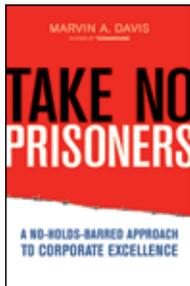


Why Don't Companies Reach Their Full Profit Potential?

The question above is addressed in *Take No Prisoners*, by Marvin A. Davis, where he suggests that companies make the same mistakes over and over again. Davis, a turnaround expert, argues that companies can no longer skate by on mediocre performance. They need to tackle the nagging, persistent problems, and the first step may be to identify recurring mistakes like:



1. Failure to recognize changing market conditions and act on them
2. Failure to resolve internal conflicts and resistance
3. Arrogance
4. Overspending during good times
5. Failure to continually rationalize the organization
6. Failure to act on substandard performance
7. Inability to think "outside the box"
8. Failure to delegate
9. Failure to define market strategies
10. Failure to demand implementation of marketing plans
11. Failure to tie compensation to corporate performance
12. Failure to plan for the cash needs of the business

For more information on *Take No Prisoners: A No-Holds-Barred Approach to Corporate Excellence* by Marvin A. Davis, visit www.amanet.org/books

What We Have Learned About Leadership Development

BY ROBERT M. FULMER AND JARED L. BLEAK

The best competitive weapon any company can have is its up-and-coming leaders. How can a company take such individuals and make them a success? After all, great leaders deliver great results. Truly, organizations with strong leaders and superior leadership-development strategies deliver better results.

Five Guiding Principles for Leadership Development

What evokes these results? Previous research has yielded five guiding principles for leadership development in general. Companies have shown that by following these principles they can effectively improve their leadership-development results and streamline their organizations' focus on leadership development.

1. Start at the top.
 2. Link leadership development directly to the business and deliver results.
 3. Build an integrated leadership strategy.
 4. Drive consistency in the execution of leadership programs and practices.
 5. Hold leaders and the organization accountable for results, both developmental and business.
- 1. Start at the Top.** The engagement of CEO support for leadership development is often what separates the top-performing companies from the rest. In a study of the top twenty companies for leaders, Hewitt Associates found that 100% of these companies involved

the CEO in leadership development and many initiatives were sponsored directly by the chief executive, compared with 65% of other companies studied.

2. Link Leadership Development Directly to the Business and Deliver Results. Keeping personal development in mind, organizations should emphasize business objectives when crafting leadership-development plans.

Hewitt found that the top 20 companies in the United States in leadership development closely linked development strategies with business strategies. This linkage was established despite the temptation to build development plans composed primarily of best practices from other companies or heralded in benchmark studies and training magazines.

3. Build an Integrated Leadership Strategy. Perhaps the most significant, overarching trend in leadership development stems from the pressure to organize development activities and initiatives into an integrated strategy. In a 2004 study, 69% of respondents noted that the "creation of an integrated strategy and



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Ten Rules to Achieve Pricing Confidence During a Downturn

BY REED HOLDEN AND MARK BURTON

During a declining economy, your company may be tempted to reduce prices in order to sell more or hold onto your market share. In doing so, you will accomplish two things—neither of them good. First, you will be using the wrong pricing approach for the current market cycle. In a mature/declining market, the right pricing strategy is a neutral one—that is, you don't drop prices to try to solve the problem. This only causes price wars, eliminates profits, and cause revenues to decline further. Second, it reduces prices on your high-value products and services rather than selling more low-value products and services.

Instead, try these ten rules to give everyone at your company pricing confidence.

1. Replace the discounting habit with a little arrogance. Price discounting is an entrenched attitude in most organizations. To dislodge any deep-rooted attitude, replace it with another. Arrogance—feeling good about your products and services—will help you kick the discounting habit.

2. Understand the value you offer to your customer. You can't have confidence in your pricing until you have confidence in the financial value your offerings create for customers. Most of your customers are eager to tell you. Ask the right questions and be willing to listen.

3. Apply one of three simple pricing strategies. Know when to price high, when to price low, and a strategy for everything in between.

4. Play better poker with customers. Knowing the strength of your own hand—the value you offer—gives salespeople confidence to resist the temptation to close at any price.



5. Price to increase profits. It's a myth that if you discount price to increase sales, you will see increased profits. Efficiency, controlling costs, better profit metrics—all are required for pricing success.

6. Add new products and services that give you negotiating flexibility and growth. An effective strategy is to develop a dual offering that covers both the high- and low-end customer needs.

If customers want a lower price, subtract features and services.

