

COFFEE BREAK

Testing, learning, developing. The implementation of an opportunity-risk management culture.

Can a family business still be managed exclusively by family members in the third generation? How can a generational change be integrated into a restructuring project? Does everything have to happen quickly, or is time a decisive factor in achieving convincing maturity?

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Brazil - a fertile ground.

The development of an opportunity-risk management culture finds fertile ground in Brazil. The country has (unfortunately) been used to crises of various kinds for decades. As a result, a type of manager has emerged who can

anticipate crises in the true strategic sense. Moving the tactical component in a rapidly changing environment is something Brazilian managers are highly trained in. Unfortunately, many companies do not use this characteristic as a comparative advantage.

Initial Situation

About two years ago, our client, a Brazilian family-owned company active in the automotive supplier sector with headquarters in the Federal State of São Paulo, began to structure a career and succession program for key management positions, including executive management.

The first step was to identify the candidates who could move up in the company's hierarchy, to define a grid of criteria, requirements and necessary professional evolutions and to find the rhythm of how they will go through.

It is important to note that in previous years iManagementBrazil Ltda. had been active in interim management projects for acute crisis management and subsequent consulting projects for productivity improvement and process

implementation, and thus had a good knowledge of internal structures and management personnel at all levels of value creation. This program is therefore a logical conclusion to a successful reorganization and restructuring program.



Defining the focus

A decisive detail for the internal succession program only became apparent after a closer analysis of projects of other companies that managed to fill most of their management positions with employees from their own ranks instead of recruiting them from the market.

From this we deduced that the selected employees would be enabled to fill the future position for a certain time in a kind of test phase. Thus, the main feature of the program is that the successor candidate spends one month in the position before taking over. It is the best way for the employee to adapt to the new life in the company and discover what needs to be improved. A side effect of this program is that it has not only succeeded in increasing the rate of internal promotions, but also in reducing training and development costs.

The project cycle

The five phases of the project are in chronological order:

1) Definition of candidates for the succession positions. The company has on average two successors for all 14 management positions. The rule for selecting these professionals is that they can be promoted in up to two years at most.

2) Evaluation of the candidates. The company transparently informs all candidates about the actual promotion opportunities and the expected time for promotion and defines training courses. Through transparency, the company reduces the risk that these

professionals will accept other offers from competing companies.

3) Take leadership and be vigilant. Once a year, during the vacation month of the current job holder, the immediate successor takes over the position. During this time, he or she learns about the dynamics of the team from a different perspective and the challenges of the position and discovers the missing skills to become a leader. In 2019/20, the company organized 30 movements of this kind.

4) Measuring the observational skills and creativity of the future leader. In order to ensure that the successor candidate is really committed to the challenge, the company asks that the candidate produces a report at the end of the testing period, highlighting improvements that the current holder of the position could make. The future manager also helps to implement the improvements.

5) Assessment of suitability for the position. In the annual performance review, the candidate is re-evaluated based on his or her performance in the current position and what he or she is expected to do. Once this is done, the future manager can remain in the succession plan for this position or be appointed to another position.

Result of the project cycle

The introduction of the new process has enabled the company to reduce management training and development costs by 58% and increase the number of positions filled with internal talent by 40% in recent years since the reorganization.

But what were the individual assessment criteria? What was the focus to increase creativity and mindfulness?

Focus: **customers**

Strategy: To change the client's experience in the daily contact and communication with the client.

Description: Sustainable change in the way client needs are met.

Focus: **products and services**

Strategy: Expand or adapt the product portfolio.

Description: Comparison of the product and service attributes with those of the relevant competitors; elaborate how changes can influence the competitive situation.

Focus: key performance indicators

Strategy: Redefinition of the profit drivers of the company or business line.

Description: Identification of all services and products charged to customers, definition of key commercial indicators to determine profitability. Definition of key figures to better reflect customer needs.

Focus: industry dynamics

Strategy: Anticipating changes in the industry.

Description: When a major industry-wide shift or crisis is underway, disruptive changes are provoked. These market movements should be exploited by being the first to introduce changes and adjustments. It should be ensured that the effects are seen more clearly and that second-order effects are also visible.

Focus: tectonically unique opportunities

Strategy: Creating a radically new offer.

Description: These opportunities are major changes, not just product or market expansions. These changes are notoriously difficult to detect. The creation of new products and services has to be monitored intensively and at very short intervals. Technological opportunities must be weighed up permanently and should not be discarded, as they may have a lasting effect at a later date.

Outcome

This part of the reorganization creates a very robust company, as a kind of opportunity-risk manager is created at different levels in the company. This aspect was particularly evident in the case of digitization.

The word must not become a buzz word - the danger is apparently very great!

In the course of the reorganization program to define the new management team, it goes without saying that digitization and automation as a kind of panacea immediately came to the table at all points. In most cases, the understanding was that existing static processes could simply be digitized, i.e. transferred to a hardware device.

The fact that this approach quickly came to nothing and threatened to create massive capacities without any additional benefit became clear very quickly in the early stages of most project definitions.

As a result of this self-awareness, the view turned completely around. Digitalization and automation were no longer an end in itself, but rather presented themselves as a highly technical tool in the context of new processes. Digitization and automation now provided massive support in a dynamic environment of sales, order clarification, order processing, supply chain management, production, logistics and delivery to system suppliers to the automotive industry.

In a later phase, it is envisaged that suppliers and development partners will also be involved; however, our client is not yet mature enough to take this step. (FN)

