated in new products because potential customers never even take note of them. As such, work in advance with your R&D team to define which critical functions and features the product has to nearly 100 % deliver, and then draw a clear line between them and other functions, features and goals that can still contain the occasional bug, at least in the test phase.

Speaking of the test phase: Though its use has become standard practice for many successful companies, real-world pilot phase testing for new products has still not caught on everywhere. All too often, the planning phase for innovative projects does not include a pilot phase—a fact that is all the more regrettable because the assumption that a new product must be immediately and perfectly available everywhere only serves to worsen the fear of failure. As such, insist on using a pilot introduction of the product or service with a group of users that have a positive attitude towards your company but are nonetheless ready to give you honest feedback. If this approach has not yet been adopted and become standard practice at your company, it's high time to make a start.

Of course, when discussing perfection we need to differentiate a bit if we want to be more precise. In fields concerning the safety or health of people or animals, a far

[2] *Wirtschafts Woche* from February 28, 2011, (Nr. 9), p. 57 ff.

higher degree of precision is called for; here the tolerance for errors is extremely low and the precision can't be compared with that e.g. for appliances or other day-to-day objects. Nevertheless, even in these "higher" fields we can never reach true perfection. Why else do the instructions for safety-related products normally point out safety buffers? And why else do countless safety-related systems include backup systems, so that if one fails the other takes its place? There simply is no absolute perfection, and the love of the product can be taken too far. As such, my conviction is that—with the exception of health- and safety-related fields—it is far more effective to invest in real-world testing than to pin your hopes on your company magically producing the perfect product "one day."

If your company puts out services instead of products, this approach is all the more relevant: Discuss your services with your customers or clients and test those services; in this way, you can work piece by piece to create a service portfolio that makes your company unique, and which receives more positive reinforcement thanks to your intensively involved customers. In the final analysis, real-world testing allows you to learn more, and to more quickly discover additional advantages, than lab testing ever can.

5.3 The R&D Debacle—Researchers Who Only Develop Themselves

In the course of the last few years and decades, the image of research has undergone a sea change. You'd be hard pressed to find an "old-school," isolated R&D department, free to operate without any financial or other business concerns. Even at self-proclaimed research institutes, whether university-based institutes, departments or dedicated research centers, a sense of commercial realism has long since made itself at home.

This makes it all the more surprising that Research and Development departments in the corporate world are so often marked by a major need for self-fulfillment, which in and of itself wouldn't be a problem if it didn't seriously limit the effectiveness and efficiency of the company as a whole. But when egos take precedence over the company's desire to grow, we should start hearing warning bells.

Take a good look at your Research and Development department. Who works there? Do you find researchers working precisely in order to create the foundations for wholly new products and services? Do you see detail specialists, who can add nuances to your current products, boosting their appeal? Or do you see market-driven developers, who as an extension of the Sales department, as it were, work to translate individual customer requests into new product specifications so as to increase the company's market share?

Even if you don't have a dedicated Research and Development department: Take a look at your R&D processes. Who do they involve?

Ideally you should find a mix of the different characters described above, and preferably also a jumble of people with different personality types and working styles. The last thing you need is a homogeneous, one-dimensional R&D

department; a certain degree of friction is needed in order to maintain a degree of inner opposition, to reconcile theory and practice, and to balance a passion for the product against a sense of hard realities.

If your R&D department sees itself as a satellite or university-like institute that just happens to work together with your company, you will never succeed in putting out the best products. Note that this is also true if you have made a strategic decision to simply successfully follow current trends and not to set new ones of your own.

Commercial aspects are not always welcome in Research and Development departments, and are often used as excuses for the department's inability to develop attractive new products. Look into these spurious arguments thoroughly and find out what the real reason for this poor performance is. In most cases, commercial aspects are not (or at least not the only ones) to blame. If your company is lacking in market-oriented innovations, work step by step to narrow the search for the cause.

In assessing the R&D department's performance and potential contribution to growth, it is also important to recognize how figures, data and facts are used within the department. How is the company's planning data used and integrated in the staff's own work? Is this data only consulted in terms of how many full-time staff can be employed next year, how much new equipment can be bought, and how much will be invested in R&D? If so, your R&D department is sorely lacking in business expertise, and there is no reason to expect business thinking has made its way to their day-to-day actions. If you want to guarantee that the R&D department thinks in business categories related to the growth of your company, then you need to make sure that at least the person below the Senior Management who is responsible for R&D processes is just as integrated into the company's planning process as are other department heads. It should be emphasized that this is true not only with regard to the planning for the department, but also (and much more so) with regard to the overall planning involving all departments. Only then can you be sure that both financial aspects and the fundamental considerations they mean for the R&D department have been successfully communicated and can be translated into focused actions.

Let's return for a moment to those researchers who do nothing but develop themselves, and who become annoyed when someone actually expects them to include market-oriented considerations in their work: Even if this image may seem a bit over the top, you should ask yourself what expectations you create when looking for staff to work in R&D. What promises do you make as an employer? What can an applicant reasonably expect if they come to do research work for you? Or do development work for you?

We see it time and again: In job interviews, promises are made to candidates, even though the person giving the interview knows full well that in practice they can't and never will be kept. Unfortunately this type of behavior tends to grow more common in keeping with the struggle to find the best talents on the job market. But especially in research and development this can be fatal, as someone interested in pursuing fundamental research and would prefer to steer clear of market research will be less than thrilled when they realize that in fact market research will be most of what they do day-in, day-out, with fundamental research placed solidly in the back seat. If they were promised the opportunity to conduct fundamental research in the job interview, the working relationship between them and the company will be strained from day one.

Remember that, no matter what positions you advertise, you'll always find interested candidates. Especially in R&D, it is important that you know exactly what a new employee's responsibilities will be, which results their position is meant to deliver, and also what does *not* belong those responsibilities. Clarify from the outset which administrative duties are connected to the position, as researchers and developers not only tend to be poorly suited to administration; too much of it can drastically affect their own performance. Accordingly, it is advisable to free R&D staff from administrative duties wherever feasible.

For the most part, the idea of a highly sensitive, hyper-intelligent loner engrossed in isolated research and development work has long since become nothing more than a cliché. Instead, it has become increasingly important to engage in teamwork, and often not only within a company but in inter-company projects—e.g. to share the burden of research costs—or at the international / intercontinental level so as to maximize efficiency and produce concrete results as quickly as possible.

Here it should be noted that we only have a "team" if we're talking about a small group of people who work on a project-oriented basis with shared responsibility in order to reach a certain goal, and many tasks don't necessarily require the use of a team, with all of the attendant team processes. Often a work group is perfectly sufficient to solve a certain problem.

Regardless of how you organize your R&D department: Do whatever you need to do to ensure that knowledge and skills are shared within the department. Don't let research work be conducted in isolated activities behind closed doors, with little or no transparency. It is imperative that you not allow different research and development projects to compete with one another, unless you expressly want a competition between teams. According to reports, Apple uses this approach to not only boost effectiveness but to keep its competitors guessing. This approach not only works at the company level: Fill your R&D department with an interdisciplinary mix, and accommodate different working styles so as to get the most from each type of employee. Make sure that the principle of "divide and conquer" has no place in your R&D. To minimize risks, you should also work to ensure that the loss of any one key R&D employee would not mean a major shock for your company. By bringing together different employees in the context of project-oriented work, you can at the very least ensure that knowledge is both shared and recorded—provided the project head runs a tight ship.

5.4 The Goal: R&D as an Innovation Platform

We should keep in mind that innovation is not all about new products; often, improving current products can mean attractive innovations that contribute to your company's financial success. On the other hand, it is usually much more lucrative to create something completely new than to improve on what you already offer. In this regard, too, we can see how your R&D department views its own role. What is your company's approach to innovations? What enjoys the highest status? Do new products and services receive the most attention, or are seemingly minor improvements on current products also appreciated?

Companies with especially efficient R&D produce a mix of completely new products and improved current ones. The annual fiscal year planning meeting is not only an excellent platform for discussing data, facts and figures, but also which areas most need new products. Are we talking about truly (wholly) new products, or can the current platforms of other products and services be used to create these "new" products? What current products need to be reworked to maintain or ideally even boost their market appeal? Also be sure to talk about which products and services will no longer be offered in the year to come.

In our experience, it is especially this last point, the removal of products and services from the company's portfolio, that receives too little attention. Many companies that are doing acceptably well in terms of expanding their product range tend to give little thought to reducing that range. The assumption that any product range is manageable, no matter how large, is misleading. Not only do the time and expense involved in documentation and upkeep rise drastically; companies can also quickly lose track of their product range, and the increasing organizational complexity can have negative impacts for the Sales department. As such, the question of which products should be removed needs to be discussed just as intensively as that of which products should be added to the product range or changed. Here the financial data maintained at most companies, which normally includes comparative performance ("top and flop") lists, stock in / stock out lists, depreciation lists, and similar material, can be a great help—provided your R&D department knows how to use them.

Interestingly, the idea of reducing the product range is often not remotely anchored in R&D departments' self-image. This is primarily due to the lack of interaction with the Marketing and Sales departments, along the lines of "we're only there to do research and development." But if we expand our view to include the entire innovation process, i.e., not just at the product and service level, but at the level of the company as a whole, R&D simply cannot successfully do its job without institutionalized, well-maintained and meaningful interfaces with Marketing and Sales. Actually, we should also add Controlling to the list, but that's a point we don't need to focus on just now.

If you can't shake the feeling that your current range of products and/or services has very nearly grown too large to control, or if you increasingly find that some of your customers know more about the details of your products and services than your own experts, you're in good company; many of our clients share your concerns (Fig. 5.1). In order to arrive at an overview of where action is needed to reduce your portfolio, the following "triage" system can help:

1. Which products and services do we definitely want to keep, but also need some new innovation?
2. Which products and services can we leave just as they are for the time being?

Range of Products and Services		
I	II	III
o Good, high-performance products and services o Have become a bit dated	o Good, high-performance products and services o Well-accepted on the market, modern	o Products and services that are losing their appeal o Grim prognosis for the future
Prioritize innovations	**No action needed**	**Plan processes for their removal**

Fig. 5.1 The triage system for your range of products and services

3. Which products and services aren't sufficiently future-ready and need to be removed?

Be sure to provide precise reasons for your decisions.

For those products that land in the first category, work to develop a plan for new innovations; as a rule, while doing so you'll find that a further differentiation is needed in order to reconcile the resources available to you and the resources needed. Set priorities and plan innovations along a timeline.

Take a second, critical look at the products in the second category to be sure that there is really no need for action—and be sure to discuss this with Sales.

When it comes to the third category, set a definite date for when each product or service is to be taken off the market. You should also decide if, and if so in what form, service agreements will be offered on a product-by-product basis. Delineate a phasing-out process for each product that lays out both the content and related communications.

Developing a new product (and in some cases developing a new service) requires a considerable investment of capital. If your goal is to truly set up your Research and Development department as an innovation platform, require your R&D team to provide you with argumentation that can convince potential investors. Even if the new investments can be financed from your company's cash flow or its own assets, R&D should produce arguments that make it crystal clear why capital should be invested in this venture. Never let investments be made without sufficient justification simply because at some point in time they were approved in a virtual budget at the fiscal year planning meeting. If external capital is going to be used to finance the new project, you're going to need convincing arguments to present to your investors anyway. Even if preparing business arguments isn't normally one of the R&D department's core duties, there's no rule that says it can't also address growth from a commercial and market-oriented perspective, as opposed to exclusively focusing on products. You'll find that charging R&D with this type of task automatically promotes its dialogue with other departments concerned; again, Marketing and Sales are the usual suspects.

Though it's true that not every product will prove to be a hit even with the best R&D work, and that some ideas never even make it past feasibility testing to be brought to market—in the pharmaceuticals industry the ratio is often 1 to 10—you still need to insist that especially R&D delivers and measures concrete results. Here we're not talking about measuring the time invested in each project down to the minute, but about: how the top/flop rate develops over the course of several years; how the department's productivity develops in terms of reducing the time-to-market for new ideas; how it works to systematically bring together "old" target groups and new or modified products and services, and to reach new groups; and how it—especially in highly innovative companies—manages to become a thought leader for certain products and services in the eyes of the public. As you can see, measuring the performance of the R&D department has less to do with expenditures and far more to do with results.

The greatest bottleneck we've observed when it comes to transforming an R&D department into a true innovation platform is the lack of interaction between R&D, Sales, Marketing and Controlling. An example may help to illustrate this: One of our client companies—a classic mid-sized mechanical engineering company—had given us the task of working together with the departments and staff involved to reorganize its innovation processes. And in fact, there was an objective need for reorganization, as we discovered various hurdles in the R&D department that stood in the way of effective and efficient product development. More importantly, however, the company was marked by an "every-man-for-himself" structure that made productive dialogues between R&D, Marketing and Sales next to impossible. Accordingly, our task soon expanded to include the creation of a "connecting link" between the designated innovators and their fellow departments. It was not until we had connected innovation processes with other related business areas that the full potential of the R&D department could be sufficiently tapped. We succeeded in massively boosting the company's power to innovate, and a few years later it was sold to a strategic investor at an extremely attractive price.

In reorganizing the company's innovation processes, we utilized a stringent project management methodology. This approach is generally advisable, and especially for R&D projects, because it is only by using an effective project management methodology that we can be sure that our methodology remains transparent, and that the knowledge required and created will at least to some extent be recorded, making it reproducible. All too often we see that R&D plans—regardless of whether they are intended to improve internal processes, to develop new products, or to improve existing ones—are far too unstructured and are not embedded in projects. Whereas other departments are practically flooded with projects, some R&D departments seem to have made it their goal to work in secret. Perhaps a project-oriented style would result in a degree of transparency, which might not be in everyone's interest. Hmm, I wonder why not?

Regardless of whether you have a dedicated R&D department, or different people in different departments attend to your R&D work, you need to define what R&D means for your company in the first place. It is important for you to ensure that your products and services receive sufficient attention within the company, while avoiding the risk of a perfectionist obsession with them that will do nothing to improve their market performance. Make sure the self-image of research and development at your company is not distorted by false expectations, and lastly, work to establish consistent R&D processes at the interfaces with

Marketing and Sales—and with Controlling—so as to create a true innovation platform.

How does your R&D department contribute to your growth? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 5."

6 Is Your Purchasing Department Rewarded for Being Bean Counters Or for Delivering Quality?

Once a Purchasing department has built up a full head of steam, there's usually no stopping it. Prices are haggled down to an absolute minimum, vendors shortchanged, pie-in-the-sky promises are made for the future, and ties are made with dubious alternative vendors. And why? Because Purchasing is the department that can make or break your company.

Wrong. Sales is and will remain the most essential department. Of course it's important to make sensible purchases. But it's more important to have a reliable network of vendors and long-term partners, regardless of whether we're talking about suppliers or service providers.

How strategically does your Purchasing department really work? Does it know your company's quality standards? Does your company even have any? To what extent is the centralization of purchasing services in "Shared Service Centers" only an illusion of progress? Purchasing may not be the most important department, but it is surely one of the most important ones. Having the wrong rewards system, illiquid vendors, low-quality goods, or being a low-priority customer in the eyes of your vendors can deal your company a serious blow.

Among the chief duties of the Senior Management, it is crucial that it works together with Purchasing to define the company's quality criteria, establish a risk management system, and discuss how Purchasing can contribute to profitable growth without becoming a simple penny-pincher and therefore harming the company in the long run.

6.1 Purchasing—Just a Bunch of Penny-Pinchers?

Before we can talk about "Purchasing," it's essential that we define just what your company considers to fall under the name (Fig. 6.1). We primarily need to differentiate between the following purchase-related functions:

- The business unit that concerns itself with framework conditions, here especially with finding and establishing relations with new vendors and partners, creating

G. Quelle, *Profitable Growth*, Management for Professionals,
DOI 10.1007/978-3-642-32787-2_6,

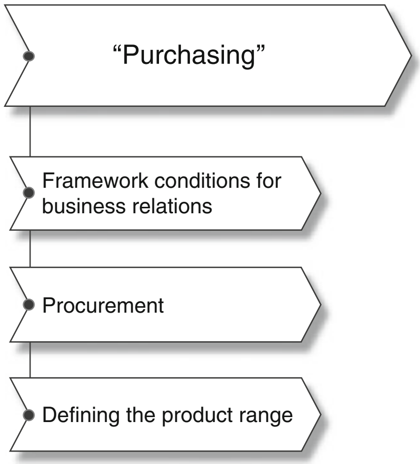


Fig. 6.1 Purchasing-related functions and processes

framework agreements, and working together with vendors, whether suppliers or service providers, on the fundamental translation of the company's market requirements into the desired results. This is the essential work of Purchasing.
- The business unit that concerns itself with the operative side of purchasing activities, i.e., in the broadest sense with securing raw materials, equipment, semi-finished products, finished products, and services within the context of current partnerships and contracts. This function is referred to as "procurement."
- Especially in the case of retail companies, where, with the exception of store brands, there is no actual product development, we also find the function of defining the product range, which ensures that it is both appealing and accessible. This function is very closely bound to Sales and Marketing and greatly influences what measures Purchasing needs to take.

If you browse through the job ads in major newspapers or in Internet job portals, you'll find plenty of companies recruiting staff for their Purchasing departments, and the number has risen considerably over the last few years. Yet many companies have difficulties finding quality staff, which is problematic in light of Purchasing's rising importance for many companies' success.

Most companies don't differentiate between "Procurement" and "Purchasing"; at most we still see a distinction drawn between "Material Planning" and "Purchasing," and occasionally you'll find mention of "Strategic Purchasing." In the process, more and more duties have become assigned to the field of Purchasing.

With regard to the job market, Purchasing has not only gained in importance and appeal for companies, which is to say on the "demand" side of the equation; on the "supply" side, too, i.e., for the applicants, the once dusty image associated with Purchasing has long since become a thing of the past. Working in Purchasing means fulfilling a central and highly secure function within a company's network of power relations; accordingly, job ads for positions in Purchasing are met with great interest, and there tend to be plenty of applicants.

Why is this? For starters, it's fun to buy things. After all, don't we all enjoy being the customer? Being wooed, wined and dined by our vendors, getting better and ever-better offers, and always being on the cutting edge? For international companies, regular business trips to meet with vendors represent a further plus. In negotiations, you're usually the one in the better negotiating position and can kick back and relax, safe in the knowledge that the vendor is ultimately the one who wants to do business with you and not the other way around.

The attraction of Purchasing as a career element is plain to see. And those who are interested in working in the field of Purchasing would never dream of it as a bunch of penny-pinchers who are only interested in shortchanging their vendors, negotiating conditions to maximize every conceivable advantage for their company, and doing whatever it takes to push through their demands. Instead, they see Purchasing as a core department in every company, tasked with developing reliable supply sources, procuring high-quality goods and services, and maintaining an up-to-date vendor portfolio that allows them to rapidly respond to and compensate for any problems in the supply chain.

Though the second image is far more appealing than that of the penny-pinchers, in many companies we unfortunately see that making Purchasing out to be a strategic development partner within their corporate structure is often nothing more than lip service. They paint a picture of a developmental supporter in the value chain, while in reality the department's work is characterized by at times draconian methods in dialogues with vendors and service providers that have precious little to do with a positively and constructively integrated business unit. It simply does no good if the Senior Management would like to see Purchasing develop into a unit that thinks and acts on the basis of a long-term perspective, but does nothing to communicate that goal to the other levels of the company. The Senior Management's desire to create a growth-oriented Purchasing department is not enough: If the implementation of this plan is not monitored, good intentions often crumble when put into practice.

This can happen for any number of reasons, a number of which we'll explore in this chapter. The effect, however, is that those companies in which Purchasing focuses on maximizing profits at the expense of vendors and suppliers tend to perform well financially, but suffer serious damage to their reputation. But, since financial success can be measured and reputation can't, the potential disadvantages of having a cutthroat Purchasing department often go overlooked.

Let me emphasize: Purchasing, Procurement, Material Planning, or whatever other name you give to it is a crucial element in your company's growth. To put it to best use, you need only observe the same rules you do for all other areas. Experience teaches us that exerting pressure creates counter-pressure. This is true for Sales, for leadership situations, and for Purchasing. The principles that your Sales department successfully uses on the market to establish partnerships must equally apply for Purchasing. If nothing else, this should be done for the sake of credibility; after all, why should different standards apply in different departments?

Some Purchasing departments, especially at large market-listed companies, have now adopted the more ornate title "Strategic Purchasing." I take Strategic

Purchasing to mean a Purchasing department that has grasped and internalized the company's overall strategy; a Strategic Purchasing department is one that makes no decisions that would not support that strategy. Why is it, then, that many departments with a "Strategic Purchasing" sign above their doors don't seem to know how to do anything beyond choosing vendors who make the supposedly best (because it's the cheapest) offer? That's not quite how strategy works.

If you don't want to be the one hindering your own company's growth, encourage your Purchasing department to build up long-term business relations.

6.2 Just How Good is Your Purchasing Department?

In order to judge its expertise, first the goals of your Purchasing department need to be clearly defined. Here, too, the rule is: No goals, no basis for evaluation. Do you differentiate between the purchase of products needed for your company's value creation on the one hand, and that of e.g. office supplies, or of investment goods? Or are they all lumped together in your Purchasing department? Here we should look into whether expertise is being used in the right places, as different product categories call for different skills. True, there are plenty of products that require no further explanation, and of course the fundamental methods Purchasing uses for goods and services are similar. Nevertheless it is worth considering whether certain members of your staff have an affinity for a certain type of product or service, especially when your employees need a certain degree of familiarity with the goods and services involved in order to sensibly procure them.

From time to time we recognize that employees in Purchasing often end up working with a certain type of product or service by chance. But employees can deliver significantly higher levels of expertise if their efforts are concentrated on specific groups of products and services, especially if those groups are matched to their personal affinities.

As a consultancy, we often encounter Purchasing departments that have been given the task of determining whether, and if so under which conditions, we could work with a client company. Some of the dialogues involved are wearisome, some are amusing, but all of them are—thanks to our initiative—brief, the reason being that we increasingly choose not to waste any time with these departments if we determine that the person we're talking to is a) not authorized to make decisions, b) not suitably competent, or c) is only interested in getting us to lower our fee.

We once spoke with the representatives of a major German company about a mid-sized project to improve cooperation between three of its business units. Intentionally or not, the three units were too caught up in internal aspects and meddling in one another's business, losing their focus on external customers. Thanks to this infighting, the competition had easy pickings. After a number of talks to determine the purpose, objectives and value of working together, we successfully hammered out the details with the decision-makers and prepared a proposal, which was quickly approved. Then came the fateful sentence: "Our standard policy is to forward all proposals that have been approved to our Purchasing department."

Then what had to happen, did happen: A few days after being informed that our proposal was approved, my phone rang. One of the company's Purchasing staff was on the line. He did a few minutes of his small talk routine, most likely because he'd been trained to, before finally getting to the point: "Your offer is way too expensive. It's even more than other respected consultancies, much larger ones than yours, charge." I didn't say a word.

"Well, what do you have to say?"
"Nothing, what *should* I say?"
"Look, even compared to other consultancies, your prices are well above average."
"And?"
"You have to come down on the price!"
"Our fees aren't negotiable. Besides, we've already agreed on all of the conditions with the department involved."

Then he whipped out what we like to call the "carrot"—the promise of a future reward you dangle in front of the donkey's nose: He lowered his voice in a conspiratorial tone: "Just think of the possibilities if you do a good job here; the whole company will open up for you. But first you've got to make it doable for us to hire you."

Aha, so the idea was that if I played ball then, plenty of future jobs would follow. But since promises like these, especially when they come from someone who's not authorized to make any decisions about who gets future assignments, are highly unreliable, it's usually better to show a bit of backbone and just not entertain these discussions—which is exactly what I did. I told him that if he had any questions about the offer, he should take them up with the department in question; if they wanted any changes, which would surprise me, then we could talk about it again.

A week later the signed contract, with the originally agreed-upon conditions, was waiting on my desk. We later learned that the Purchasing employee I had phoned with normally engage consulting services "on the side," as could be seen in his crude negotiation style. He simply lacked the expertise to really familiarize himself with the issue, and in this case his participation was superfluous; he had only been involved at all because doing so was called for by the company's internal policies.

Especially when it comes to engaging consulting services, Purchasing departments that are unfamiliar with the subject of the consulting project, its set goals, and the contexts involved are essentially groping in the dark. Consulting and a number of other services are simply not goods that can be lined up and compared side by side like pencils, machinery or raw materials. Whenever services call for a high degree of personal involvement on the part of the service provider, Purchasing's normal methods aren't up to the task. Further, Purchasing employees rarely possess the expertise to effectively grasp the complex contexts involved when it comes to personal services with results that are not always quantifiable. Many companies have learned this the hard way, after their Purchasing recommends what it hopes to be the best service provider for the job, only to determine they were simply the cheapest one available—as a result of which the company had to invest considerable time and effort cleaning up the work of an incompetent service provider who looked extremely affordable on paper.

I don't want to claim that Purchasing is always overwhelmed when it comes to selecting service providers; however, in the interest of best serving our clients, my consultancy no longer takes part in dialogues with Purchasing departments, or in requests for proposals (RFPs). Even if some large companies have now started creating special-purpose procurement teams that allegedly provide an objective basis for purchasing services, the fact remains that, regardless of how sincerely they aim to be objective, emotional factors will always be part and parcel of engaging services. If the people involved at the outset of a growth program simply can't get along, it doesn't matter how good the objectively quantifiable factors look: It just won't succeed.

Regardless of whether we're talking about selecting service providers or purchasing concrete products, it has been our experience that simply using negotiation tactics to drop the price to the absolute minimum in the hope of producing outstanding commercial results is not enough. The method is too cheap, and if it is the only one your company knows how to apply, that fact is certainly a brake to growth: The constant atmosphere of mutual distrust between your company and its vendors is hardly a healthy basis for long-term business relations.

If you were to ask your vendors how much of a priority your company is for them, they most likely wouldn't give you an honest answer. Yet the truth immediately becomes clear whenever an impasse or other irregular situation arises. Whether you urgently need an additional delivery, or whether your vendor is forced to "ration" products for whatever reason: In such cases you'll quickly see just how strong the ties to your vendor really are. If you have positioned yourself as a ruthless penny-pincher, don't expect to be too high on their list of priorities. Here at the latest, you should get an indication of how well the Purchasing department has done its job, and how competent its employees truly are.

Another way to measure the partnership between customer and vendor is the quality of conduct in unforeseen situations. Let's say for example your company purchases goods made of raw materials that suddenly become dramatically more expensive due to changes on the market. If your vendor approaches you to discuss how the changed raw materials prices can now be compensated for, their doing so is the only correct response that shows they want to work together with you to lay out a growth process in which both sides make concessions in order to arrive at a reasonable solution. Unfortunately, some customers, when faced with the question, "How should we respond to the skyrocketing prices for raw materials, since we can no longer continue our original arrangement?" respond with the perfectly wrong answer, namely, "That's your problem!" This shows a clear lack of interest that speaks volumes about the partnership, which is a far cry from how profitable growth is fostered.

The question of Purchasing's expertise is not limited to employees' talents and skills, but also includes how well they master the tools of the trade, such as comparing vendors, talking with vendors, negotiations, etc. It also concerns decision-making. How much latitude does Purchasing actually enjoy? How much freedom is it granted by the Senior Management—and here I expressly mean not only financially, but also in terms of qualitative aspects? Over the years, we have observed our fair share of companies at which these questions clearly need to be addressed and acted upon.

Another central question to answer is how success is defined with regard to Purchasing. Is it considered a success if it secures a certain financial plus, even if mathematically that plus is eradicated by the time invested in negotiations? Have you ever actually measured how much time it takes Purchasing to negotiate something? Take a good look at cases where Purchasing engages in complex negotiations: Did the time invested actually pay off? Companies are quick to note the lower prices achieved. But the fact that a project could have been launched sooner, and accordingly could have sooner shown results, if Purchasing had been willing to pay a higher price, is rarely given much thought; nor are the time and expense of negotiations. These clear deficits must be taken into account if Purchasing is to be used to promote and not hinder growth, and doing so is a further key aspect of Purchasing's expertise.

In order to better understand why Purchasing departments act as they do, it might help to take a look at who's calling the shots.

6.3 He Who Pays the Piper Calls the Tune

Many companies are well aware of the above-mentioned deficits. Nevertheless, efforts to expand Purchasing's duties from purely price-related negotiations to include qualitative, long-term considerations often fall by the wayside. While there are no simple answers to why this happens, two essential factors can nevertheless often be recognized:

1. Inadequate leadership
2. Inadequate control

The leadership of Purchasing begins with the Senior Management. It's highly unlikely that a member of the Senior Management would ever be so bold as to instruct Purchasing to put its vendors and service providers under massive pressure in order to squeeze every last penny out of them. Why, then, does this continue to happen? Similarly, no member of the Senior Management would say: "You should always take the cheapest offer; we're not interested in long-term partnerships." So why do so many Purchasing departments operate on precisely this principle? (Fig. 6.2).

