

Section 1

Managing the Business

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Chapter 1

Embracing the Why

Freddy

The Scenario

Freddy is in his office unpacking boxes, putting pictures of his family on his desk, etc. He hears an e-mail ding into his Inbox on his desktop computer. The e-mail, marked urgent, is from Trish McDougall, Head of Technology and Operations North America. The other half-dozen members of the New York management team are copied on the e-mail as well. Trish is requesting a meeting to discuss the need for a new strategy.

Part of the senior management team assembles. In addition to Freddy and Trish, present is Vivian Ho, SVP IT, North America, to whom Freddy reports. Absent are Gil Stanton, VP Operations NA, and Patrick White, SVP Operations NA, all of whom report to Trish as well.

Here's how their conversation goes:

TRISH: It's no secret that things have been going downhill, and we need to turn the ship around. The CEO is asking for opinions from all sides, which he's then going to consider before deciding on a strategy.

VIVIAN: Trish, I think it's important not to panic. A conservative approach makes sense, and it should be done from a cost-cutting

perspective. The immediate focus should be on doing whatever it takes to stop the bleeding.

FREDDY: Is there an appetite here for ... serious change?

TRISH: How do you mean, Freddy?

FREDDY: Exploring new opportunities. Riding the digital wave.

TRISH: That takes time. The market expects results.

FREDDY: I wonder if the traditional diversification strategy is working in the new environment. We've always had our fingers in a lot of pies, and it has worked. But maybe now we're spread too thin.

VIVIAN: What are you suggesting?

FREDDY: Avoiding risk is obviously good, but maybe it also comes with a danger of, I guess, spinning our wheels. We're in a lot of segments where it doesn't seem like we have any future.

VIVIAN: Spinning our wheels?

FREDDY: I'd be worried about doing a version of the same thing, but doing more of it. The diversification strategy was put in place years ago, and it worked, but I don't think it really works now. There are competitors in specific segments with superior value propositions. We're losing market share because of it. With a new reality, I think maybe it calls for real innovation to succeed in the long term.

VIVIAN: What about the short term? We're hemorrhaging. Keeping the portfolio diverse is exactly what will allow us to withstand the short-term changes.

FREDDY: Of course. I mean, you need something for the short term and for the long term. I haven't thought it all the way through ...

VIVIAN: It's dangerous to overhaul the strategy. Incremental change makes sense, but by turning everything on its ear, well ... I think it would be perceived by the market as a knee-jerk reaction. Change is good, but it should be done slowly and thoughtfully.

TRISH: I agree. Survival is the primary goal right now.

FREDDY: I hear what you're saying ... what you're both saying. I just, I heard someone say once, even if you cut off the bad branches

and feed the good ones, if the trunk is diseased you really aren't changing anything. You know what I mean.

TRISH: Not really.

FREDDY: You're saying cut off the bad branches and feed the good ones, or whatever, but the trunk of the tree is still there.

TRISH: Okay. We're going to let this percolate for a bit and then push the discussion forward. I'd like each of you to think on this further and then send me an e-mail outlining what you think is the best strategy, and why, by noon Friday. Thanks for your views. We're adjourned.

Questions We Asked

1. Have you ever argued for or against a diversification strategy? What position did you take? How was it received?
2. Have you ever been in a discussion where you felt your colleagues or bosses were adopting a short-term view to the potential disadvantage of the company? Did you say anything?
3. Have you ever had a different view than your immediate supervisor on an important topic? Did you make your opinion known? How was it received and what was the outcome?

Comments We Got

The user community provided numerous anecdotes describing sensitive situations they've encountered just like the one faced by Freddy – whether it was to argue for or against diversification, debate short-term wins versus long-term gain, or take on their boss when they thought he or she wasn't necessarily seeing things clearly. They reported extensively on the classic challenge that arises for many general managers stuck at the crossroads of authority. Often, the greatest requirement of a GM in this position is to be able to argue effectively, at the right times, for the right causes, in the right way.

Six overall themes emerged from the input we received. Here they are, including some of the representative comments made.

1. It's okay to argue for change. Change means innovation, and innovation means value.

'You have to take a risk. Otherwise, sooner or later, you will be out of the competition.'

'After the financial crisis, "long-term" suddenly became equal to a quarter. I spoke up.'

