Nicole Gaiziunas

MANAGERS

MOVING MOUNTAINS

Return on Education: Excellent Employees, Brilliant Performance, Best Results

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The Fastest Way

In 1862 Abraham Lincoln signed the Pacific Railway Act. In seven years' time he would unite a divided America. Up until then, crossing the continent from East to West, from New York to San Francisco and back, meant undertaking a dangerous and exhausting journey, often by foot. With the construction of the transcontinental railroad, a new era in the history of the American nation had begun.

About 20,000 railway workers lay roughly 5–6 miles of tracks each day. And each day another milestone was marked on the map of their progress. Henry Stanton's band of track layers often reached their daily target as early as late afternoon. While other groups were laboriously making their way through the deserts and mountains, the Union Pacific Railroad Company saw Harry's squad almost flying towards the beckoning shores of the Pacific Ocean. No one could really say how 'Big Harry' was able to accomplish his record-breaking achievement. Not a word is mentioned about it in the history books.

It was around the campfires of the trappers who accompanied the railway construction, that you could hear the stories being told about how Big Harry was different from the other group leaders. When his team ran into a hill or a mountain he didn't waste time or resources by laying his tracks around the mountain or trying to go over the top. Big Harry just moved the mountains out of his way. Whether he used tons of dynamite or some other means, legend doesn't say. What remains is a single passage, passed on through the generations by word of mouth. It says more about the man, his success and his leadership abilities than any historical document ever could. When the boss of Union Pacific asked him how he managed to be so fast, Big Harry Stanton simply replied: »Moving mountains is the fastest way to the Pacific.«

Foreword to Future Gold

"When you stop trying to be better, you've stopped being good."
Philip Rosenthal, Entrepreneur

"Half of our training budget is money that's wasted.
I just don't know which half."
Anonymous

All over the world, managers are investing billions in training, further education, qualifications, management and talent development. And what do they have to show for it? How much money was spent on nothing more than a nice memory, some interesting news, brief edutainment or a nice evening together?

Board members ask me time and again: "We don't hold back when it comes to investing in management development, but what are we getting for it at the end of the day?" In other words: What is the 'return'? The sarcastic office adage that half of training budgets are wasted (see above) is not that far from the truth: most training courses achieve too little, or too slowly. Some even have a negative effect – a situation that's recognized by only a few.

It's no wonder we believe that half of all training budgets are wasted. I don't think it's a cynical view point. I think 'half' is optimistic. In many companies it's a lot more. There is too much training with too little result, too little transfer of what is learned into practice, too little Return on Education (RoE), too little business impact. No mountains are moved, or too few or they're too small. But that is what training is for: it has to get something moving! Visibly, noticeably, measurably – both for the company and for the participants themselves.

Only training with proven business impact is good training, and should be invested in. For example, the participants go into training on Thursday evening and leave the seminar room on Saturday afternoon able to increase their performance at work on Monday, and able to achieve things that they had never achieved before. Good training makes things happen, ideally, it moves mountains and has a measurable, concrete, practical, real, tangible Return on Education. Sound like Utopia?

Then you're holding the most utopian business book of the year in your hands, because the pages that follow cover this in detail. It's not about training, it's about moving mountains. It's about the future of learning and the methods and concepts of management development in the next five to ten years to come, because these next five to ten years are going to be tough.

Just how tough they will be, we have all begun to sense today. The risks are immense, but so are the opportunities. There is gold to be found in the mountains of the future. How will we find it? That is the question that management development needs to be asking today.

The answers are not only obvious, they are all clearly described in this book: The gold in the future will be mined by those who upgrade their management development programs from loss-making businesses to profitable high fliers. The gold will be mined by those who can significantly speed up the roll-out of their international training programs. Gold will be his who not only understands the difference between change and transformation, but can also implement it. It will come to those who recognize and establish coaching as the long awaited missing link between training and actual practice – and who institutionalize this link, ideally, in the form of a corporate university.

The gold of the future will be gathered by those who are not taken in by the myth of complexity reduction, and are instead able to successfully navigate complexity. It is there for the taking for those who have seen that 'multidisciplinarity' is not just an alternative to the wide-spread 'silo mentality' of specialization, but a key strategic factor in a revolutionary, new understanding of general management.

It is this entirely new, forward-looking understanding of the new role that managers will take on, that will enable us to move mountains and shape the future. The following pages explain this new, mountain-moving concept of the new global leader. And the best part is, that we don't have to wait for the future to find out how future managers will behave – we can see it today. By means of examples from executives and companies who have already arrived in the future, have moved their mountains and found their gold. They have generously offered us an extensive look at their recipes for success in the pages to follow. That is our privilege and a chance, to move even greater mountains in the future.

Are you a manager, or a mountain mover?

