

Managing For Growth and Profit

By Paul Wham

The standard management steps taught in MBA business schools are Plan, Organize, Staff, Direct & Control.

While these processes are valid, they didn't match what I found worked best while running my three companies over the last 21 years. Instead, I developed successful processes to guide my management activities as well as the teams I lead. The key elements are Strategy, People, Systems, Training and Morale.

Strategy: The book of Proverbs says "where there is no vision, the people perish". This statement also applies to running a business. Every business has to have a well thought out and carefully planned strategy. You arrive at your strategy through research, observation and "gut". But regardless of how you develop your strategy it should always have the following components:

- 1) What is the unique selling proposition for my product(s) or service(s)? In other words, what separates me out from my competition? For example, if I'm selling security software, how is my software meaningfully different from other similar products? Are customers willing to pay for this difference?
- 2) Where is the niche for my product? Potentially, every business could be a prospect for my security software. But, trying to sell to every business dilutes my sales efforts and prevents me from becoming truly expert in a niche field. Instead I need to develop clear focus and expertise within a narrower market, for example, banks. Then, depending on the size and resources of my company, I may need to break the bank market down to a specific type or size of bank, perhaps those with assets between \$100mm and \$500mm within the seven Western states.
- 3) In developing my security software, I need to determine how I can offer a product that can garner significant profit margin. For years, Xerox's strategy was to develop a revolutionary new copier or duplicator and price it at the high end of the market. They initially attempted to garner only 10 -15% of the market. Once the product was established in the marketplace, they lowered the price with the strategy of capturing additional market share. By the time competition had caught up to them, they would launch another new and improved model; once again pricing it at the high end to capture high margins. Gillette and most drug companies use the same strategy.

People: When Larry Bossidy took over the reins at Allied Signal, why did he spend an inordinate amount of time during his first two years straightening out his management team? Because he knew that having the right people is the number one secret to any successful business. He is quoted as saying "*Nothing our company does is more important than recruiting and developing superior talent*". The same applies to every company. Top-notch people contribute more, work smarter, take more initiative, develop better business strategies and implement change better. All of this leads to higher quality work. Of course everyone wants the best employees, but very few companies understand how to develop a comprehensive, scientific process to guarantee top quality people will be consistently hired. However, there is a process any company can employ that does just that. It's called "Topgrading".

"Topgrading" breaks the recruiting process into 28 carefully outlined steps. Stakeholders get involved in delineating job duty requirements. Systematic interview questions carefully validate not only the candidates' key intellectual, motivational and management competencies, but also their quality orientation, compatibility with the hiring company's culture and much more. Accurate and complete reference checking closes the loop.

But "Topgrading" also involves personal development and performance improvement steps for all employees after they join your company. And finally it incorporates strategies to effectively deal with sub-par employees, whose cost to companies is tremendous.

Systems: Having the best business strategies and even top-notch employees won't grow a business' profitability unless these employees have carefully thought out processes and procedures to follow. Here are a few examples:

- 1) Whether you're producing a product or providing a service, every company must demonstrate a slavish dedication to quality. Today's marketplace will accept nothing less. And in order to have excellent quality you need to incorporate Total Quality Management (TQM) processes in the workplace. This involves training in Quality Circles, Continuous Process Improvement and Kaizen. And the President must embrace consistent quality as a way of life at the company.
- 2) Don't underestimate the threat of bad debts, which destroy scores of companies every year. When I was running a services division with Xerox, I had a boss explain that it doesn't matter how much you sell if you don't collect. I believe in three activities when it comes to credit.
 - a) Have a tight credit policy with clear rules and requirements.
 - b) Remember, "If you lie down with dogs, you'll wake up with fleas". So check out your customer's payment history and capacity *before* you extend credit.
 - c) Watch your accounts receivable like a hawk. Every week you need to review your A/R aging report and jump on any account that exceeds the credit terms.
- 3) Personnel issues and the potential for lawsuits mandate very tight human resources policies and procedures. This means personnel policies that have been checked out and approved by your company's attorney before you get into trouble. You expose yourself to enormous risk if you fire someone in today's workplace without careful documentation. Likewise, the federal, state and county governments are continually adding new requirements against discrimination, unlawful termination, unemployment compensation, and more.

Training: I never cease to be amazed at how little emphasis is placed on training in most small & mid-size companies. Perhaps the reason is they don't have staff that has a training background or they don't feel they can afford the cost. My opinion is they can't afford not to. Large companies spend literally hundreds of hours on training for their managers and employees. They do this for a reason. Highly trained personnel perform better and add significantly to the bottom line. Training encompasses a large area, but certainly there are several topics that I believe are required:

- 1) The Power of Teams. Today's business world almost always involves working in a team environment. In fact, even the primary and secondary school systems are requiring joint participation in projects and various assignments. But there is the

right way and the wrong way to building powerful teams. The right way makes all the difference.

- 2) "Topgrading". Every manager/supervisor in the company needs to be very familiar with the three components of "Topgrading"; recruiting, personal development and performance improvement. Remember, *nothing your company does will be more important than hiring and developing superior talent!*
- 3) Leadership. Very few people have all the skills and native ability to be effective leaders. Instead, most leaders learn on-the-job. In other words, through trial and error. And unfortunately, these errors cost you and your company a bundle. Effective leadership training reduces these errors and also improves productivity and morale in the workplace.
- 4) Organization & Project Management. Almost every job function has processes that can be streamlined and made more efficient. And most people have various habits that are detrimental to their effectiveness. Training in this area and the other areas brings almost immediate rewards and when all is said and done, doesn't cost the company anything.

Morale: People spend roughly a third of their life at work. Companies that provide a good place to work will almost always outperform those companies that don't. However, creating a good place to work is the least important of the management processes I have listed. If a company does an excellent job on strategy, people, systems and training, oftentimes morale sort of takes care of itself. With that said, there are various inexpensive morale boosters a company can incorporate that make the work day more pleasant.

- 1) "Spend a day in my shoes". Have every employee work for a half day with someone in a different department who explains what they do and how they do it. This only has to happen once a year, but can do wonders for team building, and helps bring a company together.
- 2) Group outings to activities like sports events, horse races, and other entertainment. Depending on the size of the company, this can extend to concerts, plays, etc. The cost is paid for by the participants, and participation is voluntary, but similar to picnics and holiday parties, it helps build a cohesive company attitude.
- 3) Attitude surveys. Everyone likes to blow off steam occasionally regarding practices they feel are not working within a company. If an anonymous attitude survey is handled professionally and if the results are openly discussed and corrections made, it can go a long way to reducing tensions and maintaining excellent morale.

Running any company isn't easy. If it was, everyone would do it. Incorporating the management principles of well thought out strategies, however, along with "Topgrading", systems, training and morale boosters can go a long way to driving revenue growth and profitability.
