

The Leadership Mosaic

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LEADERSHIP - STRATEGY - TEAM - EXECUTION

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In the fallout from the recent worldwide financial sub-prime and credit crises, there is one thing we can be sure of.... More regulation.

We each have a view on Sarbanne Oxley and Basel II and the multitude of other controls put in place to save us from ourselves. So why do good businesses still fail as a result of poor decisions?

Before we get into some of these observations, let's look at the definition of 'failure'. Very often, especially in IT companies, regional subsidiaries are measured on revenue growth with other key measures 'written down' but not really inspected. To add to the confusion, most HQ groups see their subsidiary organisations as less competent and far less complex than the parent operation. That is human nature, so we accept it, but it is here that one of the key failure points lies.

So failure is considered to be 'missing revenue targets' but the elements that bring a business to its knees are actually far more complex. It is then that a Board of Directors v's Management situation arises.

What are some of the common threads worth looking at in a regional or country team? The relationship between the CFO and the CEO/GM is critical, especially in Asia. No amount of regulation will alter the cultural demands placed on many APJ or Middle East or Emerging Europe CFOs.

Sales measurement systems are usually the same for managers as sales reps. Granted, it's usually richer for managers and there are slightly different weightings. But is that enough to ensure the drive for results needed to grow the business while actually maintaining the business?

How do you hire? If you're chasing revenue only and you hire a dynamic sales team can you live with the higher risk? Let's ask the next question... who in the HQ organization made this basic hiring decision which ultimately drives risk behaviour? In most cases it's the WW Sales Leader and regulations won't help here.

When the people on the ground know something is wrong, who can they approach? When you make the contact point confidential, be prepared to investigate a lot of petty gripes but sometimes it is all worth it. Build it into a process, log it and deal with each issue and you mitigate risk and deal with regulation and you keep your leaders on notice.

Each of the points above can be expanded and a number of others added, but here is the crux. Hire the right management to run a business after defining the relationships between each of them, and do this to an exacting level. Be aware of the cultural inputs because the demands in London are very different to those in Korea no matter what the HQ staff believe. The relationship between the CEO/GM and the CFO must be the key balance point. When businesses become challenged it is this relationship that always attracts the spotlight.

Balance the demand for revenue growth with the desire to stay in business or, at a minimum off the front pages, by appropriate business process and by making decisions at senior management on regional structures, not allowing the common default.

Ok, so you have done all the key hiring, set out the relationships and have more compliance processes than you can list, so why is it that you still worry about these subsidiaries? Maybe we need to spend more time on what we are measuring and who in fact is doing that measuring. Getting this right is the basis for a healthy growing business and better sleep for all of us in the executive team.

Until recently, Andrew Dutton was SVP and GM, International at CA. He has also held senior executive roles in a number of leading international companies across EMEA and APJ. Andrew now consults to global technology companies as they expand their footprint in APJ.



Andrew Dutton
consults to global
companies on their
expansion in APJ

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Managing Partner Emerald Technology Ventures

Numbers don't lie (but they don't tell the whole truth either)

Hugh Macfarlane

You worked out long ago that measurement can help you to refine your tactical execution. But are you using measurement to guide strategy too?

Consider the most basic of strategic decisions:

- What markets should we focus on (and which should we quit)?
- What should we sell more of (and less of)?
- What channels should sell which of our products (and to which markets)?

However you choose to think about strategy, these are common questions that impact pretty much everything that you do as a growing business. As a seasoned operator, you probably already use market research to help guide strategic decisions, but do you look within also?

There's strategic gold lying within your business if you know where to look. Consider this: a telco we worked with recently had become good at collecting what we call 'funnel math' – data about how long it takes business buyers to move through each stage in their journey, and how many of these buyers get off the train at each point.

Defined as 'lag' (time) and 'leakage' (failure rates), these measures had become powerful indicators of tactical success. But long after the minor tactical 'tweaks' had run their course, this business learned how to use their measurement systems to dig deeper to answer the strategic questions too.

Put simply, some of the markets they considered to be the most receptive, were actually their least-profitable markets once total cost-of-sales was considered. The very same potential businesses that gave the highest yields at the top of the funnel (responded to letters, accepted invitations to download white papers, registered for webinars and events) were leaking at later stages (poor propose-to-close ratios).

And here's the rub: a market full of buyers who respond to your top-of-funnel tactics, but leak late in the cycle, is less profitable than a market full of buyers who leak earlier in their journey. Neither the early-leakers nor the late-leakers spend any money with you, but the late-leakers cost you a lot more along the way.

