

# The Smart Manager

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# Search

for our next smart managers



# 10<sup>th</sup> anniversary ISSUE

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# how to **search** for our next smart managers

When we celebrated our 9<sup>th</sup> anniversary last year, it was also the end of the 21<sup>st</sup> century's first decade, and our cover story took a look at how India moved its cheese in that period. This year, the occasion is bigger, and so is our scope. Our 10th anniversary issue is decidedly international; India is one of the stories, but the smart manager of tomorrow is the story.

Does this mean that the successful future manager needs must be a supranational entity, as

the high priests of globalization have had us believe? Or is that an idea frayed at the edges? What will be the lowest common denominators of tomorrow's smart managers? To be more specific, which businesses will most likely engender this species? Where, in other words, will our next smart managers come from? Our authors hazard a few guesses in the following pages, through a mix of broad, agenda-setting frameworks, two-page workshops and do-it-yourself commandments. ▣

## setting the agenda

### why do smart managers fail?

- ▣ jack trout

### reinvention for dummies

- ▣ jason jennings

## two-page workshops

- ▣ Harry Paul & Ross Reck
- ▣ Kevin & Jackie Freiberg
- ▣ Lou Pritchett
- ▣ John Elkington
- ▣ Keki Mistry
- ▣ Sramana Mitra
- ▣ Catherine DeVrye
- ▣ Michael Lee Stallard

## DIY commandments

- ▣ thou shalt not fit round pegs in square holes
- ▣ thou shalt educate the multitude
- ▣ thou shalt be different
- ▣ thou shalt smile and let smile
- ▣ thou shalt believe that water is life
- ▣ thou shalt not integrate in vain
- ▣ thou shalt not borrow
- ▣ thou shalt (speak and) let speak



Illustration by: Nilesh Jovalekar



Considered one of the world's foremost authorities on innovation and reinvention, Jennings is the author of the bestselling books *Less Is More*, *Think Big Act Small* and *Hit the Ground Running*. His latest book, *The Reinventors – How Extraordinary Companies Embrace Constant Radical Change*, will be released in April 2012.

# reinvention for dummies

□ jason jennings

**SMART SUMMARY** There was a time when the wheel did not have to be reinvented, and one size probably fitted all (carts). Smart managers of tomorrow will know that history is unlikely to repeat itself on these two counts.

**F**ollowing a speech I delivered in Hong Kong, an elderly Chinese woman I had noticed sitting front and center in the audience during the speech approached me. During my presentation, she had appeared to be listening intently, and by her occasional nods and smiles I gathered that she had agreed with my content. So I extended my hand and said, “I hope you enjoyed the speech.”

She smiled and said, “Yes, I thought it was good,” adding, “but it was really only common sense.” My heart sank a bit; I was hoping for a more exciting compliment.

But her smile widened (and so did mine) when she added, “I want to remind you though that the most common thing about common sense is how uncommon it really is!”

That said, as you go through the following six guiding principles that have been shared by tomorrow's best leaders and managers, I urge you to set aside any

temptation to dismiss them as being only common sense. Leaders and companies who make the following guiding principles an integral part of their DNA will have set themselves up for continuous growth and reinvention. These six principles are the distillation of the work of my various research teams and myself over the past ten years as we screened and studied more than 200,000 companies for our books on speed, productivity, growth, performance and reinvention.

**guiding principle 01: smart leaders are committed to double-digit revenue and profit growth**

I begin almost every speech I give by asking the audience to raise their hands if they would personally like to do better financially. Every hand in the room always gets raised. Next I ask them to raise their hand again if they want a promotion or changed responsibilities someday. Again, every hand always gets raised. Finally, I ask them to shout out the answer to my last question. “Do you want to do better financially and have more responsibility sooner or later?” The room always rings to the rafters with shouts of, “Sooner!”

Unless a company’s annual financial performance is growing by double digits, there is no way for people to earn more money and there is no growth or promotions for anyone either. When talented workers realize the only way for advancement is to throw someone under a train (that’s the cause of most office politics) or wait for them to retire or die, they will eventually depart for greener pastures elsewhere.