Countless dialogues have shown us that there is a major difference between the socially desirable, "official" duties of Purchasing as formulated by the Senior Management and the types of conduct said Management is willing to tolerate. This is sometimes because socially desirable behavior is not what the Management actually wants from Purchasing. As a result, while they officially speak of strategic partnerships, long-term business relations and a focus on quality which of course comes with a certain price, when it comes to internal meetings the first questions

"Purchasing"

Quantitative	Qualitative
o Bonuses and kickbacks o Internal costs o Contribution to EBITDA o ...	o Product quality o Priority for vendors o Risks involved in vendor portfolio o ...

Fig. 6.2 Sample control factors in Purchasing

raised are how much Purchasing contributed to the EBITDA in the last month, and how much it will contribute in the remainder of the fiscal year. Long-term relations? Quality? Partnerships? Sorry, those aren't on the agenda.

Granted, I could be accused of exaggeration. But our experience has all too often shown us precisely this sad state of affairs. This is partly due to the fact that so many companies set only short-term goals and can't muster the necessary courage to openly tell their shareholders that some vendor relations only pay off in the long run. It is also due to the inability and/or unwillingness of some Purchasing staff to concern themselves with situations and factors that go beyond the purely financial. And this clearly represents negligence on the part of the company's leaders. If the Senior Management stands behind what it says, it must ensure that the concept of long-term, sustainable development—while not disregarding good financial sense—becomes established in its Purchasing department. And lip service won't do the job; what you need are leadership and control systems that enable you to also manage those factors that are not short-term and monetary in nature.

Take note of what new employees are told when they first start at your company's Purchasing department. What are the core messages? What exactly does their introduction look like? Are new employees primarily given factual explanations of their duties, the products, vendors, tools and techniques? Or is a certain ideology conducive to not only short-term but also long-term growth conveyed? Is there something like a Purchasing philosophy or a Purchasing strategy based on your own corporate philosophy and corporate strategy? We all know that a new employee's first few days on the job can leave a lasting impression. Use this chance to communicate the right messages.

Ask the staff of your Purchasing department what they're responsible for. If their answers focus solely on financial results, you need to take action. Needless to say, financial aspects should be part of their answers. But if your employees believe they are the *only* results they're responsible for delivering, long-term thinking clearly hasn't taken root.

Just as Sales can easily demonstrate success in the form of lower prices, a Purchasing department that only concentrates on getting the lowest purchase prices will find it easy to shine. But who is responsible for improving vendor quality? How do you evaluate your vendors' performance? Are there fixed criteria used to ensure your vendor portfolio is in consistently good shape? Is any effort made to ensure that your primary and secondary vendors can grow together with you? In terms of risk management, is there any contingency plan for losing a major vendor, so that you don't have to start again from scratch? If your Purchasing department has correctly understood its job, you have every right to expect good answers to these questions, provide you haven't—officially or unofficially—reduced their duties to haggling over prices.

Once, a wholesaler wanted to work together with us to professionalize its vendor strategy. Though the company had a central Purchasing department, which together with Sales was responsible for defining the product range, a number of its stores were authorized to set up their own local product ranges, the main argument being that this allowed them to better accommodate regional needs. However, the lack of oversight and the immense product range also meant that the idea of a core product range, which had been the original plan, had long since been forgotten. There were also doubts as to whether products were truly added because of their appeal to customers. Depreciation due to products that did nothing but gather dust was par for the course. Further, there was no strategic vendor management for the central Purchasing department, which would have had to be created by the central headquarters.

Working together with the Senior Management and the top staff of both Purchasing and Sales, we laid out the future expectations of the core product range, along with its characteristics; we further defined the future vendor portfolio by examining the individual vendors, assigning each to one of the three categories:

- Close cooperation partner
- Normal/standard vendor
- Not a partner for the future

This was supplemented by a further classification of the vendors with regard to how well they fit into our client company's strategy, and the appeal of their products to customers.

The result was a clear mandate for Purchasing to hold talks with the vendors in keeping with their classification in the three categories, and to differentiate between the national and regional importance of the respective vendor wherever necessary. Strategy-oriented measures were agreed upon for each vendor, and thanks to the support of Sales, Purchasing now had the resources to take negotiations over future cooperation to a new level. In the past this had never been done so intensively, and we should bear in mind that the company in question was the leader in its market segment for Europe.

The example above shows us a pattern for success that will be repeatedly thematized in this book: Cooperation with neighboring departments is one of the most important keys to success. Purchasing, too, must refrain from isolation and should be actively connected to other value-creating departments and relevant support areas. Only then can it develop its full potential to promote growth.

Ideally, you should also devote some attention to the conduct and habits that have established themselves in your Purchasing department. How does Purchasing conduct itself as an institution within your company? We have often seen Purchasing departments that act as if they were their own "Grand Duchy," an attitude that informed even the behavior of the department heads. The signal they sent to others was that no one got past Purchasing, especially not vendors. Here, too, an example might help:

Because I was working together with a retail chain that had several hundred stores across Germany, I was provided my own business cards that identified me as a personal consultant to the Senior Management. When I arrived at the company headquarters one day—the man at the gate having greeted me warmly upon reading my business card—I saw that there was a long line waiting to get in, and that all visitors had to sign in, filling out in detail the nature of their visit and who they were meeting with, before they were assigned a time when they could enter. Since I had an appointment, I asked one of the staff how long I would have to wait, and showed her my business card. Presto! I no longer had to wait at all, and she explained to me that the people waiting in line were "just vendors." Apparently it was time for the company's annual negotiations with its vendors. Later I also saw the sterile waiting rooms and even colder conference rooms used for these talks. I found the whole setup to be degrading for the vendors and patently wrong-headed, an opinion I also voiced to my client.

Your company's attitude towards and respect for its vendors is reflected in the conduct and language of your employees, and you can only expect vendors to be treated with respect if you consistently demonstrate respectful behavior towards them and demand it of your managerial staff. After all, respect is the bare minimum of what we owe any good business partner.

In order to understand why Purchasing works as it does, we should also examine the rewards system used. For what do your Purchasing employees receive tangible or non-tangible rewards? For what do they receive praise? If there were such a position, who would be your Purchasing Employee of the Month? If you have set up a bonus system that is solely based on rewarding those who deliver financial advantages in the form of lower vendor prices, don't be surprised if that is the only goal anyone pursues. It remains true that: "He who pays the piper calls the tune." Or, if you prefer a different version: Every system orients itself on the target figures it has to orient itself on.

But financial rewards are not the only factor influencing the conduct of your Purchasing employees. Just as in other departments, non-tangible rewards like praise are also important. If employees are openly praised for succeeding in establishing long-term, partnership-based vendor relations that will mean a high degree of stability for your company's value chain on a profitable basis, it is at least as effective as a financial reward in terms of the signal it conveys to your staff.

What is true for other departments is true for Purchasing: Only reward actions that truly mean progress in keeping with your corporate or market segment strategy. Only reward conduct that is truly appropriate. And only reward results that are both quantitatively and qualitatively good, and which match both your company's strategy and its established values.

"Established values" is an idea worth discussing a bit more: In Sales and Purchasing alike we often find employees who deliver outstanding financial performance, but who do so using tactics, methods and means that do not uphold the company's established values. And some CEOs tend to turn a blind eye to this behavior in light of the hard profits gained. They downplay the situation, sugarcoat their employees' conduct, and create their own convenient truth. In this regard we can only offer this express warning: In Sales, and especially in Purchasing, anyone who repeatedly violates the corporate values, especially if they do so knowingly, has no place at your company, regardless of their financial performance.

There are a number of things about Jack Welch, the former Chairman and CEO of General Electric, that could be criticized. But there's definitely one thing he got right: Welch used a system by which those employees who violated GE's fundamental values were removed, regardless of their performance and financial successes—and enforced it consistently throughout the entire conglomerate. Welch preferred employees who achieved solid results using means and methods in keeping with the company's values over those who delivered excellent results using means and methods that were not in keeping with them. After the second violation at the latest, employees falling into the latter category had to pack their things. If General Electric successfully used this approach, you can, too.

6.4 The Goal: Quality as the Measure of Purchasing Performance

We don't want to distort the truth: Every company ultimately has to be profitable in order to survive, and the Purchasing department is no exception. We're not suggesting that you let your vendors walk all over you, while they enjoy life in paradise. But if both sides, your company and its vendors, can operate under optimal conditions, it surely can't hurt. How can these conditions be created in light of the growing financial pressures and constantly changing objectives for profit margins, gross profits, and lastly the EBITDA? Here we need to keep in mind three different levels:

- Strategy and leadership
- Organization and processes
- Measures and instruments

It is essential that these three dimensions be considered in the order they are listed above. Let's start by taking a look at "Strategy and leadership":

What is the importance of the topic "purchasing" in your strategic planning, apart from what the Purchasing department contributes financially? What are the consequences of using your corporate or market segment strategy as the basis for deriving a purchasing strategy, a step you should make sure happens? Have those managerial staff responsible for Purchasing show you how they plan to translate the corporate or market segment strategy into a purchasing strategy, or how they have already done so. Talk to those responsible for Purchasing about the department's past successes and failures—and be sure that *all* important elements are discussed, even those that led to failures.

As a rule you'll find that very few of the employees and only few managers in Purchasing, perhaps not even the Head of Purchasing, will be able to translate the corporate or market segment strategy into a suitable and feasible purchasing strategy. And your employees can't be blamed for this, provided they, like most Purchasing staff, have never been made part of strategic planning, or at most, their "strategic" planning consisted entirely of how to boost gross profits by a few percent. Once Purchasing has been strategically integrated, work to ensure that the management process always leaves room for strategic discussions. Require your Purchasing department to document its strategic contribution in annual reports, and stipulate that the contributions listed are not limited to financial statistics. Use regular dialogues with the heads of Purchasing, i.e., with the top Purchasing staff, to ensure that the purchasing strategy is closely aligned with the corporate or market segment strategy.

Once it is clear what the concrete strategic integration of Purchasing will look like, it's high time to check whether your organization is at all capable of meeting these strategic requirements. This means that you must initially succeed in establishing which processes will be needed in Purchasing to arrive at the desired results. Discussions about how to best organize Purchasing should only take place once these processes have for the most part been defined and their individual contributions have been more precisely delineated. After all, you want your organization to be oriented on processes, and not the other way around.

At this point we would like to expressly warn you about a type of organization that has grown increasingly popular. By creating so-called "Shared Service Centers," many companies seek to cut costs by bundling their service departments. Though in principle there's nothing wrong with this approach, which offers a number of potential advantages in terms of administration, unfortunately Purchasing is often erroneously seen as an administrative function. Accordingly, as part of the "Shared Service Center" it effectively becomes a service provider for the entire company, working to negotiate the best conditions, often in the form of framework contracts, which then allow other departments to order products or services.

We can't recommend the integration of Purchasing, which is responsible for procuring vital goods and services, in a "Shared Service Center." On the contrary: When it comes to essential goods and services, Purchasing needs to work together with the other departments within the company to create a sustainable, long-term relationship between them and their vendors/service providers. As such, it makes better sense to bring together the department in question and Purchasing at an early stage to determine which essential goods and services need to be secured, thus combining their two perspectives. Never allow important contracts to be negotiated in a department that is not directly affected by how well or poorly relations with vendors or service providers go. Purchasing is and must remain an internal service provider that makes its know-how available to other departments; it should never take over the wheel.

Another good reason for integrating Purchasing into operative processes is that doing so allows your Purchasing staff to better understand, embrace and therefore support your company's major projects. This approach serves to promote dialogues with other departments, and to reinforce a shared understanding of policies and initiatives. And in any case, every Purchasing employee should have some experience in the company's other departments. Each should have already worked in Sales, and it couldn't hurt if they were also familiar with the processes used by some of their most important vendors so as to better understand the work they do. They should also have worked in Marketing, Production, Logistics or as a trainee in the staff department for the Senior Management if they plan to competently represent their company's interests. After all, how can they possibly do so if they don't know anything about the individual departments?

In a final step, measures, criteria and instruments can only be set up once the strategic pillars, organization and processes are established. Define a few criteria with which you can evaluate the success of your Purchasing department. Of course purely financial statistics will be important here, but have the courage to also acknowledge qualitative aspects. The following list presents a number of qualitative assessment factors for Purchasing departments, which we have defined in cooperation with some of our clients. Needless to say, the list is not intended to be exhaustive; further, the points are arranged in no particular order.

- Quality of procured goods and services, measured e.g. by the number of warrantee claims
- The longevity of positive vendor relationships, measured e.g. by the number of product improvements
- For services: How effective the service provider is, measured e.g. by how sustainable their solutions are
- Fluctuation of vendors and service providers
- Productivity of Purchasing, measured e.g. by the relation between time invested and results achieved
- Risks taken, measured e.g. by the number of missed deliveries
- Reputation of Purchasing among your vendors
- Reputation of the company among your vendors
- Quality of your vendors, measured e.g. by their subscription to and actual implementation of legal regulations
- Plausibility of your vendor portfolio, measured e.g. by how well-balanced it is in terms of countries, products and risks
- Flexibility of your selected vendors, measured e.g. by their response times with regard to spontaneous changes
- The degree of tolerance/flexibility in your selected vendors' policies
- Quality of your vendors' suggestions for how to improve the effectiveness of your value creation chain

What are the specific qualitative criteria your company could use to evaluate the performance of Purchasing? Don't let yourself be distracted by the often-heard objection that Purchasing alone cannot influence qualitative aspects. Though not wholly unjustified, what this objection really does is to emphasize the need for Purchasing to work closely together with other departments that use its services, which is precisely what is needed to get your company on the right track to profitable growth.

Don't set off a powder keg if you don't have to. Growth is a process, not a project. The short-term successes in the form of better financial performance that Purchasing has traditionally placed great stock in, and which can also be taught in seminars and training modules, can become a liability in out-of-the-ordinary situations in which the cooperation is no longer convenient for your vendors. You'll find yourself unable to control the consequences because your vendors operate according to their own priorities. Make sure your Purchasing department thinks in the long term. Form a stable value creation framework together with your vendors and service providers, and potentially even help one another to reduce process costs, put resources to best use, and boost mutual profitability; this is how true partnerships are made.

What is the role of Purchasing in the context of your company's profitable growth? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 6."

7 For Support Departments, Changes Are a Nightmare

In support departments, the brakes to growth rapidly become apparent. Bound hand and foot by efforts to cut costs, they are chronically susceptible to killer phrases like "You can't do that," "We're never going to pull this off," and "What good would that do?" At the same time, support departments are essential to the growth process.

Support departments may not make up the core of your company, but without smoothly running support departments, life would be far more difficult for companies that have dedicated themselves to profitable growth. While we won't examine every support area in this chapter, we definitely will explore a few of the main support departments in detail, as they are extremely important to growth-oriented change processes, and because they present us with numerous brakes to growth that must be released. Specifically, we will examine:

- Logistics and Operations
- IT
- Accounting, Finance, Controlling, and Internal Auditing
- Human Resources
- Staff departments

7.1 The Role of Support Departments in the Growth Process

Purchasing and Sales may not have easier lives than other departments, but at least they do have the advantage that their direct contributions to a company's growth can more readily be seen. Whereas Purchasing can be assessed in terms of improved margins, raw profits, and ideally in terms of qualitative factors, Sales can shine with higher average prices, more sales, successful introductions to market, and other quantifiable results. Of course, the reverse is also true: If performance figures start to slide, the Powers That Be will look for a scapegoat and usually manage to find one. But either way: It is comparatively easy to measure the contributions in these departments, for better or worse.

G. Quelle, *Profitable Growth*, Management for Professionals,
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The situation is quite different in support departments—and Marketing is often counted among them due to its supposed lack of measurable results, though we hopefully succeeded in refuting this a few chapters back. But many support departments elude direct measurability—a fact we are not necessarily forced to take as a given, because in these supporting departments, which are sometimes less-than-flatteringly referred to as the "backwards services," choosing the right criteria can serve to make their contributions to growth visible.

For these supporting departments, whether IT, Logistics, Fulfillment, Accounting, Controlling, or Human Resources, changes can often be a nightmare. When a new growth project is in the making, it often means that the current, tried and true processes and procedures have to be done away with, and possibly even that the whole department or area has to be reorganized. And, as a rule, once this process is well underway, the next project is announced, changing things all over again.

Regardless of the fact that a great deal of work is created for support departments when a new strategy is implemented or some other major change project is initiated, we see time and again that these changes often meet with more resistance than in other departments. It may be because the support departments don't immediately recognize the advantages, but see only the extensive work the new project will mean for them. Or it may be because the support departments consider themselves to be fundamental and necessary parts of their company, because as long as the company is in operation, so will they be—they assume.

However, what is far worse than resistance is apathy. Just like reeds, many support departments bend with the wind of change, waiting patiently for it to fade, and—Voila!—one day it truly does pass. After the initial storm of frenetic activity, time can often help to transform it into a gentle breeze in which those who are unwilling to change can again raise their heads: a classic behavioral pattern and a classic failure in leadership.

In support departments we often find deliberate attempts to manipulate progress using red herrings. The strategy works as follows:

A team from the Senior Management decides to lift the whole company up to a new level of growth, and works together with a management consulting firm to develop a concept for implementing their growth strategy. When the concept is presented to the second-tier Management, it is naturally met with differing opinions, which are often the result of various particular interests. Initially, though, the proposal is discussed on its own merits and assessed in terms of its feasibility.

Once the discussions are largely over and potential objections addressed, a manager from one of the support departments steps up to put forward a proposal that, though ostensibly very appealing, requires further conceptual work and consideration before it can be properly evaluated. At first blush, and also after closer examination, the proposal is not only one that can't be readily dismissed, but even seems quite promising. The discussion now centered on the new proposal and not on the basic concept; the latter, though it had already been approved, would have taken considerable work to actually implement. Now more and more ideas are thrown on the pile, and in the end everyone is too caught up in the new suggestions to concentrate on the original concept.

The decision is postponed and further conceptual work is initiated to make sure that no potential advantages are overlooked. And this is exactly what the person who first made the proposal had in mind: To play for time, and in so doing to use any chance to put the plan as a whole on the back burner. Mission accomplished. Does this type of behavior seem familiar?

We see this strategy of introducing a seemingly good idea without the slightest intention of ever implementing it more often in the support departments than elsewhere. And it's a strategy that often succeeds.

But these red herrings can often be countered if—as we urgently recommend—the Senior Management gives its general approval to the idea (provided it's not wholly absurd) and requests that the person who suggested it now proceed with in-depth conceptual work—and a corresponding implementation plan. Tell them they can feel free to engage the services of external consultants, and that, while they do so, you would like to start with the implementation of the basic concept as soon as possible. Call their bluff in this way, and you'll often be rewarded with a massively shocked expression.

Needless to say this approach is a bit of a balancing act; not everyone who puts forward a good suggestion should automatically be required to work out all of the details. The danger is too great that you simply stop receiving any suggestions, because many will think: "Before I make a suggestion and then have to use the scarce time I have available to work up an implementation plan, I'll just keep my mouth shut." As a rule, though, the Senior Management will recognize such ploys when it sees them, and a spirited rejoinder, like: "That's a great idea! Why don't you work on it in-depth with Jane and Dave? If you can come up with a well-formulated proposal including action plan by next Tuesday, I'm sure we can still fit it in our implementation processes" can do wonders.

To be fair, we should also bear in mind that the support departments also tend to receive far less praise than the operational departments, the performance of which can be directly seen in the company's statistics.

- How many times have you heard of a Logistics department receiving any praise for maintaining a rate of 99.8 % smooth deliveries—which by the way is standard for major pharmaceuticals wholesalers—for several years in a row?
- How many times have you heard of a Human Resources department receiving any recognition for keeping employee turnover at one of the lowest levels in the company's industry, while maintaining high employee quality?
- Have you ever met a Head of IT who was thrilled at the CEO's praise, because the latter had stated how much he appreciated the fact that the company's computer systems had a track record of 99.5 % availability?
- For years now, Controlling has delivered highly reliable figures that are an outstanding help for the purposes of control and planning. In the meantime, highly reliable forecasting systems have even been developed. When's the last time the Senior Management openly acknowledged this contribution?
- Have you every heard of a Warehouse Director being praised for maintaining the same level of productivity despite the introduction of a new stocking system?

In our experience, the recognition that support departments receive for their performance tends to be quite limited. Apparently, the idea is that not complaining is praise enough. Support departments always receive more complaints than they do praise, and the former is quick in coming.

- Delivery errors? An enraged customer on the phone, or better yet two, because two deliveries got mixed up? A catastrophe! “Of course we’ll fix that right way. I’m sure our Logistics made a stupid mistake. We don’t understand how it could happen, either.”
- Several employees quit shortly after being hired, or it soon becomes apparent that they just don’t fit in? Obviously this means that Human Resources made a number of mistakes: in the job description, in the briefing to the headhunter, and in the evaluation of the candidates in the context of an Assessment Center. They should have seen that the candidates were never meant to work here.
- The IT system crashes and is offline for an hour? “Couldn’t it have been avoided? Why do we spend all this money on redundant systems, uninterruptible power supplies and risk management systems?” The entire IT department, and especially the Head of IT, are expected to explain themselves. “Some orders were deleted? How are you going to explain that to the customers? The warehouse is at a standstill? How are we supposed to get back on schedule? I knew this would happen someday.” Suddenly, the whole department is in hot water.
- There was an error in the Sales Controlling that eventually made its way into the Reporting for the company’s investors? And the Managerial Board didn’t hear about it until the quarterly Board Meeting? It’s every man for himself!
- There’s a staff shortage because the restructuring of the warehouse is turning out to take more work than expected? “And who’s going to pay the temporary staff and the overtime hours? After all, we already promised our shareholders results. Didn’t we tell you about the planned changes well in advance? Once again, we see that not enough time was invested in training.” The Warehouse Director is frustrated.

Support departments are expected to deliver perfect performance; the idea of errors cropping up in the system does not compute. As such, it is to some extent understandable that support departments are somewhat reluctant when it comes to implementing changes. Skepticism is not always the product of ulterior motives.

Above all, support departments serve as internal vendors. Logistics and other departments responsible for internal processing have to keep the promises made by Sales. In addition to the normal invoicing and administrative processes, Human Resources must also see to the personnel’s development—and of course at the lowest possible price. Controlling is expected to be able to deliver information that is up to the present day (in some companies, up to the last hour), and IT not only has to keep all systems constantly up and running, but is called upon to rapidly integrate new changes. By “rapidly,” we mean that its three priority levels are: “urgent,” “extremely urgent” and “do immediately.”

What is more, in many companies the support departments eke out an isolated existence due to their utter lack of connection to the operative departments, and the lack of efforts to coordinate their respective goals. Here we see yet another dangerous failure in leadership—and I don't mean failure on the part of the respective department's leaders, but in the higher levels of the Management, whose job it is to ensure that the company's system of goals is reflected in the areas they are responsible for.

There are effectively three major ways in which the Senior Management can help to sustainably boost the support departments' contribution to corporate growth and release brakes:

7.1.1 Defining Performance Criteria

The performance of any department can be measured. This not only means quantities, as in the number of processed requests, the number of processed applications, or the number of booked processes. Statements on the quality of the support departments' work are much more important. How quickly are IT projects generally carried out? How long does it take to fill an open position, and how long do new employees stay with the company—assuming they deliver top performance? How does Controlling contribute to boosting the effectiveness of Sales? How does Finances help to ensure that the administrative work in preparation for the year-end report or quarterly report requires less and less time on the part of the Senior Management?

These are all factors that strengthen the performance of the company as a whole and are not just "more of the same." Of course every department needs to improve its efficiency, but boosting effectiveness is at the heart of promoting profitable growth.

Here we see a major brake to growth that lurks in the support departments, because the available intelligence when it comes to defining performance criteria, if any at all, is often limited to measuring the obvious. Yet this does little to achieve the company's goals. Promote the use of criteria that accurately show what your support departments contribute to the welfare of the company as a whole.

7.1.2 Monitoring and Acknowledging Performance Criteria

If some companies are overwhelmed at the idea of simply introducing performance criteria, far more of them fall short when it comes to monitoring and acknowledging those criteria. Any criterion that isn't monitored, and for which no one pays any real attention to whether it is fulfilled or not, should be done away with. Exceptions to the rule? None. But this also means that, in reviewing monthly statistics, the Senior Management has to not only consider financial and market-oriented performance values, but also the performance of the support departments. Though for many managers this represents a tedious undertaking, it pays off because it shows the support departments two important things: firstly, that they don't just receive complaints about errors, but also receive praise for getting things right; and

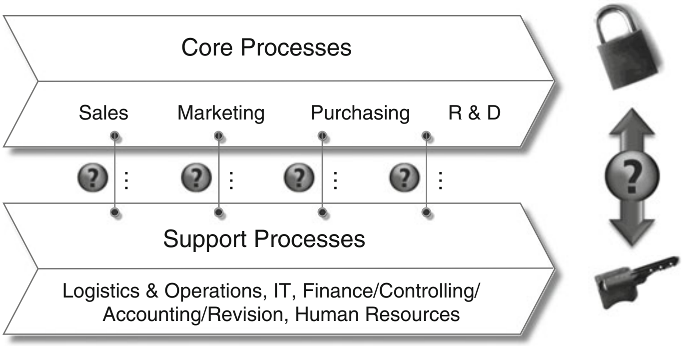

Fig. 7.1 Are the interfaces between core and support processes clearly defined?

secondly, that the Senior Management's attention is not exclusively reserved for the core departments—for many companies, a truly novel idea.

7.1.3 Defining Performance at Interfaces

As previously established, a considerable amount of performance potential is lost at the interfaces between different departments, business units and processes, and this is especially true in the support departments. Here, in the Nirvana of responsibility, both good intentions and good results perish. If no one knows what the previous process in the chain is capable of delivering, and no one knows what the subsequent process actually needs, delivering solid performance becomes a matter of blind luck (Fig. 7.1).

Agreeing on key performance indicators (KPIs) for interfaces is an art form. Various terms are used—e.g. interface agreements, service contracts, and Service Level Agreements (SLAs)—but they usually all mean the same thing: Two neighboring departments discuss which processes affect and involve them both, and the transition point is discussed as precisely as possible: What do you need? What can you reasonably expect me to deliver on a regular basis? What are the rules? What are reasonable and typical exceptions to the rules? To do my job, what do I need from you? Unfortunately, these questions are rarely posed systematically, and the answers to them are even more rarely reliably and clearly documented. When this actually does happen, however, the power of these interface agreements can be tremendous, because not only is the service framework defined; the relevant shared processes are also discussed, and in some cases the opportunity is even used to eliminate processes found to be superfluous (Fig. 7.2).

If the Senior Management has decided to release brakes in the support departments and for whatever reason can only use one measure to achieve that goal, the best course of action would be to ensure that the support departments conclude reliable service agreements with all other departments they work with; these agreements should cover all relevant main processes, and should be reviewed on a regular basis. The review ensures that the departments involved focus on the

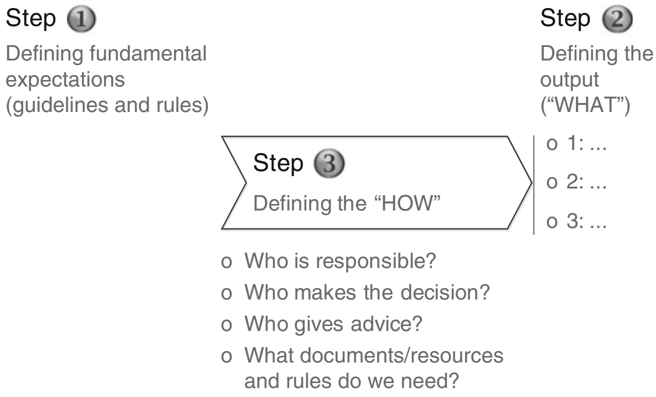

Fig. 7.2 Process-oriented working methods at the interfaces as a recipe for success

most essential criteria and parameters. Such dialogues are consistently worthwhile and, in a number of our projects, produced significant insights in the short term and major improvements in performance in the long term—and with very reasonable time investments.

I know what you're thinking: Easier said than done. Let's take a closer look at some of your support departments from within. . .

7.2 Logistics, Operations and IT: Constantly Needed, Constantly Under Fire

In the Logistics, Operations and IT departments, every announced change in operations is like open-heart surgery.

Especially when it comes to IT, nearly every thread of the company's processes come together. Today there are hardly any business processes that are not supported by IT, as a result of which both the complexity of IT systems and the demands placed on them have grown exponentially.