By reviewing their funnel math, we found clear patterns about who was showing all the right early signs right up until it came time to sign a contract and part with cash. Excluding these buyers from the target market made the traditional marketing ratios look worse (direct mail responses and email open rates for example). But the whole-of-funnel improvements were material.

As a business, you shouldn't get too excited by a single measure in isolation, because this creates the unprofitable-but-common behaviour of the marketers tweaking their strategies and tactics in order to improve response rates, but generating leads the Sales guys don't want to work with.

So what **should** you measure?

MathMarketing teamed with Marketing Profs.com to conduct a study into sales and marketing alignment, and drew some clear conclusions about which measures help, and which hinder. And there were some real surprises.

1400 businesses from 84 countries showed us that those who had aligned Sales and Marketing around a single shared view on objectives, strategy, tactics, measures and plan were growing an average of 5.4 points faster than their less well-aligned peers. Measurement played a key role for these high-growth businesses.

The well-aligned businesses were less likely to measure Sales on propose-to-close ratios (bottom-of-funnel), and more likely to measure them on lead-to-meeting ratios (top of funnel).

But here's the big surprise: These same businesses were more likely to measure Marketing on propose-to-close than their less well-aligned peers. They found that if Marketing was held accountable to this bottom-of-funnel measure, then the leads Marketing provided would be only those most likely to translate into revenue. A Marketing function that gives their colleagues from Sales large quantities of bad leads earns no respect, and no revenue. Marketers need to deliver fewer leads, of higher quality.

And here's where strategy comes back in to the picture. Good measurement of Lag and Leakage at each point in the buyer's journey will help you to identify those friendly-but-expensive buyers who accept your invitations but don't sign on the line. Exclude these buyers from your targeting, and see measured improvements in profitability.

Hugh Macfarlane is the author of [The Leaky Funnel](#), and is founder and CEO of [MathMarketing](#). Over 250 projects, ten years and four continents, MathMarketing has helped companies to align Sales and Marketing with clear plans and the skills to execute. www.mathmarketing.com/mosaic



Hugh Macfarlane
CEO
MathMarketing

Julius Caesar and the Tuckman Model Of Team Building

Chris Golis

A common management task is to create a new team. This can be for the launch of a new product or the opening of a new branch. Sometimes an outside manager is appointed as a replacement with the instructions to re-invigorate or turn around the current team.

A good way of thinking about teams was first proposed by Bruce Tuckman in 1965 and is often now described as the Tuckman Model. According to Tuckman, teams go through four stages:



Chris Golis
Author, Public Speaker
and Trainer

1. Forming (team is put together)
2. Storming (conflict about what to do and how to do it)
3. Norming (Some agreement is reached about how to work together)
4. Performing (the team can now focus wholeheartedly on the task)

Tuckman later added a fifth phase, adjourning, that involves completing the task and breaking up the team. Others call it the phase for mourning. This is the term that we shall use.

As readers of my book will know, one of my passions is to use as examples the great works of literature. One of my favourite plays is Julius Caesar. There is terrific film version of play made in 1953 starring among others a young and trim Marlon Brando as Mark Antony which is available from most video shops and libraries. While the play is fascinating on many levels I am going to concentrate on how the play illustrates the Tuckman Model in action.

At the start of play, Caesar has just defeated his most formidable rival, Pompey, in battle and is now most powerful man in the Roman Republic. Despite having a very aristocratic lineage, Caesar has always championed the poor people of Rome. The aristocrats, led by Cassius, feel increasingly threatened. Many of the aristocrats are members of the Roman Senate (wealth was useful in the election of candidates even then) and are worried the push by the poor to make Caesar king will denude them both of power and wealth. Accordingly a conspiracy is formed to assassinate Caesar led by Cassius. Cassius decides that it is critical to recruit Brutus, Caesar's

best friend and well known as the most idealistic and honourable member of the Senate. Cassius believes that recruiting Brutus will make assassination easier to achieve and also legitimise the conspiracy.

Brutus is an idealist – Cassius is a realist. His principles are adaptable, and because he has his price, Cassius believes all men have theirs. Cassius notes that while noble minds should keep company with other noble minds lest they are seduced, no one is so firm that he cannot be persuaded to change his course. Flexibility is a characteristic that we may not admire, but it does get results. Cassius is willing to use deceitful means to achieve ends which he judges to be honourable. Cassius attempts to manipulate Brutus into participating in the conspiracy to come, appealing Brutus' love for his country and his devotion to freedom. Cassius argues that Caesar is too ambitious and must be assassinated for the welfare of Rome. Brutus hesitates until he learns that Marc Antony has tried to give Caesar a crown. Although Caesar refused the crown three times, Brutus is perturbed. Cassius then forges letters from citizens that attack Caesar's ambition and leaves them where Brutus will find them.

