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MANDAT CONSULTING GROUP

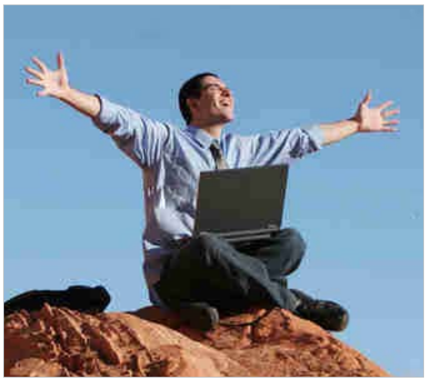
MANDAT GROWTH LETTER®

Growth Focus: Scale

CEO-Tip *of the Month*

by Guido Quelle

What Do You Really Want to be the Best At? – Focus on Your Strong Suits



We really can't say it often enough: To make it to the top–regardless of the field–you need a more intelligent approach than just doing away with your current weaknesses. All life long, we're told to note our own weaknesses and work to improve them; this starts in childhood and never really stops. Yet the fact that this mantra of "combating your weaknesses" is repeated ad nauseam does nothing to improve its value.

We all have weaknesses. Our companies have them. Our employees have them. If we constantly focused on combating these weaknesses, we'd never make it to the head of the pack; at best, we could catch up with our competitors. Do you know the classic grade school example–maybe even from your own childhood? A child comes home with their report card, which shows a B in English and a D in Math. The result? Their parents decide they need a tutor for Math. On their next report card, they get a C in English and a D plus in Math. Is that really better?

There are only two good reasons to work on your weaknesses: Either because the weakness concerns an aspect that doesn't meet the respective requirements, so that–to continue with our school metaphor–there's a risk of having to repeat an entire grade; or because you enjoy working on some weakness–for example in a hobby.
In the business world, working on your weaknesses only makes sense if your goal is to achieve a recognized industry standard that your company has to maintain in order to stay in the "league" it wants to play in. If this is not the case, the rule is: Your company should always focus on its strengths.

This automatically brings us to the topic of "core competencies": Don't let others talk you into thinking that the idea of core competencies and focusing on them is just a fad, a way of generating business for consulting firms, or even outdated. Just the opposite is true: Especially now, in a period marked by accelerating change, many companies dangerously underestimate the value of focusing on and expanding their own core competencies. All too often, they instead start down new paths, all in the name of sparking new innovations. Their thinking is too short-term, their focus on quick successes too great.

But companies only truly become successful when they know their own strengths and consciously pursue their perfection. Note that the concept of core competencies does not merely consist of knowing and being able to articulate those strengths, which itself requires a process, but also calls upon the Senior Management to work together with the heads and top staff of the corresponding departments in order to develop ideas for how these core competencies can be transformed into future-capable developments that can and should far exceed the company's current service portfolio.

Start your next Senior Management meeting by asking a question: "What are our core competencies?" And bear two basic considerations in mind: "Competencies" are about what you can do, not about what you have. And "core" should speak for itself. In the final analysis, you shouldn't come up with fewer than four or more than seven core competencies; don't lose your way.

Once you have identified them, you can then use these core competencies to truly hone your strengths.

Strategy & Leadership

by Guido Quelle

In-house Best Practices: The Best as Standard

When it comes to standards, companies often call for best practices. We, too, are often approached by new clients who are searching for “best practices” or “benchmarks” – sometimes for their own industry, but most often for others. Though the benefit of benchmarks from your own industry is doubtful to say the least, benchmarks and best practices from other industries can definitely help motivate companies to go the extra mile in pursuing new growth. For example, a pharmaceuticals wholesaler that can provide any German pharmacy with nearly any pharmaceutical product within two hours, and that reaches nearly 100% reliability in terms of consignment and delivery, will have set the benchmark for logistics. Other industries could definitely profit from discussing this role model.

That being said, we also feel that looking for benchmarks within your own industry is not particularly helpful. It’s a bit like slogging through deep snow by using the footprints of whoever came before you: You can follow where they went, but you’ll never overtake them. Furthermore, if we stick with the context of pharmaceuticals wholesalers, it’s a moot point whether your quality rating is 99.7% or 99.6%. If, however, your rating is only 97%, you’re not going to stay in the running long anyway; so much for industry-internal benchmarks. Benchmarks can certainly be useful for comparisons like “How are we doing compared to the average for our industry, and compared to the top quartile?”, but that’s about it.
What remains remarkably underestimated is the value of using best practices within your own company. Here, best practices are taken to mean methods or procedures that have proven to be especially successful. And “proven” means that the methods are tried and true, that they have repeatedly and reliably led to success. Flukes and accidental successes won’t suffice; we need a recognizable pattern. Lastly, best practices can never be purely conceptual in nature; they must have already demonstrated their value in terms of the results they produced.