For users, the IT-based networking your company needs for its day-to-day business is not visible. But for your IT experts, change requests can entail a chain of activities the scope of which can't be predicted, and in turn an equally impossible to predict amount of work in connection with system changes.

Be that as it may, enterprise resource planning systems, production control systems, CRM systems, complaint management systems, and controlling systems are first of all almost never error-free, and second, well-to-do users always come up with suggestions for improvement which they're convinced will make their day-to-day work much more effective and efficient.

Many companies have now begun to bundle and formalize the IT-related suggestions they receive from their users on an almost daily basis into so-called "change requests." In this model, users with new ideas for improving a certain type of software or IT interface who want to have their suggestions implemented have to go through a standardized process; this is intended to ensure that only requests offering real improvements are considered, and that the suggestions submitted can be directly assessed in terms of their feasibility and the work they would entail, on the basis of a standardized request form.

Here, too, we sometimes see that the opposite of good results are good intentions. Surely there are companies out there at which these processes work smoothly and efficiently. But we've often seen that these formalized processes have two main effects: One group of users has no interest in taking the time to fill out a standardized, often very lengthy, form, and instead simply makes occasional verbal comments on their software's weaknesses, resulting at best in an informal talk with the IT staff. The other major group of users spends a large chunk of their work time preparing change requests and filling out the form.

As a rule, all requests flow together into the IT department, where they are prioritized—but according to which criteria? This usually results in a long list of requests and exchanges like the following: "Hey, did you get my change request?"—"Sure; it's number 327 on our priority list."

What criteria does your IT department use to decide what changes should be made to the company's software, and when? How can you be sure that the Senior Management's strategic and tactical considerations with regard to resource planning are taken into account in the IT department? Where are the connections between IT and your growth strategy?

Without an effective link between your IT department and corporate strategy, at least in terms of information, the priorities set become a matter of chance. In the worst case, this can mean that when the Senior Management introduces new strategic projects that greatly affect IT, the department's current priority lists for change requests can all be thrown in the shredder. The Head of IT at a German retail company once told me that, since his company was expanding, he often received calls from the CEO like: "I just bought a chain of stores in Portugal; hook them up to our IT system ASAP." In such cases, you need an extremely flexible IT department if you don't want sheer chaos to be the result.

In addition to being involved in nearly all operating processes, the IT department is also affected by nearly every project your company launches. When, in the course of consulting, we examine our clients' project portfolios and work together with the Management to restructure them, we very often find that the IT department lacks the necessary resources to effectively live up to its responsibilities in all of the projects it's involved in. As a result, many Heads of IT look more like jugglers, balancing plates on sticks and trying to keep all the plates spinning at the same time. The problem is that they keep getting handed new sticks and plates keep, meaning the risk that a plate crashes to the floor continues to rise. The Senior Management is often unaware of this situation, as talks between it and the IT department normally focus only on questions of resource management, or better said, on IT's constantly rising need for more resources and corresponding need for more money.

Sometimes when you attend a kick-off meeting for a growth project, you get the impression that the representatives of IT, if they were invited in the first place, are only there to voice complaints and turn down requests. While this is sometimes a question of individual personalities, it's more often due to the fact that, in their own considerations, IT representatives directly judge ideas and suggestions in terms of their feasibility and quickly reach the limit of what they can do with the resources available. Consequently, at many companies the IT department has rightly earned its reputation as a brake to growth. However, we need to differentiate between results and intentions.

If you really want your IT to be a motor for change processes instead of putting the brakes on them, make sure that your Head of IT is sufficiently familiar with your corporate strategy that he or she can correctly recognize which projects have what priorities. Don't let your IT degenerate into a lackey for other departments. At the same time, insist that your IT department sets its own priorities in a way that promotes growth instead of hampering it.

Radical measures to boost IT's performance can include e.g. outsourcing major aspects of its work. Even if not every Head of IT will be thrilled with this idea, and even if you'll find plenty of Heads of IT whose only goal is to prove that their outsourcing partner delivers inferior quality nonetheless growth-oriented Heads of IT will carefully consider whether it might not give their company a competitive edge if certain parts of IT were outsourced, allowing their department to focus on essential, strategic projects.

While working with a listed company, we saw that the Head of IT viewed the Managerial Board's plan to cut costs by several million Euros as a positive challenge, using it as an opportunity to make their entire department considerably leaner, a process that also involved the outsourcing of specific IT processes. Their actions paid off, as the remaining IT staff were able to concentrate on exciting, strategically and tactically relevant projects, while the majority of those who left the company found new positions with the outsourcing service providers; the company as a whole also significantly boosted its ability to flexibly respond to changing market conditions. My hat goes off to whoever hired the Head of IT, who instead of focusing on how many employees he led, how much memory his computers had, or what his department's budget was, placed greater value on how his efforts could promote corporate growth. With this example in mind, give your own IT department a chance to contribute by integrating them into your strategy.

Not only IT processes, but also logistics processes are closely tied to daily business. Regardless of whether intra-logistics processes, i.e., logistics processes within your company, or logistics processes between your company and its vendors and customers: Nothing short of perfection is expected, and the work involved in implementing a supposedly minor changes is rarely grasped by those not directly involved in logistics processes.

One might argue that Logistics, just like IT, is an internal service provider responsible for carrying out the tasks of its internal customers, and that said customers have no obligation to consider how Logistics does so, but this argument is lacking. Not only does Logistics have to deliver on the promises Sales makes on the market; those working in Logistics are also constantly called upon to provide a predefined service level as affordably as possible. This balancing act between rising service expectations and increasing cost pressures can only succeed if Logistics is properly embedded in the company's strategic considerations. If it is not, the department will do all it can to resist proposed changes, as it will see nothing more in them than a massive amount of additional work. The parallels to IT are unmistakable.

The chief brake to growth in Logistics doesn't actually come from the department itself, but from the department that is actually meant to ensure flourishing growth: from Sales. And strangely enough, this is often due to a desire to keep the customer satisfied. Special requests, special deals, and exceptions to the rule, if taken too far, effectively undermine a company's carefully defined standards. The exception becomes the rule, which is always dangerous if the company is not prepared to efficiently deal with that exception.

This shouldn't be misconstrued as a call for offering all customers an identical range of services and never accommodating exceptions; such a policy would not only be illusory for most companies, but also counterproductive. Instead, the point is that you define which standards apply for your value chain, which deviations from them create value, and which do not. A weak Sales department that desperately seeks to win every order it can, regardless of the internal processing and efficiency-related problems involved, can especially erode your Logistics department's contribution to growth. If the only focus is on getting new orders, and not on how profitable they are in light of the accompanying internal processes, your company's growth is on very unstable footing.

Those companies at which Logistics and Sales are in close contact, and at which productive dialogues are pursued with regard to what degree of individualization / standardization the company is willing and able to provide are miles ahead of those companies that refrain from such dialogues. If this insight seems like a platitude, the question remains why such dialogues have not established themselves as standard practice at more companies. Are they considered to be an overly tiresome examination of the details involved in fostering growth?

Especially in trading companies, the question often arises as to whether or not logistics processes are core processes, i.e., whether they belong to the company's core competencies, or whether they could instead be outsourced. Subjectively speaking, every company has to find its own answer. Objectively speaking, especially in retail the status of Logistics in terms of its classification as belonging to the core competencies or marginal services is often blown out of proportion. Needless to say, the results of Logistics processes are extremely important: In the retail industry the stores need to receive the right products in the right quality and at the right time, but this does not satisfactorily answer the question of core competencies. In my opinion, it makes no difference whatsoever who actually provides logistics processes for retailers; what matters is that the definition of those processes' results remains within the company, and that the stores are able to present the defined range of products and/or services to their end customers.

In the course of a consulting project for a retail chain with a few hundred stores, our job was to determine how viable the outsourcing of logistics processes would be from the perspective of costs and service. The company was integrated in a corporate group structure, and as the group's smallest company, it led a fairly shadowy existence. For the parent company, its subsidiary's participation in the overall logistics was convenient in that it helped to better distribute logistics costs. But our client company itself did not fare well under this arrangement: Because other parts of the corporate group were far more important in terms of their profits and market position, its logistics needs had very low priority.

This situation was a major brake to growth for our client company, and it soon became clear that outsourcing logistics processes would not only mean cost savings in comparison to the internal services, but would also entail considerably service advantages on the market.

Despite the convincing figures and despite the quality-related arguments that both we and the Management of our client put forward, a heated discussion ensued as to whether, and if so, to what extent, the corporate group's logistics processes belonged to its core competencies. It took a number of informal talks, debates and presentations to finally convince the heads of the group to take a chance and let their "child" stand on its own two feet in terms of logistics. Despite a few initial hiccups with the external logistics provider selected, the choice proved to be the right one, from both cost-related and service perspectives.

Logistics enjoys a completely different status in the eyes of wholesalers. As logistics platforms in their own right, wholesalers are one of the few forms of companies that can rightly claim they are better off treating logistics as one of their core competencies and working to expand on it. While logistics services alone aren't enough to guarantee the success of a wholesaler, they are indispensable to justifying its role as an intermediary. In this regard, the individual processes and departments often become interlinked. For example, we worked together on a joint project with the Senior Management and other experts from a listed wholesaler to ensure that its cross-departmental logistics system and processes became the benchmark for its industry, which garnered it both the German Logistics Association's German Logistics Award and the European Logistics Association's European Logistics Award within the same year—the first time any company had ever won both at the same time.

Many labor under the misapprehension that you can't outsource logistics processes if you advertise them as part of your core competencies —a false assumption, because when companies go to the trouble of defining their logistics processes in detail, they very often find at least partial processes that it would be worthwhile to outsource. In fact, it is often possible to outsource major sections of logistics while retaining it as a core competency; this is because the fulfillment of the service does not affect the conceptual work involved in planning, including the definition of the process results.

Whether or not you define logistics as a core process and the related services as part of your core competencies: Make sure that the dialogue on your company's core competencies is pursued on the basis of facts and not emotions. All too often, those in charge of logistics define themselves in terms of commercial factors like the amount of warehouse space they're responsible for, the number of trucks, or the size of their department's budget. But none of these is important when the question of what the Logistics department contributes to your company's growth is up for debate. Then all that counts are the cold, hard facts.

It's crucial that the criteria used to assess the support departments are congruent with those used for your company's overall goals. This is especially true for Logistics, which has a major influence on a company's operational performance. The following example helps to show what the consequences can be when Logistics is evaluated according to separate criteria:

One of our client companies had recently hired a new Head of Logistics, one of whose first duties was to renegotiate the contracts with the logistics service providers for procurement processes. The new Head of Logistics was used to working in centralized structures and apparently wanted to make a strong first impression at his new company. He informed his colleagues that he planned to immediately terminate all short-term contracts with the external logistics service providers with due notice, that he wanted to discontinue the policy of agreeing on fixed freight volumes with the transporters, to also terminate the long-term contract with the company's largest logistics service provider, and to completely shift the risk associated with fluctuating fuel prices to the service providers, all of which was intended to put the company in a much stronger position for the new negotiations.

All of this took place in a business setting that had up to that point been built on partnership, reliability, consistency, shared problem solving and long-term business relationships. The company, which set the standard in its industry for speed and cutting-edge products, as well as for its commercial profitability, had done extremely well for itself with long-term business relationships that—though of course cost-oriented—allowed a bit of leeway, the idea being that it was fine to occasionally pay a bit more than the absolute lowest bidder if it meant maintaining these relationships. But thanks to the new Head of Logistics' plans, this corporate culture was now shaken to its core. Not only did its service providers either voiced massive protest or simply turned their attention to other clients, the new Head of Logistics also encountered considerable resistance within his own company. Purchasing, the department that stood to be most affected by the proposed renegotiations, had been neither consulted nor involved in any of Logistics' planning and was now up in arm about the changes. This was bound to happen, given the tight schedule planned for procurement processes.

My question as to what advantages the new contracts would mean for the service providers in the sense of a win-win-win scenario remained unanswered. Of course it did, being a rhetorical question with no satisfactory answer. Either the service providers would agree to the new, unfavorable conditions, and would make their better-paying customers their priority if any trouble came up; or they would simply quit working with the company, which would also have fatal consequences for Purchasing.

This example shows what can happen when different departments use isolated criteria for measuring success, which they then work to optimize. Part of the Senior Management had communicated to Logistics that it should reduce costs in order to improve the EBITDA. However, no one involved took the time and effort to consider the entire process chain, or whether reducing costs as planned might mean disadvantages for neighboring departments. The internal resistance within the company ultimately mounted to the point that the Head of Logistics' radical plans had to modified extensively. Nevertheless, the announcement of his plans alone had already considerably tarnished the company's image, both internally and externally.

The relevance of IT and Logistics/Operations as potential brakes to growth can also be seen in the number of projects that focus on how these departments can better cooperate, and can be better linked to Sales. We've accompanied many of these projects, and no matter how varied they were, what they all had in common was that none of the participants had any inkling of the scope of non-cooperation and non-coordination that became apparent during the projects—not to mention the consequences. The managers involved were consistently surprised to see how much potential was wasted in the course of day-to-day work.

If you have to look for the enemy among your own ranks, it's high time to take action. How closely are your Logistics processes, IT projects and Sales linked with one another and your corporate strategy?

7.3 Finances, Controlling, Accounting and Internal Auditing: Don't Ask for Changes

Very often, the Finances, Controlling, Accounting, and Internal Auditing departments are only integrated into growth programs late in the game. Though this is done intentionally, because their tenacious resistance to internal innovations has often rightfully earned them an image as brakes to change, many companies could benefit from putting these departments' know-how to better use. After all, our goal is not only to spark change, but to also be able to measure the results—whether positive or negative. To do so, we need people who know the company's performance figures inside and out—and of course people interested in innovation.

Many companies (unfortunately) use the following rule of thumb: Only include the finance-oriented departments in your strategic planning as late as possible, and when you do, keep them on a short leash with no leeway. Needless to say, this is a very cynical stance. But experience shows that the finance-oriented departments are often so trapped in their own retrospective standpoint that their employees, and even leading members of staff, are hard pressed to break out of their routine patterns and to even contemplate radical solutions like a new corporate strategy or growth program. As such, in most cases decision-makers truly are well advised to involve these departments as late as possible.

And yet, for most companies things don't have to be this way. The accuracy of the majority of the company's number crunchers could instead be used to put growth programs to the test, and to ensure that the progress made in strategic initiatives is precisely measured, both quantitatively and qualitatively. Unfortunately, many finance-oriented departments only know how to look backwards and assess what has already happened, because that is all they are allowed to do—with the exception of planning processes, which are at times little more effective than consulting a crystal ball. However, if we want to actively involve these departments in strategic considerations, the Senior Management will have to find a new approach to working with them.

7.3.1 Internal Auditing: With Club in Hand

The Internal Auditing (IA) department is especially important, as its role is not limited to financial considerations alone. In those companies that have their own IA department, it is often dreaded as a club wielded by the Senior Management. When IA starts taking a closer look at certain procedures, auditing the processes used at regional distribution centers, branch offices and outlets, and checking compliance with the company's quality management system, word spreads like wildfire. And of course it's no coincidence that the IA department has this reputation; it is because in the past many such departments were led by members of staff who lacked strong leadership skills, but enjoyed the power given to them by the Senior Management: a wonderful playground for those who don't know how to use power responsibly, and a major threat to the corporate culture. At many companies, we've heard words to the effect of, "When Auditing comes knocking, resistance is futile."

Thankfully the number of IA departments run in keeping with this old pattern is dwindling, and a more modern style of cooperation is becoming increasingly common. The initial response is one of pleasant shock when the Head of Internal Auditing is suddenly focused on cooperation and see themselves as an internal service provider and advisor who wants to work together with their team to not only help ensure business processes run correctly in the formal sense, but are also effective and efficient in terms of their profitability and compliance with the goals of the corporate strategy. An IA department that sees itself in a supportive role can be a powerful boost in the implementation of new strategic initiatives and especially that of growth programs, as its close ties to the Senior Management normally provide it with extensive knowledge of projects and broader connections at the corporate level. At the same time, the employees of Internal Auditing often have a fairly good understanding of your company's various business processes, knowledge that is rarely put to good use.

7.3.2 Finances and Accounting: Often Underestimated

The potential contribution that Finances and Accounting can make to growth is also frequently underestimated. The fact that these departments generally aren't the first ones we think about in connection with driving change shouldn't blind us from seeing that they also possess a great deal of know-how on business processes; after all, every process is also recorded in their calculations. Ideally, Finances and Accounting can offer outstanding support when it comes down to checking how plans that make good business sense can also be presented with convincing numbers, so that the implementation of business processes can ultimately be accomplished faster than it could if the two departments were only involved once those processes had already been implemented.

Of course, this can only work under two conditions: First, you need to have employees in your Finances and Accounting departments who are not strictly focused on number crunching, but instead are willing and able to also work with uncertain, not directly tangible, and qualitative aspects; and secondly, your Senior Management must also allow the two departments to expand from retrospective analysis to contribute its expertise in the considerations for new growth initiatives. We don't always find both in the same company.

7.3.3 Controlling: The Final Frontier

The extremes we've seen in different Controlling departments in terms of their expertise and commitment, their access to and mastery of essential instruments and methods, and in terms of the personalities involved are practically indescribable. From the young and dynamic controller who wants to commit her skills and experience for the good of the company and is a great help in providing the company's the basis of numbers and methods they need in order to determine if their plans can also be presented as something profitable, to the egocentric, introverted and power-oriented Head of Controlling, who always knows better than the operative departments (or at least thinks he does): We've seen them all. Over the course of my career, there's hardly been another department where I've seen such a broad range of personality types.

At many companies, the image of the Controlling department is poor to say the least. All too often, we see the same behavior as in poorly led Internal Auditing departments. As a center of power, Controlling normally has very close ties to the Senior Management, and especially the Head of Controlling has more information at their disposal than nearly any other department. M&A projects, loan negotiations, the annual fiscal year planning, and information gleaned from the bundling of data from the operative systems: All of it makes its way to Controlling. This unique status may help to explain why some Heads of Controlling become egomaniacal, as is reflected in their conduct and tone towards their colleagues, though it does nothing to excuse it.

Fortunately there are also many Heads of Controlling who do their utmost to support their company and its operative departments, to process the flood of incoming data into usable information, and to distill that information into useful knowledge of the business system. There especially needs to be a well-coordinated cooperation between the Heads of Sales and Controlling so that the former can profit from an information edge on the competition. In the end, having the right information can make or break a sales initiative.

A good controller does not simply see him- or herself as a service provider, having recognized with a certain degree of humility that their function is only justified by the operative departments; they are also capable of dispassionately assessing situations without immediately moving to the problem-solving stage. In short, they can separate the "what" from the "how." In numerous projects we have worked with Controlling employees and Heads of Controlling who helped to move projects forward by first discussing the matter at hand with the operative departments before they turned to a consideration of how it could be presented in keeping with sensible controlling. This expertise is what separates the men from the boys.

When talking about Controlling, we should also bear in mind the different facets it can have in a company. It's truly remarkable how many variants ending in "Controlling" have been created over the years. Companies now have Sales Controlling, Marketing Controlling, PR Controlling, Quality Controlling, Brand Controlling, Department Controlling, Logistics Controlling, Claims Controlling, and Central or Corporate Controlling—just to name a few.

In Controlling, the line between being a brake to growth and being a growth driver is especially thin. If Controlling consistently focuses on the most important figures, which are agreed upon with the operative departments and have been proven to be decisive in assessing the successful development of a department or division; and if it can quickly produce clear and reliable figures, it can mean a true competitive edge for a company. If however the desire to portray every aspect using figures is taken to the extreme, which can often be seen in the form of complex and complicated controlling systems that slowly but surely grow out of control and predominantly exist for their own sake; and if this problem is then worsened by departments creating their own Controlling units that use their own figures because they don't trust those produced by Central Controlling, then by the review stage or in planning meetings at the latest, it equates to slamming on the brakes.

Interestingly enough, the formation of autonomous Controlling units is a development that can increasingly be seen in companies characterized by dynamic growth. Driven by a desire for more independence and frustrated by Central Controlling's at times lengthy processes, departments create their own Controlling units, which are tasked with preparing the specific figures and developing the specific instruments needed by the respective department. The risk involved, however, consists not only of the additional manpower and resources that now have to be paid for; the far greater risk is that different figures will be found for the same criteria, or that a department will suddenly base all of its plans on the figures produced by its own Controlling unit without consulting anyone else. As a result, the department in question will have to discuss and compare their figures with the Senior Management, because now the two are comparing apples and oranges.

Never allow separate Controlling units that use different figures than the centrally authorized performance figures to be formed, no matter how small; the risk of different truths arising with regard to key figures is a serious one. Make sure your company uses a seal of quality for those figures that are essential to shaping operative business and to supporting decisions made in operative departments. Correctly understood, Controlling is not a department that only looks in the rearview mirror; if structured properly, it also ensures that the rearview mirror doesn't get in the way of looking out the windshield.[1]

In terms of integrating all finance-oriented departments into growth-related and general change processes, looking ahead is always more important than looking behind. If the finance experts at your company have grasped this, you've made a

[1] This is an analogy my Canadian friend and colleague Phil Symchych, President of Symco and Co., often uses.

great stride forward. In the future, only hire employees for your financial departments who—while possessing the necessary degree of precision and affinity for numbers—share your forward-thinking perspective.

We're not quite through with the brakes to growth hidden in the support departments. On the contrary, now we're really getting warmed up. . .

7.4 Human Resources—Does It Deserve the Name?

If you think Controlling requires special attention in order for a company to consistently focus on growth, you can be sure we need to be extra-careful when it comes to Human Resources so as to make sure the so-called personnel experts don't slam on the brakes.

If you can only streamline the performance of one support department, be sure to take a closer look at Human Resources. At many of the companies we've worked with, Human Resources is the most degenerate department. Or, in more objective terms, it is the department that fits least with what we consider to make up a high-performance, growth-oriented department, and the one that least delivers what it promises: a true Human Resources unit. Many departments simply have no business using the title "Human Resources."

The true personnel development needed to consistently prepare a company for growth is far too rarely found. Many Human Resources departments have over time degenerated into little more than seminar coordinators and have accepted their fate to consist in waiting on new assignments from the Senior Management—which in some cases is likely also the product of their own lethargy. These assignments may on the one hand concern the search for new staff; on the other, they may involve identifying how many employees in which positions should be fired, and supporting the corresponding termination processes. At the same time, Human Resources is often called upon to uphold new legal standards and to work with IT to develop the systems needed for their integration. Needless to say, the department is expected to ensure all wages and salaries, including the deductions for Social Security, the company's retirement plan, etc. are prepared and paid punctually, reliably and correctly. From time to time, the idea of a new pay scales system is kicked around. And last but not least, considering how much time is spent talking about it: the policy for company cars.

Where is the personnel development? At a glance, it's nowhere to be seen. Sometimes a jolt will go through a company, or more of "mini-jolt" that—for whatever reason—is intended to actually spark some degree of personnel development. Suddenly there's a blur of activity. English courses are booked, seminars on proper conduct are attended, presentation skills are taught, rhetoric courses are offered, and Human Resources is hectically abuzz collecting estimates from external trainers, comparing prices, and negotiating—sometimes with the help of Purchasing—, guiding employees through the seminars, finding alternative dates, and finally reporting proudly to the Senior Management how many employees took part, and how much under-budget this could all be accomplished thanks to the lower prices they negotiated. Finished!

Then nothing else happens. For a long, long time. Once more it becomes clear that the seminars were just a one-hit wonder, not the start of a long-term development process. No one checks to see what the participants learned, and day-to-day business overrides the good intentions they took away from the seminars. No opportunities are presented to even begin to apply what they were taught, and no one seems interested in assessing how successful the seminars actually were, this task being summarily reduced to the distribution of evaluation sheets—or “smile sheets,” as they’re often called—to the participants. Human Resources then collects the results, and the assumption is that the more positive responses a trainer gets, the better suited they are to the company. This is a serious error, as good trainers don’t worry about the evaluation sheets; their focus is on what they can and should accomplish for the company. A seminar is not a meet-and-greet or a feel-good session; it should always teach participants something that they can later translate into concrete results. As such, the content conveyed may very well seem complicated, or at least complex, to the participants; it may not inspire them to shout “hurray!” Then again, a euphoric response has never been a good criterion for judging the quality of a seminar. Good trainers aren’t afraid to pay less attention to the evaluation points they’ll receive and more to how the participants can use what they’ve learned in their day-to-day work. Unfortunately, most Human Resources departments aren’t interested in this aspect, as doing so would also mean addressing details and actually evaluating what is learned. Thank God for the smile sheet.

Human Resources departments especially become seminar coordinators when their company has or introduces a quality management (QM) system. QM systems require companies to offer regular trainings, and to precisely document both their planning and execution. With all due respect to the need for trainings, including the need for their planning to be conducted in a timely manner; while recognizing and respecting the effective elements of QM systems; and with apologies to those Heads of Human Resources who truly take their jobs seriously: Most of the Human Resources departments we’ve dealt with reduced the training process to pure administration. Especially when the date of the next QM audit is drawing near, many Human Resources departments frantically scramble to check over the training plans and documentation. In the process, these plans are often “retroactively forecasted,” which of course wholly undermines their original purpose. The obligation to provide continuing training is sometimes taken to outrageous extremes.

Another variant of Human Resources departments that can often be seen is that of the pure payroll department. These departments consider their duties to chiefly consist in always delivering perfect invoices for earned wages and salaries with deductions, in administering company retirement plans, etc. The processes involved are then optimized and fine-tuned to the point where errors occur only rarely. While in and of itself this is admirable performance, a Human Resources department that only sees itself as a Human Resources Payroll department has of course set its sights far too low. Producing correct payrolls should be self-explanatory; it is only a minimum requirement placed on the Human Resources department to contribute to a cleanly running company, but does nothing to either drive growth or create value. Lastly, these departments would do well to consider that payroll is a task perfectly suited to outsourcing. As such, those Human Resources departments that overly focus on perfect payroll work and develop no other prospects could find themselves out of a job.

Some Heads of Human Resources concentrate instead on they and their staff being the ultimate experts on labor law. It's certainly advantageous to know your way around labor law and its various facets, especially if related questions often arise between the company and individual employees. On the other hand, there are outstanding lawyers specialized in labor law, who can offer you their expertise and the latest rulings for a reasonable fee. As such, the Human Resources department should possess a solid working knowledge of labor law; in cases where absolute legal certainty is called for, the services of an expert should be engaged. The truly dangerous scenario in this regard is when Heads of Human Resources claim to be experts on labor law, but have no real basis for that claim. If no one sees through them, it can mean painful consequences for their company—both financially and in terms of its image.

The CEO of a major German company once assigned us the task of reorganizing his company's Human Resources department. The Head of Human Resources, a highly active but equally chaotic "full-blood HR man," prided himself on the fact that he drove 90,000 miles a year on company business, that he had nodded off a time or two behind the wheel, and had even ended up in the ditch. Thankfully, he claimed, he drove a Mercedes, so he hadn't been hurt. Aside from the fact that I wasn't remotely interested in hearing these stories, they showed the beginnings of a pattern: We later determined that the Head of Human Resources had (in the truest sense) left the rest of his department far behind, because he always worked on his own and found fulfillment in solving complicated legal questions. No one else could keep up with him, because none of them shared the same (admittedly impressive) level of expertise. As the company did not want to do away with the Head of Human Resources for the time being, we developed processes that allowed the individual sub-fields in the Human Resources department to expand; ensured that the employees assumed responsibility for the business processes they worked on; and introduced a policy that required the Head of the department to meet and exchange information with his staff on a regular basis, all of which served to equip the department to also be effective independent of its Head. A few years later, the company dismissed the Head of Human Resources in question.

Some Human Resources departments are dominated by the same type of power mentality found in the worst Controlling departments—which is not surprising when you consider that the information on every single working relationship flows together in the Human Resources department. It deals with highly confidential information, and not every Head of Human Resources can responsibly use the power given them. Further, a type of "absentee landlord" mentality can be seen in some Human Resources departments: They are all too glad to make administrative decisions, but assume no operative responsibilities. Of course, individual personalities greatly influence this type of behavior; nonetheless, we have encountered it especially often in Human Resources departments.

What can you do to release the brakes in your Human Resources department that are keeping your company from growing? First of all, you need employees—and this certainly includes the Head of the department—who have recognized that the key contribution to growth that their department can and must make, consists in closely examining the various functions and positions in the company in terms of how they support growth; in finding the right talents for these positions and functions; and in working to further develop those talents so that they can be best put to use, guaranteeing their company's continued positive development. In short: Above all, the Human Resources department must find the best people and move them to invest themselves in the company and its success. It goes without saying that this can only succeed with the help of dialogues with the operative departments.

