

Management Summary



Editorial

Dear Business Partners, Colleagues and Friends,

There is still a harsh wind blowing in the economic world. In recent months, I have witnessed many companies getting into difficulties. Some have already lost the battle and become insolvent or been bought out. Most are fighting back with harsh re-

organisation and cost-saving measures. Nonetheless, as always, there are rays of hope even in this situation – companies that have a high level of profitability even in these times and for which the future is looking bright. Coincidence? Luck of being in the right market? There is an element of this too. In general, however, it is

more than that: what makes the difference is the ability of the company to create innovative and exciting products. In this issue of Management Overview, I would like to address the topic of “strategic innovation”.

Enjoy reading!
Dr. Georg Kraus

Topic of the Month: Strategic Innovation

“Re-invent yourself” should be the motto of every company! Only by the constant renewal of your business model will you remain attractive in the market for your customers. Every company should therefore have innovation as its primary maxim. Unfortunately, the reality does not look like this. Managers and staff are generally focused on the implementation and expansion of their existing business model. Ways are sought in which existing products can be supplied more effectively, work is done to find new target groups for the products, and a little research on new products is carried out entirely as a sideline. However, this is all in the context of a clear roadmap. The complexity of a company is already huge. There is a lot to control and the energy of the company director is sapped by many trivialities. Consequently, what can happen is a rapid mutation from director into organisation administrator, leaving the actual primary task of preparing the company for the future to fade into the background.

This is easy to say and people who are visionaries do certainly exist (Fischer from Fischertechnik who has reg-

istered over 1,000 patents, or Steve Jobs from Apple who has transformed the company from a computer company into a media company). However, such people are unfortunately rarely found in the boardroom. Why? Most company directors are trained to manage but not to “reinvent” their companies. So they do what they can, namely “manage”, instead of focusing their attention on the process of renewing their company.

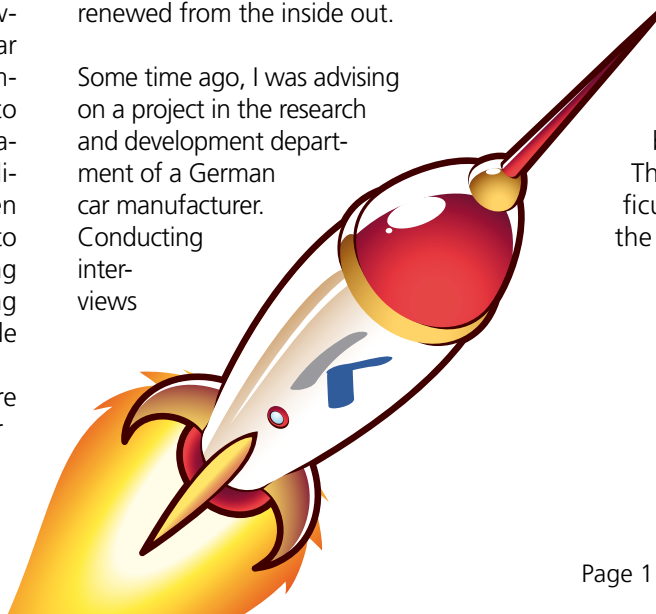
A fascinating question to which I am still looking for an answer is whether it is actually possible for a company to be renewed from the inside out.

Some time ago, I was advising on a project in the research and development department of a German car manufacturer. Conducting interviews

with the department managers there made me shudder: instead of generating creative ideas and working on innovative topics with a dash of an appetite for risk, I witnessed a culture of self-justification, aversion to risk and innovation in “small steps” – basically the optimisation of what they already knew. On paper, the company is very innovative and invests a consistent proportion of its turnover in R&D. In practice, nothing happens!

This is not an isolated case. Employees and organisations are frequently oriented towards the past and see themselves as preservers and keepers of a business model that has been successful in the past. They generally find it very difficult to open themselves up to the unknown future.

Continuation on page 2



So what can be done?

1. Do not be afraid to take unconventional approaches. In the long term, as the administrator of your company, you will ultimately fail. Your task as a company director is to take new approaches. Take your operational business to the next level – even if you do enjoy doing it!

2. Put your staff in situations where they can experience what is really happening. Many people are happy to rest on their successes. The dynamism that I have seen in the emerging markets is particularly impressive. Expose your managers to these realities... and always carry your works council along with you. A process of insight process can be introduced here too!

3. Reward audacious employees. Not every idea works. Staff and managers who nonetheless have the courage to take new approaches should feel that this is what you and the company want.

4. Consider setting up “creative islands”, in which “high potential staff” can act as entrepreneurs. The formation of small companies as “start-ups” can sometimes generate big ideas and business models.

5. Eradicate your “business suggestion scheme” and instead instate an “entrepreneurs’ budget”. Staff should be able to receive a budget to improve and/or implement new ideas without extensive bureaucracy. A company gives e.g. every employee € 3,000 “no questions asked” to try out the sustainability of ideas. Em-

ployees can even combine their individual budgets in order to implement bigger ideas!