Where should you look for in-house best practices? First of all, within a department or division it’s a good idea to start by talking to the individuals involved. In Sales, for example, you could approach the most successful salespeople or teams in your search for best practices – though it can at times be difficult to identify best practices in Sales because of the dominant “every man for himself” mentality often found there, which is usually the product of individual egos and internal competition.

Best practices can also be found between individual divisions and business areas. For example, in the context of a consulting assignment for one of our clients in the fashion industry we worked together with the heads of Design for the individual brands on a regular basis – in this case, monthly – to identify, formulate and document the best practices, and to make them available to the entire company. As a result the individual brands will be able to adapt and innovate far more rapidly than they would if each only kept to its own devices. Admittedly, it took a bit of time before we could get the heads of Design to openly share their ideas with their colleagues, but once it became clear that every brand had something to offer, the process took on a life of its own. Does that mean we identified every last best practice? Of course not, but that's not the point. The important thing is that at the end of the day you find some applicable learning points that actively promote growth.

Of course, this is harder to do with brands that partly compete for the same customers. But we used the same process in the same company's Sales division and found that even in Sales, where the bonus system was based on who could open up a certain location first, who did a better job of winning over new trade partners, etc., some were open to sharing their best practices. For example, the topic of how to open a new location was a key point for exchanging lessons learned, as were leading others, bonus systems, determining pay scales, etc.

Choosing not to identify the best practices at your own company is – when you get right down to it – at the very least somewhat negligent, firstly because people love to rant about failures but pay far less attention to the reasons for successes, and secondly because in-house best practices are an asset that, with just a bit of discipline and a methodical approach, can rapidly lead to real growth.
If you want to use in-house best practices to promote profitable growth, we recommend using the following approach:

1. Focus

Where are you most likely to find best practices? Where can you use them? Which departments or divisions are better suited and which are not? Start with a comparatively uncomplicated and/or non-critical area within more than one of your divisions or business areas. Always keep in mind: You're not doing this for its own sake. "Best Practices for Accounting" will not help you as much as "Best Practices for Product Development."

2. Team-building

Form a small team. Give the members a bit of time to make their own rules and to learn to trust one another. Be sure the team is small enough that each member is important.

3. Purpose, objectives and criteria

The rules the team sets up for itself include the provisions that it sets objectives and uses criteria to measure to what extent it has reached those objectives. So, what is the purpose of this best practice initiative? The initiative's purpose, the reason for it, the "why" is something the Senior Management needs to decide upon and formulate. Though the purpose is non-negotiable, you still need to convince the team of its value; if you don't, the whole process will be a non-starter.

4. Format

Choose a suitable format. Provide the team with an internal moderator or external consultant. To create a sense of stability, assure the members that they will meet on a monthly basis for a longer period of time (at least 12 months). Once they've gotten used to the process, these meetings don't have to last more than 3 or 4 hours. Ideally they should meet at the same time every month, e.g. on the first Monday, and at a fixed time of day. Every team member should also have one "free pass," i.e., should have the option of missing one meeting due to family matters or vacation.

5. Routine

As a member of the Senior Management, you should initially make yourself part of the process, while you're still establishing the fundamentals. However, you should make it clear that after the initial phase you will no longer be part of the team. Don't interfere with the team's routine unless you have good reason to believe that something's wrong, or unless the team asks you for a statement on a specific question.

6. Reports

There should also be regular minutes on the meetings, which should be distributed (ideally by the moderator or consultant) to all participants no later than 2 days after the meeting, with a copy also being sent to member of the Senior Management who is supporting them. No never-ending PowerPoint presentations, no window dressing, just straightforward minutes including all the relevant facts. The chief benefit is that you have a written record that allows you to later refresh your memory on the decisions made.

7. Publication

Publishing documents on the in-house best-practice process and distributing them throughout your company helps to generate internal momentum for further initiatives. Publishing the results of the process will also spur on other business areas to follow suit.

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