1 The Only Thing That Counts

"Don't tell me what you've done, tell me what you've achieved."
Lord Kelvin

"It's not the strategy of the generals, but the behavior of the soldiers that wins the war."
Julius Caesar

The CEO's Leather Pants

Eckhard Pfeiffer is probably the only CEO in history to announce a company turnaround wearing traditional Bavarian Lederhose.

When the Texan by choice (born and raised in Nuremburg, Germany) took over Compaq in 1991, the company was making a loss of 70 million dollars. Pfeiffer immediately got down to business helping Compaq achieve a 213 million dollar profit in only a year's time. The following year they overtook IBM as the market leader in portable computers. In January, 1995 he announced one of the most spectacular turnarounds in economic history to 16,000 frantically applauding employees and their families, wearing, of course, his Lederhose. His dream come true, if not everyone's cup of tea.

On what would you need to concentrate to achieve a complete turnaround? Most likely on the turnaround strategy, the divisional and departmental concepts you'd derive from it, and 'come on people let's go' motivational speeches. And what do you think would happen then?

The strategy "isn't being accepted at the operational level." The concepts are not complex enough to match up with reality, but they're too complex to implement quickly. And the employees are not so much cooperating as just waiting it out. Unfortunately, this is the way things normally work out. Why didn't it work out like that for Pfeiffer? Although he had a strategy, concepts, and a nice little motivational pep-talk up his sleeve, he knew, like Caesar (see quotation above), that strategies do not win the war. He invested all his energy on the only thing that really mattered. What is it? The answer is in the following case study.

An Example of a Cost Trap

Bernd W. is the CPO at the German subsidiary of a large, international corporation. For years he's been talking about the untapped cost reduction potentials in the sourcing of services. What he really wants to say is "I'm not talking about a couple of percentage points in cost savings, I'm talking about several million euros over a five year period!" What happens? The usual.

The executive board nods enthusiastically every time the CPO gives his lecture about the reorganization of purchasing of services. The divisional Czars, plant/branch and departmental managers, on the other hand, just shake their heads. For the last five years: "Can you believe it, now head office is even telling us which advertising agency to use! They think they can just lump us all together in one bunch!" For five years, Bernd W. has been developing integration strategies and concepts, holding moving speeches, trying to finally dig out the millions sunk in the fathomless depths of the sourcing of services. Without a great deal of success. The fact that he lets a handful of his strategic buyers get a little training each year, so that the engineers and technicians in the individual departments will finally speak to him, didn't help that much either. Why not?

The training courses had names like 'Internal Integration of Purchasing' and 'Supply Chain Integration.' And the participants learned an incredible amount on how to organize, structure, integrate and control the purchasing of services in the best possible way. They learn everything about communication with individual departments and evaluating the non-quantitative specifications of a service offer. However, "The only thing that they obviously don't learn is the one thing that really matters to the company," complains Bernd W., "and that is the measurable business impact: I want company-wide bundling of the most important services, across the board, for at least 90 percent of all orders throughout the corporation." But that is exactly what the many training courses do not provide. That is the classic mistake made in ineffective measures:

> A seminar should not prepare one for practice, it should alter the practice.

That is the basic idea of the 'Return Principle,' the core message of this book: It doesn't matter what the training is, it's the 'return' that matters. The overall outcome. Training must have an effect that demonstrates business impact. Immediate. Necessary. And not in the classroom.

Effective education is good education.

It’s not about training courses. It’s about the business impact. Not *after* the training, right *in* the training. Training must first and foremost be effective. If it’s effective it moves mountains. When Bernd W. becomes aware of the importance of the ‘Return Principle,’ he immediately cancels all the training for the current year. Five weeks later he has moved his mountain.

Moving Mountains

Five weeks after cancelling all training courses the CPO and executive board are inundated with urgent requests from the business units, departments and branches, “Please, please purchase all standard print display advertisements for us through headquarters in the future.” Huh? That’s right, the thing that nearly everyone had been fighting against for the last five years. Now suddenly everyone wanted it immediately! What happened?

Actually, not very much. Bernd W. cancelled all the outstanding training courses and ordered a single workshop. A workshop with one, quite simple measure: “We’ll get everyone on board. Not after the workshop, but in the workshop,” said the CPO. So 14 of his buyers talked for half a day together with him and two trainers about the concrete ways and means of convincing everyone about a bundling of standard display advertisements. By the end of the morning, the ‘Wall of Shame’ project had been born.

The buyers stopped bombarding the branches, plants and business units with spreadsheets and cost saving potentials. They also stopped trying to convince them of the benefits of standardization and bundling. Instead they got a 5 x 1.5 meter portable billboard and put up nothing other than lots of copies of the standard print display advertisement, which was most often ordered. This same advertisement was put up on the billboard 30 times.