7. Force your competitor to react to your pricing. Don't participate in a competitive pricing death spiral. Define where you do and do not have a value advantage over your competitors. Know where and how to compete on price—and where and how not to.

8. Build your selling backbone. Backbone comes from knowing the tricks your customers use to get you to drop price and how to deal with them.

9. Take simple steps to move from cost-plus to value-based pricing. The trick to value-based pricing is to evolve pricing as the discipline and skills of your people improve. Start gradually. Once you learn those skills, moving forward to real value-based pricing is a snap.

10. Price with confidence: remember who you are. Customers buy results, not rhetoric. Moving beyond the rhetoric of value will enable you to prove those results to customers.

Reed Holden, DBA, and Mark Burton are leading pricing gurus and cofounders of Holden Advisors (www.holdenadvisors.com), a consultancy that works with business-to-business firms to design and implement value-driven pricing strategies that increase profitability in highly competitive markets. They are coauthors of *Pricing with Confidence: 10 Ways to Stop Leaving Money on the Table* (John Wiley & Sons, 2008).

What We Have Learned About Leadership Development

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system for all executive development” was the leading priority of their learning and development organizations. These results mirrored those of a study conducted in 2000.

4. Drive Consistency in the Execution of Leadership Programs and Practices. The best companies consistently execute strategies that make for good leadership development. They create enterprise-wide standards, practices, and metrics for leadership; they cascade programs and processes down through the organization to improve impact and drive

cultural change; they illustrate flexibility in centralized leadership-development programs in order to address specific business needs; and they customize developmental solutions for business units in order to better ensure support and engagement by senior management.

5. Hold Leaders and the Organization Accountable for Results, Both Developmental and Business. Holding people and the organization accountable for development efforts is a trend that continues to gain momentum, especially in an increasingly competitive

environment where any investment or outlay is carefully considered and monitored for a return. In fact, 52% of learning and development professionals plan to use systematic measurement and evaluation to measure the impact of their development efforts.

Excerpted, with permission of the publisher, from *The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success* by Robert M. Fulmer and Jared L. Bleak. Copyright 2007, Robert M. Fulmer. Published by AMACOM, AMA's book division. For more about this book, visit www.amanet.org/books

The Secret to Working Across Borders

Teams facilitate across-the-border projects. Lynda McDermott, president of EquiPro International, adds that critical to team success is the clarity of the strategic objectives.

“Next,” said McDermott, “team members need to pick the right structure. If it’s an across-the-border project, the question is, ‘Is it a global project that touches every part of the organization? Is it a regional project? Is it just a functional project?’ When I use ‘across-the-border’ when describing world-class teams,” she said, “it’s really about crossing the borders of functions, geography, or cultures.”

As McDermott explained, success with world-class teams begins with the strategy behind it, then comes the structure, and finally comes the processes that the team works with.

When it comes to global teams, said McDermott, “Success depends on the members’ collective ability to get outside of their region to focus objectively on the region that’s going to be affected by the project.” In her opinion, that’s one of

the first things that a team that is really successful is able to do. “It’s the ability of members to keep the big picture in mind, not just the narrow silos each represents, whatever it is.”

Teams need to appreciate the different cultures that are represented on the



team, whether they are regional cultures or functional differences—to adapt their thinking to the strategy of the team as a whole.

According to McDermott, the more frequent the word “cross” appears in a team’s mission statement, the more

complex the project. “The least complex projects,” she said, “are those that cross disciplines or functions. Then come those that cross regions, adding to the level of difficulty. The more crosses you add, the more conflicts the team faces.”

The ideal team leader of a global team—one that operates virtually most of the time—is someone who appreciates the various disciplines and cultures represented by the members. The team leader needs to have, first of all, an appreciation of the various group members and then the ability to be able to straddle the different functions or different regions that are represented.

As far as team members, said McDermott, they need to have the same kinds of qualities. “Those teams that were most successful with which I worked had both a leader and team members who rose above whatever their disciplines or cultures or geography, and they kept the strategy and the ultimate goal in mind.”

What Is Executive Intelligence?

In his new book *Executive Intelligence: What All Great Leaders Have*, Dr. Justin Menkes explains how companies can improve performance and profitability by taking a more scientific and systematic approach to hiring and promoting human talent. By focusing on a company’s core competitive advantage—its people—businesses can finally deliver what differentiates the most successful organizations from the rest. Justin Menkes is the founder and managing director of the Executive Intelligence Group and works with the world’s top corporations to help identify and develop great leadership.

What do you mean by “executive intelligence”?

Quite simply, executive intelligence is comprised of the specific skills that define an individual’s level of business

acumen. They are the abilities that any business leader must possess if they are going to be consistently successful.