Make it your goal to intensify the dialogues between the operative departments and those responsible for Human Resources. Instead of allowing the Human Resources department to float about your company like a satellite, anchor it in the operative departments' value-creating and administrative processes. Instead of creating job descriptions with endless lists of requirements no one can completely satisfy to fit ideal employees you'll never find, call upon your Human Resources department to intensively concern itself with both all open positions and all filled ones by using suitable methods to create precise and realistic requirements profiles, and to work together with the operative departments to define the personal and professional training measures needed for each position and function.

Have your Human Resources department work together with the operative departments to ensure that succession regulations are in place for key positions well in advance, so as to avoid being caught flat-footed when, as a result of age or due to fluctuation, several key positions open up in a short time. Do not free Human Resources of its role as an internal service provider for the Senior Management and operative departments. At the same time, boost awareness of Human Resources' contribution to value creation in the operative departments, where it normally enjoys a dubious reputation. Establish regular dialogues between Human Resources and the individual operative departments so as to orient its focus on what matters most: people. Only then will Human Resources have truly earned its name.

Here we should also briefly discuss the organizational integration of the Human Resources department, as there are countless companies at which it is not closely tied to the Senior Management or the CEO. But that is precisely where it should be. Personnel is not an aspect that can be attended to by just any member of the Senior Management who takes a notion, because matters concerning personnel need to be assessed from a company-wide perspective. Accordingly, if your Human Resources department is eking out a shadowy existence under some member of the Senior Management, see to it that this changes.

Especially larger companies often have a dedicated Chief Human Resources Officer (CHRO). This organizational classification is understandable, as at some major companies dealing with personnel issues is a full-time job, even at the level of the Managerial Board. Nevertheless here, too, sufficient time must be found for dialogues between the CHRO and the CEO on strategic and tactical personnel measures so as to ensure that said measures are oriented on the company's plans for growth. At most companies, however, there is no need to create a CHRO.

7.5 Staff Departments and the Problem of Vacuum

In closing this chapter, we should also take a look at the staff departments, even if they largely apply only for major companies. These departments can be both a blessing and a curse. Used correctly, staff departments can use their cross-linking function highly effectively. By the same token, staff departments lacking orientation can become a real nuisance. Two examples may help to clarify the difference:

With the best intentions, one of our client companies created a staff department to provide its operative departments with methodological support in connection with project management and project design work. The staff department had direct ties to the CEO, sending a clear message: Projects were to be carried out in a standardized manner, and those in charge were not to waste time looking for the right methods but should instead be freed up to focus on those aspects most relevant to their own expertise, whether in the planning of new projects or in the creation of new business processes. The internal methods consultants were to accelerate both the successful completion of projects and the implementation of processes. At the same time, they were responsible for ensuring that consistent standards were upheld throughout the company.

Unfortunately, the essentially good idea only sporadically yielded positive results. Though the head of the staff department was extremely committed and his employees were just as hard-working, they created far more problems than they solved. When the Senior Management asked for concrete results and suggestions for how to move forward with complicated projects, the responses predominantly consisted in explanations for why this or that project was behind schedule, or why certain processes still hadn't been introduced. In fact, the head of the department was the worst when it came to making excuses and hiding behind vague statements. It would seem that whoever hired him never bothered to determine whether his conceptual skills were matched by an orientation on results. This is yet another example of how important it is to work closely with Human Resources—assuming it's actually doing its job. In any case, in our example the staff department did nothing to move the company forward, becoming a sizeable brake instead, even if—or perhaps precisely because—the head of the department insisted on being part of nearly every project. Ultimately, the Senior Management reduced the department to working on a strictly project-oriented basis, and ensured that the head of the department actually lived up to his responsibilities and delivered results. Though this shorter leash did succeed in improving the department's effectiveness, the additional management work it entailed was hardly in keeping with the original idea: a largely independent unit to boost speed and be a driver for growth.

Another client company had so radically restructured its traditional Internal Auditing department that it now served as a staff department responsible for the monitoring and control of the company-wide portfolio of key projects. The head of the department took his job seriously and saw himself not only as an administrator of information, but also and much more as a provider of methodological support for the company's project heads, who were in charge of the key projects. In an intensive dialogue with the project heads, he collected all of the relevant information on the key projects and successfully anticipated bottlenecks well in advance, helping the company to avoid many hazards without the need for emergency maneuvers. He located resource bottlenecks and made the Senior Management aware of the need to make certain decisions, as only a limited amount of the company's resources could be invested in the respective projects. Consequently, he not only helped to more quickly and smoothly lead the company-wide key projects to their successful culmination; because of the resources now freed up, the company was now able to engage in new initiatives sooner than planned, giving it a major head start on the competition.

Even though the situation was similar in both examples—the staff department was meant to provide methodological support for the operative departments—, the results could hardly have been more different. This was due in part to the clarity of the department's duties, and in part to the personalities of the respective department heads, the first working very irresponsibly and the second working in a highly results-oriented way. Further, the two staff departments received differing amounts of attention from the Senior Management. Whereas in the first case the Senior Management put blind faith in the department head to deliver good work, in the second case it invested a great deal of time in working together with the department head to clarify just what was expected of him. The Senior Management also took the time to define the basic methodologies used with the experts, and required the staff department to submit progress reports on a regular basis. In response to the unsatisfactory results produced by the staff department, in the first case the Senior Management responded by considerably tightening its control, leading it in a results-based manner.

Staff departments behave in the same way as noble gases in vacuum: If nothing is done to keep them in check, they simply continue to expand. If your company has staff departments, don't give them carte blanche to do as they please; following an intensive dialogue to define their function and goals, continue to use a tight leadership approach. Only then can you expect them to truly support your company's growth. Project offices; process, corporate and business development departments; and internal consulting departments: They all need clear leadership, clear objectives, and clear criteria for measuring their progress. In this regard, they are no different from "normal" departments.

Do your support departments drive growth, or do they slow it down? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 7."

8 A Good Product Isn't Enough: You Need a Growth Process

Growth is not achieved through a one-time feat; it is the result of shared growth-oriented attitudes and patterns of conduct. Viewing growth as a project is just as counterproductive as assuming that a good product range alone is enough to secure your company's future. What you need is a process that permeates your entire company to promote growth. This primarily consists in finding a suitable methodology, working together in a well-structured way, and actively listening.

8.1 Products and Services: How Can You be Sure They're Up-To-Date?

At your company, what guarantees that your range of products and services is discussed on a regular basis? Does it tend to happen by chance and in connection with certain situations, or is a process in place to ensure that you and your experts are constantly informed on the acceptance, profitability, future prospects and value propositions of your products and services?

Major changes to portfolios are often motivated by an external event. A competitor has a good idea, they bring it to market, and everyone is amazed at how quickly the market accepts it. There's suddenly a flurry of activity at your company, and everyone is focused on finding something to balance out the new product. Should we drop our prices, start a major marketing campaign, or use new sales approaches? At some point the suggestion is made to adjust the company's current portfolio, and much later the question is raised as to whether it might be wise to counter your competitor's new service with a new service of your own. The only catch: New developments cost money and above all time, and the other company will use that time to defend and expand on its new market share.

Some companies do quite well by initially just sitting back and letting the competition explore new fields, using the time to observe them and determine whether said field could also be a profitable segment for them as well. Not every company can be an innovation leader, nor should every company be one. Nevertheless, a systematic approach is needed in order to recognize trends in your market

G. Quelle, *Profitable Growth*, Management for Professionals,
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segment, to sound out that segment, and to jointly decide whether a trend is worth pursuing, what its likely outcomes will be, and how your company wants to respond to it.

That being said, not every company has to employ so-called "trend scouts," as is common practice at many trendsetter companies. Fashion companies, for example, very often have their own trend scouts; these scouts are active in a specific market segment they know well, are in a constant and direct dialogue with the company's target group, and accordingly can quickly recognize promising business options when they see them. Given the fact that these scouts come from the very target groups they monitor and aren't "foreign bodies," the barriers between your new product and your target group can be minimized from the outset.

But even if not every company needs a trend scout, a dialogue with its target group is a "must" for all. Actually it should be seen less as an obligation and more as an opportunity, as your target group is ultimately responsible for your company's prosperous growth. Yet such dialogues are still massively neglected, despite the fact that no one would seriously dispute the fact that nearly every company has come up with outstanding ideas and attractive products after discussions with their customers. The point is not that every idea from your target group will result in a lucrative product, but that *any* ideas at all from its target group reach your company, partly to protect it from the accusation of being (especially as it grows) nothing but an ivory tower, cut off from its customers. Unfortunately, many companies claim that day-to-day business gets in the way of pursuing these dialogues. Further, making several half-hearted attempts at talking with your customers is hardly as effective as maintaining consistent dialogues.

Whether you use focused and well-designed customer questionnaires at trade fairs, congresses or on the street that are also correctly interpreted and followed up on, effective on-site market research that includes monitoring customer behavior at the POS, arranging customer events to test new product ideas, or creating a customer advisory board: There are effectively limitless opportunities to better understand the needs of your target group through direct contact, and even if you only have limited resources, there is one thing you can always do to better reach your target group: A written customer survey is the least a company can do to involve its own customers in its growth process, even if this option produces a higher ratio of errors than does direct contact.

Once you have recognized the importance of a dialogue with your target group—or potential target group—, the logical next step is to take a look at the other side of the value chain if you want to better understand the market: After all, the competition also needs to be kept in mind. The need to observe competitors varies from company to company, but even the most innovative companies can't afford to wholly ignore them.

Some of our client companies bring new, theme-based and seasonal product collections to market every month; and thanks to intensive trend research, their products generally enjoy very high acceptance among their target groups. In this context, trend research on the market is far more important than is research on the competition. Further, making innovations more often gives you more room for error. A company that has twelve chances a year to win over new customers with a new series of products, and can benefit both from offering variations on already successful products and from the experience gained in the past, can more readily take it in stride if one or two elements from the latest collection don't quite fit its customer's tastes. Though it's not very much fun, it's still far less dramatic than when all your hopes are pinned on a single new product. Companies that renew their product range so frequently generally invest less time in research on their competitors.

Most companies, however, need to take the occasional look at what the competition is up to, so as to be sure someone else hasn't already done just what they plan to, or that two products or campaigns would collide. To clarify: Here we're only talking about your most relevant competitors, not just any competitor at all. As a rule, the relevant competition consists of a small group of rival companies in your segment whose core competencies are very similar to yours. Not every company looking to get a little piece of the pie is a relevant competitor. When monitoring the competition, you should firstly only look within your own league and secondly stay realistic. No matter how intensively you focus on your competitors, you still won't be able to completely understand their actions; and if you manage to acquire internal information, it is usually in the form of tidbits and snapshots, not enough to unravel their strategic processes. Remember that a little knowledge (and the false sense of certainty it creates) is a very dangerous thing.

In the course of working on sales projects with various companies engaged in B2B, we also developed an extremely effective system for monitoring competition. The principle is based on combining a regional approach and a "mentor" concept. Generally speaking, we need to differentiate between two types of relevant competitors: those who seek to blanket the entire market, and regional top dogs. Working together with Sales, we first defined "mentors" for the first group of competitors. All information available on a specific blanket-approach competitor was first sent to the respective mentor, who then processed it and shared it with others. As a rule, this will need to be done for a handful of companies for each industry and segment. Insofar as the regional competitors are concerned, the external Sales staff for the respective region was responsible for collecting and processing all information on the competitors in its area. Here, too, there are rarely more than five companies per region; in some cases, there are only one or two.

The most essential aspect in this type of competition monitoring is the structure established for how information is to be collected. We very much support the idea of Sales taking care of the data collection, even though it might make the (flimsy) argument that its staff was once again being forced to do administrative work instead of going out and making sales. Especially in order to boost the acceptance of a structured approach to competition monitoring, you need a simple structure that allows you to concentrate on the most essential factors. Just what exactly proves to be essential can be very company-specific. For some of our client companies, personnel changes are especially important, while others want consider the latest sales prices and discount charts to be essential information. Some want to be extremely well informed on which vendors their competitors work with, while others want information on the special deals offered to certain customers. Shareholder distributions, succession policies, and strategic plans: All of these can be relevant segments in competition monitoring.

What doesn't work, however, is trying to collect all available information on the competition. First of all there's no need to do so, secondly it's nearly impossible, and thirdly the chances of Sales agreeing to this type of competition monitoring are slim to none. As such, you need to take the time and effort to intensively consider which categories to focus on. Those companies that try to gather all the information there is on their competitors are unfocused and simply too lazy to use a structured approach. At the same time, those companies that work to establish a central database with complex access rights and analysis tools are often taking things too far.

That being said, it's important that the information gleaned from competition monitoring is centrally collected. Here, too, you can make the Sales department's job much easier by focusing the search on just a few keywords, or by having them dictate or phone in their findings. Regardless of how you choose to bundle the information, it needs to also be used and discussed: at meetings of the Managerial Board or Senior Management, in product development and at Sales meetings.

A further aspect of monitoring the competition consists in staying alert for potential new arrivals in your segment. This is more of a strategic assignment than it is operative, and should be part of every discussion on your market segment strategy. The question that needs to be answered is: "What companies currently offer types of core competencies that they could market in our segment, endangering our position?" Generally speaking, there's no real need to use a systematic approach here, because doing so tends to quickly produce assumptions, but simply discussing this question can open new horizons. By the way, in our experience these discussions often tend to focus on what expertise the company itself could market in other segments, and have successfully opened profitable new fields of activity.

Just as you diligently work to create new products and services, it is important that you also considering throwing outdated ones overboard. In doing so, your motto should be: "Better too early than too late." I can already hear the counterarguments: You can't take products or services off the market if they still sell. You can't just decide to stop making a product available to customers who want it and are willing to pay for it; you can't turn away business. But the truth is that you can. And you should.

If you have products or services that are no longer in demand, it's high time to cut them loose. Products and services that are still marginally profitable but won't fit in with your company's future plans should also be removed. Of course, this works on the assumption that you have given intensive thought to the future of the company. If we assume your company has finite resources and that subjectively there never seem to be enough to do more than what's absolutely essential, it becomes all the more important that the range of products and services your offer is both limited to a manageable size and clear to your customers. The goal is not to offer the whole range to every customer, nor to try to offer everything your customers want. The goal is to offer a palette that represents what they need and matches your strategy. Less is more.

How many of us have seen them: the endless price lists that nobody ever bothers to read through, least of all your customers? How many of us have taken part in the lengthy discussions of product or service committees, where whatever profitability the products might have had has long since been wiped out by the sheer length of discussions about them? And how many of us have at some point heard someone ask when the last time was that a service was offered and successfully brought to market? These are all indicators warning us that the portfolio urgently needs to be cleaned up if the company wants to continue to be a vital player on the market. And it is true regardless of whether your company manufactures serial products, creates individual solutions, sells products, services, or offers a mix of all of the above. Cleaning up your portfolio is a powerful way to show three things: that you constantly work to provide your customers with an up-to-date range of products and services, that you are interested in making it easier for your customers to clearly see what you offer, and that you have a clear strategy that determines your portfolio. And you and your customers profit from doing so.

Get rid of any articles that haven't been moving for over a year, and any products that haven't been requested in the same time. Do away with any offer that is not profitable—and don't get derailed by the assumption that keeping these profit killers can help you to sell other products and services. As a rule, when you hear this kind of argument, it means you have a weak Sales department. Don't throw out your priorities with the old products, though: Make sure that every product, article and services fits strategically. You can gain a good deal of attention on the market by showing your customers you're working to keep them satisfied, which also means recognizing what needs to go in order to make room for new products and services.

Imagine you have a normal-sized clothes closet. You keep buying new clothes, and eventually it gets too full. You now have to decide whether to put your new clothes someplace else, to buy a larger closet, to buy an additional one and find room for it, or to just sort out what's in your current closet to make room in it. Knowing when to let go is an art form.

Reviewing your range of services uses precisely the same options. Either you invest new resources so as to get your growing service range under control, or you streamline what's offered. Thinking that you can just "go with the flow" is often a mistaken and potentially dangerous assumption. Take time to review your range of services on a regular basis. This should be done at least once a year if you want to avoid looking like "Everything Inc.," i.e., like a company that offers a little bit of everything, to your customers, and instead want to present yourself as an attractive market partner. You'd think this would be self-explanatory, and most companies have any number of instruments to at least analyze how profitable products are and how often they're sold. The question then becomes why so few of those people responsible for their company's portfolio use top and flop lists, profit margin analyses, or tree charts for ROI, CFROI, ROIC, or CVA.

In order to keep your portfolio up to date, doing away with old products and services is of course only half the battle; you also need a well-structured system for introducing new ones. Innovation must be an ongoing process, regardless of whether you offer products or services. It's also worth bearing in mind that innovations don't necessarily have to focus on a product or service; process innovations that make it easier or faster to produce your current products or services are also relevant. For the sake of simplicity, however, we'll limit our discussion to innovations concerning products and services in the following.

8.2 The Process and the Hurdles

A good atmosphere of innovation is always flexible enough to accommodate spontaneous innovations that arise unplanned, are the product of new information, and in some cases have to be implemented outsides your standard procedures. But here we want to focus on the rule, not the exception, and as a rule most companies need a well-structured innovation process that helps them to spark innovations and transform them into market-ready solutions. There are a total of seven steps that need to be structured (Fig. 8.1).

- Recognizing a market need
- Validating the market need
- If the validation is positive: Starting a pilot phase
- Validating the pilot phase using real-world experience
- Starting serial production
- Market introduction and accompanying communications
- At the end of the product lifecycle: Removing it from the portfolio

Innovation isn't a magic trick; it is a concrete process designed to keep your product or service pipeline well-stocked.

Regardless of the type of innovation involved—creating new products or services, or updating current ones to better suite the market—, our consulting experience has revealed nine key hurdles that need to be overcome in order for innovation to succeed:

1. Unclear responsibilities
   Whenever innovations are planned, a number of employees are involved. Even if it is important to consider the expertise of various departments and to integrate them as much as possible, it is also essential that the responsibilities are clearly defined. It is e.g. imperative that there be one—and only one—person ultimately responsible for each innovation project. And the need for clear responsibilities applies not just to the leadership, but to all levels. In the course of this chapter, we will further discuss how a sample innovation project can be structured.

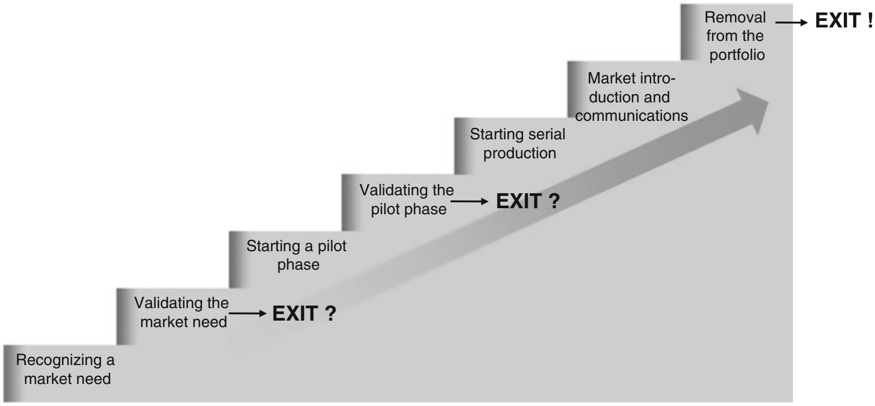

Fig. 8.1 Innovation steps that need to be structured

2. Double-work
   Especially in major companies or divisions, double-work is par for the course. Most often there is no ill will involved, though this can happen if one department wants to show another how to do a job the "right" way. But in most cases it is simply the result of unclear communications. Since time is the most precious resource any company has, measures to avoid double-work and parallel work are crucial. These can include e.g. interdepartmental reporting on innovations. Regular progress reports at internal meetings are a major help, as are processes for archiving and sharing current knowledge and expertise in a simple, structured form.
3. Lack of connection to the Senior Management and to the strategy
   Many seemingly good ideas fail because they don't fit into the current corporate landscape, or because the company's leading figures aren't involved until it's too late. When the Senior Management or division heads don't get involved in innovation projects, they are at risk of failing because broader interests weren't sufficiently taken into account. Accordingly any innovation that could change your company's portfolio needs to be discussed with the Senior Management or division heads to ensure that, if there are counter-arguments, they can be collected in advance, thus avoiding expensive "clean-up," whether conceptual or in terms of implementation.
4. Wishful thinking
   In some cases, desires are the progenitors of ideas. We see time and again that new products and services are created in response to the simple desire to finally be able to offer them. But if there is a lack of dependable starting information, such ventures usually end badly. Though we don't want to accuse anyone of intentionally failing to do their homework, in the majority of cases of "wishful thinking" it's not too far fetched to complain of negligence. If a company fails to provide the methods needed to create a basis of facts on which to make the decision for or against a certain innovation, it constitutes slight negligence. If such methods are available and well known but the company chooses not to use

them, we're talking about gross negligence. The result, however, is the same: yet another flop on the market.

5. No suitable measuring system
   Some innovations are doomed from the start because the company in question has no suitable measuring system with which to assess both progress in the innovation process, and later the success of the new product or service. What makes this even harder to comprehend is the fact that countless companies are investing in the creation of these measuring systems. However, there are few controllers who feel confident in measuring innovation; this is because not only the hard facts, but also qualitative information that often eludes objective measurement must be included.
6. Overly strict profitability policies
   Other innovations are subjected to such strict profitability standards that the hurdles they would have to overcome to satisfy them are simply too high. Of course innovations have to be profitable. But I would advise against setting such high standards at the outset that satisfying them hardly even seems imaginable.
7. Overshadowed by the daily grind
   Many innovation projects are launched with a great deal of enthusiasm: The team is highly motivated and is committed to seeing the innovation through. But the longer the development process goes on, the more pressing issues concerning day-to-day business become, while new projects are started and take away more of the team members' time and energy. The initial euphoria soon turns to frustration, especially if there are no visible successes and difficulties arise in the project's planning or execution.
8. Not knowing when to quit
   Some innovations should have never been brought to market, and that goes for products and services alike. We've all seen innovations where we had to stop and ask ourselves just what they were ever meant to be good for. Some of these flops are only on the market because it was simply too late to pull the plug: Especially if major investments have been made, once an innovation project has begun, it should never be called off prematurely. But recognizing the right time to call it quits is an art form in its own right. If you realize you've got an old nag on your hands, it's time to change horses.
9. Wasting time
   I can't emphasize it enough: Time is the most precious resource, which is why it is also and especially crucial that you avoid wasting time in innovation projects. This makes it all the more puzzling why so many companies seem determined to reinvent the wheel instead of putting the products and services they already have to optimal use. Here, too, we're not talking about a conscious choice, but negligence at most. In this regard, slight negligence is given if a company's employees have not been informed about the existence of information they have access to, or if the company fails to make this information available at all. If its

employees are aware of this resource and nonetheless choose not to use it (out of laziness or habit) to accelerate their projects, it constitutes gross negligence.

Many of the hurdles mentioned above can at least be mitigated using a suitable methodology. We'll most likely never succeed in avoiding them entirely, because innovation ultimately depends on people. Nevertheless we should examine this helpful methodology.

8.3 You Don't Need to Reinvent the Wheel

A major aid in efficiently performing recurring procedures, similar projects and processes is the idea of the blueprint. The relevant standard processes in your company—and they certainly include repeating projects like innovation projects—need to be standardized and documented if you want to ensure that time is used efficiently. Those who assume that their company has already embraced this philosophy and uses it as its standard policy are often in for a big surprise. Of course there are numerous companies that have standardized, documented processes for innovation projects, new branch office projects, market entry projects, etc. But most complain that either these standardized processes aren't used, or that they have processes that surely could be standardized but aren't. This is due in part to fears of overly strict standards creating an atmosphere of smothering control. However, in many cases it is due instead to a failure to suitably address the question of if, and if so, how a standard should be created for a given process. Creating standards also means investing additional time and energy, at least initially.

Those of you who have built your own house, or through your career have been involved in the construction of a new branch office, were surely astounded at some point by how often simple questions kept managing to reappear.

When my wife and I built our house, we sometimes got the feeling it was the first one that had ever been built. Standards were nowhere to be seen.

Retail chains likely have the most experience in opening new outlets; they normally have a huge number of them to manage and simply can't afford to start from scratch for each. These companies normally also have different standard processes to accommodate stores of different sizes.

What we're talking about here is knowledge management, though perhaps not in the conventional sense. Those who claim to be knowledge management experts normally try to structure and save every possible element of knowledge and expertise to be found at a company in some way, shape or form. Their efforts produce corporate wikis, precisely structured databases, seminars, training courses and projects, only to discover in the end that the voices of those employees who had justified or unjustified objections to using a knowledge database regrettably went unheard. If our goal is profitable growth, we can gladly do without this type of knowledge management. Useful and usable standards are not hidden in the depths of corporate databases; they are found in paper or electronic documents, and must be brief enough that your employees know them and can remember them in a pinch.

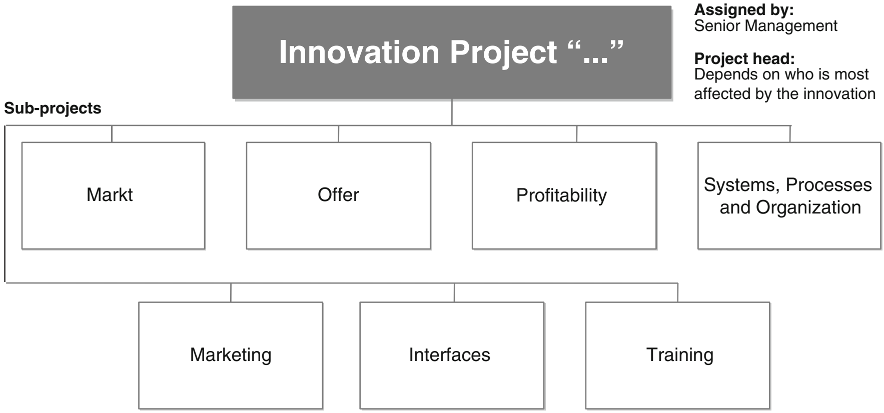

Fig. 8.2 Standard project plan "Innovation"

When discussing the blueprints used in innovation projects, our goal is to arrive at standardized project procedures. Project management is an excellent methodology for putting a company's available knowledge to best use, and also for preserving what we have learned. Unfortunately here, too, many take the process much too far, as the goal of project management is not academically correct processing and terminology; the goal is structured coexistence in the sense of pursuing a common goal. As such, we can comfortably ignore the majority of academic literature on project management.

If we understand a project to be a structured field of tasks that must be completed after a limited time defined from the outset, and which is intended to produce a result that was also defined from the start, we're getting much closer to the heart of the matter. Every project has a beginning and an end and produces a predefined result that can be qualitatively or quantitatively assessed. A project is most certainly not a process.

Especially when it comes to improving project plans that are to be used as blueprints for recurring situations, success factors and failure factors should be documented while the project is still running so that we'll ultimately know more than we did when we started. It's also important that the documentation of the (failure and) success factors not only covers the matter at hand, but also the duration of the project. This helps those who consult the standard project plan when they encounter a similar situation. Taking time during the project to record the lessons learned counteracts the very real risk that, once the project is over, such work will suddenly be seen as a burden and may very well never be done.

What does a blueprint, a standard for an innovation project, look like? If your company has no such standards, use the following example and adapt it to your individual needs. In our experience, this plan reflects the core of most innovation projects (Fig. 8.2).

As a rule, the person assigning an innovation project should be a member of the Senior Management or a division head. This helps to ensure that the project's application to the corporate strategy remains a priority. The choice of project head should be made on the basis of which area or division will be most affected by the innovation.

Specifically, we recommend the following sub-projects:

- Sub-project "Market"
  This sub-project delivers the entire basis for decision-making, including the relevant data from the market analysis and competition monitoring. Note, however, that this sub-project is not necessarily responsible for gathering completely new data, but much for more ensuring access is granted to the company's current data. This means not only gathering together the relevant information, but also analyzing it and providing transparent conclusions. In this sub-project trends from the target group on the product level, the competition level, and the market segment level should be discussed, just as the target group and its needs are to be communicated as precisely as possible.

  The sub-project "Market" is also responsible for organizing focus groups in order to validate the reaction to ideas, pilot products or services with the target group. This sub-project serves to point out both existing and potential barriers to the project team.

  In the context of this sub-project, it's especially important that it not be allowed to only focus on making data and information available; instead it should also be called upon to draw sound conclusions on the basis of that information. We can't emphasize this last point enough, as we have too often seen that, once the essential information has been gathered, all of a sudden no one feels responsible for deriving discussable conclusions from it.
- Sub-project "Offer"
  This sub-project covers all aspects of product development, including the design and other key facets of the product or service. The purpose of this sub-project is to translate the performance criteria determined in the sub-project "Market" into product or service specifics. Above all, the insights into the target group and its needs that were gained in the sub-project "Market" need to be processed here.