During the Forming stage there is high dependence on the leader for guidance and direction. Cassius realises the appeal to self-interest which easily convinced the other conspirators will have little effect on Brutus. He needs to work very hard to convince Brutus and has to use different appeals. For a month, Brutus struggles with joining the conspiracy. The fake letters ultimately convince Brutus that although he has no personal or political reason to kill Caesar, to do so would be for the good of Rome. On the morning of the ides of March, Brutus agrees to join the others.

Then the problems start. First who is now leading the conspiracy? Should it be Cassius who actually is far more representative of the other team members or should it be Brutus, who thinks, like so many people, that team membership also includes team leadership? The issue of leadership is never formally resolved and unfortunately successful teams need to have an ultimate decision maker. If the individual roles and responsibilities for the team members are unclear the team will generally perform badly. Leaders must not just concentrate on recruitment but also be prepared to work out the answers about the team's purpose, objectives and external relationships. Typically processes are often ignored. Nothing grows under the shade of a strong oak but on the other hand if the question of who is the leader is ambiguous, problems will occur.

Another problem is that recruiting idealists when you are trying to achieve a practical and cynical objective can be a big mistake particularly if they are intelligent like Brutus. Both Cassius and Brutus have intuition; unfortunately their intuitions will conflict. Arguments about decisions will become fierce and emotional. Idealists in particular can take time to make up their minds, but when they do they can be very stubborn and refuse to accept democratically based decisions. There are times when recruiting idealists can be very smart, say when you are trying to come up with new ideas or products. However if the objective requires ruthless realism such as downsizing or selling off an underperforming business get people like Cassius.

In the next issue we shall look at the Storming stage in Julius Caesar.

*Chris Golis is an author, public speaker and trainer. He worked in the IT industry for 15 years and then as a venture capitalist for the next 20, sitting on the boards of some 30 companies. He wrote his most recent book *The Humm Handbook: Lifting Your Level of Emotional Intelligence* for his elder daughter Louisa when she was appointed a manager at Perpetual Trustees. www.thehum handbook.com*

Cleantech Venture Capital in Europe

Gina Domanig

In an interview with Gillamor Stephens partner Steve Lavelle, Gina Domanig shared her view of the state of the Cleantech market in Europe.

“We have moved relatively rapidly from the situation in 2000 when Cleantech as a sector was clearly underfunded, with relatively few VCs active, mostly with small funds. We went through a period of educating the market to get to the huge growth in the number of institutional investors and the capital being deployed over the last two years.”

“The picture with regard to Government funding for Cleantech is unfortunately neither uniform nor coherent across Europe. It has clearly been beneficial in some cases, funding companies to get prototypes developed that can then attract institutional funding. But in many cases it has not helped the original aim, the actual adoption of Cleantech, merely boosting the returns of the institutional investors who would have funded the company anyway. Deal flow is strong and growing. Last year we reviewed about 850 deals in the sector, investing in the US and Europe on a 60/40 split. Our hit rate in Europe is much higher.”



Gina Domanig
Managing Partner
Emerald Technology
Ventures

“In the UK, we have certainly seen some funding activity by government bodies more motivated to hit their own internal targets for funding or to generate a press release rather than genuinely focussed on Cleantech deployment. Funding lots of small companies by quasi-government bodies actually makes it more difficult for institutional investors to do follow-on rounds as it distorts the marketplace and unduly raises expectations.”

“Germany is the hands-down winner for us in Europe - it's a fabulous field for investors right now. There are strong co-investors and a healthy level of entrepreneurship in the marketplace. The major challenge is recruitment, especially the CEO role but also others such as the CFO. We

like to hire German nationals but there are not enough with portfolio company experience and hiring out of larger corporates is difficult. Your typical BASF executive in a comfortable role is just not motivated to do a start-up. They don't value options very highly, they are failure-averse, in fact they often just don't want to get rich! They have a comfortable life-style and that's enough for them and there's social stigma in getting wealthy.”

“The major challenge going forward? Public policy and political will.”

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Gina Domanig is the Managing Partner of Emerald Technology Ventures, a major global leader in Cleantech Venture Capital. It has a portfolio of about 27 Cleantech companies and €300 (\$470) million under management. Gina is also Chair of the European Advisory Board for CleanTech Group, the parent company of mosaic member, Cleantech Search.

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For all inquiries, please contact Mark Pretty — markp@bspes.com

www.bspes.com