Can we change executive intelligence?

Yes, with practice, anyone can be taught to employ a more logical and focused thought-process. In fact, this is the key to being smarter and more consistently performing at a higher level.

Executive intelligence sounds very logical from a theoretical standpoint, but what does it look like in real life?

The best way to answer this question is to provide some examples. So, for instance, while we frequently hear how essential it is for someone to “think outside the box,” what actually determines one’s facility for doing so? In other words, what skills make someone a creative thinker? Typically, creative thinkers can view the

same issue from multiple perspectives. They are able to define a particular problem in several different ways, anticipate likely obstacles, and identify sensible options for overcoming those obstacles. Someone’s aptitude for these skills determines how well he or she will perform as a creative thinker.

Or, we often say that someone has exceptional political or social savvy, but what exactly does that mean? What specific cognitive skills allow that person to handle interpersonal situations so effectively? Typically, socially skilled people are exceptional at recognizing underlying agendas, gauging how these agendas may conflict with one another, and anticipating the probable effects and likely unintended consequences of a chosen course of action. These specific capabilities determine one’s “people smarts.”



Here's what you'll find on the
AMA Members-only Website www.amamember.org

PROFESSIONAL DEVELOPMENT

Using "No Limit" Poker Strategies to Win in Business. The authors of *No Limit: The Texas Hold 'Em Guide to Winning in Business* share proven strategies to raise your odds of winning—at poker, business, or life.

LEADERSHIP

The Silent Language of Leadership. Peter Drucker once said, "The most important thing in communication is hearing what isn't said." Carol Kinsey Goman, Ph.D. explains how your body language may be distorting what you want to say.

MANAGEMENT

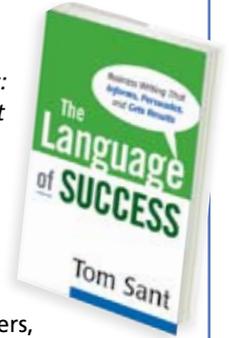
The Case for "Greener" Data Centers. Today's corporate data centers are like giant SUVs—powerful, expensive, and grossly energy-inefficient. Savvy businesses are launching initiatives that will save energy, money, and the environment.

HR/TRAINING

Preventing the Nightmare of Workplace Violence. Half of U.S. firms with 1,000+ employees reported an incident of workplace violence within a 12-month period. But about 70% of the establishments surveyed had no program to deal with workplace violence.

Book of the Month

The Language of Success: Business Writing that Informs, Persuades, and Gets Results, by Tom Sant (AMACOM, 2008). Now anyone can master the lost art of concise writing. Whether via e-mail, letters, performance appraisals, or presentations, Sant's proven techniques will ensure that you get your message across effectively.



AMA Conferences/Special Events Calendar

MARCH 12, WEBCAST • Business at the Crossroads: Aligning Commerce, Earth and Humanity. Today's global companies are at a crossroads—searching for new sources of profitable growth. This webcast features a lively conversation with Stuart Hart, author of the best-selling book *Capitalism at the Crossroads*, who will discuss the integration of sustainable development and environmentalism in business strategy.

MARCH 17, WEBCAST • Recruiting Secrets of Great Leaders: Finding and Keeping Talented Employees. Tight budgets call for rigorous recruiting techniques. Mistakes just plain cost too much, so it is critical that you hire right the first time, every time. This webcast will focus on what works and what

doesn't, and offer numerous tips to boost your recruiting skills.

MARCH 19, WEBCAST • 10 Steps for Leading Productive Meetings. All too often meetings become an aimless conversation that serves no purpose but to waste time. Good meeting skills are no longer optional—they are a core competency for every manager. In this webcast, you'll discover proven methods for leading your group through collaborative brainstorming, decision-making and problem-solving sessions.

APRIL 2, WEBCAST • 5 Ways to Grow Your Business in a Slowing Economy. Discover how to expand your business by introducing organic growth initiatives throughout your organization. Gain the insights you need

to find your company's next "blockbuster" product when time is short and resources are limited. Attend this complimentary webcast and get tools to help you grow any business in this economic environment.

APRIL 4, WEBCAST • Active Training Strategies Guaranteed to Promote Involvement, Learning, and Change. Mel Silberman, author of *Active Training* and *The Handbook of Experiential Learning*, has been described as "the Leonardo da Vinci of experiential learning—a scholar, inventor, engineer, and artist." Join Mel for an engaging hour where he'll provide a number of tips and tactics for using active learning methods to boost your skills when training staff.

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