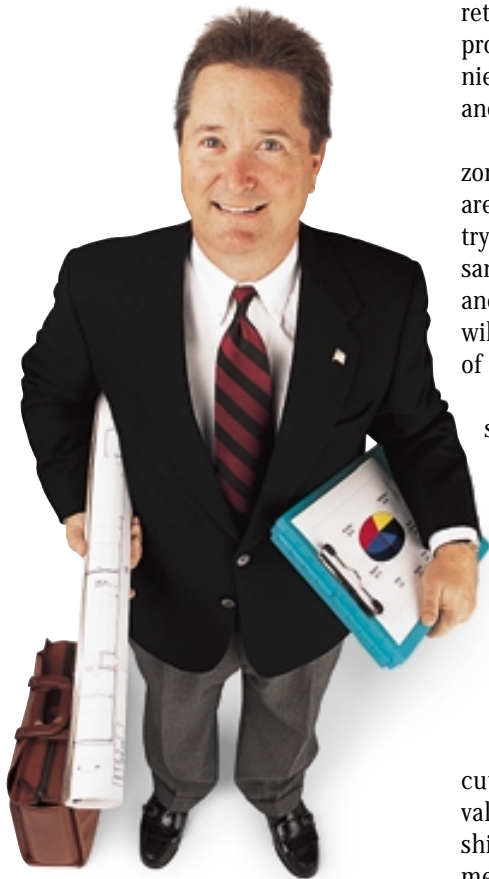


Don't just manage — lead

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Since October 2000 the wood products industry has lost over 100,000 jobs across the United States. Imported furniture now accounts for more than one-third of retail sales. Prices for many wood products are falling. Many companies are trapped in a no-profit zone, and many more are heading there.

To escape or avoid the no-profit zone, you must change the way you are doing business or exit the industry. Remember one definition of insanity — doing the same thing again and again hoping that the outcome will be different. That's the mentality of many industry players today.

The problem is a lack of leadership. Most companies are simply overmanaged and underled.

Management and leadership are different yet complementary, and both are vital to business success. A company must balance and connect the two carefully or be in danger of becoming obsolete.

Leaders innovate, managers execute. One without the other is of no value. In most cases, strong leadership combined with weak management is worse than the opposite. It does no good to innovate without the ability to execute.

What then makes a good leader?

Traits of a good leader

Remember this — leaders are made, not born. Yes, there are leaders who are naturally charismatic and inspirational. But most leaders are nor-

mal people who have or can develop a leadership persona. That mind-set is evidenced by many traits.

► **Leaders have vision.** A great leader thinks with imagination, beyond the here and now, past the edge of the radar scope. We're not talking about being a wild-eyed visionary. In truth many sound visions are based on well-known ideas. The ability to see old things in new ways or create new processes from old ones will better serve a company than pipe dreams. A vision that cannot be translated into a profitable business model is of no value.

► **Leaders tolerate chaos.** They understand that order and control are not as important as getting it almost right. Disorder is caused by speed, and speed is often key. Being just one step ahead of your competitors may be of immense value.

► **Leaders take risks.** To them the dilemma of choosing between a perilous opportunity and the status quo is easy. The former may bring failure, but the latter might lead to obsolescence. Remember, in the no-profit zone you either change or exit the business. There are no other alternatives.

► **Leaders accept failure.** Innovation and change end in failure more often than success. For companies like 3M, Intel and Merck, failure is a way of life. Success is won only by exploring lots of ideas. At Intel they say, "If

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we're not failing 10 times more than we're succeeding, we're not taking enough risks." And being willing to fail means a readiness to pull the plug on an idea that's not working.

► **Leaders are consistent.** And to them the truth matters. Employees

want to see their company do what it says and be honest. You won't build a dedicated team by being dishonest or by saying one thing and doing another.

► **Leaders cultivate more leaders.** The best-led companies have leaders embedded throughout their organizations.

The leader at the top needs help in communicating, teaching and learning.

► **Leaders replace vision-resistant employees.** Leaders do not hesitate to fire those who don't get their view of the future. Jack Welch, recently retired chairman of General Electric, said, "Change does not come from a slogan. It happens because you put the right people in place to make it happen."

► **Leaders dispense with tradition.** To them doing things "the way it's always been done" equals inertia. The problems of today may not fall to the solutions of yesterday. Even doing something 10 percent better is no sure path to success.

► **Leaders, in the end, force change.** The marketplace is unmerciful to companies that underperform. A leader knows that his organization must change faster than the industry it operates in or die.

The bottom line

Leadership matters, and it matters most when times are toughest. Business today is simply more competitive and more volatile than ever. By sticking with tradition in these times, many companies are risking extinction. To survive and succeed, change should be your motto.

The market will continue to demand wood products such as furniture, cabinets and the like. But your customers' needs are most likely begging for new solutions.

Are there any leaders out there up to this challenge? Stay tuned. ▲

Defining change & innovation

A key role of a leader is to catalyze change.

The reality of change and innovation in most businesses is different from the rhetoric. Many companies talk proudly of their new products and the use of the latest business fad.

But TQM, lean manufacturing and Six Sigma are not real change or innovation. These are tactics for becoming operationally efficient and are useful if properly applied. But these tools can be copied and employed in most every company. You cannot sustain a competitive advantage without combining them with an innovative strategy.

Look at Xerox. Millions were spent there in the '80s on TQM. The result was the Malcolm Baldrige National Quality Award in 1989. Yet its inventions of the personal computer, laser printing, the Ethernet and the mouse were never leveraged into commercial success and profits. Of late, declining sales have resulted in the layoff of 11,000 employees. PARC, the research lab that created those innovative products, is now for sale. Its stock, once \$64 a share, is now under \$10. That's real value destruction.

For real change look at UPS. That company started in 1907 as a local messenger service in Seattle. Since then UPS has evolved through many stages — going national in 1975, international in 1986, founding an air parcel service with its own planes in 1988 and finally offering same-day delivery in 1995. Seeing growth in its core delivery business slowing, it expanded into other supply chain activities that its customers do not want to handle — warehousing, freight forwarding, managing/handling spare parts and warranty services for the likes of Dell. These new services are the fastest growing part of UPS.

UPS's strategy is to keep its core business strong while simultaneously developing new opportunities to serve its customers. Another company founded in Seattle took a different tack.

Starbucks set about to revolutionize the way a simple product was offered. Sensing a market for premium-priced coffee, the company opened its first café in 1986.

Meanwhile Procter & Gamble and General Foods, the coffee giants, were treating their product like a commodity, competing on price, and facing slow growth. Starbucks chose not to compete on price and began proving that consumers would spend time drinking coffee at \$3 a cup. Anytime in the years before Starbucks reached critical mass, P&G and GF could have stolen the upstart's business model. But the giants were hidebound by tradition. Only 15 years after its founding, Starbucks has over 4,700 stores around the world, and its market capitalization has grown to \$8.3 billion. That's real value creation.

UPS and Starbucks prospered with different strategies. But the common thread was leadership.