'Short-term strategy is cost-saving, but this will not be sustainable in the long term. As a member of the supervisory board, I'm trying to help the managing director to shift her focus gradually.'

'The phrase "The markets wants ..." or "The market is expecting ..." comes up often. But seriously – I think that the market is more concerned about a sound long-term business plan than some kind of EBITDA make-up.'

2. Articulate your position with data.

'When arguing against diversification I relied on the lack of value in pursuing it – expected results from the new directions were smaller than in focusing existing resources on the current mission.'

'My approach is to gather the facts on overall developments in the market, our share development over time versus competitors, present them in a format that will allow discussion, start the discussion and ask the team who is winning and why.'

'If you're going to suggest going away from your current direction, you should bring insight, and a plan.'

'Fact basis and risk analysis were the essence of making my opinion known.'

3. Build trust early and often, so that your opinions will matter.

'I prefer to have one-to-one conversations to build my vision before positioning myself.'

‘I have learned to choose my battles and argue against decisions only when there is a “material harm” for the company. In those cases, I choose to influence the course of action behind the scenes, not in meetings, and try to form coalitions or find common ground with other members of the management team.’

‘In my experience, it is greatly appreciated when you speak up and give your opinion, but only when your relationship is developed in such a way that your supervisor trusts you.’

‘I will work hard to support my boss. This will ensure I gain trust and respect, at least for hard work and loyalty. It will also ensure that he understands I support him and it’s not my intention to undermine him or his authority. Once I gain that trust, only then will I be more open with my opinions.’

4. Remove any personal agenda. Focus on value for the company.

‘I argued for a diversification strategy, and it was well received. Everyone agreed to move forward in a certain direction. Then the group divided themselves in reality. Some people spent their time slowing the process, while others strategically moved to ensure they would get what they believed they needed for their respective market or area of responsibility.’

‘The approach that I take always comes from customers’ needs, as that is the driver for all businesses.’

‘Experts protect their own little corners.’

‘I find bringing the discussion back to customer and shareholder value works, as does linking in with the customer values.’

‘The internal personal decision that has to be made each time is: (i) take a stand and make a statement, (ii) I am keeping my mouth shut in order to survive and fight another day, or (iii) I don’t care, as long as I get paid. The difference between the first two is often seniority and the number of people in the room.’

‘Being right, and getting the individual credit, is not what matters. Successfully expressing an alternative, sometimes in steps, and

getting others to start seeing it and then being willing to discuss it is how you can best contribute. For that, it is important to keep yourself out of the centre of attention.'

5. Know that people are going to resist change.

'Often I get a negative response, and frankly I think it is because senior officers are afraid of admitting a wrong strategy or fear the loss of prestige when leaving marketplaces where our competitors are well established and making profits.'

'I approached my supervisor and discussed the need for our company to engage in a diversification strategy, adding to our value proposition of supply of equipment for the Oil & Gas operators and contractors the business line of services in the Upstream and Downstream sectors, to weather off the cyclicity of trading and position the company on the Opex Spending Stream of our clients. My proposal was supported and raised to our Board, who turned it down when the underlying investment requirements were presented to them. I took the decision to leave, as I believed that I could not continue serving the same original vision. My boss followed suit a year or so later. In 2001, I was called back to rejoin the same company and the new established Board gave me the go-ahead to launch the same strategy presented to their predecessors three years earlier. The toughest part from thereon was gaining the minds of the colleagues to help build up a whole new organization. My ex-boss rejoined us a year later and we formed a team with distinct responsibilities, his was keeping the Board in line with the plan, and mine was developing the business, running the new operations launched, and getting the organization in harmony.'

'Even though the need for change may be there, it usually takes lots of meetings and conversations to open eyes, cross conservative mindsets, and achieve radical change. Keep explaining your idea. Keep your message alive. If it's worthwhile, eventually someone will pick it up and support you.'

‘Cutting off the weak branches is a tough thing to do.’

‘I am constantly amazed at the stranglehold that Wall Street and, many times, kids a couple of years out of school have on our ability to sacrifice short-term for long-term value growth.’

‘Reactions are almost always ‘I hear you but you don’t understand the big picture’ or similar.’

6. Challenge in private, not publicly; don’t undermine or ‘take on’ your boss; understand that even if you present your position well, it still may be rejected.

