WELCOME TO THE FINAL CHAPTER: YOUR OPTION TO DO NOTHING

In this bonus chapter:

Choose to do nothing, and simply carry on as you are right now, believing that you are doing enough.

There are consequences to that choice;

- There are 8 main factors that will put you out of business
- Understand how "unmanaged change" can kill your Business dead, in a frighteningly short space of time.
- Your management are in fact a real problem
- Know the 5 KEY FACTORS that will put you a huge step ahead of your markets in the next 10 years.

I meet often with Business Leaders who fall into two categories when it comes to leading change

1. I understand the need to do something and I'll have a think about it
2. I think I do this already, sort of, so I'll take the points on board and congratulate myself that I am already doing it.

Indeed I have met some amazing Leaders; those who have addressed the points of staff inclusion, of planning change and devising projects to push the Company forwards. They all seem to be energised, focussed and have indeed approached the subject of leading change in a highly professional way.

The problem is this;

They themselves are the driving force behind the thinking. They instruct the actions. They alone are at the front of the Company leading, managing, pushing for results.

My question to you - if you are that person - is this:

<u>Who else</u> can do <u>what you</u> do?

If you were to be hit by a bus, or better still promoted or moved within the group, or indeed sell your business, then what does your reporting team understand about driving change?

Chances are, statistically speaking they know a little. But they are not you and never will be.

So will you continue to do your own stuff, or will you install a repeatable system of management that allows you to move on, or move out in due course without ripping the thinking head off of your Business?

Your own style is yours. But the Business' style is a collection of everyone who works there.

- **Read on to discover the effects of either doing nothing at this stage, or continuing to be the one person class act that you are, and not delegating the authority and ability to underpin the businesses continued success.**

So what are the consequences and just how bad can it get, if you just carry on, read this book, and hope it will be alright after all?

I think we'll do "Change" tomorrow – I'm a bit busy today!

The world is littered with the remains of corporations and companies who didn't make it. For one reason or another they **failed to plan for the changes** that shifted their markets, moved their customers, changed the market rules. Faulty planning was their only sin, that and a reluctance or inability to see why change must be managed proactively, constantly and positively.

About 10 years ago I felt really shocked by a fact I had just uncovered, that out of the Fortune 100 companies of 1930, **not one of the top 30 exists** in the same form today.

Huge companies, gone or broken up, merged or asset stripped. Apply this to our most revered companies of today, Microsoft, Google, Amazon, Facebook, GE Capital, Rolls Royce, BP, Glaxo, Unilever, in the year 2080- no longer in business in the same form.

As I write this ten years later however, I am not shocked at all. In fact, like you I think the timescale for their change of state will be more like 2040, not 2080!

I recall in the early nineties when 3M famously stated that they considered the business created by their new products they were bringing to the market then, would replace their entire existing business within 7 years. An unbelievable statement of the time, that entire business cycles and products would happen in just 7 years, and at the time people were incredulous, they just didn't believe it.

Today, I don't think there are many of you who would question that statement as being entirely probable, if not a certain fact for many businesses.

Think back in your Business history. What were you doing seven years ago, and what are you doing now? Are they the same? – I doubt it. If they are, you have a serious problem.

A look at the symptoms and outcomes, using real world examples of when things go wrong.

There are plenty of examples of failure to adapt and adopt change in some very well-known Organisations

Companies affected in the last five years have included:
JJB Sports, Clinton Cards, Game, Borders, Alexon, T J Hughes, Jane Norman, Habitat, Focus DIY, Floors-2-Go, the Officers Club, Oddbins, Ethel Austin, Faith Shoes, Adams Childrenswear, Thirst Quench, Stylo, Mosaic, Principles, Sofa Workshop, Allied Carpets, Viyella, Dewhursts, Woolworths, MFI, and Zavvi/Virgin Megastore.

In 2013 we then saw Tie Rack, Blockbuster, Barratts shoes, Tomlinson Directories, Comet (again), B&Q Ireland, HMV, La Senza, and the list goes on.

Some impressive household names affected those who prior to 2008 we probably thought were invincible.

Legal note:
this listing of UK retailers who went into receivership between 2005 and 2013 is based on research carried out at the time and our understanding of their business affairs then. Some of these companies recovered and came out of administration; some were bought by other businesses; some were sold as going concerns but changed their name; for some, the name was bought and this is still used, but under different ownership; and others ceased to exist. The presence of any business in this historical listing must not be taken to imply that it no longer exists, its name is not used or that such business, if still trading, is impaired in anyway.