  What is not self-explanatory and therefore especially worth mentioning is that the price positioning for the new product or service also needs to be done in this sub-project. Above all, the price should not be calculated on the basis of cost aspects, but should be oriented on creating value.

  Price positioning is not normally part of the product development process. But, since innovation projects involve more than one department, the price is of course part of the offer. Though experts from different departments may well be involved, one result of this sub-project must be the definition of a price corridor, or ideally a concrete price.

  Another task involved in this sub-project is checking to see if any current modules could be used to implement the planned innovation. An implementation timeline that includes estimates for the best-case, average and worst-case scenarios must also be prepared.

- Sub-project "Profitability"
  As a rule, the sub-project "Profitability" needs to be limited to the confines of an innovation project; it's simply too tempting to explore the wealth of available options, perform profitability analyses, make plans, and introduce new systems and methods. What we concretely need to do here is to design a business plan that combines the information from the sub-projects "Market" and "Offer" and compares it with the investment needed. Whether this is directly followed by an ROI analysis or not depends on the dominant mentality at your company. Our recommendation is that you either conduct a rough ROI analysis or determine a budget and ensure it is kept to, without attempting to consider every last detail. Especially the latter approach is more business-oriented in nature and less controlling-oriented, which is why it is makes little sense to controllers. It is however highly pragmatic, and many mid-sized companies use it with regard to innovations. It also takes the pressure off an innovation to start paying for itself right from the start. Every farmer knows a cow needs grass before it makes milk.

  In the course of this sub-project, an assessment method must also be defined, and should be developed on the basis of the standard assessment methods used at your company. This method must be suitable for measuring the success of the innovation without any further changes. Here you should be careful not to misjudge an innovation from the outset because you expect it to be profitable too quickly. Many companies have chosen not to pursue promising innovations because they didn't seem likely to deliver sufficient profitability, only to later see one of their competitors enjoy major success because they had a similar idea and were willing to give it more time to develop. Accordingly, thinking in the long term should also be practiced in this sub-project.
- Sub-project "Systems, Processes and Organization"
  The focus of this sub-project is on checking whether the current systems, processes and organization can be used to suitably reflect new products or services. In doing so, it is essential that you start with the processes, as they define the "what," while organization and systems only describe the "how." If there is a need to make adjustments, it should be more precisely defined in this sub-project, which includes planning the measures needed to achieve the transfer from the current state to the future, desired state.

  The distribution and sales channels should also be checked for their compatibility with the new, planned portfolio. Further, you need to determine to what extent your company's current core competencies can be used to either create or introduce the innovation. Using the processes as a basis, you then need to define what the necessary level of organization looks like, and how cooperation can be managed.

  The results of this sub-project include a concept, a plan for its implementation, and the completed implementation of any process-related, system-oriented and organizational adjustments that prove necessary.
- Sub-project "Marketing"
  Those in charge of this sub-project are called upon to create preliminary concepts that will later become marketing concepts and accompanying

materials. This consists in defining the right messages to convey on the basis of the results from the sub-project "Market" and integrating the relevant aspects of the new service offer from the sub-project "Offer." Here both rational and emotional attributes should be taken into account, as especially the latter move consumers to choose a certain product or service.

Within the scope of this sub-project, the marketing goals must be developed and made measurable. Further, the new offer needs to be listed in the current product and price lists, and your company's sales partners need to at least be briefed if not informed in advance so that they will be prepared when the innovation is brought to market. Lastly, a network of disseminators and opinion leaders needs to be established, and a communication strategy coordinated with your corporate communications must be developed.

The sub-project "Marketing" should also create a rollout plan and should ensure that all relevant deadlines are met.

- Sub-project "Interfaces"
  Whether you decide to use a separate sub-project or whether all sub-projects attend to the interfaces is ultimately a question of taste. Our advice would be to bundle the examination of the interfaces in a separate sub-project so as to ensure that all relevant interfaces are truly monitored. Here the sub-project "Systems, Processes and Organization" can provide valuable support.

  Above all, the purpose of this sub-project is to identify all relevant function- or process-oriented interfaces that will be changed or otherwise affected by the innovation. The accompanying performance commitments associated with earlier processes in the value chain must also be identified, and an implementation plan to guarantee a smooth flow of information and allow the operative departments to be suitably involved needs to be created.

  This sub-project also serves to anticipate potential conflicts and to defuse them in advance, instead of being caught flat-footed and having to invest more time trying to resolve them later.
- Sub-project "Training"
  In keeping with its name, this sub-project focuses on suitably training all relevant employees that are involved in or affected by the new innovation. Note that training implies not only conveying knowledge and information, but also testing employees' ability. Only those who are in good shape and have effectively demonstrated what they're capable of can be part of the team. Especially when it comes to bringing new products and services to market, you need to ensure that the employees on your team don't come across as enthusiastic laymen, but as experts who can impress your customers and sales partners.

Though we've intentionally made this standard project plan for innovation projects comparatively simple and straightforward, it goes without saying that, depending on the innovation, extensive detail structuring can take place within the sub-projects that does not lead directly from the sub-projects to the working level, but also involves an intermediate level in the form of sub-tasks. Nevertheless, once you've adapted it to the specifics of your own company, this plan offers a practical basis for accelerating future innovation projects.

This standard procedure can also be used for innovation projects that don't involve completely new developments, but are instead meant to modify current products and services.

Even if you have a standard plan that you can adjust to different situations, be careful not to take on too many innovation projects. Every company can only handle a certain number of these projects at any given time, and it's up to the Senior Management to ensure that limit isn't exceeded. Unfortunately, there is no handy formula for calculating this maximum; as such, you need to develop a feel for where to draw the line.

Many companies make no innovations for lengthy periods, then, for whatever reason, become obsessed with developing new products and bringing them to market. This rarely has a happy end, as in innovation projects, just like in any other project, the initial euphoria fades noticeably after a time. Another problem is that this self-same euphoria often leads planners to be overly optimistic about the energies and resources at their disposal. Especially when the employees involved in the project are also responsible for successfully managing the company's operative business, interests can quickly become blurred and the limited resources lead to arbitrarily set priorities, which in turn often harm both the innovation project and the operative business.

Each innovation project should have its own mentor in the Senior Management. This approach effectively ensures that every project can be aligned with the corporate strategy. At the same time, it is likely the best way of making sure the number of innovation projects stays realistic.

The question of how available resources can be used, and at times the unintentional "double booking" of those resources, is a central one for many companies. And we see time and again that the same resources are earmarked for two or more projects, that resources that no longer exist are included in project planning, or that various other erroneous or unrealistic assumptions are made. Here we should bear in mind that, regardless of the effort devoted to ensuring objectivity, resource planning for organizational development projects always boils down to making subjective estimates. The amount of time, energy and other resources needed for organizational development projects—and every innovation project is an organizational development project—can never be precisely calculated in advance. Anyone who has tried to do so will have quickly recognized it to be a fool's errand.[1]

You have to wonder, then, why some companies try to minutely plan the resources needed for organizational development projects. This results in unrealistic projections and data that have precious to do with what really goes on in the company. We've observed that, if you add together all of the hours planned for

[1] In the meantime we have initiated a Master's thesis on this matter entitled "Resource Planning in Organizational Development Projects." If you would like a copy, please send me an email to guido@profitable-growth.com.

employees to work on individual projects, they amount to several thousand overtime hours a year for Sales alone. What's even riskier than someone noticing this oversight is if no one notices it, producing a false sense of security that has little to do with what can realistically be achieved.

Of course it is important to establish a certain degree of order within your company's project portfolio. In fact, doing so is essential to your company's growth, as there have to be clear priorities within the project landscape so as to facilitate the prioritization of resource distribution.

With names like "Project Portfolio Management," "Multi-project Management" and "Overall Project Control," there are various methods at our disposal, all of which are intended to prevent an overtaxing of your company's resources and to instead effectively focus them in order to achieve its most important goals. If the Senior Management expects them to deliver precise estimates of the resources needed, regardless of the type of project involved, the limitations of these methods will quickly become apparent. A well-composed, straightforward project landscape above all provides clarity as to the company's current priorities, which projects come first if resources should become scarce, and which projects should receive additional resources whenever necessary without the need for lengthy discussions.

If the project landscape includes these priorities, it becomes much easier to decide which innovation projects are most important, and which can be put on the back burner if the most important projects urgently need more resources. Note, however, that such decisions remain the responsibility of the Senior Management.

8.4 Working Together and Not Against Each Other

Whereas the previous section largely dealt with methods and procedures, it's now time to consider the effect of internal cooperation on growth. To make it clear from the outset: Cooperation is key to growth projects and processes.

Many authors and consultants prop teamwork up as the remedy for any and all problems that arise in connection with internal cooperation. I very much disagree, because teamwork alone is not enough; instead you need the combination of outstanding virtuosos and strong teams so as to get optimal performance from both. Consequently, when choosing which approach to take, the key question is whether independent experts or cohesive teams would be better, regardless of the specific task or the objective to be achieved. Just as in other cases, the right approach depends on the objective.

In nearly every change-based or growth-related project we've ever launched, the topic of "information and communication" came up in the kick-off meeting. When we got things started by asking which areas needed to be changed most urgently, we categorically heard complaints from the participants that they weren't well informed, that there wasn't enough internal communication, that no one ever had the right information at the right time, that every department constantly blocked the others, and so on. Many companies have a high demand for information and communication, which their current information and communication supply can't effectively meet.

That hardly seems possible, since people constantly talk face-to-face and over the phone, and billions of emails fly through the ether. But clearly those who complain about the lack of information and communication are less concerned with frequency and more with quality. It's not the amount of information that counts; the question is whether the available information is also the right information.

Successfully growing companies know that the quality of information is especially dependent on content, timing, frequency and accordingly also on the recipients. Growth-oriented companies work to reduce senseless and unnecessary communications as much as possible. However, redundant information certainly *is* created so as to ensure equal access and prevent information monopolies. The principle of "divide and conquer" is anathema to growth-oriented companies. The unimpeded flow and transparency of relevant information, combined with a selection of the right communications channels and means of communication, above all ensure that growth-oriented companies are faster than those companies that, though growing, refuse to change their old working methods.

In the following, we'll examine the most important elements and types of communication at the working level. Our focus will only be on formal communication, as the rumor mill, talks at the water cooler, etc. don't require any structure.

8.4.1 Synchronous Communication

We take synchronous communication to mean direct exchanges of information between two or more speakers, regardless of whether it takes place face-to-face or over the phone. As meetings take up considerable time, we need to approach them in a structured way, no matter whether they are traditional meetings or virtual meetings in the form of videoconferences.

- Routine meetings and *jours fixes*, which also include meetings of the Senior Management or Managerial Board, are relevant in that they often follow a standard agenda. What is important with regard to these meetings is to ensure that they aren't held simply because of the date on the calendar or on principle, even though there are no real topics to discuss, the apparent logic being "at this meeting we can talk about all the topics we'd never need to talk about if we didn't have the meeting." *Jours fixes* that only continue to be held because of the date on the calendar should be cancelled. With regard to meetings of the Senior Management or Managerial Board you need to ensure that despite the formalities real content is discussed; and that not just the CEO or Senior Management do all the talking, but experts from within the company are also invited. You should also make sure the topics lists are not taken to extremes. On more than one occasion, I've attended Managerial Board meetings that had 17 points on the agenda and where by 6 p.m. we'd only made it to point 5. To make matters

worse, point 17 was listed as "Miscellaneous" and actually contained a number of important topics. This kind of procedure simply can't work well.
- Project meetings can take a considerable amount of time. It's imperative that they be structured, ideally they should also follow a predetermined pattern, and they should include both a briefing on the project and a discussion of specific topics in keeping with its current status. Project meetings are events that provide information on the one hand, and at which project-related decisions are made on the other. They should never be purely informational in nature, because information can just as easily be provided using asynchronous means. Meetings should only be convened if there is something to interactively discuss, and project meetings are no exception.
- At most companies, conferences are held on a regular basis. Here we are referring to meetings that generally last from one to three days and which ideally not only provide information but also include content-related work. Most companies I know also work to inject a degree of fun into these events, adding activities that encourage team spirit, take staff outdoors, or get them to come out of their shells—in a positive sense. A bit of a balancing act is needed when it comes to planning these events: If they degenerate into nothing but one big party, they've failed to accomplish a central goal. By the same token, if they degenerate into purely informational events dominated by an endless series of PowerPoint presentations that achieve nothing more than reaching a new zenith of boredom, they're also a waste of time. The ideal conference starts off with one or two exciting talks and a few core messages; then it's time to get down to work. Concrete problems can be solved as a team; new facets of spurring on growth can be discovered. Group problem-solving is essential, and is a major focal point of cooperation in growth-oriented companies. National sales conferences, managerial meetings, and strategic conferences: All of these events present opportunities to share information and work on concrete topics, while having fun at the same time. All it takes is the right mix.

The following example might help to show the potential conferences hold: In the context of developing and implementing a new sales strategy for a listed client company, we and the Managerial Board used the setting of a national sales conference to lay the groundwork for the new strategy. At the conference, the Managerial Board briefly informed the participants about the decisions that had been made in order to bring Sales up to a higher performance level in the future, and the CEO committed his team to pursuing a thoroughly constructive competition with the company's rivals. We had made arrangements for all 150 participants to simultaneously work in groups on concrete tasks from selected sub-projects. Each work group nominated its own speaker, who then presented the planning for the sub-projects and the results of the different workshops on stage. A closing round of interviews with the Managerial Board met with standing ovations, then the entire team went on a canoe tour to encourage teamwork in a more relaxed setting.

Were the results of this conference actually measurable? In part, yes, because the plans and results created in the workshops were directly used in the project planning and project work for the new sales strategy. But there were also a number of qualitative results that were not immediately measurable: the Chairman of the Workers' Board, who congratulated the CEO on this being the best national sales conference the company had ever held; the Regional Head of Sales, who was still rhapsodizing about the interviews with the Managerial Board months after the event; and the members of the Sales staff, who had the chance to see their own hard work and ideas reflected in the project. We feel that all of these aspects were also essential, even if they can't be measured in concrete figures and results.

- Spontaneous (organizational) meetings are unplanned events; after all, we can't assume that every meeting is planned well in advance. Nevertheless, spontaneous meetings also need to have a concrete objective so as to not devolve into open discussions. At growth-oriented companies, the rule of thumb is that these spontaneous meetings should take place more often between departments than within them, reflecting due importance being attached to interfaces.

Another aspect that can be observed in growth-oriented companies is that working meetings, whether planned or not, focus much more often on the topic of "customers" than on "internal organization." Also, more energies are invested in finding solutions than in discussing the nature of problems.

- Retreats, especially topic-based but also those involving strategic decisions, the Managerial Board or the Senior Management, are an effective medium for intensively discussing one or two key topics in a small group. These meetings should always have a guiding motto and produce a concrete result, which makes their careful planning a must: Every one should have an agenda, a goal, and someone responsible for its successful execution. If any one of these factors is missing, the meeting shouldn't be held: The risk of wasting time is too great.

For meetings of any kind, it is important that you put the brakes on "talkaholics." This can be done by e.g. using rules for discussions previously agreed upon with the group; this ensures that a group dynamic counteracts those who try to improve their image by hogging the floor. Sample rules include:

1. Keep it brief
2. No personal attacks
3. Listen and let others finish their thoughts
4. No killer phrases (no way, never, not an option, that's just the way it is, etc.)
5. No generalizations (we, you, everybody)
6. If you criticize an idea, you should also make a counterproposal
7. The whole team is responsible for achieving the goal (in terms of time and content)

- Even talks that normally involve only two people are a type of communication platform that should observe certain rules. They should never include personal attacks, should remain constructive, and should be stimulating for both partners, regardless of whether they are equal in rank or from different levels in the hierarchy.

- We tend to forget that telephone calls are also a form of synchronous communication. Since they share many aspects of meetings, telephone conversations should also be prepared for. There's no reason not to define a goal prior to a call, just as there's no reason not to review what was discussed and decided on once the call is over.

8.4.2 Asynchronous Communication

We take asynchronous communication to mean communication that does not involve actual dialogue. Instead, the person sending the information receives feedback at some later point in time. Emails, voice mails, letters and faxes, and newsletters of all kinds fall into this category.

- Emails are a paradox. Even though so many people complain that they get too many mails, especially mails with no important content, the number of mails sent continues to rise. This can sometimes create absurd situations, like employees sending mails from desk to desk—and not to transfer information, which might still make sense, but to make their lunch plans. If you stroll through some offices, you'll hear the familiar confirmation sound for new mails coming from computers and smartphones. But these signals should be turned off, because the constants beeps and chimes serve to interrupt our workflows: We stop to check and/or read through our mails, then waste time shifting our focus back to what we were originally working on. Activating the confirmation sound for new mails is like leaving your front door open so that anyone who feels like it can just pop in and take a seat on your couch. Though we'd never dream of leaving our front door open, our "email door" is constantly open—which means we simply allow others to control our time.
- Voice mails, which are left behind on cell phone mailboxes or conventional answering machines, are often too long. If you have to leave a voice mail, keep it short and precise, and formulate your question right at the beginning so that the person receiving the message will know why you called. Generally speaking, half of business-related voice mails are totally unnecessary, and the other half are about twice as long as they need to be.
- Before they become extinct, the importance of letters deserves recognition. Letters can be a very effective means of communication because, now that we receive fewer and fewer letters, we tend to pay more attention to them. Also, far more attention is paid to using the proper tone in letters—which makes little sense, given the fact that emails are nothing more than electronic letters.
- Newsletters should not be neglected, as they, too, are a valid form of asynchronous communication. They include electronic and print newsletters, customer magazines and company newspapers. They often include information that not

Synchronous	Asynchronous
o Routine meetings and jours fixes o Project meetings / reviews o Conferences o Spontaneous meetings o Topic-based retreats o Personal talks o Telephone calls o (Chats) o Informal communication	o Emails o Voice mails o Letters and faxes o Newsletters

Fig. 8.3 Forms of communication and cooperation

only reflects the company's strategy and tactics (and accordingly needs to be carefully prepared), but should also be used to promote growth and not block it. A special feature of newsletters is the Letter from the Management, a one-pager from the Senior Management or the CEO that is directed at their employees and focuses on a single topic of current interest to the company. It's an especially effective medium for drawing interest to a certain topic or issue.

And of course there is always informal communication in its various forms. Though not subject to any specific structure, it is equally important and should in fact be supported. After all, a great deal of important information comes from chats in the office kitchen or the cafeteria, shared walks at lunch, drinks after work, and other occasions where your staff get together informally. Some companies try to either prevent or control informal communication, and usually neither approach ends well. Those companies that have policies in place for internal communication shouldn't fool themselves into believing they've done away with it. It continues but is kept under wraps, which also means its potential advantages for the company are largely lost; when all informal talks are actually off limits, communication tends to focus on rumors and criticism of the company (Fig. 8.3).

Companies that pursue a consistent growth process make it a priority to prevent individual divisions from becoming black holes, and they work to show their employees that the isolation of departments is counterproductive, and that only cross-departmental transparency can promote the cooperation needed for meaningful growth. Accordingly, growth-oriented companies are characterized by their transparency, not only within the individual departments, but also with regard to their contributions to the company's growth. These companies also focus on openly communicating the goals achieved by individual departments in relation to the growth of the company as a whole, creating an atmosphere of friendly competition that also leaves room for mutual support.

At growth-oriented companies the Senior Management works to ensure that the performance commitments of their individual departments are well-known to the staff. Only then can e.g. internal service departments be put to best use.

If you want to use better internal cooperation to strengthen your company's growth process, a fairly simple trick might help: Urge your top employees to try to listen more than they talk. You'll quickly find that you and your staff can gain a much deeper understanding of expertise you never knew your company had. Needless to say, the same method can be used with your Senior Management. To often we feel obligated to send a message, give instructions or provide feedback instead of asking questions and truly listening to the answers. Making it your internal policy that your employees should listen more than they talk, and should spend more time asking questions than giving answers, is an excellent way to start a new growth process.

How well is your growth process configured? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 8."

9 Non-Profit Organizations: "No Profits" Is No Excuse

So far, non-profit organizations have been able to just kick back and enjoy a good read, assuming that all of these considerations about profitable growth had nothing to do with them. But they'd be way off base to do so: Non-profits have no excuse not to grow; in fact, the meaning of "profitable growth" as it is understood in this book can be seen especially clearly in the case of non-profit organizations (NPOs). Profitable growth is more than just purely profit-driven thinking in the sense of maximizing the last entry on your profit-and-loss statement. It is multi-dimensional in nature and needs to be recognized as such. Though NPOs also have to do business in a professional manner just like anyone else, qualitative aspects are especially important.

NPOs, too, have their fair share of brakes to growth; and, just as with companies, they are predominantly internal brakes, though we have to look for them in different places. Further, they are rarely due to a lack of willingness, but ironically to an overly idealistic approach—above all in non-governmental organizations (NGOs)—and to the assumption that things will somehow work themselves out. The latter attitude can often be found in public administrative bodies. In the following, we'll examine a few different types of NPOs. What's true for all of them is that they have no excuse not to work on their own growth. Just like companies, they need to work on their strategies, improve their range of services, and locate and remove internal brakes to growth. There's always some way to grow.

For NPOs, the number one rule of thumb is: Pressure will get you nowhere. This is especially true for NGOs and NPOs alike. But also in public administrative bodies, where a lack of expertise is often compensated for by exerting pressure, you can see that when this is taken too far, the result can be massive paralysis in the organization. Those working at public administrative bodies aren't always prepared to change jobs so as to escape this pressure, and instead become alienated from their work. The consequences are easy to imagine—and can often be seen by those "customers" unlucky enough to catch them on a bad day.

Let's take a closer look at the following types of non-profit organizations:

- National and multinational NGOs
- National NPOs

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- Professional and trade associations
- Hospitals and clinics
- Public administrative bodies

9.1 National and Multinational NGOs: Driven by Idealism

You'll rarely find the dividing line between being a growth driver and a brake to growth so thin as in the case of national and multinational NGOs in connection with idealism. On the one hand, idealism can provide considerable drive to create something new, and to act in the best interests of the many. On the other, the idealism found in NGOs can also lead them to see the world from a very skewed perspective, blinding them to the fact that they, too, must face up to certain realities and in some cases have to lower their sights a bit in order to better achieve their goals.

Those working at NPOs, and especially at NGOs, are often highly intellectual, extremely qualified, and emotionally identify with their organization's goals. Before they sign their contract, most of them carefully research the organization to make sure that its values system is compatible with their own; accordingly, signing on the dotted line is a deliberate and informed decision.

Most employees at NGOs are used to being part of decision-making processes; they want to be won over, and don't respond well to be talked into things, let alone being steamrolled. They are extremely sensitive to pressure and restraint, which is due to their previously mentioned excellent qualifications; this extends from the top of the hierarchy clear through to the clerical staff and assistants. The need to find fulfillment in service to a good cause is also evident, and accordingly these employees feel the need to talk, discuss, and to shape projects and initiatives on the basis of consensus. Those working at national or multinational NGOs who have nothing but pressure to resort to as a leadership instrument are fighting a lost cause, because many of their employees have already chosen self-fulfillment over the higher wages they could have had in the private sector. They want to be won over.

The overarching organizations of national and even more so multinational NGOs often enjoy excellent strategic positions: They benefit not only from their own international networks, but also strong ties to other NGOs, the private sector, and above all to political circles. Although most NGOs already have a clear strategic orientation, their consensus-based structures often make adjusting or changing that orientation a difficult undertaking, meaning they must provide extensive explanations, justifications and argumentation before there is any hope of effecting change. Simply giving instructions is just as misguided as is trying to wait it out in the hopes a strong willingness to change will develop: Either way, nothing's going to happen. As such, one of the key brakes to growth is the assumption that a clear and detailed strategy has already been embraced throughout the organization—leaders at NGOs are often shocked to see how wrong they were. To outside observers, however, this is hardly shocking at all, because especially at NGOs we can't assume that a new declaration of goals will automatically produce results.

Regrettably, many strategic processes end as soon as they began, with no impacts on day-to-day work.

For multinational NGOs, there is a twofold danger: firstly, that their sheer organizational size can make it nearly impossible to manage them, and secondly, that the details of their various aspects are no longer recognized. When this happens, the announcement of an overall strategy sparks the formation of various national strategies that are not necessarily mutually compatible, even if they fit in the organization's overall strategic framework. In turn, the question often arises why certain policies are allowed in one country but not another, even though it would theoretically be possible in both. Why for example can certain services be offered to partner companies in Brazil, but not to similar companies in the US? In some cases, the organizations get in their own way.

NGOs are subject to major external pressures, and are scrutinized to see if they're still working in pursuit of their proclaimed goals (and are therefore still worthy of support), if their budgets are used sensibly and productively, how much of their budgets go to administrative costs, how high the average productivity of each employees is in relation to the overall financial volume, and to make sure they're not spending too much on consulting services (though this raises the question of how that "too much" can be determined). A very high level of transparency is called for, as a veritable army of potential critics is watching.

If we want to focus on the most essential brakes to growth in NGOs, the top candidates are:

1. Strategy implementation
2. Quantitative and qualitative growth
3. Process implementation
4. Supervisory boards
5. Contact to decision-makers

9.1.1 Strategy Implementation

At most multinational and national NGOs, the basic pillars of their strategy are professionally and soundly established. As such, the chief problem has less to do with formulating a strategy and far more to do with deriving a national strategy from the international one, and with translating the strategy into guidelines for day-to-day work. If the main pillars of an NGO's strategy are to be upheld in daily business, what does that really entail? Which processes are needed to make that strategy come alive? What type of organization is needed, and how should it best be designed so as to contribute to growth, both now and into the future? Which systems need to be changed?

In many cases, what we're talking about here are actually micro-adjustments, and above all, more precisely communicating the "how" of daily business to the NGO's employees. This includes not only the use of standardized processes, but also standardized products and services, so that the NGO is not someday overwhelmed by its own countless products, services and processes. In this regard, time pressure can be a serious challenge; most NGOs are anything but bored, as their own internal drive results in their having too many ideas and projects to feasibly implement in the available time. That being the case, when new conceptual work on organizational development is piled on to their normal workload, the response is not always positive. Nevertheless, it is essential to define the “how” of daily work as precisely as possible; doing so ensures, that, while individuality and creativity continue to have their place in the creation of new solutions, efficiency is maximized (if we assume that the right strategy alone suffices to promote efficiency).

9.1.2 Quantitative and Qualitative Growth

These standards are what make it possible to initiate more focused growth in terms of both volume and quality. Only with efficient processes, standardized services, and products that can deviate slightly for the norm so as to allow individualization, can meaningful numbers of new sponsors be gained. Two dimensions should be kept in mind in this regard: first the major sponsors, which primarily consist of large private donors, e.g. in the form of memorial funds, and in corporate partners; and secondly as many smaller sponsors as possible. These two target groups need to be approached differently, and the services and procedures best suited to winning them over differ accordingly. Innovation in terms of how funding is acquired, and innovation in terms of new products and services are both key factors in our efforts to find and release brakes to growth in NGOs.

9.1.3 Process Implementation

No sooner said than done? Hardly. We often find a strong affinity for conceptual work at NGOs and, if sufficient time is invested, this often results in outstanding conceptual results. When it’s time for implementation, however, three things should be done to counteract the risk of feet-dragging: Firstly, implementation aspects must be considered during the conceptual phase of creating new processes, services, products, procedures and approaches, which should also include questions of when they should be used in day-to-day work, and by whom. Secondly, attention should be paid to offering a balanced range of products and services so that, from free services to high-priced corporate partnerships, all of your target groups are appropriately addressed. Thirdly, the communication process throughout the organization should also be delineated in the conceptual phase so as to ensure that all departments and organizational units are aware of and can use the latest information.

A question that successful NGOs are often faced with is if they are ready for success. Can they actually guarantee that a major influx of funding will be put to best use and in keeping with their charter? Even though the answer should automatically be yes, precisely this question arises time and again, just as companies in the private sector have to ask themselves the question if they are ready to handle a major assignment offered them. If obstacles of their own making are standing in the way of implementation, NGOs are well advised to invest the time and effort needed to tear down those obstacles. Any obstacles made by people can also be removed by people; we don't have to accept them as carved in stone. Needless to say, funds must always be used in keeping with the tenets of an NGO's charter. Yet the question of how to best do so is answered with the help of rules, and rules most certainly can be changed if need be. Just keep in mind that if you want to change the rules in the middle of the game, you'll need the agreement of all players involved.

