



MANDAT  GR  WTH LETTER®

Growth Focus: Suitability

# CEO-Tip *of the Month*

by Guido Quelle

## Inflexible Compliance Rules or Judging What is Suitable? It's Up to You.



I recently sent the speaker for the Senior Management of a major company a copy of my book "Profitable Growth" with a personal dedication inside, because I felt the book could help his company. Imagine my surprise when the book was sent back to me with a note explaining that the company's employees were not allowed to accept gifts. What's more, the note was signed by the speaker himself, i.e., by the very person I had sent it to!

This is a wonderful example of not knowing when to make an exception to the rule. Even if they had decided the rule still had to apply for a book that costs EUR 39.95, there are a number of ways they could have handled the situation better. Here are four:

- o The intended recipient could have sent us a check for EUR 39.95, or asked us for an invoice to that amount.
- o He could have made a donation to a charity to that amount and then informed me.
- o He could have used the book as a prize to raffle off among his employees.
- o He could have added the book to his company's library to ensure that as many employees as possible could benefit from it.

Instead the speaker decided that the best thing to do with the book, which I had sent him in the firm belief that it would help him, was to send it back. I don't take it personally, but I do find it way over the top. When compliance policies no longer allow room for exceptions, but instead exempt a company's employees – all the way up to the Senior Management – from having to make decisions and as such no longer require them to exercise their own judgment, then those policies are a sign of an

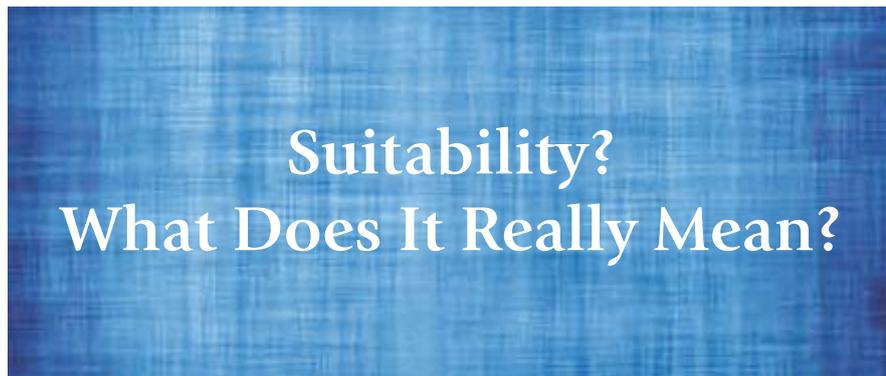
unthinking bureaucracy. Does anyone honestly believe that companies win consulting assignments worth a few hundred thousand euros on the basis of a free book? Please, let's be serious.

Of course rules and policies have to be enforced once they have been established; I have no qualms with that. My point is that in this particular case – and in many others I know – the rule is absurd. Conveying a sense of what is suitable, having intensive in-house discussions about "right" and "wrong," and promoting the ability to make suitable decisions case-by-case and on a healthy ethical and moral basis are essential duties of the leadership. All too often, company-wide compliance policies are simple blanket solutions, taking decisions away from the employees – again: even as high up as the Senior Management – that it would have been better to discuss.

Compliance is an important topic. But in upholding compliance, be sure not to disenfranchise your employees. Instead, make sure there is a healthy dialogue about what your company considers to be right or wrong. Such dialogues, which need to be actively maintained, ensure that better decisions will be made in other cases that have nothing to do with accepting or rejecting gifts, because those decisions will be based on a more comprehensive standpoint. Don't let the bureaucrats tell you everything has to be off-limits. Remind them that we're all mature adults, and that adults have the right to talk about what should be allowed at their company and what shouldn't. The right to active involvement in decision-making goes hand in hand with the responsibility for making sound judgments, two factors that are essential aspects of growth-oriented thinking.

# Strategy & Leadership

by Guido Quelle



In many of our consulting assignments, the goal is ultimately to make a suitable decision. It has to do with pursuing growth and the accompanying developmental stages. The questions involved are often basic and essential ones, but in some cases details also come into play. Sample essential questions:

- o What is a suitable sum to be paid for the acquisition of a company?
- o What is the suitable amount of financial resources that the Sales department should be allotted so that it can "shake up" the market?
- o What is a suitable amount of additional services (and accompanying additional investment in time and money) that we want to offer our top customers as a special bonus?

Sample detail questions that crop up during our projects, sometimes in sub-projects:

- o What would be suitable travel guidelines for our employees?
- o What could be a suitable policy for using company cars (a topic that is sometimes debated for months on end, and one we always try to nip in the bud)?
- o What are reasonable response times for answering emails and / or customer requests?

I'm sure you can think of plenty of other cases in which the question of suitability pops up. And the answers aren't always easy; sometimes they call for discussion. But it is precisely this discussion that is of special value, as dialogues about suitability give your employees a more comprehensive grasp of relevant contexts, along with a feel for your company's stance on various issues. In the following, we'll look at more concrete examples from our consulting work:

## Example 1: Sales strategy and market reach

Working together with one of our clients, a publicly traded company, we developed a sales strategy intended to considerably boost their market share and to equally raise their appeal to customers. Both we and the customer recognized that the accompanying objectives couldn't be reached using the resources on hand; as such, investments in personnel, in marketing work and in an expanded service portfolio were called for. However, the company had a preset rate of return that 1) had been laid out by the Managerial Board, 2) had already been communicated to the staff, 3) had already been promised to the shareholder and 4) had been approved by the Supervisory Board.