So what went wrong?

The answer varies in each situation. However the follow points are well worth noting as very common and could well apply to your own Business, not just the household names I have listed above.

FACTORS THAT CAUSE BUSINESSES TO FAIL.

Read the following 8 factors carefully. As a seasoned senior manager or Director, you will be tempted to quickly read the title and move, on – please don’t.

Read the illustration beneath each factor title, as what you have interpreted as either simple or obvious, may not be so.

In no particular order then:

> ***There are more Companies that go out of business through lack of cash, than order book.***

1. **Cash collection is out of cycle** with the cash receipts. Many Companies import and export, manufacture and hold stock. All of these activities have the potential to cause cash flow problems.

I worked with a very successful manufacturing business in the north a couple of years ago. They couldn’t make their products fast enough to cope with demand. Their major market was China. The payment terms from their Customer were 30 days FOB UK, which is generally considered reasonable. The payment terms by which they paid their suppliers averaged 45 days, which again is a reasonable settlement average, maybe a bit on the keen side. The problem was that the manufacturing process took 14 weeks to complete. So every order taken, led to a cash outflow for materials in week 6, and recovery of that cash from Customer payment some 12 weeks later. It doesn’t take a mathematician to work out that every order taken cost cash to service, and with an expanding turnover this problem caused them huge cash stresses.

2. **Profits fall over time**. An established larger business is subject to greater costs and upward pressure on costs than a newly started business. Their premises are more expensive. The number of people are likely to be more for the same work, as systems, processes and legal requirements cause a need for people resource. Wages are established and increase each year, regardless of product or service pricing. So the net profit is squeezed on a cost basis alone. But see the next point, for reasons why the net profit is being squeezed from both ends.

Most of my Clients these days are considering the “channel shift” option, the one we talked about in chapter 1. The ability to perform the service, supply the goods, but at lower costs, thereby protecting or increasing net profit. I spoke with a large Plc packaging company recently, who had just posted an increase in year-end earnings to the delight of the stockmarket, and the share price consequently rose. What they didn’t perhaps appreciate was the fact that with gross margin in a flatline, the increase in profits was derived by on- off cost reductions that would not *be repeatable next year. Unless a strategy was found to drive costs down on a permanent basis, or to drive the revenue line upwards, then this result could be reversed next year and profits will fall*

3. **Pricing is under pressure**. The price that customers want to pay reduces in many markets, as innovation, manufacturing processes and their own internal pressures to reduce supplier costs causes a ripple effect.

I have worked with many businesses, which have experienced the supplier bashing that is often imposed by larger retailers and companies on their smaller suppliers. One such small manufacturing company who supplied the car manufacturers directly for many years, were suddenly told that they were to become a tier two supplier, and they were to try to supply their goods through a nominated tier one supplier. The problem was, the nominated tier one supplier was in fact their biggest competitor. The car manufacturers consolidated their supply chain to reduce their own costs, my client lost a significant client as their products were substituted by the tier one competitor for those of their own.

Then there is the **newcomer effect**. A company or Organisation that comes from nowhere and supplies what you do for a much lower cost. You scratch your head and assume incredulous looks as you try to figure out just how they can achieve this. The answer lies in the fact that they either have sourced product or materials cheaper than your Business, or that they carry a lower overhead.

Either way you lose, as there is little difference in quality, service, delivery etc.

Lastly, I will have to mention the **GLOBAL effect**. The lower wage economy of the Far East and Indian economies that simply produce products cheaper than we are able to in the western economies. Some years ago, we could point to quality differences or patent infringements as factors in our defence, but in recent years these excuses do not apply. Pricing of product is now a function of cost and labour than market forces. A simple fact is that if these economies are able to produce goods cheaper than we can, then we need to respond or die. Traditionally our response has been shipping time, short run or immediate availability issues. The statement that we only want 250 widgets, not a container of 10,000 has held water, but as these Eastern economies develop better distribution networks this argument will also fade away.

4. **Route to market changes quickly**. We have already looked at the effect of technology and the incredible rise of the internet in supply chains. Consumers turn to the net more and more often to purchase goods normally bought in the shop or direct from your salesforces.