‘On topics where you know that a challenge to the decision is political suicide, and/or that the arguing against is a lost cause anyhow, then my argumentation might not be as firm.’

‘Any discussion and/or challenging of an opinion will have to happen behind closed doors. When the doors open again, then it’s “United we stand”.’

‘I did everything I could, including putting together a detailed report, inviting other people from other departments or external advisors, and using upper management influence. It sometimes worked, sometimes not.’

‘Even when the decision is against your opinion, executive orders sometimes have to be taken.’

‘We almost always find a mutual compromise. But when we don’t, we follow his opinion.’

‘There were two separate instances in which I tried to shift management views and was overruled. In the first, the potential consequences were not financial, so I let it go and accepted the team decision, then kept my mouth shut when things turned out exactly as I had predicted. In the second instance, once management had made the decision, I called and e-mailed various higher levels of management to try to intercept the decision (without being disloyal), since the consequences were more serious. The decision was unfortunately maintained and a massive cluster-f@&k ensued. (Un)fortunately there was no

witch hunt to find those responsible. It's important to pick your battles, play by the rules and not hold a grudge when things go wrong.'

'It is okay to voice your opinion in one-to-one discussions. To take the dialogue in a meeting with a bigger audience has seldom turned out successful.'

Our Thoughts

As the new guy on the block, Freddy finds himself immediately having to wrestle with a significant dilemma: does he argue for the long-term-value approach he sincerely believes in or kowtow to the more short-term strategies being endorsed by both his colleague Vivian and his boss Trish? Freddy can't and won't know the motivations of either one of them, but they seem to be driven strongly by short-term concerns about risk. Diversification strategies can sometimes be proposed and upheld by managers who are more concerned about their own short-term risk rather than the long-term health of the company.

If the industry is changing at a rapid pace and competition is starting to come from more focused competitors taking new approaches to specific aspects of their business, there is little hope that Prism International can continue to out-compete these new competitors across a diversified portfolio. Prism must examine where its strengths lie, and focus on re-shaping its business. But Vivian and Trish's risk-aversion is driving them to seek shelter in what they see as short-term safety.

This is a classic trade-off general managers must learn to make: *How can I separate my own short-term interests in keeping a diversified portfolio, which might help to mitigate risks in the short term, with the long-term interests of the company to develop sustainable competitive advantage, which might require actions that increase*

short-term risk? Freddy is now caught in the middle of this debate. As the new guy in the organization, he sees the need for change to drive its long-term health while the existing team prefers to seek short-term safety in a diversification strategy they feel has worked in the past.

Freddy needs to balance his belief in what is good for the long-term health of the company with the freshness of his managerial status. He can't go in with guns blazing, demanding that everyone see it his way. He has neither the seniority nor the credibility for this, and in any event Vivian and Trish both seem fairly set in 'safe' mode for now: cut costs, show the market what it wants to see, seek shelter amid the storm. Freddy's 'Why' is being tested in his first days on the job. He must ask himself just how much he believes in the long-term value perspective he is so desperately trying to convey to Vivian and Trish.

Freddy seems to recognize that he can only push so hard, but it is clear that he feels strongly about the direction Prism needs to take if it is to survive in the long term. There is no such thing as not taking a risk here. Rolling over carries with it the risk of losing his job should the company collapse amid what he sees as an ill-fated strategy; arguing his point too aggressively carries the same risk, for different reasons. So where does that leave Freddy, who is obviously struggling to make himself heard against the tandem stonewall of Vivian and Trish?

We suggest Freddy stay resolute in his thinking but start to develop a more substantial, more concrete argument. As someone accustomed to talking in IT language, it will help him to bring structure and data to the discussion, rhetoric clearly not being a strong suit of his. Though Vivian appears pretty narrow-minded about the topic, it is Trish who is Freddy's boss, and she seems open enough to continued discussion. At a minimum, she is offering him a second

chance at presenting the argument that she recognizes he is trying to verbalize, even if she doesn't quite know what that argument is yet because of Freddy's lack of ability to express himself clearly. He should seize the opportunity Trish is giving him. Change is seldom accomplished without someone sticking their neck out for something they believe in.

