

CHANGING THE GAME

By John Case

The theme of this conference is **Game Changer: Are You In The Game?**

It's actually a great question...forget changing the game, are you even in a game?

The very phrase "Game changer" sounds daunting doesn't it? It sounds like it contains a lot of risk, is complex and/or complicated...Steve Jobs and Apple, now that was a game changer.

But "changing the game" doesn't have to mean changing an industry. But it does mean changing *something* about how you approach *your* business and sustain that change in such a way that your competitors and your customers see you in a different light.

The purveying wisdom of the last few years has been that there is very little reward for the perceived risks associated with "changing the game". The real focus has been on cutting costs.

Forever and a day a basic formula has defined business pretty well; Revenues minus costs equal profits. Keep increasing your revenues, keep costs under control and go to the bank.

But when it got tougher and tougher to grow that revenue side, most businesses opted to concentrate on cost cutting. They began accepting smaller revenues, trying to get ahead of rising costs and disappearing profits.

And now most companies are facing the reality that you can't cut your way to success.

And the result has been a general lowering of the standards of success and minimizing perceived risk to the point you might have heard yourself or someone in your company say, "we can't be doing all that bad, we're still in business". That's not a very not a high bar.

But, interestingly, in most industries, there are a number of people running companies who somehow found the opportunity to grow, even in these harshest of times. Including the furniture industry...

I promise you that all the success stories you hear about in the next few days are going to be based on conscious decisions that were made. Changing the game is based on decision making...and making choices.

Choices that define the nature and direction of your company and making decisions on where to invest and not invest in resources, be they time, people or money, in order to make those choices become reality.

As I mentioned earlier, I've had the opportunity in the last few years to work with a variety of companies in a variety of industries. Not all of them have been game changers, but many of them have. All of them have enjoyed growth in either revenues or profits, depending on which of the two they wanted to focus their efforts and resources. And of those companies who reshaped how they were viewed by competitors and customers alike, there have been some very simple, common threads. And for our purposes here this morning, I've boiled down those threads to the 6 most direct and effective ways I believe any one of you can be a game changer, if you really want to be.

My objective is very simple. I want to challenge you to look at yourself and your company in a new light. It's to get all of you to ponder 6 very simple questions and then, privately, challenge yourselves and your management team to answer these questions. I can also promise you that you'll discover that there is very little, if any alignment within your own management team on the answers...but if you want to grow and prosper, it is critical that you reach that alignment. If there is one absolute truth I've learned, it is that without complete alignment at the top of an organization, there cannot be sustained growth. There can be survival, and their can be anemic results, but changing the game is not going to happen.

The first 3 questions need to be answered to make sure you **clearly define what game you are actually in**. The second 3 questions relate to changing the game once you've defined it.

QUESTION #1

WHAT PRODUCTS DO WE OFFER?

As simple as that is, my experience has shown me that if I sat with the top 5 people from any company in this room and asked them to write down the answer to that question, no two answers would be exactly the same. But it is a vital first step in identifying what game you are actually in. The answer for most companies lies somewhere between "furniture"

and a listing of every SKU in your system, which are the extremes between a macro view and a very micro view of your business. The truth lies somewhere in between.

If I ask the CFO, the categories are different than if I ask the head of sales. And coming to agreement on those internal product classifications is foundational to creating a plan to grow. It allows you to analyze some very fundamental aspects of your business. It helps you identify the value you are getting or not getting from each of those categories; it gives you your competitive set for each and how much revenue you are generating in each. I would challenge you to move beyond whatever classifications you may have in a weekly sales report...they may or not be right, depending on how long ago the report was created and what's been added to it over time! And when you ask your team to list the products you offer as a company, have them literally start with a blank sheet of paper. That is the true test of current alignment.

The real question is how do we categorize what we offer....

Through our eyes?

Through the eyes of our customer?

Through the eyes of the consumer?

And as importantly, the converse is also true...what is it we *don't* offer?

Getting consensus and alignment to the answer to that question is the first step in changing your game.

QUESTION #2

WHAT MARKETS DO WE SERVE?

Again, I'll give you the extremes. "Our customers" is not an answer, and your complete customer list isn't either.

You have this list of products, the question is, where do you market them? If you are a manufacturer, do you look at your markets as consumer segments or do you look at your distribution segments as your markets? Your markets may be geographical...

As a retailer, you have all this product sitting on the floor, but who are you targeting? What is the market you are serving?

Everyone in your city?

Old people?

Young people?

And if you don't agree internally, in some logical way, on the markets you are targeting, then there can't be agreement on much of anything. Without some meaningful segmentation of the markets for the products you offer, you have no idea on how to allocate resources in order to attract more customers in a segment; you can't develop a common understanding of why they buy. Clearly defining and agreeing on how to define the markets you serve will give your decision process going forward extreme clarity.

Once you have agreed on your *products offered* and the *markets you serve*, you can put together a very simple matrix. Everywhere there is an intersection of a product and a market on that matrix, you can ask some simple questions for that specific box....

How much revenue do we generate in that box?

What is our profit margin in that box?

Are our sales in this box trending up or down?

Is this box going to get bigger or is it shrinking?

Do we care?

For example, when there is a box on the PMM in which

a.) you make very low margin

b.) your opportunity to get better margins is very low

c.) the segment itself is declining.....

d.) you have significant volume

You have to ask the obvious question: Why are we giving people sales quotas to sell more products in this box...so we can make less money?

No company I've ever seen has unlimited resources, whether it be time, people or money. You have to figure out where to put the resources you have for the most gain and, as importantly, where to STOP putting your resources! The PMM allows you to see your business as a collection of subcomponents of high potential, medium potential and NO potential. It helps you determine where to invest and where to stop investing; both of equal importance.