I myself was in the supermarket last week, about to buy a set of manufacturers ink cartridges for my printer. It was priced at £50 for the set. I used my smartphone to scan the barcode, accessed the internet and found a list of online suppliers who offered me a saving of £7. I purchased the cartridges from the online supplier whilst standing there in the supermarket, and walked out. I had adopted a channel shift model and moved my custom as a result.

5. **Business models change-** and your Organisation doesn't. The complexity of supply chains these days, means a blurring of business models, a merging of ideas and the adoption of ways of working in different industries being applied to yours. An example of this may be the selling of insurances at the supermarket checkout, or the various rapid delivery approaches taken by your online competitors.

A number of years ago, I worked with a call centre, which had used new technology to be able to relay call handling to four "partner" call centres around the world. So depending upon the time of day or night, your inbound call would be answered 24x7 by a real (wide awake) operator who would help you and follow online defined process of the call handling. The call centre was able to offer 24 hour call handling for no more money that the usual daytime rates, and secured a lot of new business doing so. Its competitors asked, "how could they do that", and continued to pay nightly overtime at 1.5 times salary to UK based staff and tried to pass the costs on to their customers. By using this technology based call centre however, I too was able to also offer 24x7 call receipt in my business for no extra cost, and my competitors wondered how, and my own customers were delighted.

6. **Technology moves on**. The easy example here is Blockbusters video and the HMV stores, both victims of technology shift. The death of the VHS machines, the decline in DVD purchases in favour of iTunes or other variations of music download, led to rapidly falling sales. Blockbusters, as with other video stores tried in vain to compete, with "post it back" an easy to access products to help the user buy from them. But to no avail. The VHS video died, as did the 8 track, vinyl records and the film based cameras. Technology shifts are ruthless, they're fast and they leave you no room or time to react unless of course YOU are the ones driving them.

   I have to place a special mention of the world of APPS. These little icons we download to our mobile devices have now OVERTAKEN the internet browser (Chrome, explorer, safari, etc.) as the means to access information over the web. Having an app for your business both deepens the Customer experience, but also allows you to implement a multiple channel strategy for information, ordering of your good or services, automated data and the list goes on.

   A company without an APP in a few years' time will be like a Business without a website.

7. **Fashion changes, and you don't realise it.** If I could predict the next "big thing" for Christmas next year, I would be very happy and very rich. Fashion and fads change so very quickly and at an ever faster rate due to the internet generation of children. But its not just children, it is our own adult preferences that change. Did you know for example that the sales of Budweiser fell between 2007 and 2012 by a startling 28%? The fashion of beer drinking fell dramatically, in favour of wine and spirit based pop drinks. The social media networks proliferate ideas, fashion statements, and the demise of these fashions and preferences are just as quick. Ironically the social media networks themselves are victim to user preference and whether it is fashionable any more to have a profile on a certain site. MySpace was a competitor to Facebook for a short while, but Facebook was considered the

"in" place to be. Can it hold on to the fashion position in the future, which involved constantly reinventing themselves, adding to their offer, listening closely to their users, and reacting quickly? You may remember the VHS/Betamax war of the 1980's. Betamax was considered the technically superior quality recording approach, but VHS won the day through effective marketing, which leads to our last point.

8. **Counter marketing rips your customer base away**. With effective marketing, many a product war was won. A quirky advert one that everyone likes, to a "new way of doing things", endorsements by well-liked celebrities, or a "hit campaign" designed to take out a supplier or product. Failure to react to the marketing messages of your competitors can cost you dear, and in the case of some, has cost the company.

In the mid-nineties, the marketing machine of Hoover took a view to take out VAX. They would do this by targeting the heartland of the VAX Company, that of the 3 in 1 carpet cleaners. Those machines that retailed for around £140, and were used to wash carpets. Hoover produced their own model, and the fight was on. By careful analysis of the VAX Company, Hoover executives realised that VAX had a quarterly marketing cycle, consisting of adverts placed in the usual places, store activity as they had always done and predictable sales resulting from this marketing spend. In fact why would VAX be concerned to do anything else, it was after all a tried and tested formula, it had worked for years and no other manufacturer made the 3 in 1, well not as well as VAX anyway. So Hoover started its counter marketing campaign. They advertised, just before the issue dates of VAX, in the same places that they knew VAX would, as they had always done. They priced their Hoover machine below that of the VAX machine, and waited. They repeated this activity every quarter, and the effect on VAX was noticeable very quickly. VAX were slow to respond, and by the time they realised what had happened, it was too late. Consumers purchasing the Hoover product for less money no longer were VAX customers. Each cycle saw lower VAX sales, and in response they cut costs, including the marketing campaign they could no longer afford. It was a death cycle that had only one outcome- the demise of the VAX Company.