The only difference in the 30 identical advertisements was the information underneath: The purchasing price and the department or branch which had ordered the advertisement. The lowest price was around 170 euros. The most expensive was 930 euros, but all for *exactly* the same advertisement. This enormous range was a result of each branch, department and plant purchasing their advertisements themselves, including the time needed for finding a graphic artist, copy writer and production assistant, and including the price negotiations with each of them. For years this money and time wasting machine blossomed and thrived. Until the ‘Wall of Shame’ came along. It was a didactical provocation.

Two brave buyers travelled through all the departments, plants and branches for a couple of weeks with this provocation. It created some memorable scenes. One branch manager was said to have torn at his hair. Another invited both buyers to dinner (the one whose employees had only paid 170 euros). Suddenly, every plant, branch and department wanted to have “the advertisement for 170 euros.” Especially, when the buyers calculated the enormous amounts of money they would save every year and could credit to their budgets.

Within only five weeks, 85 percent of all internal advertising customers transferred over their entire standard print advertisements to the appropriate Category Manager (before it had only been 12 percent): the mountain had been moved. And (almost) nothing had been changed. There had been no reinvention of the marketing or supply management wheel. No one from the board had to say a word, and no heads had to roll. No new strategy was agreed and no new speech was held about integrating purchasing. The company was not restructured and no one had to pay an extra half million in consulting fees. Nothing much happened, except for something essential: concrete change. It was concrete change and not the presentation of learning material, which was the focus of the training. Training wasn’t carried out, it was projected. The buyers went into the workshop not having achieved much in the past five years regarding the sourcing of services. And out came buyers who were able to give their company the biggest cost saving gift in the last seven years.

While almost all the competition were slashing their advertising budgets as if there were no tomorrow, Bernd W.’s company achieved so many savings, thanks to the ‘Wall of Shame,’ that costs were saved and even more advertising could be carried out. Their vivid and colorful advertising left the tired-looking advertising of the competition in the dust, so much so that the company’s market share grew, in some product areas, by two digits – in the middle of the economic crisis! The company suddenly became the market leader in some segments! Quod erat demonstrandum:

Business impact training can move mountains.

Why are so many companies still using conventional methods?

The Unfortunate ‘Input Principle’

The ‘Return Principle’ may now make sense to you. But so does ‘not smoking’ – and yet lots of people still do it. And why not? Smoking is fun, reduces stress and improves sociability. For a smoker, it's easier to smoke than to become, be and remain abstinent. It's not any different for managers.

Only a few weeks before his understanding of the 'Return Principle' – CPO Bernd W. was still maintaining that: "Everyone is still ordering advertising based on a whim! We need another seminar to make our buyers fitter for the internal integration of Purchasing!" Sounds logical, but it isn't.

Training, seminars, development – they are all 'input' indicators.

Strange indicators for an occupational group who like to shine with statements like: "It all depends on the output in the end." Why shouldn't that apply to training as well? Because for management and personnel development the traditional 'Input Principle' applies: "We'll invest something in that now, and hope that something beneficial comes out in the end!" That's not management, that's the 'Hope Principle.'

Isn't hope in this context a bit surprising? Not for Sigmund Freud. He surmised that behind the chronic 'input' orientation of many occupational groups lies a plain and simple kind of 'reverse-responsibility' which goes something like this: "Trainer, we need better employees! So get on with it!"

There's a fine line between delegation and 'reverse-responsibility.'

Of course, there are subjects which function well with delegation: foreign languages, playing tennis, accounting, and spot welding. All subjects which the conventional 'Input Principle' can help in delivering useful results. Every country on this earth works according to this principle: "Put someone up in front of 30 students and let him or her talk." Unfortunately, all school reforms carried out in the recent past show that even education ministers are plagued with major doubts about this characteristic of the 'Input Principle.' Schools are now also introducing transfer projects and workshops. Business schools have long worked with it.

Input is important, output is more important.

Not every trainer can and wants to work based on the output in the end. But you will notice this (or your HR or PD manager) as soon as you go over the contract details. An effective trainer asks: “So you want a seminar? What should the end result be?” He doesn’t ask – as is unfortunately often the case: “You want training? What content do you want me to cover?” Content? Who needs content?

Those who talk about content, are talking about ‘input.’ And ‘input’ is, if you’ll allow, relatively irrelevant. Necessary, but not enough. I am advocating the phase out, once and for all, of the unfortunate ‘Input Principle.’ The ‘Input Principle’ is dead. Long live the ‘Return Principle.’

The ‘Return Principle’

I must admit to you now that I have not told you the entire truth. CPO Bernd W. did not just order a workshop. ‘Return’ Managers don’t do that.