For those of you who have "cut expenses across the board", you may be equally killing good and bad segments of your business. Where you want to cut expenses is where there are little or no growth or profit opportunities. Where you want to invest money is where opportunities are positive. The only way to know the distinction is to slice your business into some logical segments.

And once you see your business as those distinct segments and identify the high potential segments you want to exploit, you need to ask the 3rd question.

QUESTION #3:

WHAT ARE OUR KEY CAPABILITIES?

Capabilities take two forms...people and processes...

So when you recognize a high potential market segment, you have to decide what type of people skills and or/ what processes do you need to create or improve to take advantage and grow this segment.

And the answer is not...."give the sales force a higher goal". This is where you need to make investments...in people and/or processes for these high potential product and market segments that will give you a **distinct competitive advantage**.

So agreeing on Products Offered and Markets Served and then identifying the capabilities needed to create a real competitive advantage those high potential areas defines the game you are going to play. It also determines where you are going to stop playing! Answering the next 3 Questions determines how you execute that plan; how you actually change the game.

Planning is relatively simple...but where most of us fail is in the execution of those plans. If you were to look at the growth of a company, you recognize that the bigger the company grows, the more difficult it gets to keep everyone on track and focused. Assume you are the CEO of a multi-billion dollar company, with multiple locations. As the CEO, what would you want to be sure was happening at every level of the company? Whenever I ask this question, the responses are very similar:

1. You would want everyone to know what the goals of the company were.
2. You would want people to be accountable for their piece of the goals.
3. You would want everyone to share the same values.
4. And you would want to be sure there is communication and feedback so you know what's going on in the organization.

Sounds reasonableand it also defines exactly HOW we put a plan into action...how we can use that common sense approach to change the game...

Question #4:

WHAT ARE THE COMMON GOALS WE ARE ALL WORKING ON?

To quote a German proverb:

The main thing is keeping the main thing the main thing.

Or if you prefer Japanese proverbs:

If you chase two rabbits, both will escape.

Leadership is motivating and inspiring others to a common goal....

So, what are our common goals?

If you were to write down one single goal for your company this year, just one, what would it be?

A year from now, you're going to celebrate because this one thing was achieved...what would it be?

Most people respond that it is impossible to narrow it down to just one, which is a stall maneuver. So get beyond that and choose one. Now ask your top management team to do the same and then check for alignment. And as I always ask, if the top management group can't articulate the very specific, shared goals for the year, how are your employees determining their priorities? Having clear, well-defined goals provides Focus and provides a default for everyday decisions.

When you look at the products you offer and the markets you serve, and identify an opportunity you are going to exploit by creating a competitive advantage, *everyone* needs to be focused on the goals that will get you there. Your goals need to be clear, measurable and big. "Grow revenue" is not a goal; "Grow revenue by a minimum of 15% over prior

year as measured by the corporate income statement is a goal. In **Good To Great**, Jim Collins called these BHAGs...big, hairy audacious goals. But having them isn't enough...you need to be sure everyone is showing up to work and working on them!

Question #5

WHAT ARE WE EACH GOING TO DO TO ACHIEVE THOSE GOALS?

Everyone needs to be accountable for eating their piece of the elephant.

George Patton said it best: "Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity."

Ask people what they can do to support your goals, don't tell them.

The goals get cascaded into the organization. Everyone has the same starting point; those 3 common goals. Simply communicate the goals and ask everyone, "What can you do to contribute to us achieving our goals?"

Unleash the skills and experience of the people you hired. Hold them accountable but give them the resources they need. How can you expect success if NO ONE can articulate a single common goal that your company wants to achieve this year, much less tell you what they are doing to achieve those goals?

QUESTION #6

HOW WILL WE WORK TOGETHER AND SUPPORT ONE ANOTHER TO ACHIEVE OUR GOALS?

You cannot have a team effort without integrity...at every level. Integrity creates trust and with an organization that trusts their team members, incredible things can happen.

I'm always amazed when I hear about a manager who is known for creating conflict among his direct reports as a management technique. What a complete waste of valuable resources.

If you have people in your organization who lack integrity, you must get rid of them...don't sit at the top of that tower and hope things are going well...find out. Make core values an accountability issue. Make sure core values are part of your appraisal process.

People contribute and go beyond the call of duty when they are part of a unified team; create that unity and you will change the game.

There are some very successful people who will be up here in the next few days, sharing their success stories.

As you listen to them, don't discount their success as some anomaly that can't be replicated. Look for the patterns and common threads that run through their success stories. And I'm willing to bet, you will see that they made a decision around a product or a market and created simple plans executed with unwavering discipline.

The really great news, those of you who *want* to change the game ...you *can*.... And I'm also here to convince you that, not only is there very little risk in being a game changer, but it's really riskier to do nothing. At least with a plan you'll know what killed you...with no plan, you probably won't recognize that inevitable 1000th paper cut that finally does you in.

To answer these 6 questions, *you* need to make choices and then decisions That is the essence of leadership.

And I would encourage you to do just that when you get home. Have the courage to answer the questions on paper for yourself and ask the rest of your team to do the same. Don't be discouraged by the variety of answers; at least you've exposed that variety. Your next step is simply to lock yourselves in a room and not leave until you all agree on the *same* answers. Make those decisions, and you CAN grow. Do that and you *can* change the game.

TD Partner John Case delivered this keynote address at the Furniture Today Leadership Conference in Naples, Florida. The conference had over 340 attendees representing almost every major furniture supplier and retailer in North America.

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