

# CONSULTATIONS



## WHAT YOU SHOULD KNOW BEFORE YOU DECIDE HOW TO GROW

Growth is at the top of most of our clients' "must do lists" this year. In the last two years they have cut costs deeply and improved efficiencies dramatically but now top line revenue has to improve. One of the decisions facing leaders is whether continuing the focus on organic growth or growth by acquisition is a better fit. Getting the answer right is vital to how successful their company's future will be.

We hear and deal with many approaches to the organic or acquisition question including:

- "We're considering an acquisition because a business has approached us that wants to sell. We know our main competitor may want to buy it and we don't want that to happen."
- "Organic growth is what got us here and we're going to keep doing what we know best and are comfortable with."
- "We've never done an acquisition and don't know where to start."
- "We like the idea of an acquisition because it's a faster way to grow."
- "We like organic growth because the financial outlay is more gradual and performance can be evaluated along the way."

Any of these approaches can be very good or very bad depending on the situation. To make the right growth choices and improve your odds of success we have found there are a number of key factors to consider.

These are four important factors that are often overlooked:

- 1. The maturity of your industry**  
Are new customers for your product/service available or do you have to take them from a competitor? When an industry is in its infancy there are many potential customers who just haven't made the decision to purchase. In that environment businesses with strong sales and marketing teams and strength in innovation often do well. As industries mature fewer new customers exist and businesses rely more and more on repeat purchases by existing customers resulting in growth

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coming at the expense of competitors. There simply may not enough room left for any substantial new growth and the best path to growth may be by purchasing a competitor.

- 2. Your experience with acquisitions**  
Companies that do acquisitions frequently have much higher success rates with acquisitions than those companies with little or no acquisition experience. Just like many other areas of business, experience matters.

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## It's Not You, It's Us

By Michelle Clark, Ph.D.

**On February 18, Des Moines Register ran this story:**

*Former Meredith executive Jack Griffin has been fired at Time Inc., less than six months after taking over the job as chief executive of the magazine publisher. Time Warner CEO Jeff Bewkes issued a memo Thursday night announcing the decision. "Although Jack is an extremely accomplished executive, I concluded that his leadership style and approach did not mesh with Time Inc. and Time Warner," he wrote.*

Obviously, this article describes a failed hire. It had consequences for all involved. Jack Griffin likely relocated across the country and now has been publicly fired. Time Warner lost the resources invested in the first search, the energy to deal with the mismatch, and subsequently now needs to find another new leader. According to the Corporate Leadership Council (1998), the cost of a failed hire of a top leader is 18 times his/her annual cash compensation.

So what went wrong? We can't address the above scenario directly, but we can talk about failed hires in general. According to Leadership IQ (2005), only 11% of failed hiring/promotions result from lack of competence. Emotional intelligence, temperament, coachability and motivation each contribute more to success and failure. You will note in the quote above that this firing wasn't about competence, it was about goodness of fit.

Although most companies have solid processes for assessing the qualifications and competence of a new hire, few are as thorough or adept at assessing the more abstract skills — emotional intelligence, coachability, or motivation — that also define the just how good the fit will be with the organization. Yet, especially at senior levels, it's often the latter characteristics that matter. There are tools and best practices that can assist your company to go deeper in assuring you select the right leader.

Implementing an assessment process as part of hiring does the following:

1. Forces the organizational leaders to be really clear about what they are looking for: what does it take to successfully lead THIS company, at this particular moment in time and into the future? Often hiring proceeds with a false assumption of internal agreement and the unspoken different views of what is needed for success can lead to bad hiring. Outside facilitation of this process often allows underground disagreements about this to come to the surface productively.
2. Increases organizational self-awareness. What is the culture of the organization, and what types of leaders thrive here?

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*The cost of a failed hire of a top leader is 18 times his/her annual cash compensation.*

– Corporate Leadership Council (1998)

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3. Psychological testing, assessment of organizational culture, and experiential observation of candidates adds additional data to a high stakes decision.
4. The psychologist leading the process has no personal investment in your decision. Internal people often want to hire people who are similar to them. Search firms want you to select one of the candidates they found. Data and facilitation from someone with no personal stake can lead to better decisions.

This process isn't just limited to external hires. It can be adapted to internal hiring, the selection of high potentials, as well as the creation of productive teams or anywhere additional information will help make an informed decision.

So while we will never know exactly why the fit wasn't there for Jack Griffin and Time Warner or what the breakdown was in the hiring process, we can assume that during the search for the new editor there were many questions about why this hire didn't work. Those discussions likely helped shaped a better, more defined idea of what type of leader the Time Warner wanted to lead the company.

So when do you want to have the conversation about the type of hire you are making? Before or after? Gut instinct will only get you so far. There are tools out there that will help take the guesswork out of hiring. Are you ready to use them?

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## Getting to Know... Jensen Consulting



So to help you, our much appreciated clients and friends, get to know us a little better, here are some brief illustrations of some of the various ways we are delivering value and earning trust.

One of our clients approached us recently about our [Executive Coaching](#) services. He surprised us at first since he is a successful second generation family business leader who has led his business through some significant change. He recognized, however, that 2011 is a must win year for them if they are to have any chance at achieving their long-term goals, and in some ways he has become the limiter in his business. We are helping him grow as a leader to build a stronger culture of commitment and accountability. Coaching is a powerful growth strategy for any leader, emerging or established, who realizes she/he needs to learn to do things differently to win.