> ‘Return’ managers focus on the ‘return’ and only the ‘return.’

Bernd W. said to the HR Manager responsible for training three days before the workshop was approved: “To hell with training! It doesn’t achieve anything. I want a workshop (the HR Manager nodded). With a guaranteed ‘return’ (The HR Manager’s eyes opened wide). And the ‘return’ should be that 80 percent of all internal customers purchase their standard advertisements through us after the course.” The HR Manager gulped and said, “No trainer can do that!” Which isn’t quite true. Just a bit of an exaggeration:

> Many trainers have problems with the ‘Return Principle.’ A small consolation: the good ones don’t.

That means that the ‘Return Principle’ is really just a question of the right purchase. Like in every good marriage: the husband/wife needs to pick the right one. Which in turn calls for something different.

> ‘Return’ managers understand the skills supply chain well. They know who can train effectively and who can’t.

That sounds trivial, but it isn’t in practice. There are still a lot of managers who actually believe that if you give a contract to a trainer they’ll be able, on their own, to make your employees fitter. That is an expectation, a hope, a beautiful dream. The skills supply chain doesn’t function like that:

When a trainer is not told clearly what the 'return' at the end of training should be, he'll fill the seminar with standard know-how. From his point of view that is rational: after all, he doesn't actually know what is supposed to come out at the end!

And while we're at it – nowhere in the real world or in life do people actually behave like that. When your car breaks down, you don't say to the auto-mechanic, "Let's replace the battery, the ignition, and the alternator. Then I think it'll work again!" A good auto-mechanic would immediately tell you: "Excuse me, but we'll only replace what is broken, and nothing else!" Replacing what you happen to have in stock is input-orientation. Replacing what the car actually needs to run again is output-orientation, it's the 'Return Principle.' A wonderfully simple principle.

This simple principle is applied in all the departments of a company – just not in some HR departments. Imagine that an engineer at Porsche constructed a new alternator and ordered M6 screws for it. The screws come but they don't fit in the alternator. Unthinkable? Exactly. If you order a screw for an alternator, the screw should make the alternator work once it's put in. That is its function, reason and 'return.' If it doesn't fulfill this requirement, then … it's unimaginable! In every department except for Human Resources. There training is ordered, carried out and paid for, which doesn't achieve much of significance. How crazy is that? The 'Return Principle' could also be applied in this department. And it is quite simple:

Don't concentrate on the seminar or the content. Focus on the 'return'!

And like everything which is simple and good, this principle has bitter enemies.

The Enemy of Good

Recently, the sales force of a mid-sized company was not selling a new product strongly enough. The HR Manager responsible for training suggested, literally, "another training course." Many HR and PD departments see themselves as the providers of training programs. They are pretty much paid for seminars. So they sell seminars and not 'return.'

The sales manager is, however, much more output-oriented. He says, "No thanks, not another training course. I don't want my people to learn everything that there is to know about argumentation, dealing with objections, and negotiation closing techniques, again. They should learn, and only learn, what they need in order to finally be able to advance the sales of our new product. I want a measurable increase in turnover after the seminar!" What does the HR Manager say to that?

"That's something that you can't measure!" We don't want to say, per se, that this statement is untenable. As Lord Kelvin once said, "Everything that exists, exists in a quantity and can therefore be measured." Everything is measurable. Leading corporations held correspondence training in the 80s in which trainers were paid according to the Return on Education … and the 'return' of customer correspondence is surely not easy to measure. But it is measurable, one just has to want to. And that is the real problem:

> Input-oriented people fight against the 'Return Principle.'

Expect that, at least at the beginning. This resistance is like a classic children's disease. It disappears over time. In many companies, the input-orientation has completely disappeared. For example, at Amazon.

The Amazon Example

When Amazon set up its first goods distribution center in Regensburg in 1999, it had a surface area of 2000 sq m. The new Fulfillment Center in Bad Hersfeld, opened in September 2009, is 50 times bigger and covers around 100,000 sq m. It is the largest in Europe. This kind of size doesn't just happen by accident.

Amazon is considered a leader when it comes to process quality, cost efficiency and employee motivation. At Christmas in 2009, Amazon took on 5,500 seasonal workers in addition to its permanent staff – and managed to motivate even the temporary workers to take part in the continual improvement of processes in the work place. And that is something necessary, because operational excellence is very important to Amazon.

"Quality management at Amazon is unique in the retail sector," says Prof. Dr. Inga-Lena Darkow from the Supply Chain Management Institute of the European Business School. "You normally only see something like that at Toyota." Performance and working procedures are measured in minute detail. Every process step is permanently being 'tweaked.' Which makes for an interesting conclusion:

> 'Return' orientation doesn't happen by accident. It is often found in champions of operational excellence.