Your Thoughts



Nancy

The Scenario

A meeting is called by the new CFO, Calvin Lee, to whom Nancy now reports. Cal is the interim acting CEO while the board seeks a replacement. Also present is Nancy's colleague Dana Klein, SVP Finance, who reports to Calvin as well. Dana has been with Tipton for six years and survived the scandal. The subject line in the meeting invite was 'Discuss new direction.'

When Nancy walks into Calvin's office, Dana is already there. Here's how the conversation proceeds:

CALVIN: Okay. The shareholders are getting nervous, and the board has asked that we provide a recommendation on how to proceed.

NANCY: I think we need to develop a new strategy with specific targets on key performance indicators, which we can then communicate to the markets. Specific timelines, delivery promises, names and incentives attached to each target. It will re-establish our credibility. It will also let the staff know how their performance is measured.

DANA: I respectfully disagree. If we're going to reposition the business, we can't do it according to the same strategy that landed us here. Miguel may have been charismatic with the media, but he was also reckless. Targets matter, but they shouldn't be the focus.

NANCY: I don't understand what you're disagreeing with.

DANA: Miguel felt KPIs were the be-all and end-all. But by defining strategy as a series of targets on KPIs, and then driving the management team to hit those targets, he's put us in a precarious situation. What we need now is a strategy that isn't dumbed down to a series of targets, but rather is about rebuilding the company.

NANCY: My suggestion isn't to set arbitrary targets and then see what happens. It's to get smarter about how targets are set, so the staff will be better motivated to hit them.

DANA: Targets are used to help us learn about whether we're delivering, but strategy and management should be more nuanced than

that. Just motivating staff to hit targets is what got us into the current mess. Pursuing the same approach is going to look bad to shareholders.

CALVIN: Let's leave the shareholders out of it for a moment and focus on what we think is the best direction for the company.

NANCY: I think targets impose structure, and they give people something tangible to aim for.

DANA: Miguel was all about conventional wisdom – target-based compensation, balanced scorecards, etc. I know that's been the trend, but we need to think about long-term value, which is different than hitting targets. KPIs represent short-term thinking if they aren't part of a broader approach.

NANCY: I'm unclear what you mean by the difference between hitting targets and creating value. If we set targets and hit them, how are we not creating value?

DANA: Getting people to hit targets may increase productivity, at least on the surface. But that doesn't necessarily mean we're moving in the right direction. If you hit your goals better, but they're the wrong goals, it doesn't move you forward, it moves you back.

NANCY: But how can you expect people to hit long-term targets if you don't give them short-term targets? How will we motivate people to take the right kind of action?

CALVIN: Okay – I appreciate both your views, and I'd like you to think more about them. We're going to reconvene tomorrow and continue the discussion. We need to present to the board in a week. Thanks.

Questions We Asked

1. Have you ever been in a discussion about a shift in company strategy following a crisis? What was your role in it? Did you generally agree with the views of others, or did you offer a contrasting view? What path did the company take?
2. Have you ever been in a debate about hitting short-term targets versus creating long-term value? What was your view and how was it received?
3. Does your organization use KPIs? How? Do you find it effective?

Comments We Got

Nancy's mildly heated discussion with Dana in Calvin's office elicited lots of passionate responses. People clearly feel strongly about the short-term versus long-term debate – as they should – and they feel equally strongly about the responsibility of general managers to push for the right kinds of value-driven goals while remaining politically strategic. (One of our respondents even managed to use the word 'incentivize'. Nice.)

We were fascinated by the things our participants had to say about the often tricky world general managers must navigate. They shared with us a multitude of experiences that point to the new demands placed on GMs as they assume their new positions – demands that come in various forms and from numerous sources. Here are the five major themes reflected in our participants' input, with representative comments.

1. It isn't easy for GMs to find their place as change agents.

'To effectively drive changes and implement new strategy, it is important that general managers have the opportunity to regularly review the progress of change/transformation with those setting the strategy so that we can confirm our impact and contribution. We can sometimes be "lost in translation".'

'My contributions have been mostly to connect these dots to the lower levels in the organization: as long as people see the strategic long-term direction and understand how their KPIs and short-term targets relate to the bigger picture, it works. As a leader you need to express confidence and help shape programmes while defending them to the people reporting to you.'

