



# Successful business in a changing world

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This is a topic that has been broadly published. In all types of publications, as pseudo stories, fables, hard to read business books and so on. Despite this, leaders still find change a serious challenge to deal with. Let's take a few tough scenarios where change was inevitable.

A company manufactured sleeping mattresses and delivered more than 80% of its manufactured merchandise to three large local retail distribution networks. One of the retail distribution networks decided to import mattresses from India and China at a 60% discount compared to the locally manufactured mattresses. This meant that their retail price was less than the cost price of the local mattress manufacturer. The manufacturer lost 30% of their production market. The other two retailers found themselves in a position where they couldn't compete against the cost structures of importing retail distributor. Action was urgently required. The second retail chain also decided to import from the Far East. The third retailer was offered the majority shares in the manufacturer which resulted in them owning the full supply chain. But serious change and cost cutting will be inevitable if the third retailer is to be able to compete. The manufacturing process will have to be much more cost effective. The production line must be cut, automated and simplified. People will lose jobs. The following changes will have to take place: Retrenchments; Restructuring; Re-engineering; Re-branding; Early forced retirements; Re-training and more.

The retail group has now bought the shares. A new EXCO was appointed. But everything else – up to this point – is still exactly the same. That is the cost structures, the employment numbers, the sourcing arrangements, the distribution networks and so on. The question is how to tackle the problem? Where to start? What are the critical mistakes to avoid?

This is one of the most challenging leadership responsibilities: To get this right!

Let us look at some of the things that must be done and some that must be avoided at all costs.

### **Don't Instruct! Invite!**

The most certain way to fail in terms of successful change facilitation is to give directives or instructions to the employees. The leadership style that expects people to be obedient, do what is told and don't ask questions is dead! People tend to resist this with extreme negative energy. Instead, people want to know, they want to be informed, they need to know why and they need the opportunity to discuss. A clever leader invites people to become involved in seeking an answer. Openly present the leadership teams' answer to the challenge and invite all to discuss and participate actively in finding the best solution for all.

### **Don't waste time. Rather sooner than later.**

The consistent mistake business leaders make is to wait until collective negative energy has started to build before they communicate. The excuse for this is normally that they don't want to communicate unless they are 100% sure of the communication content. This is the wrong strategy. The period of leadership silence starts when the rumors begin and it goes on till the leadership team has a transparent talk to all. This period of Leadership Silence is extremely negative. If the leaders haven't yet decided what to do, say it! Tell the people that you are

working on a plan, invite them to contribute to the thinking process. Don't allow silent periods to destroy the success of the new scenario.

**Don't sugar coat. Be brutally honest....but with respect!**

This is a problem. Too many leaders practice collective dishonesty and/or leadership cheap talk. Too many leaders try to intellectually outsmart their employees, talk high level business jargon in the – sometimes unconscious – hope that the content will be so 'smart' that everybody will accept their talk as the gospel. There is bad news for this type of communication. Smart talk is never smart. Simple, straight talk is smart, very smart, very efficient and the most important building block towards successful change and successful leadership.

There is something else to keep in mind. Don't try to make bad news sound like good news. Be honest. Don't talk around the issues. Be blatant and present things as they are. Mean what you say and say what you mean. People deal with change best when they are given the hard facts upfront, with honesty, respect and dignity. Don't ever be harsh, sarcastic or humiliating to anybody anywhere. Just be kind, honest and caring.

**Act! Don't wait! Do something!**

Putting a bad plan into practice is much better than having a perfect plan documented. This is the same as Leadership Silence. If things don't happen, the positive energy becomes toxic energy. People start to drag their feet, they question the intentions of the leaders, they even start with their own change process. In an effort to deal with the uncertainty they will spend their energy on either finding good reasons why things should stay as they were or they will initiate changes to (sometimes critical) aspects of the business without any alignment to a proper plan. When the leadership team don't act in a tangible and visible manner people down the ranks will do things, probably the wrong things.

The biggest risk during this period of passiveness from the leaders is that the business loses its smartest people. They resign. Smart people resign when they are uncomfortable. The reason is very simple, they can. The most able people are those who can move out and move on. Unfortunately it is these individuals that are the most necessary agents towards successful change in business.

**Do the tough things first!**

People tend to delay the tough actions that are inevitable. In a case study on two companies that merged with disastrous results the single most important reason for the catastrophe was the fact that the leadership teams had totally different views on how the new business should be structured and function. This became a dragged out 'us' and 'them' fight with each side trying to win points and get the upper hand. A strategic consultant's advice very early in the process was that the one EXCO from one of the pre-merger companies should run the new company and that the entire EXCO of the other company should be given a golden handshake. In short, they should have been fired. But, because this is uncomfortable and sometimes even painful, this was not done. The final outcome was that the entire EXCO from both pre-merger companies were fired by the investors. Seventy-five percent of second tier managers were also fired. This had to be done in order to prevent the new business from total collapse.

This is good advice: Deal with the toughest issues first in a firm and decisive way. Remember, in some instances you will have to make tough decisions. Make sure that even the tough ones are the right ones and execute them.

**The Plan!\***

At a point you have to have a plan. Where are we going? Please don't waste time trying at this point to create a roadmap on how you will get there. This is a strategic plan. Leaders sometimes battle to distinguish strategy and operational plans. (Tactical plans are outdated concepts – leave it!) What the leaders need to define is a high level goal for the business. Please don't waste time on compiling mission and vision statements for the reception area of your business. This is counter productive. Your plan needs to outline specific aspects of the final outline of your goal. I will explain.

**The Business Concept:** We want to build an Ancient Castle Theme Hotel in the mountains.

**Strategy – The Plan\* - :** Clearly identifies the location, size, building plans, look and feel of the hotel and special features.

**Business Plan:** Investment financials, profit projections, time-lines and break-even projections.

**Operations:** Physically building the castle and thereafter managing and maintaining the castle as a business.

In strict business terms The Plan (Strategy) must give an outline of:

1. The business structure.
2. Core business outline: What are the core business functions of the company?
3. Key new driving differentiators of the business.
4. What the final business image and brand will communicate to the market, the customer as well as its employees.

**Don't do the roadmap thing! Go Project Mode!**

The best way to implement change is by collapsing the business strategy (The Plan\*) into multiple projects and put the entire business into project mode. Get everybody to become part of at least one of the projects and let your people make everything happen!! Then you will successfully turn everybody into an active positive change agent working towards the final goal in fulfilling The Plan\* ("We all built the most beautiful castle ever!! Our Castle!").

**Conclusion.**

In our future world, change will become a constant reality. Companies will always be in some kind of change. Stagnation will be detrimental in the majority of industries and businesses. Be very careful in the way you appoint a 'specialist change agent'. Please remember, change is not an option. If change is necessary, the only alternative to not changing is disaster. If you have the book Re-imagine! by Tom Peters, please turn to page 17. On this page Mr. Peters quotes General Shinseki who said: "If you don't like change, you're going to like irrelevance even less".