9.1.4 Supervisory Boards

Not all NGOs put the potential hidden in their supervisory boards to best use. Whether these boards are dubbed advisory boards, supervisory boards or foundation boards: Their purpose is not to be a stage for their members to perform on, but to serve as a partner to the operative Senior Management or the CEO, ensuring that the NGO's activities are conducted in keeping with its declared goals, and that any obstacles preventing this are removed. In my opinion, then, supervisory boards must also understand their own duties to include opening doors and establishing new connections. At NGOs, these boards often boast highly prominent members with extensive contacts of their own. Doesn't it make sense, then, especially since NGOs are there to pursue the greater good, for these members to establish new contacts to the benefit of all? This could make it far easier for the Senior Management or CEO to successfully reach out to other organizations, and even more so to companies.

That being said: The idea here is not that the members of the supervisory board become "salesmen" in any way, or become significantly involved in the NGO's operative business. However, the members of the board can and should help their NGO's leaders to get a foot in the door, so that they can engage in talks at higher levels that wouldn't have been possible without an "in." Allowing the supervisory board of an NGO to content itself to a purely advisory function and to keeping an eye on orderly conduct is a clear waste of resources. As the leader of an NGO, discuss this possibility with your supervisory board; all too often, this expectation is never openly voiced, and if you never ask for their help, you can't very well complain if you never get it.

9.1.5 Contact to Decision-Makers

There is also an operative brake to growth in NGOs that definitely needs to be discussed: the lack of contact to decision-makers. Many employees at NGOs whose job it is to acquire new corporate partners are elated if they are given the chance to talk in person with a company representative. The problem is that many of these talks are unproductive. What is true for the Sales department in companies is equally true for NGO employees looking to gain new corporate partners: The path to the decision-maker is the key. It’s not overly productive for assistants from an NGO and administrators from a potential corporate partner get in touch if the purpose of the talks was not laid out by the NGO and the Senior Management in advance. Similarly, there’s not much point in the head of an NGO meets with someone from a listed company’s middle management without having first talked to their CEO.

How often have employees at your NGO returned from talks at a company’s offices grinning from ear to ear, with the news that they presented a proposal that could be the basis for an outstanding corporate partnership? And how often did it really work out? If your goal is to secure major funding for your NGO from mid-sized or large companies, similar rules apply for you as for us as consultants: You need to talk to the actual decision-maker about not only the goals of cooperation, but in order to determine which criteria should be used to gauge its progress, performance and value. Only then can you discuss an offer to serve as the formal basis of your cooperation. Spending time talking with people who aren’t decision-makers may give you a clean conscience, but ultimately means wasting your energy, time and patience—resources that could be better invested in creating and maintaining truly important contacts.

Of course there are also situations in which decisions about cooperation on a lower scale can be made by the middle management. You simply need to clarify which budgets the Director of CSR, the Sustainability Officer, or the Environmental Protection Manager has at their disposal. Your goal should always be to find the decision-maker who fits the specific type and scope of project you have in mind. This doesn’t have to always be the CEO—but if it is, you have to make your way to them. Assuming that you can make meaningful headway by talking with an administrator is nearly always a mistake.

9.2 National NPOs: Full-Timers and Volunteers

In this section we’ll discuss national organizations, though there are of course numerous regional NPOs for which the same principles apply. But since our focus is on organizations characterized by a certain degree of complexity and whose brakes to growth can’t be so readily deciphered, I would ask those of you who lead regional NPOs to please just sort out those aspects that apply to your own organization.

Much of what’s true for NGOs is also true for other NPOs. Here, too, employees’ passion for their job and sense of connection to their organization’s core values are major growth drivers that can quickly become brakes if insufficient attention is paid to the framework conditions needed for growth. The enormous level of commitment to be found at many NPOs does nothing to change the fact that here, too, results count more than the work done. Hard work that produces limited results may be praiseworthy in terms of the commitment it shows, but is hardly the ideal basis for promoting growth.

At the same time, some national NPOs already exhibit considerable qualitative and quantitative growth, in which case the main task consists in ensuring that the organization itself develops to match that growth and doesn't slow it.

In the context of professionalizing organizations, doing more doesn't automatically help more; it simply costs more. As such, "actionism"—doing something for the sake of doing *anything*—is the wrong response to a sudden, high level of growth. Before quantitative expansion takes place in your organization, you should first consider how qualitative growth can be achieved. This includes detailed considerations of the processes involved, and an organizational analysis in terms of the expected results and the tasks at the interfaces between the organization's different units. Otherwise the administrative costs will become unnecessarily inflated, and will remain just as high if your rate of growth later slows, or if it stops altogether.

While this structured examination of processes and organizational units is challenge enough for NPOs' full-time employees, it becomes even more difficult once their volunteers, who in some cases hold extremely important positions, are added to the equation. The idealism already pointed out for the full-time employees of many NPOs and NGOs is even more pronounced for volunteers, as by its very nature volunteer work goes beyond the normal level of commitment. Many volunteers are under considerable stress from their "normal" jobs and nevertheless find the time and energy to live up to their volunteer work responsibilities. Some are so committed you'd think the volunteer work was their full-time job (and in some cases it is). Accordingly, those organizations that have a great deal of volunteers are well advised to involve them in their conceptual planning and to win them over to changes. Effectively leading large groups of volunteers is extremely demanding and can only succeed if the full-time Management sends out consistent messages.

At some NPOs, the level of professionalism to be found in the Senior Management or Managerial Board is not yet sufficient to handle increasing growth, or to effectively respond to decline. This can be especially problematic when organizations suddenly find themselves in an unfamiliar situation, be it sudden growth or a major drop in their membership, revenues or the number of projects. Processes and policies that worked smoothly before no longer work for the growing organization. New communication media, additional committees and rounds of discussion, along clearly structured procedures, are called for in response to major growth. Phases of restructuring often mean making painful decisions and, unlike in most private-sector companies, these can have a strong emotional component. Taken together, these factors at times overwhelm the Senior Management of NPOs.

This makes it all the more important that the leaders of these organizations work as professionally as possible. Organizations are called upon to equip both their full-time employees and those volunteers who hold key positions with the abilities needed to fulfill their duties in keeping with their organization's goals—and doing so definitely includes preparing them for unusual situations like major growth or major decline. And it is absolutely essential that a combination of instructions from the top down and consensus be found in order to effectively implement decisions.

Whereas international organizations are used to thinking in terms of large figures, holding planning meetings, and using controlling systems to measure performance in relation to projected financial goals, this type of professionalism is not always to be found in national NPOs, one problem being that the instruments, methods and procedures in place can't effectively cope with major deviations from the organizations' routine. Beyond its leadership function, a chief task of the Senior Management is to create effective processes, methods and procedures so as to deliver more security at the quantitative level. Exactly this aspect represents a major brake to growth for many national NPOs, and is magnified by the fact that the lack of suitable processes, methods and procedures results in many promising growth initiatives never being attempted to begin with, because their potential consequences are seemingly overwhelming.

If a President working on a volunteer basis determines that they're doing more managerial work than their full-time (paid) Executive Director, it's high time for a change. Though this may seem self-evident on paper, in practice it can be anything but obvious, largely because it is the product of a gradual process continuing over a lengthy period of time. But it is precisely the cooperation between the volunteer President and the paid Senior Management that ultimately determines the prosperity and growth of NPOs. After all, the rule of thumb that strategies and the tasks associated with implementing them have to start at the top equally applies to these organizations.

An example might help to illustrate the challenges faced by rapidly growing national NPOs, and how they can be overcome step by step:

While working with a national NPO, at the start of our assignment we discovered that the volunteer President not only took on practical duties in the form of fundraising but also had numerous decision-making, coordinating and leadership functions at various levels throughout the association. These even included refining current methods and procedures the President didn't necessarily have to deal with. It was only the outstanding commitment of the President that made it possible to compensate for the shortcomings of the Senior Management, whose job it actually was to attend to these duties, even when faced with the current intensive growth.

The evolution of the organization's strategy was also primarily shaped by the President; no initiatives came from the Senior Management or the individual division heads. The CEO President took on all of these additional duties because he saw no alternatives, and because he was determined to expand the organization. At the same time he recognized that the approach couldn't be the right one in the long run, and hoped instead to be able to concentrate on specific content-related work and on his supervisory function in order to move the organization forward.

Further problems included inefficiency and double-work that kept nearly everyone from actually living up to the organization's goals. This increasingly became a brake to growth, as the organization spent too much time and effort on itself to be able to concentrate on its real objectives. Administrative and coordinating duties became overwhelming; discussions, though they were part of the daily routine, were unproductive and largely served to defuse potential attacks; and the pressure on the President mounted from day to day.

In a joint project we defined a useful mission statement that gave employees a framework to judge their own actions and ensure that they were working productively. We defined a project within which both the performance profiles and performance commitments of the individual positions in the organization were presented, so that duties, responsibilities and areas of expertise were clearly described and delineated. We also helped the organization to create descriptions for its core processes; this had become increasingly necessary, as it no longer had the luxury of constantly creating new solutions for recurring situations and now wanted to have a toolbox of standard processes for efficiently and productively addressing them.

Further, the topic of “leadership” was also addressed and set up on a new foundation. This was accomplished by establishing binding procedures to connect the CEO and Senior Management, the Senior Management and division heads, and the division heads and employees. These procedures were oriented on the desired results, focusing less on details and more on whether or not agreed-upon results were actually achieved.

Of course you could raise the objection that many aspects in the example above have to do with control and supervision, and that they rob organizational work of some of its ease and spontaneity. Though that may well be true, it was necessary in this case so as to match the organization’s growing popularity with professional conduct, as even then it was already dealing with considerable budgets. What’s more, control in the sense of monitoring results can be an extremely helpful tool for ensuring that a company or NPO is on the right track to achieve its goals. Once results monitoring has been established it increasingly does away with the need to monitor procedures, provided the organization continues to act in keeping with its goals. In the example described above the organization succeeded in creating a sustainable basis for its activities by adopting the mission statement and by conveying a sense of security that the organization itself was less oriented on individuals and more on shared values. As administrative work now became more streamlined the organization’s costs sank, freeing up resources for content-related work. Lastly, the project helped the NPO to more effectively carry out its duties. Without the project, in the middle term the organization’s continued existence would have been threatened, despite, or in this case precisely because of, its rapid growth.

9.3 Professional and Trade Associations

Professional and trade associations also rely heavily on the help of volunteers. Working on a national basis, they live both from the work of the headquarters and from work in different regions. This is equally true for interest groups, in which membership is based on a certain criterion and for corporate federations, which can be found in nearly every industry.

In comparison to the size of their memberships and budgets, these associations usually have a relatively small number of full-time employees and far more volunteers, who above all attend to content-related work. In this regard, regional and content-based work groups are extremely important, as they are ideally suited to getting volunteers involved in their association's work.

The larger and more decentralized an association is, the harder it becomes to implement changes, even if they only involve steps like standardizing its internet domains, presenting a uniform image, or establishing standards for events. In structures that have evolved with a decentralized self-image, even such minor projects can meet with considerable resistance. Whereas the structures in trade associations are normally fairly straightforward, they become far more complex when their members are individuals engaged in work at the municipal, regional, state and national level. I clearly recall how the national headquarters of an association I was a member of initiated a change process calling for a standard logo to be used for the entire association: It literally took years before the plan was actually approved.

Unlike NGOs and national NPOs, when it comes to professional and trade association members' business interests are often a priority, and these associations primarily take growth to mean gaining new members. After all, their purpose is to provide a voice for a profession or industry, towards both interested members of the public and towards the field of politics. For trade associations, bundling interests for negotiations with vendors and customers is another key goal. But in order to gain the level of attention needed from interested members of the public, each needs a distinctive profile, which first needs to be established.

But it's exactly the profile that creates headaches for many professional and trade associations. Basing your membership on a certain profession or industry is one thing; communicating the advantages of the association to members is quite another, and the profiles needed to so are often very blurry. If you then add the fact that there are limits placed on the exchange of members, especially in associations representing major industries, because any under-the-table deals are quickly discontinued and these associations are automatically more closely scrutinized by authorities like the FTC, the obvious need to offer members clear advantages becomes even more important.

A major brake to growth at professional and trade associations is their general sense of self-satisfaction and assumption that their membership levels will essentially never drop: a mistake that should be nipped in the bud, because when eroding membership rates set in, they usually can't be stopped in the short term. The causes of declining membership rates can nearly always be found in the past and can't be quickly remedied. When a member, especially one who has been in the association for years, decides to quit, and the reason for their doing so apparently has nothing to do with their retiring or changing fields, it usually means they gave a great deal of thought to their decision and aren't going to change their minds. The dangerous aspect is that there are almost never any warning signs: Members make the decision to stay or go on their own.

Some associations console themselves by assuming that members simply quit to get out of paying the membership dues. And at first blush that sounds convincing, as membership dues can very well be an important factor. But they're rarely the real reason for quitting an association, which often has more to do with members not seeing the advantages of staying. Accordingly, associations can't afford to reduce their services for members to bulk purchase discounts or knowledge platforms. Nor are they particularly attractive as a seal of quality, since many of their members would do perfectly well without advertising their membership. Instead, associations must do more to reach (potential) members on an emotional level, even when dealing with member companies and not individuals. Networking opportunities often rate very high on the list of advantages, and the appeal of networking between members, the intensive exchange of ideas and information, and the new opportunities presented by new contacts at the regional and national level should not be underestimated, even if their advantages are difficult to measure beyond member surveys.

It is only when this networking has become intensive enough that having to do without it would mean a palpable loss for members that the association has succeeded in creating a lasting bond with its members. Every association should be prepared to answer the question why a member should continue their membership. If it can't find convincing answers, it means two things: Firstly, the association has failed to give enough thought to what advantages it offers its members, and secondly, it's in danger of losing the member who asked the question.

Over-administration is a further brake to growth for professional and trade associations. Especially when it comes to routine events and processes, there is often a drive for more professionalization and standardization. Though not a bad idea in its own right, this can be counterproductive if the people using the processes are not sufficiently taken into account.

For several years now, my company has supported an event organized by a highly active association in the form of a monetary donation. Our involvement is truly reduced to this donation, as we don't have a booth at the event, do no advertising in connection with it, and provide no content-related support. Our goal is to simply provide a bit of financial support for the event, which is completely the result of volunteer work, and to do no more and no less. Every year we were asked if they could count on our support again, and this year was no exception. We answered with "yes," put down the amount we wanted to donate, and waited for the bill. Imagine my surprise when, instead of a bill, I found a six-page questionnaire in my inbox with instructions to fill out pages 1, 3 and 5. Were they serious? I called up the person responsible for the questionnaire on the phone and informed him that I had no intention of filling out any such form, but that he could feel free to send me a bill for the agreed-upon amount and I would take care of the payment right away. Faced with the choice of insisting I fill out the form, and on not losing the promised donation, he didn't have to deliberate very long.

Here we see a clear case of over-administration. Even though it surely started with good intentions to get standardized responses from companies as to how they preferred to support the event, the standardization quickly got out of hand. The personal touch for the sponsor companies fell by the wayside and I'd be curious to know how other companies responded to the six-page questionnaire. How often do you send out a six-page form when asking a simple question would suffice? When it comes to routine events and processes, do you always keep things as simple as possible to avoid over-administration?

As a final point, the same thing is true for professional and trade associations as for NPOs: The smooth transition of knowledge and expertise among those leading on a volunteer basis is a critical success factor and potential brake to growth. Especially in associations, the names of those holding voluntary positions change constantly. Some have even gone so far as to introduce a “One-Year-To-Lead” principle, meaning one such transition should be managed each year, at least at the top of the association. As such, seamless succession policies are even more vital for associations than for companies in the private sector, and the same priorities apply: There’s no substitute for the old and new volunteer Presidents working together, getting to know one another and shaping the transition long before the actual change of hands takes place. Any association that has been suddenly faced with a brand new set of volunteers will have already shared this painful experience.

9.4 Hospitals and Clinics: Using Suffering as a Smokescreen

NOTE: Though the following section makes some mention of the German health care system, the problems and pitfalls addressed are nearly universally applicable.

We all want to stay healthy and live longer. Huge strides are being made in the development of new medicines and procedures to combat diseases that were once untreatable, and guaranteeing public health is a key pillar of our society.

The problem: We don’t want to pay any more for it. The costs are already quite high, and in Germany employees don’t realize that their employers have to pay the same amount as their health care deductions *again* on top of them; private health insurance providers are constantly attacked for undermining the national health care system, and threats are voiced of nationalizing them. In short, the health care system is a far cry from being well-balanced. Various Ministers of Health have met their match in the system and have settled for providing window dressing. To date, no one has dared to suggest a radically different approach. People assume the government knows better than its citizens when it comes to delivering and managing health care—a fundamental misconception.

We won’t delve into a discussion of the German health care system here, but suffice it to say that, given the factors mentioned above, the situation faced by hospitals and clinics in Germany is anything but rosy. It is marked by a constant balancing act between delivering high performance (always) and immediate help (whenever needed) while bearing in mind the immense cost pressures on the system. Not all clinics and hospitals are up to the task.

Where are the brakes to growth in hospitals and clinics that they can influence? In other words, which factors are not the direct results of the health care system itself (and as such beyond their control)? Where can we find leeway? Though many would beg to disagree, taking a more in-depth look shows us that there is definitely still room for change:

9.4.1 No Strategy, No Core Competencies

Hospitals, too, have no excuse not to work on their strategy. Unfortunately, they're often so busy with administrative work, and have so come to accept their fate to be little more than facilitators for the health care system, that strategic work receives far too little attention. "Thinking about our core competencies? We're here to provide a maximum of care. Why should we worry about core services when we have to be good at everything we do?" We've heard plenty of statements like this one, but they're misleading. Of course hospitals, which have to provide the best care possible for as many patients as possible, do good work in all areas, but there are still differences. If we assume all departments are good, then maybe some are even excellent. Why aren't these departments advertised more? If hospitals as a whole don't feel comfortable with marketing their core competencies, it's up to the individual departments under the leadership of the hospital management to start advertising themselves.

By the way, successfully operating a hospital to deliver maximum care is itself a valid core competency that could be advertised.

9.4.2 The Excuse of Having a "Public Duty"

The fact that many hospitals are state-supported and not private institutions is another excuse for their lack of growth, but is equally invalid. In fact, this very attitude is a brake to growth. There are definite potentials to be tapped in state-supported hospitals, especially in the field of prevention. And some of these hospitals have demonstrated this brilliantly.

9.4.3 Lack of Customer Orientation

During a strategy meeting with the complete management of a major hospital, the medical director tried to correct us when we pointed out that it surely couldn't hurt for hospitals to show a certain degree of customer orientation: "Gentlemen," he said, "though I have the utmost respect for your business expertise, the term 'customer orientation' is hardly applicable here. Patients aren't customers; patients are people in suffering." After an initial stunned silence, a lively discussion ensued.

The medical director, who was an excellent surgeon but no business expert, also had his difficulties with the concept of core competencies. It became clear that no efforts had been made to try viewing patients as people with active demands and as customers with needs instead of simply as passive sufferers. Up to that point, the hospital had had no business orientation beyond questions of budgets, point systems and case-based lump sums.

If, however, patients are viewed as customers—while still upholding all ethical principles—, it can also open up new prospects of growth for hospitals. For the sake of patients and hospitals alike, there should be no taboos attached to considering how patient needs and profitable growth can be reconciled.

9.4.4 Administration as a Black Hole

Black holes are extremely powerful and can devour anything that gets too close. As such, they bear a strong resemblance to the administrative bodies at hospitals. Hidden behind the indisputable need to closely monitor the fulfillment of the health care system's needs, veritable administrative juggernauts, which can neither be controlled nor completely fathomed, can form. No one knows all the details, and no one can keep all the connections straight. We also need to keep in mind that administration includes much more than just patient invoicing and balancing the books with health insurance providers. All of the units that are not directly involved in value creation, like IT, the kitchen and cafeteria, internal logistics, housekeeping and sterilization also have to be taken care of, and depending on the size of the hospital, doing so can be extremely complex.

The main bottlenecks we find here are that the performance commitments of the different departments are imprecise (assuming they have one), and above all that there is a lack of performance commitments at the interfaces between departments. In order to establish suitable performance commitments and service level agreements, the first step should be to define the core competencies of the corresponding administrative areas, which can in turn be used as the basis for determining the performance commitments. Once this is done, performance processes and their interfaces should be defined. If these tasks are performed correctly, they can help to create a process-oriented administration that works both quickly and transparently. In our own experience, this approach can work wonders at hospitals.

9.4.5 Silo Thinking

Cooperation is essential to the profitable growth of hospitals. Not only should the administration ideally use a process-oriented approach and be networked with the various medical departments; physicians should also be suitably networked with the nursing and care staff.

This is especially true because the nursing and care staff possess valuable expertise that can't be found among physicians, and we often observe "aha moments" when we meet with doctors and nursing staff to discuss how processes could be improved.

In order to effectively combine the three areas "administration," "physician services" and "nursing and care services," it is important that people work together to create processes. As such, the heads of the three areas above should form a triumvirate at the top of the hospital, characterized by consistent leadership and especially by all three sending out the same messages. Any conflicts that arise between the three should not be fought out in public—which also means in front of the hospital's staff.

9.4.6 Often Overlooked: The Workers' Board

Nearly every hospital has its own workers' board, and they are traditionally suspicious of change, as in the past changes have almost never been positive from their perspective and have often meant work being outsourced and/or jobs being cut.

This makes it all the more important to win over the workers' board for change projects early on. In the course of an extensive project to reorganize the administration of a major hospital, one of the first things we did was to present the project to the hospital's workers' board and ask them for their support. This didn't get everyone on our side, but at least moved some members to commit to supporting the project and laying the necessary groundwork. And above all, the presentation accomplished two things: Firstly, it showed them that the hospital administration was taking the matter seriously and had developed a well thought-out procedure; and secondly it created an atmosphere of trust by signaling a high degree of transparency, trust that we worked hard to foster and maintain right up to the project's successful completion.

Keep in mind: Involving the workers' board is both an essential aspect of cooperation and an expression of a hospital's culture.

9.5 Public Administrative Bodies

A major bottleneck for public administrative bodies when it comes to profitable growth is the question of revenues. Whenever additional revenues need to be generated, citizens and companies that have to foot the bill ask themselves if they don't already pay plenty of taxes, fees and charges, and if this new drive to generate more revenues is really justified.

By the way, simply increasing fees is not a real solution. And cutting costs while delivering the same or even more performance is a good policy, but also has to have limits: "Lean" is good, "emaciated" is not.

When we examine growth in public administrative bodies, we come very near to the multidimensional understanding of "growth" as understood in this book: In these bodies, growth is closely tied to qualitative aspects. What is the body's performance commitment? Is that commitment transparent for its customers, whether they are citizens or institutions? Does the body have a mission statement that's worthy of the name, and not just some general-purpose 10-point plan they hang on the wall? Who defined the mission statement, and how? Were employees included in the process?

We once worked together with the managerial board of a public administrative body to create an initial mission statement, which was successively refined in a multiple-stage process that also involved the employees. The result: a mission statement that was not only clear and meaningful, but also one that employees could identify with because they had actively helped to shape it, and that provided orientation for how the entire organization could better serve its customers.

Customers? That's right, the principle of customer orientation can certainly be applied to public administrative bodies. Some of them have already adopted the term, but that won't change anything if the citizens or other institutions they serve still get the feeling they are only something to be administered? The question is what customer orientation really means for employees' daily conduct. What's different? What is now concretely and measurably better for customers? Here, too, the institution's leaders need to initiate a process that focuses on who uses its services and on how to best address their needs.

Public administrative bodies' success and contribution to growth can often only be indirectly measured. But they are measurable nonetheless: If a city's building authority provides quick and uncomplicated service, how much more attractive does it make the city for those looking to build? How can city authorities ensure that they consistently offer more of what it takes to convince young families to move to their city, without making it look like they offer handouts? What about a city's business development services? How are they customer-oriented service providers for companies considering starting up business there, or who are looking for advice on their future growth? How are bureaucratic processes made easier for users? All these questions help to show how public administrative bodies, too, can promote growth while they themselves grow, at least in terms of their quality.

If you spend a bit of time working with public administrative bodies, you'll often be surprised at how much desire for change is hidden in them. Strong and effective leadership is needed in order to bundle these energies and use them in pursuit of the institution's goals. Unfortunately many weak leaders at these institutions still manage to get by using coercion and "divide and conquer" tactics, but this too will someday come to an end.

And please: Let's not overuse the tired cliché of the inflexible bureaucrat. The readiness to make changes has nothing to do with whether you're a bureaucrat or not; it's a question of personality, and of the advantages of change.

The previous examination of various non-profit organizations confirms that they have no excuse not to grow. In some cases, the same principles apply, and the same brakes have to be released, as in private-sector companies in order to grow. In others, more specific approaches are called for, but that does nothing to change the fact that non-profits have a responsibility to grow. Even if we expanded our view to include e.g. church organizations, charity clubs, community theaters and museums, we would still find the need to grow, along with typical brakes to growth.

Growth is a matter of concerning yourself with principles and internal brakes, as well as a matter of attitude. And growth for non-profits is no exception.

The Most Effective Strategies for Blocking Growth 10

This book is positively oriented. Its purpose is to help you define profitable growth in various dimensions, establish a program to strengthen profitable growth, and in so doing make or keep your company growing healthily. It's there to help you recognize where brakes to growth have already cropped up in your company or will do so in the future, and to release those brakes bit by bit and one by one.

This chapter shifts perspective a bit to consider the dark side: the blocking strategies you may encounter when you start a growth program, regardless of whether you're the Chair of the Managerial Board, CEO, Division Director, Regional Manager or Branch Office Manager. It's essential that we address these blocking strategies because they are a concrete reality, and we have to face the fact that in many cases they are willfully employed—mostly by those people who automatically dislike any idea you come up with, those who hope to avoid the additional work and responsibilities your plan would mean for them, and those who simply envy your success.

As such, it's worth investing a bit of time to exploring these blocking strategies, brakes to growth that are primarily behavior-based. We will focus on seven main strategies, each of which has various facets of its own. These are:

- Declaring something a "matter for the Management"
- "Thorough" groundwork
- Playing politics
- Throwing smoke bombs
- Pointing out uncertainties
- Creating project inflation
- Questioning successes

10.1 Declaring Something a "Matter for the Management"

If you propose a growth initiative, it may be declared a matter for the Management. An ambitious member of the Managerial Board might find him- or herself confronted with a CEO who uses this tactic. Or a CEO who's working to spark

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growth may suddenly be called before a nervous Chair of the Supervisory Board who wants to be informed about every little detail. Branch Office Heads have to turn their projects over to Regional Directors, and National Managers are forced to let the international holding take over the helm.

Declaring proposals to be a matter for the Management is a well-loved way to stifle unpleasant strategies. In the best case the strategy does actually evolve into an initiative, though its start is delayed a bit and the respective "boss" later takes all the credit for its success. Actually, in the *very* best case it would make good sense if plans for growth were presented an additional level higher in the hierarchy, so that they produced far more effective results. As a rule, however, the tactic is used to stop new plans before they start.

This approach also includes tactics such as exerting massive pressure, declaring a state of crisis—whether there actually is one or not—, laying down so many rules and guidelines that no one can keep track of them all, and pushing for more speed even though there hasn't been any careful planning yet.

Another favorite trick is for whoever took over your idea—or more accurately, whoever seized it—to pass it on to someone else once things have cooled down a bit. This may be someone from the same level in the hierarchy who has no real connection to the topic, or it might be delegated to someone one level lower, though surely not back to the person who originally put forward the plan.

Sometimes ideas declared matters for the Management are split and delegated to different positions in the company, with no one assigned to coordinating their efforts. The results are predictable.

If one of your proposed growth initiatives is suddenly and surprisingly determined to be a matter for the Management, you should always be suspicious. Wherever possible, use careful questions to anticipate and thus avoid this coming to pass. If it's too late to avoid, do what you can to win back enough of your original plan to maintain some degree of creative control.

10.2 "Thorough" Groundwork

Thorough groundwork is a highly effective strategy for massively blocking planned growth initiatives from the outset, because whoever opposes the plan can hide their efforts to stop them behind ostensibly good intentions. Concretely, this can include e.g. initiating one or more extensive studies to presumably support the plan's basic assumptions or confirm the likelihood of its success.

This can end in one of two ways: The results of the study actually do support the plan, but by now so much time has passed that the initial situation has completely changed and the window of opportunity has come and gone; or the results could be interpreted as opposing the growth initiative.

Of course, every study can be interpreted in a number of ways, and above all it takes time before the call for proposals has been prepared, the right institute has been found, the study is completed and the final report prepared and submitted.