The goal then became to define a suitable period of time for assessing and validating the investments in terms of their effectiveness, and to lower the proclaimed profit targets in a suitable way in the process.

This discourse was followed by a Managerial Board decision, a green light from the Supervisory Board, and communications with the staff. The challenge now was to communicate that this change of plans did not mean all bets were off and none of the promises made were still valid, but instead that we would continue to act in a suitable way with the means available to us. This initiative was a major success, by the way.

### **Example 2: Compliance**

We helped a well-off mid-sized company to create a Code of Conduct designed to ensure that neither the company nor its employees could be accused of giving or accepting bribes, provided everyone adhered to the Code of Conduct. Unlike in many “absolute” compliance rules, we managed to find an approach that preserved the necessity of judgment on the part of the staff and even expressly encouraged them to use their own best judgment. By the way, the dialogue, which of course started at the Senior Management level, also proved to be extremely fruitful in terms of discussing related topics, because in these types of discussions the behavior of the company and its actors in public is inevitably examined from a variety of perspectives.

### **Example 3: Travel and expenses**

We helped another mid-sized company, which has set new standards for profits in its sector, to adapt its internal processes to promote healthy, steady growth. In the process, one of the side-questions that arose was how much money was spent on e.g. parties, office equipment, travel, etc. We determined that it made good sense for the suitability of such expenses to be linked to the company’s financial performance; in other words, in phases characterized by high performance phases—i.e., by high profitability—it was advisable for employees to fly first class on intercontinental flights if they were expected to take part in negotiations directly after their arrival. Should the company’s performance decline, it could always drop down to business class (by the way, if tough negotiations are expected, in terms of “suitability” we would only recommend flying economy class if the employee in question has a day to rest up before the negotiations—just consider what costs you more in the long run).

As such, dialogues concerning suitability are also worthwhile from a business perspective.

### **Example 4: Working times and sick leave**

This last example comes from our own company: At Mandat, all of our employees are focused on doing what’s best for our clients and for our company. Their employment contracts include a clause requiring them to consult a doctor and get a note from them, both on the first day they miss work. As such, we would be within our rights to make our employees follow this policy in every single case. But would doing so actually make sense? No.

Anyone who’s ever felt truly miserable thanks to the flu or some other short-term but thoroughly unpleasant illness knows how much worse it is if you then have to go see a doctor, too. Granted, there are situations in which going to the doctor right away simply makes good health sense, but there are also plenty of “bugs” out there that are gone again after a day. So when it comes to deciding whether or not to enforce this policy, we always take a look at the employee’s performance first. If we had an employee who exploited our flexibility and had no track record of solid performance, we would then demand they stick to the policy in their contract, but as long as things balance out, there’s no need to go overboard—it’s all a matter of finding the suitable response.

At the opposite end of the spectrum from discussing questions of suitability we find inflexible rules that lead to a “maintain the status quo” mentality. Those working at companies that strictly enforce rules with no leeway tend to demonstrate an “I’m entitled to this” mentality, which is hardly surprising because there are black-and-white rules about what is allowed and what isn’t. But those companies that make an effort to talk about suitability with their staff are far more likely to avoid the “I’m entitled to this” trap. Employees who are welcome to actively take part in the discussions over what their company considers to be suitable or unsuitable tend to show a much higher degree of personal responsibility than those who use inflexible policies to slip out of their responsibilities.

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

Almost every company wants to grow—at least officially. Shareholders are demanding further growth and no management team would deny that the growth of their company is one of the top issues they are working on every single day. However, there are barriers to growth, and these are not only external barriers. Most often it is not the economy, not the market and not the customer who just “hasn’t got it.” The main barriers can be discovered inside every company, because growth always comes from within. If the organization is not ready to grow, initiatives to increase market share, to enter new markets, and/or to increase profitability are destined to fail. This book systematically addresses the main internal barriers to growth and provides practical guidance not only for discovering these barriers, but to systematically overcoming them.

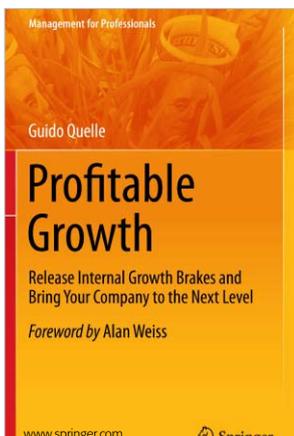
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## Author



Professor Dr. Guido Quelle, “The Growth Driver,” is one of the rare people worldwide who focuses on creating profitable and sustainable growth as an entrepreneur, consultant, author and speaker for more than 20 years. His clients are active CEOs, general managers, senior executives, and entrepreneurs who are committed to consistent growth. With his consulting firm, Mandat GmbH of Dortmund, Germany, he successfully conducted more than 350 projects with 120+ renowned private and listed companies. More than 5,000 people were involved just in those projects that he himself managed. Prof. Quelle is always in demand when companies are seeking the support that will enable them to continue on a course of sustained profitable growth.



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- o Springer 2012
- o 184 Pages
- o ISBN 978-3-6423-2786-5

***“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.”***

Alan Weiss, PhD, President Summit Consulting Group, Inc., Author Million Dollar Consulting and The Consulting Bible

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