The saviour of VAX, came not from within, but ironically from the American parent company of Hoover, who called off the Hoover UK executive, telling them that the campaign was "anti-competitive" VAX were saved by the skin of their teeth, not by their own efforts, but by sheer circumstance. It later emerged that VAX reportedly had only 30 days of cash left in their business, before they would be forced to call in administrators.

I have just shown and illustrated for you, 8 factors that affect organisations in the general business cycle. There are doubtless more.

Compounding this is the fact that we are emerging from a long recession. Recessions create opportunities for entrepreneurs, new thinking, new problems and new pressures. Translate this into new competition for your business, and you get the message.

For those of you that have organisations with large infrastructure or fixed assets, machinery, vehicles, buildings and factories, now take heed.

Many Companies in your market may not have made it through this last recession. They may have failed, and initially I am sure you may have taken heart from the fact that there is one less competitor.

However, in the liquidation process, the assets, machines, buildings, vehicles, will have been auctioned off at a percentage of their true new or even controlled sale value. Amazing bargains can be had at liquidation auctions, as fire sales drive prices down.

I knew an entrepreneur in the early 2000's, post dot com crash. He went to the recently appointed administrator of a technology company, and purchased their assets in order to set up his new business. When the equipment was new, it had cost over £3million to buy. It was only 9 months old, but he picked up the highly specialised equipment for an amazing £300,000. He then had the capability of a large established business, but with no borrowings, low overhead and the ability to price below the floor of the market as it stood.

He is your worst nightmare, and it wasn't long before he let everyone know it.

I have spent this chapter illustrating a number of events, trends and outcomes that could help you understand the myriad of factors that cause change to happen.

Unmanaged change can kill your Business in a frighteningly short space of time.

Some of the Corporates mentioned at the start of this chapter had little or no time to react. Caught like rabbits in the headlights, they had a fraction of time before they were totally out of control, and the business failed.

SO, **failure to plan** appears to be a solid reason why Companies fail. The messages are all out there, like graffiti on the wall. Multi-coloured, big letters, daily news broadcasts, the internet brings it all to your door. So WHY doesn't everybody plan ahead, recognise the factors, find solutions, know what to do when the headlights fall upon you?

THE 8 KEY FACTORS THAT WILL KILL YOUR BUSINESS UNLESS MANAGED

1. **Cash collection is out of cycle**
2. **Profits fall over time**
3. **Pricing is under pressure**.
4. **Route to market changes quickly**
5. **Business models change**
6. **Technology moves on**
7. **Fashion changes, and you don't realise it**
8. **Counter marketing rips your customer base away**

Which of the above will get you first?

A PROBLEM WITH YOUR MANAGEMENT

I outlined in the earlier chapter, that your mangers are trained to contain and reduce risk, putting onerous and comprehensive systems and processes in place, to ensure little or no variation.

This makes people less interested in their work as they have little room for manoeuvre. It stifles initiative and innovation, prevents intervention and customer care from delivering and can work in such a way as to cut off the air supply to the business, putting into cruise mode, allowing your competition to take market share, or external forces such as those described above to determine their future.

This book is wholly concerned with providing a framework for Leading Constant Change. It provides Managers of Businesses and Organisations, whether you are a Director, Owner, General Manager, or part of the Senior Management Team (or aspire to) this framework will work for you and deliver you a robust plan to manage change.

THE FIVE FACTORS FOR SUCCESS

Here are my predictions for the next few years, based upon a piece of research that was conducted with 200 leading CEO's of larger businesses.

These findings need careful consideration, and before you move on to the next chapter, please spend a little time translating these findings to your Organisation, maybe integrate it with the PEST analysis or SWOT (See web-link)

These are the Five Factors that are considered by many leading CEO's to be those that will establish the best recipe for western businesses success, starting now, so pay attention!!

The following factors are in no order, nor do they apply to any sector, specialist or product. They do in fact apply to every business who wishes to grow in the future, or indeed protect the current position in the markets they serve. The factors are not dependent upon the number of employees- simply put they apply to everyone.