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Another client is driving change through his global business, committed to accelerating both growth and performance. To do so he is rebuilding his leadership team; 60% of the team is new, and for the first time some members are based outside of the United States. They need to come together quickly, building trust, collaborative relationships and committing to the rules of engagement they'll use to lead change. We have designed a three day [leadership team](#) offsite to accelerate the growth and performance of this executive team.

Over the years we've learned that we do a good job of delivering value and building trust with our clients. We often describe trust as consisting of three components: **Competence** (ability to do the job), **Character** (our moral compasses align) and **Compassion** (cares about me and my needs).

We've also learned, repeatedly, that we do a lousy job of making sure our clients know about the various ways we can help. Shame on us.

A new client has found our [Assessment Center](#) to be an invaluable tool in hiring the right people for a large number of key positions across the country. Other clients rely on our assessment services to improve their evaluation and development of key executives and next generation/emerging leaders. [Succession planning](#) is a growing service for us, and we are working with a client now whose executive team is staring at some important transitions during the next few years. Our experience with talent review, leadership assessment and leadership development will help them turn this circumstance from a threat to a real opportunity.

We've been busy so far this year providing a variety of board development services to clients around the country. This work includes annual board evaluation, director renomination and/or peer review processes, and CEO evaluations. Regardless of the

some difficult conversations and choices. Given what we've all experienced in our businesses over the past two years, if you aren't planning right now you are late to the party. And yes, strategy and leadership development are twin sons of different mothers.

And finally, [Family Businesses](#) present a special set of opportunities and challenges. A number of multi-generation family businesses have appreciated our expertise and have used us to help them through generational leadership transitions, succession planning, family/business conflict and leadership development challenges. No family business is standing still and hitting a speed bump often means family relationships, as well as business performance, are jolted, and an experienced family business advisor can be a life saver.

You've heard plenty about our [Executive Roundtables](#) in this space. They are a terrific leadership development tool as well as an invaluable way for a leader to ensure they are getting some outside perspective, and you can read more about the Roundtables [here](#).

Thanks for taking the time to get to know us a little better.



*We're blogging every other week on topics that touch on all areas of our practice — leadership, growth and family businesses. Russell Jensen recently wrote about how clients were feeling the impact of recent world events on their businesses. Make sure to sign up for an email notification or our RSS feed at <http://blog.rjensenconsulting.com>.*

## It's Hard to be Bold Right Now

April 15, 2011

Written By: Russell Jensen

This was another Roundtable week, the second week of the month when we facilitate three different Executive Roundtable group sessions. As we wrapped each of the discussions this week we asked our clients how recent world events (the Arab Spring, the disasters in Japan, rising fuel, food and commodity prices) are impacting their business. In hindsight we should have asked this question at the beginning of the day; people had a lot to say.

One client has had people and operations in Japan, Australia and New Zealand impacted by the natural disasters in those countries. All their people are safe, but their operations in those countries have been disrupted. They also cancelled sales events in Egypt and Libya for obvious reasons and are exploring different strategies for those markets going forward.

Another client has been unable to find employees willing to travel to Cairo for a project that has already been sold. Product is packed and waiting to ship and the invoice is aging.

A manufacturing client tied to the auto industry is unable to get specific information from a key supplier in Japan. "Situation does not warrant optimism" is about the best they have so far. The client has implemented a discretionary spending freeze and is reassigning employees to try to stay ahead of what they expect to be a difficult period.

Our insurance industry clients are monitoring their investment portfolios carefully.

Our clients in the agricultural and food industries tell us that consumer food prices will continue to rise. Grocery stores have been absorbing some of the price increases so far and we can't expect that to last.

Fuel prices are hitting some of our clients hard and they are struggling with how to manage costs and what strategies to use to pass along some of those costs to customers. Our clients are also concerned about the impact rising fuel costs will have on their customers spending decisions.

As one of our client CEOs said to his group, "It's hard to be bold right now."

So one learning here is this – do you and your key people adequately understand the impact recent world events are having on your industry, your business and your customers' businesses? Are you doing any scenario planning to anticipate their responses? And what are the opportunities that will present themselves to you?

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This is true all the way from determining the fit of a deal to negotiation to integration. Not knowing the pitfalls can be deadly. If your leadership team doesn't have acquisition experience the best choice may be to hire a firm to advise you or stick with organic growth.

### 3. The financial position of your company

The strength of your balance sheet is often the deciding factor regarding the risks of an acquisition versus the often slower path of organic growth. The big question to answer here is "What are the consequences of an acquisition that doesn't work as expected?" Will it hurt a little, will it hurt it a lot or will it take you out? Knowing the right answer can help you determine how big a purchase if any you should consider.

### 4. Your company culture

Does your company have a strong culture built around your current way of doing business? In a relatively stable business environment this is often a large contributor to success and growth. However during periods of rapid change that strength of culture can lead to a lack of needed flexibility. One way to deal with this lack of flexibility is to bring in new people and make significant changes to your business model, but that takes time and can be very unsettling. Another way to deal with this type of culture, without totally disrupting your business, is to acquire a good company with strong people and give it a lot of operating autonomy.

Methodically addressing these factors before moving into a growth plan may not be your normal procedure but given the risks and financial implications that go with growth today can you afford not to?

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