Neeraj Kanwar, Managing Director of India’s Apollo Tyres, a company that grew seven-fold in five years from \$300m in annual turnover to more than \$2bn says, “Back in 2005, we agreed we were like an old-fashioned phonograph and that the needle was stuck in the record’s groove. Some years we’d be up a few percent, and other years we’d be down a few percent. We were doing the same stuff over and over again.” During a retreat, the company’s top twenty leaders agreed they wanted to move the company onto the list of the world’s top fifteen tire producers within five years. “Once we committed to growth,” Kanwar says, “there was no looking back. We just needed to figure out the tools we needed to make it happen.” Kanwar cites four principles for allowing the company to achieve explosive growth. “We decided it was about people, technology and quality, and doing it as quickly as possible,” and adds, “It’s not natural to do things slowly. If you’ve made up your mind to grow, just do it and get the job done.”

Double-digit growth allows companies to attract, keep and grow the right people. It improves the fortunes of families, allows for reinvestment in the business, turns vendors and suppliers into valued partners, keeps the attention of investors, makes communities better places and helps generously reward shareholders.

**guiding principle 02: smart leaders let go**

The graveyard of failed businesses is littered with the bleached bones of leaders who destroyed their companies by an inability to let go of yesterday’s



**Double-digit growth allows companies to attract, keep and grow the right people.**



## When the boss's ego requires that their ideas always win, doom is just around the corner.

breadwinners, personal ego, same-old-same-old and conventional wisdom.

Yesterday's breadwinners are those products or services that once represented the lifeblood of the company and provided the bulk of its revenues and profits but are now languishing. Most leaders and companies rationalize their continued existence as representing the firm's legacy or kidding themselves they are still paying their own way. In reality, most require too much time and too many resources to justify their continued existence. Thus, smart leaders let go of yesterday's breadwinners.

When the boss's ego requires that he or she be the smartest person in the room and wants their idea(s) to always win, doom is just around the corner. Tomorrow's great business leaders set their egos aside, are humble and understand that their job is to attract people smarter than they are and with better ideas than they possess and then get out of the way and gently steer the ship.

Same-old-same-old takes place when companies pay scant attention to something until it's broken. Then, in a flurry of self-important and dramatic executive directives, someone is dispatched to fix one problem while somebody else is sent to fix another and someone else to fix another. Constantly sending people off to solve problems distracts everyone in the organization from the goal of constant growth. Tomorrow's great business leaders understand that one of their most important responsibilities is to constantly analyze every person, product and process and address them before they become a liability so that always being in firefighting mode does not become an accepted way of doing business.

Most businesses want to achieve unconventional results. Unfortunately, basic mathematical equations

apply to us all. Conventional wisdom = conventional results (if the stars are in alignment and the wind is at your back) and unconventional wisdom = unconventional results.

### guiding principle 03: smart leaders make lots of small bets

Google's recent \$12bn acquisition of Motorola's mobile phone business received a lot of coverage in the business press. But most business journalists failed to connect the dots on the real story taking place at Google.

In the past two years, the company has purchased nearly 200 other companies. That's an average of two per week. And each represents a small bet. From social gaming to joint ventures with NASA; from daily deal companies to digital video and voice recognition, the company knows their future depends on constantly forging ahead into new businesses.

When Starbucks took a nosedive, its former CEO Howard Schultz returned, took back the reins and embarked on a nonstop program of reinvention. In less than two years, the company made more than hundred small bets, including new store designs, the testing of wine and beer sales, a move into instant coffee, an entire line of desserts, a significant emphasis on tea and the introduction of oatmeal across the chain. Not surprisingly, many of the small bets became big hits and the combined revenues of Schultz's many small bets quickly recaptured the revenues that had been lost.

Dan DiMicco, the CEO of Nucor, one of America's largest steelmakers, is proud to point out that the company doesn't have an R&D department. "Why would we need one?" he asks. "We have 20,000 people who work together, and we try every idea that everyone has. If it works," he says, "we quickly scale it across the

company, and if it doesn't work we simply move on and try the next idea."