2. Short-term goals should be building blocks toward long-term value.

'GMs should at all times understand how their day-to-day/short-term activities, and those of their teams, contribute to long-term value. GMs must go beyond the idea that "short term

compromises long term” and have a duty to make sure that whatever they do, they “build now for the long term” – the real meaning of sustainability at large. I consider it a duty of general managers to orchestrate short-term actions without compromising long-term value. To fulfil this duty, they must be clear about the value chain and the contribution of themselves and their teams.’

‘Management has to be able to explain that short-term targets are aligned to a greater vision. Most companies don’t do a good job of explaining how short-term targets fit into a larger mission.’

‘In crisis mode, short-term measures are used to get the profits right. Unfortunately, this can lead to brain drain if people don’t understand the future picture.’

‘Discussions about short-term strategy usually happen close to year-end when targets have not been met. What is important is to understand the implications that short-term knee-jerk reactions could have on the long-term strategy.’

‘Short-term targets are needed, even to reach long-term goals, because it gives people a means to focus and to gain successes.’

‘My view remains that, although our focus should be on creating long-term value, there must be short-term steps or actions to take to achieve this, and they must be measured. We mustn’t focus so much on short-term targets to the detriment of creating long-term value.’

‘My view is to always be focused on building long-term value, but there needs to be the right measures in place to incentivize the right short-term behaviour.’

3. It isn’t easy to figure out KPIs.

‘My company used KPIs. I found them totally counterproductive and I tried to insist that we stop using such metrics, or use them differently.’

‘We use KPIs. This is partly effective, because it facilitates discussion about performance. They are not used for bonuses.’

We're still struggling to determine and calculate meaningful KPIs.'

'We have a lot of KPIs – too many. I agree that KPIs are essential to understand the business, but not necessarily to drive the business. A company needs to deliver value to the shareholder or owner on a long-term basis. That is the only KPI that matters at the end of the day.'

'KPIs are not relevant for the vast part of the organization, starting with middle management and employees without managerial responsibilities. The further out in the organization the employee, the less relevant the KPIs.'

'KPIs are essential to measure the true effectiveness of an organization. However, too many indicators don't tell you if you are going to hit a roadblock or run out of gas soon. KPIs are efficient if they are aligned with a list of defined objectives for the company and they remain coherent from the executive team to those in the field.'

'We moved away from KPIs in measuring performance, as we realized in time that, no matter how smart they are, KPIs can and will be managed. However, at project levels and down to the smallest measurable tasks, we use them intensively as they create a good sense of achievement if they are simple, clear and visible to those delivering them.'

4. GMs are expected to speak their minds, but also toe the line.

'I find large organizations quite ambivalent toward change agents at the GM level. They encourage constructive and inclusive contribution but expect them, as GMs, to support a certain managerial rhetoric. Not an easy place to be.'

'I am always advocating for long-term value, but being part of a larger corporation, we end up doing the silly short-term things. Fortunately, we have found ways to satisfy the short-term KPIs while doing long-term work. Life would be easier, and more value would be generated, from not having to do the short-term things.'

‘Keeping people focused on long-term goals takes a sustained effort.’

‘I kept focused on the long-term strategy and avoided debates on short-term risks and rewards. This demanded a lot of resilience and continuous communication on the long-term benefits and identification of indicators that are tangible enough for the short-term fans to relate to in order to keep the momentum for the long term.’

‘My view was that we must keep our focus on creating long-term value for the purpose of sustaining our business, and at the same time put short-term targets in measurable terms.’

5. People will push short-term goals for all sorts of reasons – usually personal ones.

‘It is very complicated to sacrifice short-term advantages for long-term sustainability. The structure and framework have to be very clear to prevent individuals focusing on their own interests, which are generally short-term oriented.’

‘Short-term goals are effective to some extent if the target is clear and people work toward the goal. However, it is seldom easy to detect if such effort is just for the short term, even if destroying long-term value.’

‘Short-term targets tend to have a wrong feeling to them, even when their negative impact cannot be easily pinpointed. I am almost always against them.’

‘It’s almost always an uphill battle to get people focused on long-term value and to get them to work harder at the same time.’

‘I was a team leader of a declining business and had to deal with a group of newcomers who wanted to change everything. It seemed to me they wanted to change just for the sake of change. A newly proposed strategy was in essence not different from the one we had already. Based on their recommendations, we let some experienced people go. But the business did not turn around.’