Factor 1. Access Capital When it is Available

Cash is available at different times for different rates and amounts with differing conditions of security and term allowed at any one time. Those businesses that are able to plan ahead, map out their requirements for cash and then use this information to choose when to reach out for this cash, will benefit from the best rates, terms and conditions and be better placed than those who go cap in hand to institutions when time is against them. This will give those business leaders the edge in financial management, reduce finance costs over that of their competitors and allow smooth business management to exist.

Factor 2. Act Globally

You already deal with foreign owned clients, but just may not realise it. You may also read of overseas companies buying, investing or partnering with UK companies. If you are not one of those, what opportunities are you missing?
Trading beyond geographical boundaries is needed to keep up with international clients. We are no longer constrained by geographic countries, we can move goods and services worldwide, and before you interject with the notion that this only applies to products, please understand that the IP, designs, patents and services export markets are massive and our technology, training, management theories are in demand by those emerging economies.

Understand currencies exchange mechanisms, trading laws and customs is the only homework required, and significant assistance is available, by the UK BIS for those who reach out.

Factor 3. Be Green

Your Green credentials will come under increasing scrutiny by customers, suppliers, your stakeholders, investors, general public and your own employees. Don't write this off to a marginalised few as a means to tick a box, think about it. This is not about paper recycling, a few low wattage bulbs and an off the shelf copied policy. This extends to your supply chains, the treatment of your employees and their conditions, your operations, locations, and the list goes on- take is seriously. Have a publishable plan and strategy and be sincere or you'll be found out!! Customers, employees, suppliers and partners alike will be increasingly attracted to those companies who are able to prove their green position

Factor 4. Embrace all available technology

Adopt adaptive and progressive approaches to technology. if you produce a product, look at the opportunity to invest in equipment that gives you productivity improvements and reduce costs. If you are service industry or retail based, then look at using web based latest technology that will enable your business to reduce costs, be flexible, faster and more customer focussed

Continued obsession with using proven IT to automate, create ubiquitous client/supplier/stakeholder relationships and look at social media as something that can be harnessed not regulated, adopted within your business relationships, not to be written off as a social deviation. The world becomes a small place once your business becomes technology savvy. One last point about technology- our business owners and leaders are often in an age bracket where we don't have the level of knowledge to be comfortable with some of the newer technologies – don't let that hold you back, seek out experts and listen to their interpretation of the benefits. Your job will then be as a business person to lead the result, not to understand the detail and the "how it works"

Factor 5. Hire and Retain the VERY Best People

The new hires of today are your potential managers and even CEO of tomorrow, yet so many place a limit of the skills or salary they are prepared to invest in. They find a candidate who wants £5k more than the "budget" and end up hiring the number two candidate. It may turn out to be the most foolish £5k ever saved.

Great people make great companies, so find them, retain them and don't be afraid of them. There is a saying that says we should always seek to hire the person who is better than the hirer in the area of work, so why do so many ignore this advice due to their own insecurity?

Constantly offer developmental opportunities, and they needn't be pay rise driven, or indeed promotion. The use of "Company development projects" can be highly effective in both getting the best from the person assigned, but also to create a training ground for future work. Personal development is considered very highly as a psychological rewarded and a motivator for engagement and performance.

THE 5 FACTORS FOR SUCCESS IN THE MARKETS

I'll summarise these for you again

1. **Access capital markets, when you can, for the best deals**
2. **Act globally to address international ownership and supply chains**
3. **Be green – people want to see your business is caring and responsible**
4. **WEB 6.0 – use technology to constantly lower internal costs and develop more effective customer relationships**
5. **Hire and retain the very best people – don't flinch, hire them and keep them!**

How do you stack up? What are the obvious gaps that you can identify within your Organisation? Write them down – do it now.

Chapter Action Plan

- Audit your business for the 8 main factors that will put you **out of business**
- Discuss what **particular unmanaged change**will kill your Business
- Check and see if your management is part of **your problem**
- Implement **the 5 KEY FACTORS** that will put you a huge step ahead of your markets in the next 10 years

Now,

- Select which of the 8 factors will most likely apply to **your** business
- How many of the 5 key factors can you say are complete in your business?

Now, make a decision to take action, and install the framework for Leading Constant Change, for you and your business