Once all that is done, the results need to be carefully considered, and before you know it months have passed.

The danger here is that some studies make perfectly good sense. The key is to recognize whether a call for launching a new study is really just a veiled attempt to deep-six a growth initiative, or if the study could actually be helpful.

The same is true for the second facet of the effective groundwork strategy, namely the—in some cases massive—involvement of external consultants. This can of course be a major help, provided the consultant has already dealt with similar cases for other clients and uses a small team of experts to offer substantial help with both conceptual work and implementation. What makes little sense is calling in veritable armies of consultants in the hope that surely one of them will know what their doing; the principle of "more is more" does not apply here. Calling in the consultants is another way for professional growth blockers to win valuable time, as the selection process, the endless PowerPoint duels, the discussions following the presentations as to whether another candidate might be cheaper, or if the company needs external help at all—it all takes time, which can help to ensure that the golden hour for making meaningful changes comes and goes.

A further strategy is to constantly revisit important topics with tiny variations in meetings so as to reexamine them again from the start and be absolutely sure the right decision was made. Putting off discussions because more detailed information is needed, not all arguments have been thoroughly discussed, or there's simply not enough time left in the meeting to discuss everything in detail can also be highly effective and—needless to say—is only done to ensure that the wisest course is chosen.

This type of passive-aggressive behavior can be hard to pick up on; we must very carefully separate truly benevolent support from intentional subterfuge, a skill honed through experience.

10.3 Playing Politics

Especially at major companies, political games are par for the course, and some of the key players have refined their skills to the extent that they can either block growth initiatives that would benefit their company, or completely remove them from the agenda. Here a few options for how to do so at the level of internal politics:

Some blockers can be very convincing when it comes to hiding their true intentions. "Though I support the idea in principle, I would like to add that. . ."—this is normally followed by very serious-sounding arguments that can't necessarily be proved or disproved. Claiming to support the idea and objectives while voicing doubts about the methods is yet another political game. This is very reminiscent of the debates between opposing political parties: Both want to fight unemployment, yet each feels its own policies are the only right ones for the job. These debates rarely end in finding common ground.

There's also considerable political activity going on behind the scenes. Though the blocker speaks quite positively about the growth concept in public, all the while they are weaving a web to isolate whoever made the proposal and mobilizing their own troops to stop the initiative. Counter-arguments are collected, and failed concepts from the past prepared as damning evidence. The integrity of the plan's initiator is called into question "for the good of the company." In the worst case, the staff representatives can even be used to propagate such intrigues, often in return for the promise of a kickback should they succeed in killing off the concept.

Is all of this legitimate? No, of course not. But that matters little to those who feel their interests to be threatened by the growth initiative, because their first priority is saving themselves.

Some political games go as high up as the Supervisory Board. And some Supervisory Boards are so poorly staffed that they can't afford to have a strong Managerial Board. In fact, many Managerial Board members have fallen victim to their own ambitions, because the weak Supervisory Board was worried about the Managerial Board becoming too independent. Of course no one would ever admit that this was the reason for their dismissal, but that does nothing to change the fact that these power games happen all the time. Strong Supervisory Boards can be recognized by their readiness to appoint a very strong Managerial Board and call for growth initiatives where appropriate.

Needless to say, there are countless other political blocking strategies, as you've likely seen for yourself. Feel free to add them to the list; what they all have in common is that they take place behind the scenes, making it all the harder to identify them.

10.4 Throwing Smoke Bombs

Smoke bombs are not only good for hiding things from view for a short time, but also and especially for buying time. One of the most common smoke bomb tactics is the selective use of information: Providing information too late, giving incomplete or inconsistent information, or none at all can be a very effective way of at least delaying decisions. What a pity: There was so much information to distribute, some of it must have gotten lost in the shuffle.

Another preferred smoke bomb: creating new rules or rediscovering old ones that stand in the way of the growth initiative. Are there any basic company principles or values the initiative might violate? Even if, after careful research, the answer turns out to be "no," the smoke bomb still did its job: buying some time.

Responses like "maybe" and "both A and B" are also effective smoke bombs. "Maybe" means the growth blocker will have to give the matter more thought to what conditions would allow them to change their "maybe" to a "yes," though they know full well they'll never say "yes" and support the growth initiative. "Both A and B" means several proposals look equally promising and should be pursued at the same time, even though a thorough examination shows this plan to be completely illusory and counterproductive because it would overwhelm the company's resources. Making this determination takes time, and if the infeasibility of the approach isn't identified in the conceptual phase, the smoke bomb becomes even more effective: If the person who first made the proposal doesn't recognize the problem until the implementation phase, it's usually the perfect opportunity for the blocker to ask them to deliver a report on their progress. When they do so, the blocker then advises them that they would be better off cancelling all of the projects, as no matter how promising they initially seemed to be, it was now crystal clear that they couldn't be completed. Oh well, time to get back to the daily grind.

Another smoke bomb is called "changing priorities." The priorities are suddenly changed and the growth initiative is put on the back burner. In the long run, this can either mean delays because it receives fewer resources, or to it being called off completely.

Rewarding the unessential is another tried and true method. Unessential details are celebrated, while key aspects are ignored. Consequently, resources are often pumped into further refining these details and not into what really counts. In the course of a turnaround project, I once had to upbraid a sub-project team that in all seriousness had focused their energies on designing license plate frames with the company logo for the company's vehicle fleet. What we were *supposed* to be talking about was a seven-figure aspect of the EBITDA. Thankfully the project head was on his toes and supported me in putting an end to this nonsense.

10.5 Pointing Out Uncertainties

Some growth blockers are well aware of the power of goals and work to undermine them. Some growth projects set extremely ambitious goals, and most of their proponents don't yet have a very clear idea of how those goals are to be reached; after all, there's more than one road to Rome. But what they all know is that getting where they want to be won't be a walk in the park.

In such situations it can be a very welcome development when someone with a suitable amount of power waters down the goal into something far less certain. What first looks like a benevolent unburdening of the project team nearly always backfires in practice, because instead of having a limited number of demanding objectives to achieve on a fairly tight schedule, the members of the team suddenly find themselves in a much larger and vaguer space, where they can easily get lost and lose sight of one another. The secondary risk is that, after a time, questions arise as to why the goals aren't more ambitious, and how a team with such unclear aims can take up so much of the available resources, getting the whole company involved in a growth initiative built on quicksand.

Here the best counter-strategy is to defend your goals from the outset, even if they're very ambitious and even if you don't quite know yet how you and your team will reach them. It's better to fail because you tried to achieve too much than to be attacked for not thinking things through, or for not being ambitious enough.

An extensive planning process can also produce a high degree of uncertainty, which happens when the number of assumptions involved in planning becomes exorbitant. Every new assumption makes this even worse, and if too many assumptions are allowed they not only add up, they begin to multiply. In this way, used skillfully, the planning process that normally reinforces projects can instead be used to sabotage them by pointing out their uncertainty. If the number of assumptions in your planning increases significantly, be on your guard.

An intentional lack of supervision can achieve exactly the same thing. Lines like "I'm sure you're on the right track" or "You don't need to fill me in on every detail" should set your alarm bells ringing if they come from someone who doesn't fully support your plans, especially if they normally want to be kept up to speed on all new developments. There's no reason why the progress of growth projects shouldn't be monitored just as closely—and on the basis of results—as any other project. As a rule, they should be watched even more closely, as they usually involve breaking new ground.

10.6 Creating Project Inflation

Having too many projects is worse for corporate growth than having too few. As such, launching several important projects at the same time is an effective blocking strategy for growth initiatives. This is somewhat related to the smoke bomb "both A and B" mentioned above. The topics and contents of these projects are important ones, and their necessity and potential advantages can rarely be disputed; only amateurs try to launch irrelevant projects. Professional blockers often benefit from the fact that, due to a lack of time, no one bothers to consider the consequences of starting all of these projects at the same time.

The result is several projects all fighting over the same resources, whether time or money. For the blocker, it's ideal if these projects continue for at least 12 and preferably 15 to 18 months, because they can then downplay any problems by claiming that some initial stumbling blocks are to be expected (which is true) and that the projects will soon bear fruit (which as a rule is not true).

In the meantime a professional project management system, or even an overall project control system, has been established, and things proceed in due course. Taken far enough, a project office may take over, reconsidering the priorities, further watering down the initiative's original purpose and generating frustration as a result.

As a result of project inflation, this frustration reaches all the way down to the working level, because after a certain workload has been reached the working groups and teams are objectively at their limit, and they often can't decide how to proceed on their own because they were (intentionally) not given the authority to do so. Once the working level has lost faith in the project, the blocking strategy has succeeded.

After a certain point in time, companies often determine that they have too many initiatives running at the same time, as a result of which projects are bundled, ended or put on ice. Though this may very well be the right decision, it's vital to ensure that the person deciding on the projects' futures is not actually a blocker. Blockers will namely go to great lengths to make sure they are the ones who make that call.

10.7 Questioning Successes

Professional blockers are old hands when it comes to downplaying successes, suppressing them, or putting them in a bad light. For example, when a project shows its first successes, they are quickly brushed off: “That’s all well and good, but let’s wait and see how things look in two years.”

Alternately, true successes are turned on their heads: “You’ve brought in so many new customers; how do you intend to serve them all? We’ll never make it. And I think we all agree that it’s better not to win a new customer than to disappoint them, right?” In this context manipulating the consequences of success is another cherished tactic: “To handle all of the new customers, we’d need to massively expand our Logistics department. But we can’t put out that much money, because if we did we’d drop under our promised figures for the next two quarters. You don’t want the analysts breathing down our necks, do you?”

When it comes to personnel issues, those who demonstrate startling successes are often held in check using the Peter Principle, which essentially states that people are always ultimately promoted beyond their ability. As such, those who succeed in driving growth are praised and promoted, while at the same time they are put under pressure to keep delivering ever-better performance so as not to jeopardize their whole career.

When all else fails, growth blockers can always resort to raising their expectations, because the success to date must mean the goals weren’t ambitious enough and/or that much more could still be accomplished. And after all, they argue, we want to play in the major league, not the bush league, right?

10.8 Keep Your Eyes Peeled

Let’s close the door on this type of behavior and turn our attention back to something more positive. Needless to say, you’ll never encounter all of the brakes to growth covered in this chapter, and I hope you won’t run into any of them. But most likely you recognized a few situations from your own experience while reading it, and secondly, now you’ll be better prepared to recognize how growth initiatives can be successfully blocked.

In closing, our focus has to shift to the most important element in the growth process: to you. . .

How effectively do growth-blocking strategies “work” at your company? I’ll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line “Self-test Chap. 10.”

11 Still Searching for a Growth Motor?—Try Looking in the Mirror!

We've now intensively addressed questions concerning internal brakes to growth in your organization. But one of the most important questions is how you as a CEO, entrepreneur or Senior Manager can contribute to the growth of your company—and what personal brakes might still need to be released.

If you only have the time or inclination to read one chapter of this book, this is the one.

11.1 Follow Me/Lead the Way

If you can't lead, why should you? One of our clients, the owner of a mid-sized company, recently asked me if I could help him with a special personnel-related question. He'd already tried talking to the employee in question several times, and using a number of different approaches, but none of these talks had been successful, which moved him to delegating the talk to one of his top employees to see if they could do any better.

My response was to tell him leadership couldn't be delegated. Though I was glad to suggest possible approaches and questions he could ask, he was the one who would ultimately need to talk with the employee.

Interestingly enough, the ability to lead is one of the few skills expected of employees even though they were never taught it. As a rule, leadership is not taught at schools, and only rarely at universities. And leadership seminars tend to only scratch the surface.

I was once given the unique task of establishing the subject "Leadership" and integrating it into degree programs at the SRH University of Logistics and Business Administration in Hamm, Germany. Though I can't make any blanket statements about how good "my" students turned out to be as managers, I can at least guarantee that they received an intensive theoretical and practical education, some part of which surely stayed with them. I only wish the knowledge and skills that make up good leadership received more attention at universities.

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In contrast, seminars that purely focus on leadership usually accomplish nothing beyond lining the organizer's pockets. If the participants receive no accompanying support on the job, their day-to-day work quickly catches up with them, overriding what they've learned.

But we don't need to work so hard on leading others just yet, because before we lead them, we have to first learn to lead ourselves. In addition to the previously mentioned subject "Leadership," I also teach "Self-management" at the SRH. Taken together, the two make good bookend subjects, as Self-management is offered for first-semester students and Leadership is meant for students in their final semester—which is anything but coincidence.

I've often seen—sadly—that many people who are given leadership responsibilities aren't even capable of leading themselves. But how can leadership work if it doesn't start with us? How can we demand others to be capable of what we can't do, even though we should be able to? As a rule, this just doesn't work—at least not for long. At some point the deception is seen through, and the question is raised: "If you expect us to do it, why don't you practice what you preach?" Here the best you can hope for is that this question is asked in an open confrontation, and not quietly, behind your back.

So, before we turn to the real substance of leadership, let's first discuss self-leadership, which is most often referred to as self-management. Four principles and insights form the basis for successful self-management:

- Self-management is more than just time management
- Time is more important than money
- You can't accomplish anything without goals
- There's no *single* right method

The term "time management" leaves much to be desired, because time isn't something we can manage. Time couldn't care less how we use it. It simply passes by without giving a single thought to us, or to how meaningfully we use our time. That doesn't mean that *we* shouldn't give any thought to how we use it, but it does mean we should disabuse ourselves of the illusion that using our time efficiently is enough to lead a fulfilling life, or that it brings us much closer to the goal of successful self-management.

In this regard, we should bear in mind that time is our most precious resource; above all, time is more important than money. Whenever I say this to students, I usually see the same types of reactions: they shake their heads, avert their eyes, or wink to one another. Occasionally, someone will have the confidence to say what many are thinking: "That's easy for you to say." But the point is that choosing to treat time with more respect than money can open up new perspectives, regardless of whether you're a student, trainee, worker, manager or entrepreneur. If a twenty-dollar bill falls out of my pocket and I lose it, I can earn that money back. If I lose an hour, it's gone forever.

The goal here is not to advocate fatalism, but to emphasize how important it is that we put the time available to us on any given day, in a week, a month, a year, or our lives to the best possible use. We can never know how long we'll live, but we do know one thing: We're living in the here and now. So let's live our lives the way we want to and not keep putting off all the truly important things for later.

In order to know how we want to live our lives, we need to first define what we want to achieve. The "99 question," which we often use in employment interviews, goes like this: "You're 99 years old and still healthy, and reflect back on your life. What do you see? What have you accomplished? Where do you live? What are you proud of?"

This time-honored trick consists in putting ourselves in a future situation and looking backwards, just like we do with goals we plan to achieve, or process services we plan to provide. At the age of 99, the end of the road is not too far away, and by then we should have accomplished quite a bit. What you imagine when you try to answer this question is an image of your own desires and goals.

I've often heard the advice that we should never set goals, but should instead wait for opportunities to come along and then seize them. If you focus too much on your goals, the proponents of this view contend, you might overlook opportunities that are right under your nose. This advice is some of the worst I've ever encountered. Of course we need goals, because goals offer orientation. They help us to readjust our inner compass, and to determine if we're going the right way or not. If a consultant ever advises you not to set goals, show them the door. Or ask them what good it does a marathon runner to beat their own best time for the 26 miles if no one records the time because they never crossed the finish line. Advising others not to have goals is simply negligent.

Of course that doesn't mean we should single-mindedly pursue our goals, ignoring the world around us. Sometimes we have to adjust our objectives, just as someone hiking in the mountains has to adjust their route when they see that a rockslide has blocked their chosen path. But the original goal stays the same. If the group of hikers determines that their goal for the day can no longer be reached, they discuss alternatives. If it's a weekend trip, can we add another day? Should we turn around? Should we choose another goal? Flexibility is called for. If the group decides to go home, the goal remains. It simply wasn't reached (this time). Maybe it will later be rejected, because other priorities get in the way, but even then it remains a (in that case unreached) goal.

No goals means no stress; everything is hunky-dory just the way it is. An idyllic state, but unfortunately an equally deceptive one, because I can't imagine there are people who have no desires, no matter how small. And desires are the harbingers of goals. Desires don't have to be concrete, they can be flowery or describe a certain emotional state. In fact, they should be so vibrant and vivid that they have a practically magnetic effect.

Desires are a necessary element, but not sufficient as a prerequisite for effective self-management, because the desire "I want to live a fulfilling life" is always true. You can wake up in the morning and think to yourself "I want to live a fulfilling life" and you're right. But above all, you can't do anything concrete with these desires because you haven't defined where you actually want to end up, or just what a "fulfilling life" looks like. Other desires like "I want to be a millionaire," "I want to drive a sports car," "I want to take a trip to the Caribbean," and "I want to be a CEO" all share this basic characteristic. "I want to" alone is not enough.

We can come closer to making these desires a reality if we define goals along the way. These are milestones that help us to reach our final destination, and to make our desires more concrete. "I want to live a fulfilling life." What does that really mean? What makes a life "fulfilling?" Everyone will have their own answers to these questions, and these answers help to produce goals.

Defining effective goals is not an art, but a skill that can be learned with the help of a few simple methods. In my experience, the most important criteria in defining goals are:

- Concreteness: "Could," "should" and "would" have no business being part of our goals. They only serve to soften our goals, not to make them more concrete. In order to better envision them, goals should be as self-centered and tangible as possible.
- Suitability: Some goals are never reached because they are unrealistically demanding, while other goals are reached but do little to excite us because they were too easy. If, as non-professional athletes, we set the bar for the high jump at about six-and-a-half feet, the chances are we'll never make it; the result is frustration. If we set the bar at just three-and-a-half feet, there's no challenge so we don't feel like we've accomplished anything. For non-pros, the right height should be somewhere between four feet and five-and-a-half feet . It's never easy to find suitable goals, but our experience can guide us.
- Deadlines and results: Perhaps the most important tool in defining goals is assuming you'll reach them. Just act as if you'd already made it. You can start by formulating your goal as something present: "I implemented the growth strategy, together with the agreed-upon goals, on September 15 and will present the results to the Supervisory Board at the fall meeting." Solid time references are important, because they keep goals from becoming open-ended.
- <u>Your</u> goal: Draw a clear line between goals that you want to achieve and goals that others want you to achieve. I like to call the latter "OPGs" (Other People's Goals). All too often we agree to work toward an OPG without questioning what's really behind it, what good reaching the goal will do them personally, or if they're even interested in the goal. Try to avoid OPGs whenever you can. If you can't avoid them entirely, then negotiate over the goal to ensure that you also benefit, not just the other person. Be careful, though. In the private sphere, a classic example is everything parents tell their children that starts with the words "Someday you'll. . .": Someday you'll take over my dentist's office/follow in my footsteps/be a great teacher. If children hear this often enough, at some point they automatically accept it—unfortunately, because nobody needs a dentist who hates their job, a lawyer who would have rather studied Art, a completely overwhelmed entrepreneur, or a teacher who has to fight off a nervous breakdown every time they go to work.
- A manageable number: Having too many goals is counterproductive. You should always be able to name your top goals at a moment's notice; only then can they

really move you. We all (generally) have 100 % of our energy on any given day. If we split that energy between ten different goals we're far less effective than if we only divide it between three. Especially at the start of a new year, many people get very ambitious about new goals. The result can often be a few dozen goals, along with preprogrammed disappointments. The principle of "less is more" should be your guide, because it dictates that you only focus on what matters most and leave out the rest.

- Involving emotions: Try to imagine what will happen when you've reached your goals. How will you reward yourself? How will you feel? What comes next? What will have changed emotionally speaking? Only emotions can ensure that we truly act on our plans. Logic makes us think; emotions make us act.[1] Most likely every decision, regardless of how rational we try to make it, is ultimately an emotional one. What will reaching the goal actually change? That's the real question.
- Lifetime goals: If you keep limiting your goals to what you need to achieve in a day, week or month, you're not going far enough. Defining goals follows a pattern we know well from our careers: top-down, from the top to the bottom. You need to define your core lifetime goals, or, if that's a bit easier, your lifetime desires before it makes sense to set goals for the next year, month, week or day.

Defining goals has nothing to do with pseudo-exactness. The planning sciences have abundantly shown that trying to plan out every detail over a longer time span inevitably fails. What you *do* need to do is define where you're headed; you can decide how to best get there on a situational basis. And remember: The shortest distance between two points (like today and tomorrow) is always a straight line.

Further, effective self-management and ultimately self-leadership includes gaining the insight that performance isn't everything. Though we have to deliver performance in many aspects of our lives, it's equally important that we balance out performance criteria, which primarily center on our careers, with other facets of life. Our social lives, values and health are all facets that often become overshadowed by considerations of our (career) performance. But when we neglect our social lives because we're so focused on delivering maximum performance on the job (and investing the extra time and energy it takes to do so); when we neglect our health because there's always a new project that takes all our energy; and when the work we do contradicts our own personal values, then—regardless of how great our performance—we have failed in terms of our self-management.

If we want to master this balancing act, the first step is to release a key brake to growth in our basic attitudes, namely the assumption that we each have two parallel lives: our career and our private life. We can't split ourselves in two; we each have just one life, and the time we devote to our different roles reflects our priorities. When you get right down to it, the time we have is always a question of priorities.

[1] This is an adage favored by my mentor, Alan Weiss.

"I have no time" is an objectively false statement. "*Right now* I have no time *for that*" is much closer to the truth, and adding: ". . . because I currently have other priorities" is equally true, even if no one enjoys saying or hearing it.

You have "no time" to take your children to school because you have an appointment at the office? No, you *do* have time, but the appointment is more important to you. You could have chosen a different time for the appointment or, if you're not the one who set it up, you could have asked them to start a bit later. You feel uncomfortable asking to delay the appointment for personal reasons? That's your prerogative, but the time is there.

You have "no time" to take on an exciting new project? Of course you would if you worked to lighten the burden other projects put on you, e.g. by asking colleagues to share the load, by leaving out non-essential details, or by employing more modern, time-saving methods. You don't want to ask for help, you want to decide on every last detail, or you have no patience for learning new methods? Fine, but that has nothing to with how much time you have.

You have "no time" to set goals for yourself because things are just too hectic? Not true; you have time. You just need to establish some degree of order in your hectic activities and use the time this frees up to define goals. You could have the time if you wanted to.

Try to work on not saying you have "no time," and don't accept it as an excuse from your employees. We're too quick to adapt to what we assume other expect from us: "No time" may sound reasonable at first blush and is usually accepted, but it remains an excuse nonetheless.

I don't believe in a strict delineation between working and private "life." Effective self-leadership certainly permits occasionally checking business emails on the weekend, and making arrangements that grant your working life a degree of flexibility for dealing with private matters: Telephone calls with authorities, doctor's appointments, postponing appointments for personal reasons, or taking a spontaneous vacation day? Generally not a problem, as long as your performance doesn't suffer. The problem many people face is that their careers intrude too much on their private lives emotionally. And let's be honest: We're the ones that let this happen. The oral prophylactic for this is: "No." Or, if we want to be a bit more diplomatic: "I'll be glad to do that later." By the way, no one mentions that quite a lot of private matters are already taken care of at the workplace: a quick call to the bank to discuss the leasing contract for your new car, making a last-minute bid on the eBay auction you've been watching, or making a birthday card for a friend. At many companies this isn't a problem as long as performance doesn't slip. I feel that's worth mentioning at least once.

In closing this part of the chapter, let's touch on the topic of "role models," as it is part of self-leadership. We hear time and time again that we don't need role models, because we can't reduce ourselves to simply mimicking the behavior of others; it would mean a disenfranchising of the Management, etc. Even some bestselling authors who couldn't care less apparently feel obligated to champion this stance. So let's clear the air:

Of course we need role models.

If you hold a leadership position, you're a role model whether you want to be or not. Your employees judge what constitutes good and bad behavior on the basis of what you allow and what you don't. The higher your position and the more employees you have under you, the more important you are as a role model.

Have you ever taken the time to watch how people act at a company's reception desk? How are vendors greeted, and how do employees talk to each other? What seems to be the dress code? Is the general tone of conversation more formal or more casual? As a consultant, I often get to visit new companies, and I've made a habit of arriving half an hour before the scheduled appointment. I always tell the receptionist who I am, who I'm meeting with, and that they don't need to call anyone because I'm there far too early; then I observe the goings-on in the lobby. What I see there is often representative of what happens in the rest of the company, and is the result of the examples set by its leaders.

You're the one who decides whether or not it's acceptable for your employees to complain about customers and vendors at the office. You're who decides whether white socks with sandals, or ultra-short skirts, can be worn in your company or department. You're who contributes most to whether meetings start on time and end with a previously defined goal, or whether people can come and go as they please because most meetings don't accomplish anything anyway.

I feel it's important to have role models. Even if our role models change over time because we grow out of them or our interests change, their value is immense. That's why it's all the more important that, since you and I are role models like it or not, we make sure we know how to lead ourselves before we take on the challenge of leading others.

11.2 Leadership and Management Are Not the Same Thing

Every now and then, the discussion resurges as to whether or not "leadership" and "management" are two terms for the same thing.

Leadership and management are most certainly not interchangeable terms. Leadership means providing orientation, a direction for the future, whereas management has to do with making sure the goals defined by that direction are actually reached. While I make no claims to these being the definitive academic definitions, I feel it's important to clarify that for the purposes of this book, leadership and management must be understood separately. After all, no one would dream of saying that Mohandas Karamchand (Mahatma) Gandhi was a great "manager." He was a political and spiritual leader.

Leadership means people follow you; otherwise it serves no purpose. Leadership has less to do with delivering quantitative results and more to do with providing orientation and corresponding values. Those who lead think less in terms of the "how"; they concentrate more on the "what" and often on the "if." In contrast, management primarily focuses on the "how" and interacts with leadership at the level of the "what." Leadership creates goals; management ensures they are met.

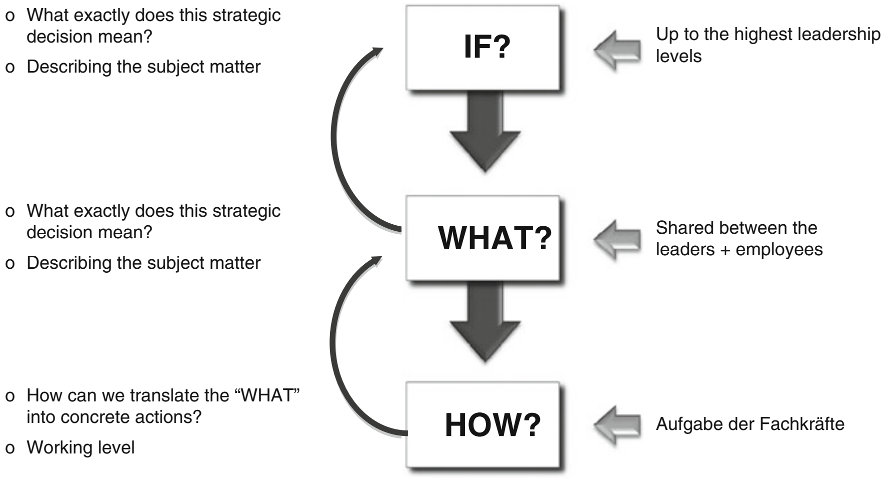

Fig. 11.1 Differentiating between IF, WHAT and HOW

The two work together to make sure that the right goals were defined. Strategic leadership assesses these factors from a comprehensive standpoint, while operative management does so in terms of what is organizationally feasible and reasonable (Fig. 11.1).

Talks are a key component of leadership. The indirect effects that talks produce, whether one-on-one or in larger groups, are a major tool that leaders take advantage of. At the same time, leadership talks are one of the few types of talks that don't necessarily have to have a fixed goal; they may very well be dialogues without any concrete results. The main thing is that, by the end of these talks, all parties involved have gained new insights. Accordingly, these talks often focus on development, either on the part of the employees or of the company itself.

The indirect effect of deciding on goals is something many leaders don't immediately recognize as creating value, as it produces no immediate results. Instead instructions are given, statements are made and assessments presented. However, leadership talks should have a wholly different character; they should be marked by a high percentage of questions. The rest of the conversation will take care of itself. In turn, the insights gained ensure that future talks can start at a higher level.

Given the key importance of talks, anyone who wants to truly lead must give a great deal of thought to how often they speak with whom, and about what. This calls for a fine touch: Too few talks can be just as counterproductive as too many. The most important, thing, however, is to develop a feel for and awareness of who talks with whom, how often they do so, and which topics are discussed. Talks that just go in circles are a major brake to growth.

Above all, leadership cannot be allowed to get bogged down dealing with exceptions, a problem that often slams the brakes on organizations' growth. In more and more companies, exceptions have become too much of a priority, and accordingly dealing with exceptions has become the rule. This is not only questionable in terms of its efficiency and spawns new complexities; the need for clear profiles is yet another argument against using leadership principles to handle exceptions. Systematic leadership never invests more attention on exceptions than is necessary, dealing with them as they arise. Effective systematic leadership focuses on the rule, not the exception, and can also maintain the core doctrine when exceptions do crop up.