Our Thoughts

Nancy is facing a somewhat similar quandary to that encountered by Freddy: in her first days on the job, she finds herself unexpectedly going up against a colleague whose views seem to diverge violently from her own on a matter of grave importance. The matter in this case is the use of Key Performance Indicators and their potential impact on driving short-term results versus long-term value. Nancy's colleague Dana is arguing that the company should be using KPIs somehow differently, but Nancy is getting frustrated by what seems to her as empty words – she doesn't really understand what Dana is trying to say. As far as Nancy is concerned, KPIs give people structure and goals and therefore motivation, and what does a company want if not motivated staff?

The argument that Nancy must now face is even more subtle and challenging than the one in which Freddy found himself. Nancy is not arguing for a short-term perspective, only for the use of KPIs to drive behaviours. Dana is trying to express her objection to KPIs by linking them to behaviours focused only on short-term results. The argument is difficult to express and thus lost on Nancy. Nancy's resulting frustration is in response to what appear to be hollow words on the part of her new colleague.

Interestingly, the comments we received highlighted both Nancy's and Dana's viewpoints, while also converging into a single general view that KPIs and short-term targets *can* be used effectively, but are almost always *not* used effectively. We agree. In our observation, short-term targets are used naively in the best of cases and haz- ardously in the worst of them. KPIs and similar metrics can reveal a great deal about what your company does, how it functions and what it can do better, but only if they are used as a window into your operations and not as an objective unto themselves. This is what Dana is trying to communicate to Nancy and Calvin, but she is doing a poor job of it.

As a result, Nancy is bristling, and digging in her own heels. She probably doesn't even recognize how defensively she is behaving, though the tension between her and Dana escalates quickly and is certainly recognized by Calvin. In our view, Nancy needs to take a step back and think hard about her new position and what it means in the context of her new firm. In her previous role at Whitesands, the sugar refinery, she had considerable authority within her highly-siloed department, but little interaction outside of it, therefore she probably didn't have to think much beyond the targets and objectives set within her own confined world.

The Tipton Group, a steel manufacturer, has a different organizational structure, one that emphasizes collaboration and joint decision-making. Nancy's role and responsibilities will now require her to think much more broadly across various aspects of the business, making simple KPIs difficult to implement effectively and consistently across departments and reasonable time horizons. Nancy was so accustomed to her old, more functional environment that Dana's argument, even if less than clear, is now a shock to Nancy's system, causing her instinctively to rebel. This kind of reaction will not serve her well in her new managerial role at Tipton.

Your Thoughts



Hugo

The Scenario

Yesterday, Hugo walked into the main boardroom, where the executive team was gathered for their monthly meeting. Taking a moment to remind himself that he, too, is now a member of this senior group, he took a seat beside Dino, trying to act normal, though admittedly he was nervous. He reminded himself to just stick with what he knew. He watched as the video link to the Chicago office was uploaded and greetings were exchanged by the two Senior Vice Presidents heading the meeting. Hugo had reviewed the agenda distributed two days before, which focused on an important new investment decision for AMR.

At a critical point in the meeting, Hugo was asked his opinion about the investment decision. Hugo offered Marketing's perspective on the investment, then listened to the views given by others around the table. As he listened to the emerging conversation, he realized that most of the opinions being shared ran counter to his, and he began to feel vulnerable and lacking in knowledge. He left the meeting feeling his contribution had been roundly viewed as unimpressive, even though nobody said so.

Following the meeting, Dino asked Hugo to come to his office for a chat. Here is the exchange that followed:

DINO: Hi, Hugo. Have a seat. How did you think the meeting went this morning?

HUGO: I enjoyed it. I'm happy to be part of the executive team.

DINO: And the team is happy you're part of it. But I think you might have felt a little uncomfortable today. Is that accurate?

HUGO: Yes. I felt my opinion of the investment opportunity was in the minority.

DINO: It was. Listen, I want to help you understand something. I was Marketing Director before you and then, like you, GM EMEA. My first meeting with the executive team was similar. There was a

new investment tabled – we were considering acquiring a small toy company out of London. The partners wanted to know what everyone thought about it. I gave what I thought was a sound view, but when everyone else spoke it was like they were contradicting what I'd said. Kind of like you probably felt today.