6. Constantly push your management to think about the future trends and developments of markets and organisations.

7. Ensure that you have enough people around you who are trendsetters or have trend scouting abilities. Regular workshops with these people and your management will help you to anticipate market developments and advances in technology in time.

8. Hire certain clever employees with no clear role. Ask these employees to look around and to come back in 6 to 12 months with an idea for a new business model. ■

Quote of the Month

“If you want to succeed you should strike out on new paths, rather than travel the worn paths of accepted success.” John D. Rockefeller

Trends and Facts

Cause-effect chain

The Gallup organisation, famous for its statistics, has produced an interesting “cause-effect chain” between strategy/strengths and company value. It shows how important it is to have unique strengths. This is the only way that a company can make a difference in the market and be successful. ■



The Statistics With No Comment

The site www.graphjam.com collects interesting graphs on all areas of life. As of this issue, I will always be including an amusing graph here with no comment. ■

Quality of a Joke



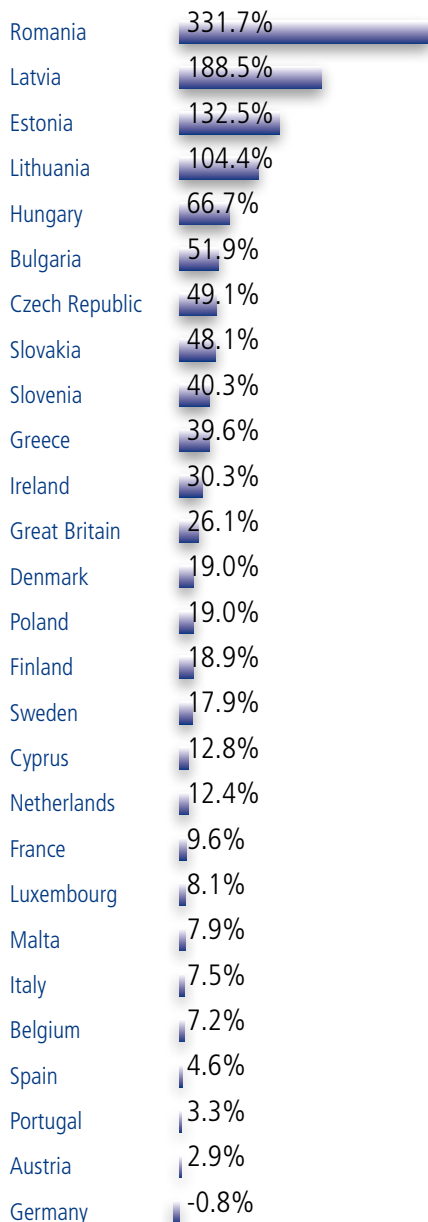
Dilbert



Trends and Facts

Development of real wages.

"Go to the East – the wages are lower there." 5-10 years ago, this was the message of many managers. What they frequently underestimated was the very dynamic development of real wages. The statistics below show how quickly they are developing in the East and the cut is becoming ever smaller as a result. Time to come back? ■



Source: Hans-Böckler-Stiftung

In a Nutshell

Business Terms Explained Simply

Affinity Programmes

Programmes to generate customer loyalty, i.e. reward systems for especially loyal customers. Points, miles or units of a similar "special currency" are collected with every purchase and can subsequently be exchanged for a product. ■

Book Recommendation



Kondratieffs Welt. Wohlstand nach der Industriegesellschaft (Kondratieff's World. Affluence According to Industrial Society)

by Erik Händeler
ISBN-10: 386506065X

In the last issue, we dealt with recession cycles and Kondratieff cycles. Many people have asked me for further literature on this topic. I can especially recommend this book by Erik Händeler. Erik Händeler also gives extremely fascinating presentations on this topic. More information is available at www.kondratieff.biz. ■

[order at Amazon >](#)

Academy

Seminar

If you have a more intense interest in the topic "how do I make my organisation fit for the future?", I recommend the seminar "High Performance Organisation – World Class Company" given by our co-operation partner St Gallen Business School. Details of the seminar can be found at:

www.sgbs.ch

[details of the seminar >](#)

Conference

As a sponsor, K&P is taking part in the Management Circle Conference, "Innovation 2009", which is being held on 09-11.11.2009 in Düsseldorf. Our topic will be how to implement a culture of innovation in companies. This is a conference that is worthwhile if you want to grapple more intensely with the topic of innovation.

The programme can be found under the following link:

[download programme >](#)

More information is available from:
Henrik.Langholf@kraus-und-partner.de

Imprint

DR. KRAUS UND PARTNER
Die Change Manager
Werner-von-Siemens-Str. 2-6
D-76646 Bruchsal
Tel: +49 (0) 7251-98 90 34
Fax: +49 (0) 7251-98 90 35
E-Mail: info@kraus-und-partner.de
<http://www.kraus-und-partner.de>
Publisher, responsible under press law.:
Dr. Georg Kraus
Design: www.konradi.com
Proofreading: Bernhard Kuntz
Issue XVII, October 2009

Many thanks to SVP Deutschland AG for the analyses used! www.svp.de