Management is responsible for agreeing upon goals within the framework defined by the leadership, and for reaching those goals together with the staff. Management is a skill, which can be supported by professional and methodological expertise. Good managers are characterized by their experience and professional conduct, along with their unflinching resolve to meet agreed-upon goals or to recognize that doing so has become senseless.

Good management consists in goal-oriented efforts to implement, work and do; in getting things done. As such, its (quantitative) results can more readily be measured than those produced by leadership, which tends to generate qualitative effects. Unlike the leadership, managers are expressly called upon to work together with their teams to develop suitable ways and means of achieving previously defined goals.

One point needs to be clearly stated: Whether we're talking about successful leadership or successful management, it is absolutely essential that the people involved also hold power. Do you have direct reports? Are you authorized to reward or punish employees? Can you make personnel changes? Do you have financial resources you can use without the approval of others? Do you have an influence on goals? These factors are key to successful leadership and management alike. Though this should be self-explanatory, in the course of our work we often discover positions with important-sounding titles that have no influence, making them toothless tigers in their own companies. In some cases, they were intentionally assigned these posts, a mark of miserable leadership.

In this regard, matrix organizations represent an especially effective brake on growth: Companies that adopt the matrix format often do so as a last resort, and following the—often expensive—introduction of the matrix system, they find themselves in a quagmire of jumbled duties and responsibilities. And these escapades often end with the conventional linear organization system being reestablished. In the meantime, the competition has used the power vacuum to try to steal the reorganizing company's best customers. Though there are surely companies out there that do well for themselves as matrix organizations, and though there are surely arguments in its favor, those against it are much stronger: less speed, more complexity, and no advantages for customers.[2]

[2] In 2009 Business Week initiated a discussion between Dr. Jay Galbraith and myself on the pros and cons of matrix organizations. The discussion and the comments it provoked from others offer exciting insights on the topic. See: http://www.businessweek.com/debateroom/archives/2009/08/matrix_is_the_ladder_to_success.html

Especially mid-sized companies should think twice about adopting the matrix format. Wherever possible, we advise our clients not to introduce matrix organization, because we see no good reason to do so. If you take the time to identify which factors move a company's leaders and managers to consider adopting matrix organization, and then add the goals they hope to reach by doing so, you'll nearly always find that a solid, process-oriented linear organization system is also up to the task—and offers far greater advantages.

Can "leadership" and "management" always be clearly separated in terms of personnel? No, but they don't necessarily need to be, either. It's far more important that e.g. a member of the Managerial Board recognizes when they're leading and when they're managing, i.e., when their actions have more strategic, indirect effects and when they have more operative, direct ones. Combining different roles in a single position is nothing out of the ordinary; it's only important to develop a good feel for which role is needed in a given situation. Above all, the art of mastering the two skills means joining the indirect aspects of leadership with the direct aspects of management without their becoming intermingled. Successfully doing so can be a substantial internal growth driver.

11.3 The Right Setting

Many hard-working leaders assume they're responsible for everything, especially for motivating their employees, a misconception that is a major brake to growth. Listen carefully: You are not responsible for motivating your employees. To be more precise: You can never motivate your employees in the long term. And more to the point: You shouldn't even try to do so because this costs part of your most valuable resource: time.

Do you really think professional athletes need someone who constantly cheers them on so they can set new records? Do you seriously think that rock bands need to attend a motivational meeting before they go on a world tour? Of course not: Athletes, musicians, and actors deliver top performance because they love what they do. And employees that deliver outstanding work at their companies also do so because they love their jobs.

Long-term extrinsic motivation can't be done. I'm not saying you can't drive employees to put out top performance in the short term, but long-term motivation can't be produced extrinsically: not with so-called motivational events, not with expensive in-house programs, and least of all with money.

Anyone who's ever received a raise knows that you soon take the new salary for granted, and as a result your last raise quickly seems to have been long ago. And, once you got the raise, did it make you work even harder? No? All right, then. If it had, it would mean you had been slouching off at work before. Some employees expect raises as standard practice, some consider them long overdue, and others think a bonus is a reward for all they've done in the past. Any way you slice it, long-term motivation can't be achieved with more pay. This is also true for Sales. Of course there's an incentive to top a certain sales level if it means getting a higher bonus, but that has nothing to do with motivation. Instead, it's much more like the carrot dangled in front of the donkey's nose to keep him going. If the donkey's lucky, it might even get to eat the carrot once the journey's done. Or it might not.

Salaries are nothing more than a hygienic factor. They need to be fair, and any bonuses or commissions in pay statements should be clearly comprehensible. It can be devastating for a corporate culture if a bonus system is agreed upon for a new fiscal year and the company's goals are largely reached, only for the company to then unfairly claim the quality was lacking and that it accordingly didn't earn enough to be able to pay out the promised bonuses. When something like this happens, it can irrevocably destroy the rewards system's credibility. Partly due to the high degree of complexity involved in variable rewards systems, many companies have now opted for fairer salaries without bonuses, and reward their employees using profit-sharing.

If you do use partly variable payment systems (i.e., with bonuses or commissions), you should firstly make sure that you only grant monetary rewards for performance that truly matches your goals, and secondly that you can always keep the promises you make. Agreeing on bonuses only to later call them off will not only create an internal brake to growth, but also a massive blockade of employee frustration.

When a new employee signs their contract, work on the assumption that they're already motivated from head to toe; you don't need to motivate them any further. As a leader, your role is to provide them with inspiration and a degree of creative space they can move within. Creating that space is the task of the leadership; creating the content that fills it is up to the employee. When employees working at companies are asked what motivates them most, the answer is often: "The opportunity to take on responsibility and make decisions."

That being said, not every employee wants to make decisions or take on responsibility. And not every employee who claims they want to make decisions and shape things can actually do so when granted responsibility and decision-making powers. The Chair of the Supervisory Board at a major Germany-based retail chain recently stated that the day all of his employees received the level of responsibility they had been asking for was the day they would all be judged by the perceived quality of their decision-making, which would completely overwhelm a great deal of them despite all of their careful preparation. Sometimes there's a major difference between wanting a thing and actually having it.

Extrinsic motivation is simply not effective. Extrinsic de-motivation, in contrast, is highly effective. All it takes is a sufficiently consistent blocking of new initiatives. I can very clearly remember a project meeting I once attended, at which a young employee put forward an idea that was a very good one, but would also mean a great deal of work for everyone involved. In response one of the older members of staff present turned to the greenhorn, took a deep breath for dramatic effect, and asked, "How long did you say you've been working here?" The younger man kept his mouth shut for the rest of the meeting. Such displays of power are de-motivation *par excellence*. If such situations arise at your company on a regular basis, it will tend to produce quiet employees who have internally divorced

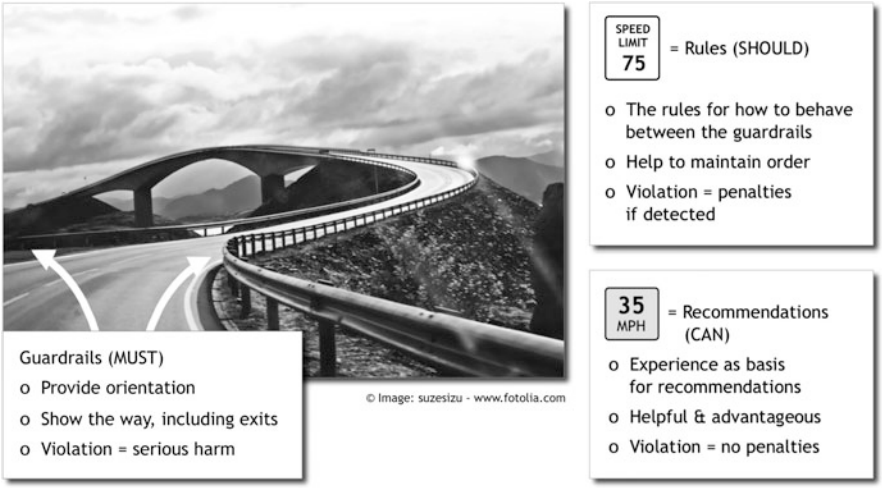

Fig. 11.2 Guardrails, rules, and recommendations define the road ahead (© Image: suzesizu—www.fotolia.com)

themselves from their work. The best employees will leave for greener pastures; the rest, who have come to terms with the fact that good ideas are not wanted, and who simply don't suggest any more ideas, will stay. The result: stagnation. As someone responsible for promoting growth, don't tolerate this type of behavior. Killer phrases aren't always as obvious as in the example above, which makes it all the more important that you develop a feel for the proper boundaries of discussion.

If we're looking for a system to represent a setting that promotes growth, and which is defined by a company's leaders, an analogy from the autobahn might help: The system consists of guardrails, rules and recommendations (Fig. 11.2).

- Guardrails

  A company's leaders define its guardrails. On the autobahn, the guardrails flank the road, they indicate where the next exit is, and everyone knows that if they come into contact with the rails it will mean serious damage and/or harm. Employees must always stay between the guardrails if they want to have a voice and a future at your company. If e.g. you define the guardrails that you will not tolerate corruption in any form, not even in countries where it is supposedly par for the course, and accordingly choose not to enter into any such shady deals, it also means you have to immediately terminate your best member of Sales if they violate that policy, regardless of the size of the deal or their previous performance. If the guardrails at your company dictate that anyone caught stealing will be fired without notice you have to enforce that policy, even if the one caught stealing is someone you like and respect.

  With these considerations in mind, give careful thought to the guardrails you set for your employees. There should only be a few, and everyone should be able to remember them.

- Rules
  Leaders work together with the Management to define rules. In our autobahn analogy, these can be compared to the speed limits in towns. Everyone knows that these are usually 30 mph, everyone knows that the police use radar traps and the like to make sure people obey the law, and everyone either knows the penalties if they get caught speeding (or can look them up).
  Most companies have a variety of rules. In fact, most of them have too many to remember. Or, to be more precise: Most companies have too many rules, most of which only deal with exceptional cases. There are two ways you can reduce the amount of rules at your company: Firstly, you can do away with all rules that are concerned with unnecessary exceptional cases (unless they deal with emergencies). Secondly, you can get rid of all rules that you either can't or don't want to enforce, because the chances are that your employees have long since seen through this. Rules will only be taken seriously by those who can't directly identify with them if they are consistently enforced.
  It's also important that you clearly differentiate between guardrails and rules. While discussing this concept with one of our clients, the Sales Director at a branded goods manufacturer, suddenly stopped and put his head in his hands before saying: "Now I know what we did wrong. We don't have very many rules, but we do have guardrails. And not just on the left, the right and at the exits; we've got them in front, behind, on top and on bottom. So our employees can't move a muscle." We then worked together to successfully reorganize their leadership system.
- Recommendations
  The third element we normally see is that of recommendations. On the road these are analogous with speed recommendations for upcoming curves, or with detour information. No one makes drivers follow recommendations, which are only intended to help; everyone can follow them or ignore them as they see fit.
  At companies, recommendations are often the product of experts' concrete experience and are especially passed on to new employees just starting out. Though some recommendations are questionable, these tend to be overshadowed because of the sheer number of recommendations.

The system of guardrails, rules and recommendations has proven to be an excellent instrument for creating a setting conducive to growth. By clearly defining employees' leeway and boundaries it supports systematic leadership, making rules for exceptions largely superfluous.

It is by the way much more productive to create an atmosphere of trust that leaves employees room to make their own mistakes, even if that means sacrificing a degree of control, than to establish a "big brother" organization that consistently hunts down mistakes. An organization that allows people to make mistakes, and that establishes procedures to help them learn from those mistakes, works several times faster than an organization that invests considerable resources in surveillance and control. Though I wouldn't like to call these organizations "mistrust organizations," it's certainly appropriate to refer to companies that promote error-tolerant settings as "trust organizations."

Over the years, many of our client companies have made themselves into trust organizations, which has allowed them to learn from their mistakes. When monitoring and control procedures are necessary, they are carried out independently and integrated into processes instead of waiting to audit out mistakes long after the fact, which can be costly. This ensures that results are rapidly produced, and that every mistake made is part of the learning process. The prerequisite for trust organizations' success is that employees are judged on the basis of their results, not of the work they invested.

11.4 The Greatest Challenges

As the person responsible for the growth of your company, division or department, what are the greatest challenges you're faced with? We have identified five essential challenges:

1. Fashion
2. Discipline
3. Perfectionism
4. Interplay
5. Ego

11.4.1 Fashion

By its very nature, fashion changes with the times. Certain styles are fashionable for a while, and later they're not. This is equally true for clothes and for management methods. For years, a veritable army of "Management by" methods like "Management by objectives," "Management by walking around" and "Management by delegation" were popular and respected approaches. . .until they eventually became a laughing stock, being caricaturized in tongue-in-cheek versions like "Management by helicopter"—which entails charting a course towards your goal, kicking up plenty of dust in the process, and then disappearing as quickly as you came. And then there was the "Reengineering" hype, which looked great from a technical point of view; the only tiny flaw was that employees were treated like things. Six Sigma, quality management systems, the Balanced Scorecard, Team Building, Good to Great, etc.: The list goes on.

All these fashions succeeded in doing one thing: making their creators famous. If you take a look behind the scenes, you'll quickly realize that many of them are based on a number of fairly self-evident insights that have been merged to form a supposedly integral overall concept, though only for the sake of providing a method; results are rarely discussed. Let's take a closer look and demystify these fashions:

- Management by objectives: Would anyone deny the need to manage by objectives, i.e., by the results produced—aside from the fact that with new initiatives, it can certainly pay off to lead by example? In a nutshell, this approach comes down to defining a manageable number of ambitious but feasible objectives and keeping your focus on them: a key task for leaders and managers alike, nothing more.

- Management by walking around: Of course leaders have to make sure they are physically seen at their companies, but it's equally obvious that their duties should entail a good deal more than just walking around. An approach with no substance.
- Management by delegation: Anyone who still believes that simply giving orders can lead to success is likely to wake up with a major hangover tomorrow. Every day, companies that practice "delegation by passing the buck" see that things often don't go as planned. By now, most companies are smart enough to know that delegation means transferring responsibility, that employees need a certain amount of leeway when given these tasks, and that whoever delegates shouldn't let go of the reins. Nothing special.
- Reengineering: One of my favorite topics. Nearly every company works to improve its service processes, and was doing so long before the reengineering trend. Anyone who does so on a regular basis, occasionally reconsiders the value of even fundamental processes, and ensures that process design starts at the end of the process, i.e., at the desired results, has already done quite well by their company and has no need to follow this trend—not to mention that the concept of "reengineering" completely disregards qualitative growth and growth in revenues. Instead, it contents itself with focusing on cutting costs alone.
- Balanced Scorecard (BSC): Celebrated in many companies as an absolute breakthrough. But what's new about considering different dimensions to gauge your company's progress? Many companies have built up entire systems on the basis of the Balanced Scorecard, systems that are divided and subdivided down to the smallest organizational units. The companies don't automatically get any better, but at least they feel better. Though the basic principles of the Balanced Scorecard are of value, most companies will find the BSC means an overdose of management methods. Another shortcoming: In the original version from Norton and Kaplan, the factor of "leadership" is nowhere to be seen.
- Team Building: Teams and team building enjoy a dubious reputation, and for good reason, because many of team meetings are just ways to get out of real work. If we define a team as a small group of people who share responsibility and work together to achieve a specific goal within a fixed time, many so-called teams are automatically disqualified. And not every problem requires a team to solve it. On the contrary: Though real teams can be used to effectively meet certain goals, pseudo-teams do nothing but jeopardize growth.

In short: Though some of these methods include sensible content, none of them alone offers the absolute solution (though their creators might beg to differ), none of them takes the burden of responsibility off of leaders (though weak leaders might wish they did), and none of them is safe from being replaced by the next new trend (something many consultants are glad about).

Be wary of fashions, and don't let yourself get talked into jumping on the bandwagon. Most aspects of leadership can be boiled down to core principles you simply need to embrace and apply with discipline.

11.4.2 Discipline

This brings us directly to our second main challenge, and here, too, it's first and foremost about you personally: Discipline is one of the most important challenges, and one of the most important characteristics of successful companies and people. The discipline to finish what you start, and not abandon it as soon as you discover the next big idea; the discipline to ensure that your employees keep aspects you've already defined as being important on their radar; and the discipline to stay focused on a task because you can see that other supposedly urgent concerns aren't truly important is an outstanding virtue. Unfortunately, it's also one of the most difficult virtues to defend.

Disciplined people and organizations can often be recognized because they work according to the "less is more" principle. They prefer to make major headway on a few topics than to work on several, but only superficially. The successes generated by concentrating your energies on only a few important topics are no coincidence. After all, the process of deciding on these few topics is the result of intensively working on goals and priorities. Further, focusing on essentials combats potential distractions, as the number of other fields that could take up your attention is reduced to none.

Discipline involves both courage and conviction. Blind discipline is not helpful, because it comes down to simply completing assigned tasks. But if disciplined work is preceded by a well-considered decision-making process that convinces you to prioritize the right topics, and if this is combined with the entrepreneurial courage to take risks after balancing the advantages and disadvantages, discipline can be extremely effective.

11.4.3 Perfectionism

Discipline should not be confused with the pursuit of perfection, because perfectionism is a growth killer. When it comes to careers in business, no one needs to be perfect. What's more: You can never be perfect because there's always something you could improve on. Anyone who's not a surgeon or a firefighter doesn't have to try to be perfect. Even airplanes aren't perfect; they simply have a number of redundant systems that can fill in if another system fails.

Some companies' motto is "It's never enough." Though their hearts might be in the right place, this approach is rarely productive because it usually slows companies down. Even if the goal is to reinforce the drive to become better in every way, what this produces is an optimization in all areas, including those where the improvement can neither be seen nor felt. The fine art of delivering the right service level is completely lost when over-optimization takes hold. Services are appropriate if they cover what internal or external customers actually need.

Neurosurgeons should strive to be as perfect as possible, because their work has little room for error and mistakes can be literally fatal. Thankfully, most of us aren't neurosurgeons, which means we can take it in stride if things don't always work perfectly at our companies.

11.4.4 Interplay

The interplay between different parties within companies is another important challenge, both for those at the same level in the hierarchy and beyond the hierarchy, and especially between departments, a topic we've already touched on a number of times.

In this context, cooperation at the Senior Management level deserves special attention: How does it work in the Managerial Board or the Senior Management? I'm not talking about formalities like Managerial Board meetings or other formal obligations. How can you be sure you can trust one another? How do you assess one another's performance? In many cases, the members of the Managerial Board and Senior Management spend a great deal of their time—up to 50 %—on defending their position and on keeping their eyes peeled for any political intrigues that could jeopardize it. I think it goes without saying that this is a brake to growth. Questions you might ask yourself in this regard include: Do you trust the colleagues you have at your level of the hierarchy? Have you already extended your trust to them? Have you ever discussed a potential breach of trust with them? Don't underestimate the effect of openly discussing such topics; many people take their chances, betting that no one will dare to "duke out" conflicts in the open. Those who do take the step of making such conflicts public are often in a far better position thanks to the element of surprise.

11.4.5 Ego

Now let's turn to ego, the fifth key challenge you need to overcome if you want to be a growth motor for your company. The fundamental insight: As a rule, we're much less important than we think we are. The key conclusion this leads us to: From time to time we should put our egos aside, because we can do so without limiting our company's growth. When it comes to the egos of top leaders, there are five main aspects that often stand in the way of their organizations' growth.

1. Having to be involved in everything
2. Having to know everything about everything
3. Believing they can do everything better themselves
4. Being able to dish out criticism, but not being able to take it
5. Claiming every success, pinning every failure on others

Leaders who think they have to involved in absolutely everything quickly become bottlenecks, because there are usually too many initiatives running at the same time for them to keep track of. Their calendars quickly fill up and at some point the day comes when important meetings have to be postponed because they can't take part. Objectively speaking they don't need to attend, but they *think* they do. No one dares to tell them otherwise, so the date is pushed back and valuable time is squandered. If someone actually does find the courage to openly suggest they wouldn't necessarily have to attend and the meeting is held without them, one of two things will happen: Either the manager is shocked by the results of the meeting and deeply regrets not being there, vowing in the same breath to announce that they'll never miss another meeting again; or they recognize that things can also go smoothly without their involvement, which makes the process considerably less hectic from that point on.

Other leaders don't feel the need to be everywhere at once, but still want to have every detail reported to them. Very often these are managers who used to belong to the first category and, upon recognizing how untenable it was, looked for alternatives to keep them as perfectly informed as possible. This approach, too, usually goes haywire, especially if the manager wants to have time to read through reports in peace and quiet before giving instructions on how to proceed. Here, too, there are two possible outcomes: Either their employees play along and wait on their response—which usually comes much later, because new reports are added to the "to read" pile every day—, causing corresponding project delays; or the employees opt for a bit of organized civil disobedience and simply keep on working without waiting for feedback. Some managers are in retrospect happy about this disobedience, as it shows them that not everything depends on them, while others go through the roof when they realize that no one waited on their input.

Examples of people who think they can do just about anything better themselves ("Do I have to do everything myself?") can above all be found among managers who have made their way up the hierarchy bit by bit and year by year. They find a sense of fulfillment in the fact that they objectively *can* do many things better than their employees because they used to do the same work, and for years. If these managers show off their superior expertise too often, it can be massively frustrating for their employees, who revert to a wait-and-see attitude, because after all the boss can do everything better than they can. It also rapidly creates a culture of double-checking, as everyone runs to the boss to make sure they're doing something right, or even goes to them before starting to ask what they would do. This brake is especially powerful because not only does everything focus on the boss, just like in the first two examples, but employees are effectively driven to be less self-sufficient and more dependent.

Leaders are first and foremost there to lead, and ideally the employees they lead should possess considerably more professional expertise than they do. There's nothing wrong with leaders sharing their experience in difficult situations, but this is most effective when they do so indirectly—for instance by asking questions that help their employees to find the right answer themselves. Doing so requires leaders to largely take themselves out of the equation. And in order for them to do so, they must have first arrived at the insight that a leader isn't there to be the highest-paid expert, and must therefore overcome their own egos a bit. It's all right for others to be good at what they do, too.

Overcoming your ego is no mean feat, but the stronger your sense of self-worth, the easier you'll find it to do so. This can be clearly seen in a leader's ability to not only express criticism, but also to accept it. I've met leaders who virtually exploded when they heard the mildest criticism from their employees, threatening them with disciplinary action or counterattacking by rubbing their noses in their own shortcomings. But when it came to dishing out criticism, these managers usually had no qualms about serving up generous portions.

Take a constructive approach to criticism, don't engage in personal attacks, and accept your employees' criticism. Consider yourself lucky that you're not surrounded by a group of opinionless yes-men; there are plenty of them to go around. It's all right for others to be right, too.

It is a despicable, egomaniacal character trait to claim every success for yourself, while placing the blame for any failures on the shoulders of some "dumb" employee or group. Other potential victims include the computer, the "system," a vendor, you name it. In any case the leader is never to blame when things go wrong, while at the same time it was clearly a stroke of genius on their part that allowed a complex project to be finished on time and with brilliant results, contrary to everyone's expectations. Bravo!

Take the time to praise your employees, even if they only played a small part. If the success of a project was due to a team effort, make it clear that you recognize that fact. If you're good at what you do, you'll get enough of the limelight without having to try. If you're bad at it—and the fact that you're reading this book speaks to the contrary—sooner or later that fact will be recognized, and your days at the company are numbered. Hopefully.

11.5 Full Speed Ahead

You've now made your way through this book. You've read about the brakes to growth that can be found in various departments and how you can best take action to release them. You've acquainted yourself with a new definition of growth—and perhaps taken credit for it yourself—that views it as meaning more than just the development of the last line on your profit and loss statement. You've explored elements that can support your growth process, and you've seen that above all you personally can and must take on a major part in your company's growth. What now?

If you really want to use this book effectively, make sure that you talk over with your employees what you thought about most while reading it. What do the departments in your company look like? Where are the worst bottlenecks? Do your most trusted employees share your views? What's the next step, what initiatives need to be launched? What do you hope to achieve, and what are you ready to invest in terms of money, people and above all time?

Remember that less is more. Only plan a few initiatives and, when you do, make sure that at least some of them will bear fruit in the short or medium term. Make it clear to your staff that small milestones are needed just to keep the initiatives running. Though long-term planning has its place, you need “power goals” that rapidly display their potential.

Talk to your internal and external customers. I’m not talking about conducting an extensive survey; talk about your new growth concept throughout your company and ask your employees which internally and external services could be improved, and with what result. Talk to your external customers, who ultimately generate your growth, about what they expect from you. Make every effort to determine if there’s a difference between what they want and what they actually need. Your goal shouldn’t be a representative study; what you need are impressions, observations, and a broad range of insights taken from those observations. These can in turn be discussed with your employees and above all with your fellow members of the Senior Management. You have to learn to cope with the variety and ambiguity of the observations you make: It’s an uncertain world we live in, and neither you nor I will ever find absolute certainty.

Talk to your shareholders, no matter if they’re a diverse group of stockholders, institutional investors, private equity investors, family members or cooperative members: Do they support your growth strategy, your thoughts on how to either maintain or spark multidimensional, sustainable and profitable growth? It does you no good to put forward outstanding ideas if your shareholders have completely different goals. I once saw how a growth agenda presented to a Shareholders’ Board by the Management was rejected by 75 % of the members. The reason: It was too long-term oriented, and the Board, which consisted of private equity investors, preferred an early exit. In another case, I saw how the Supervisory Board literally applauded the Management’s proposed growth strategy because it showed that finally someone was willing to think in the long term. The point here is to know your shareholders’ expectations and to prepare accordingly.

When planning your growth program, keep in mind your own values and those of your company. Growth projects and programs often entail considerable changes, and can place major strains on a company’s framework of values, its corporate culture: a real stress test. Along with the individual steps and the results achieved, keep a close eye on the values you most want to preserve. Are they truly preserved, or are they jeopardized? In this regard, a bit more discipline is often wise, because if long-cherished values are lost or compromised, it usually means the dam is burst, meaningfully and permanently harming the company’s trustworthiness and credibility. If, however, you make it clear from the outset that you intend to safeguard your company’s values, that you don’t plan to change them one iota, and if your actions consistently reinforce your claims, it can provide your company with far more strength for the change process.

Once you have agreed upon a policy with your fellow leaders, deal openly and honestly with your colleagues, employees, stockholders and all other shareholders. Make it perfectly clear to them where the company’s journey leads, and work to convince them that you’ll still remember the agreed-upon goals and strategy in a year's time. If the response is a frosty one, at least you'll know where you stand and can ask yourself: Do I want to overcome this resistance, to try to find common ground, or is it just too much work? You always have the freedom to choose change. The choice is up to you, so make it, stand by it, and pursue your goal, full speed ahead.

Here's to your profitable growth!

What can you personally do to more effectively promote your company's growth? I'll be happy to send you as a reader of this book a short self-test free of charge. Just send me an email at guido@profitable-growth.com with the subject line "Self-test Chap. 11."

About the Author

Prof. Dr. Guido Quelle is one of the rare people who has been an expert on profitable growth as an entrepreneur, consultant, author, and speaker. For over 20 years he is working at both the national and international level. In the course of more than 350 projects, his consulting firm Mandat Managementberatung GmbH (Mandat Consulting Group) in Dortmund, Germany has guided and supported over 120 companies, well known multinationals as well as medium-sized “hidden champions”, in attaining sustainable success and growth. Professor Quelle has been the author, co-author and editor of 11 books, more than 100 articles and six studies.

Guido Quelle initially graduated with a degree in Computer Science before continuing to complete his dissertation on market segment strategies for trading companies at the Technical University of Dortmund. In 2011 the University of Logistics and Business Administration in Hamm appointed him as an honorary professor. He served and still serves on the boards of several non-profit organizations and also as a Commercial Judge at the District Court of Dortmund. As President and Member of the Board, Quelle has greatly shaped the development of the Dortmund Chapter of Junior Chamber International, in recognition of which he was honored with the Golden Junior Pin by the Junior Chamber Germany. The training initiative “JOBfit,” which continues to offer guidance and orientation to nearly 3,000 young trainees each year, was launched under his leadership.

Quelle received the internationally recognized title “Certified Management Consultant,” an honor bestowed on only a small percentage of management consultants around the world by the International Council of Management Consultants Institute (ICMCI). In 2008 he was the first European to be inducted into the Million Dollar Consultant Hall of Fame®. He lives in Dortmund, Germany, together with his wife and their two Leonbergers.

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