HUGO: Yes.

DINO: The reason was that I talked to the opportunity from Marketing's perspective, which was what I knew best. But your new business card doesn't say Marketing Director anymore.

HUGO: I don't understand.

DINO: You walked in there thinking, my job is to demonstrate my marketing expertise. That's why I was promoted to this role after all. Right?

HUGO: Well ...

DINO: It's natural. You've spent years learning how to be a great marketer. That's why you've continued to rise. But here's the irony: You need to forget all that.

HUGO: What do you mean?

DINO: When you're sitting around the executive table, you can't think from the perspective of marketing exclusively. Nobody cares what that potential investment means to any one division. They care what it means to the company.

HUGO: But marketing is my area of expertise. How am I supposed to not speak from a marketing perspective?

DINO: Everyone in that room was a functional expert in something first. But now you have to think of yourself as a member of the group making company-wide decisions.

HUGO: It sounds like you're telling me to forget everything I've learned.

DINO: Bingo! You've been taught to do one thing very well. That's what the company needed from you – until now. Starting today, it needs you to start thinking more broadly.

HUGO: How can I think more broadly if my training is in one area?

DINO: No one expects you to become an across-the-board expert overnight. But you will have to start building knowledge in other disciplines to optimize your contribution. I'm talking about both perspective and competence.

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- HUGO: You mean I'm expected to become an IT expert? An operations expert? A finance— ?
- DINO: Not quite. You're expected to make every decision from a perspective of creating value for the company. You're no longer a functional expert. You're a facilitator of value for the company. Get it?
- HUGO: I think so.
- DINO: Feeling a bit overwhelmed?
- HUGO: Yes.
- DINO: Welcome aboard.

Questions We Asked

1. Have you ever been told that you needed to change your perspective in order to become a more effective contributor? What part of this process did you find most challenging? What were the key success factors to your change in perspective (when you were successful)?
2. Have you ever been asked to broaden your range of knowledge or expertise in order to become a more effective leader? Who suggested it, what did they suggest, and what did you do in response?
3. Have you ever been asked to think beyond your own area of functional expertise? How difficult a challenge was it and what were the benefits to you and the organization?

Comments We Got

Many people shared experiences in which it was necessary for them, for one reason or another, to step outside of where they'd been. Whether in terms of role, function or expertise, if there's one part of being a general manager that seems to have resonated most commonly with our participants, it is the necessity to break out of one's previous mould. This can mean many different things, from acquiring new knowledge to learning new methods to assuming new perspectives. And, as different members of the group told us in different ways, none of it is easy. Here are the themes that came through from our participants' thoughts, including some illustrative comments.

1. Force yourself outside your comfort zone. Leave what you know behind.

‘Transitioning to general management means that you have to unburden yourself from your functional past.’

‘I just started letting go of things.’

2. Listen to, and learn from, others.

‘Do a lot of listening, looking and learning.’

‘Listen and listen again to others. Above, under and around me.’

‘Key success factor for me to change was to always ask feedback from my team before an important exec meeting. Their views allowed me to elevate my thinking.’

‘What I try to do is listen carefully to what the experts in each area say and think. The story I never accept is, “This is the way it has been done in the past”.’

‘If you are asked to think beyond your area, start learning the language of that area and develop relationships with people who can help you in those areas (Network). My current projects are with Finance as well as Legal. For Legal, I’m taking three attorneys I work with out for drinks every two months just to chat.’

3. Think delegation/empowerment over control/micromanagement.

‘Build complementary teams and let the team come to the right conclusions – make them responsible for the execution in a way that they believe in.’

‘At first, I tried to be an expert in all fields. That did not work. I then made the functional experts accountable for their work, but also for informing me and sometimes even educating me. That worked better.’

‘This is important, because it gives the new manager the space he needs to explore his way of working.’

‘I feel the business is benefitting from me being a more efficient cross-functional manager. It is helped by having a functional

lead reporting to me who is very effective and allowed me to leave him to do his business with little involvement from me.'

4. Think about asking the right questions instead of offering solutions.

'Before, I always thought asking questions makes me vulnerable. The opposite is the case.'

5. Figure out how to distance yourself from being a 'consultant' in your former function.

'Due to my expertise in a certain area, I am still consulted frequently and have a tendency to get involved.'