Tomorrow's smart leaders will lead enterprises that are hotbeds of innovation, not because they are necessarily more innovative than their competitors but because they are able to stay ahead of their customers' changing needs and wants by continually offering a dizzying array of new products and services, by constantly making lots of small bets and being prepared to seize those that work.

**guiding principle 04: smart leaders make certain that everyone knows the strategy**

Conventional wisdom dictated that knowledge was power, and as such most leaders maintained an iron grip on all the knowledge in order to insure their continued importance. This included limiting the number of people who knew the firm's strategy. Signing non-disclosure agreements became a rite of initiation into the inner sanctum.

Tomorrow's smart leaders understand that execution—not knowledge—is power, and that the best way to insure execution is to make certain that everyone understands the strategy and their role in its achievement.

In the past decade, co-CEOs Tim and Richard Smucker have grown their company, JM Smucker—a 100-year old manufacturer of jams and jellies doing \$500mn in annual sales with product leadership in one cutthroat grocery category—to nearly \$6bn in revenue

and leadership in nine grocery categories. They attribute much of their success to a small booklet they publish titled, *The JM Smucker Strategy*, which is required reading for everyone who works for or with the company. "How could we possibly have fellow workers, partners and shareholders not know and understand our strategy?" they ask.

Secret strategies do not work for the following reasons: If workers do not know why and how the work they do is connected to the achievement of a bigger objective than the work itself, they will not become emotionally connected and engaged with what they do. When strategies are kept secret, invariably, corners get cut and illegal things happen with surprising frequency; and given that the Internet has democratized knowledge and information, there is a prevalent belief that if something is being kept secret, it must be dark and dubious. Finally, when the strategy is kept secret, there is zero accountability within the organization.



**Tomorrow's smart leaders will lead enterprises that are hotbeds of innovation to stay ahead of their customers' changing needs.**



## Steward leaders are **accessible**, keep their hands dirty and are committed to making what they take over better for all the stakeholders.

Tomorrow's smart leaders make certain that everyone—at every level of the organization—knows the big strategic objectives and their roles in accomplishing them.

### guiding principle 05: smart leaders get everyone to think and act like the owner

Thinking and acting like an owner means the person has some skin in the game. Thinking and acting like the owner means they have everything in the game.

Thinking and acting like an owner means working hard. Thinking and acting like the owner means it is the only thing they have.

Thinking and acting like an owner often leads to a sense of entitlement. Thinking and acting like the owner means acknowledging there is still a lot of work to be done, the journey has just begun and it that it simply makes good sense to be frugal.

Tomorrow's smart leaders understand that building an organization designed to achieve continuous growth and stay ahead of their customer's needs requires everyone thinking and acting like the owner.

Charles Koch, Chairman and CEO of Koch Industries, one of America's largest privately-held companies, maintains that, "The only way to get people to think and act like the owner is to teach them how what they do creates economic value and how to measure and improve it." Koch maintains that every job within a company must lead to the creation of value, and if it does not, there is no need for the position to exist.

### guiding principle 06: smart leaders are good stewards

Tomorrow's smart leaders do not buy into the view that leadership is about suiting up in a coat of armor,

mounting a stallion, slapping it on the flanks and galloping off in search of villages to pillage and plunder in order to get their picture on the cover of business magazines.

Smart leaders believe in service over short-term self interest, do not have a need for power over others, are committed to the preservation and development of the people who give their business value and are nurturing, authentic, mentoring and selfless.

Steward leaders are accessible, keep their hands dirty by spending most of their time listening to customers, have a noble set of guiding principles for making decisions, have no need for superficial distinctions and are committed to making what they take over better for all the stakeholders.

### the total truly is greater than the sum of the parts

Finally, I would have to say that I agree with the lady in Hong Kong. The six guiding principles you have just read are little more than common sense. It would be tough to disagree with a commitment to double-digit growth, letting go of ego and yesterday's breadwinners, making loads of small bets and scaling those that work, making certain that everyone knows their role in the achievement of the big strategic objective, getting everyone to think and act like the owner and being a good steward in everything undertaken. But then, as the lady reminded me, the most common thing about common sense is how uncommon it really is... ▣