6. Recognize that it's an ongoing effort.

'It remains a constant challenge, especially as I retain some of the technical functions of my last assignment.'

'Each day I have to think beyond my own expertise.'

Our Thoughts

Hugo is going through the most obvious, but also the most difficult, aspect of the transition from functional to general management. Functional experts are taught to see things from a narrow perspective and encouraged to do one thing very well. Marketing managers, IT leads, operations heads – all are groomed to develop expertise along one track, often with their heads down and blinders on. Once tapped to become general managers, these functional experts know only to bring that same narrow perspective to the executive table.

Unfortunately, this is a recipe for disaster, and Dino is trying to send that message to Hugo from the start, as clearly as he can. He is telling Hugo that successful GMs must abandon everything they know in deference to the bigger goal of making decisions that create organizational value. Hugo must understand that he is moving from the role of functional expert to facilitator of value. Only then can he be ready to absorb, and put into action, the specific principles that all successful managers live by every day.

Hugo is clearly having difficulty understanding this message at even a basic level. He seems willing to learn, but perplexed and intimidated by what Dino is telling him.

We see this as a positive.

Why? Because Hugo, while he may not be clear about *how* to execute his new role, seems clear about learning *why* he needs to start to see himself in a new way. While he isn't quite lucid on the messages Dino is giving him, by the same token he is not demonstrating any resistance to them, and that willingness alone gives him an immediate leg up. If being a new GM is about anything, it is about displaying the flexibility and openness to shed one's previous skin and step into something totally new. Trying to apply the functional knowledge you used so well in your last role to this one will not work because, as Dino eloquently puts it, you are no longer a functional expert, but rather a facilitator of value, and your job now is to make, and encourage, decisions that create long-term value for the company. As many of our contributors pointed out, Hugo has a lot to learn about how to distance himself from his previous role, adopt a value-based perspective and take a long-term view. But at least he recognizes this need, which is the right place to start.

Your Thoughts



Overall Discussion

As Freddy, Nancy and Hugo begin the transition from functional to general manager, each of them is embarking on a complex journey full of excitement and opportunity, but fraught with potential pitfalls. Some of these pitfalls they find right in front of them, before they have even had time to settle into their new role. Freddy is dealing with both a peer and boss who seem to be seeking safety in a strategy they hope will reduce short-term uncertainty, and thus are highly reluctant to change or innovate. Nancy is at odds with a colleague who aggressively rejects her ideas about short-term targets, confusing and unnerving her. Hugo has been jarred out of his previous comfort zone and is being asked to let go of what made him successful to this point in order to take on an entirely different role.

In facing this moment, our GMs have begun a multilayered process that is essential to their understanding of the place and the position they now occupy. They are breaking away from one group to join another; progressing from a role of specificity to one of aggregation; and adopting a new position for which they have no experience or prior knowledge, and therefore no reason to succeed. Those around them, both subtly and explicitly, are telling them that to thrive in this task they must first adopt a new way of thinking, and that to adopt a new way of thinking they must understand why it is necessary to do so.

The ‘why’ that they must embrace is the value perspective. Freddy must be able to argue the long-term health of the company to his boss and colleague, who are currently seeking refuge in what they see as the short-term safety of the firm’s traditional diversification strategy. Nancy must find a way to fully appreciate what her colleague is trying to explain to her about the tendency of KPIs to drive short-term behaviours at the expense of long-term value creation. Hugo must be able to let go of the ‘marketing perspective’ and embrace the larger perspective of long-term organizational value. As

is typical of new general managers, not one of the three came in prepared for this.

Critical to their success will be their active engagement in the change process, and their active rejection of any stubbornness or resistance driven by fear, hubris or bias. To adopt a value perspective is to embrace the long-term health of the company, to let go of one's natural tendency towards a functional view and to embrace a wider, organizational view. As Freddy, Nancy and Hugo are clearly illustrating, the journey into the uncharted territory of this new broader perspective often begins with frustration, confusion and anxiety.

Key Questions to Ask Yourself

1. Are you consciously seeking to expand your vision and perspective to that of an organization-wide and long-term view?
2. Are you recognizing the changing perception of you and the changing expectations for your contribution?
3. Are you actively seeking input and creating 'experiments' to help you to learn and navigate this new journey into unfamiliar territory?