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Straight Thoughts, Straight Talk

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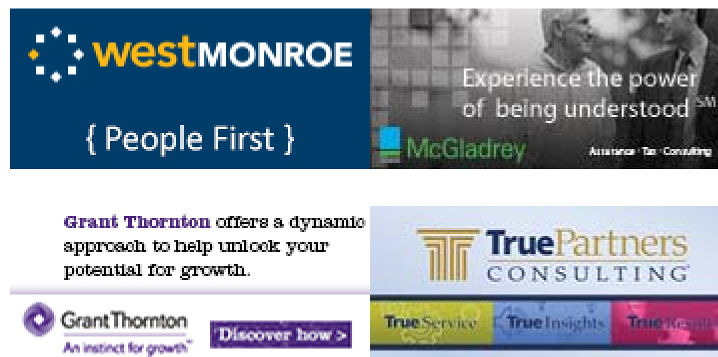

Editorial

Welcome to the first *Andersen Alumni Newsletter* of 2014. We said goodbye to 2013 and welcomed a new year. As I look back on 2013 it was kind of a mixed bag. While the stock market posted some great returns, the economy seems to be stuck in low gear. It has been over five years since the onset of the Great Recession and we it is safe to say that the economy has yet to fully recover. Here's hoping that we finally turn that corner in 2014!

Last year was a great year for our Alumni network. Alumni events were held throughout the year and deemed a huge success. Most significant was the special celebration held on

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September 26th with reunions held in over 12 cities and almost 3,000 participants. Think about this. It has been twelve years since the end of the firm and we still have a strong and loyal alumni community. That is an incredible testimony to the legacy of the firm.

I want to thank all of our sponsors. They are great firms and share a strong Andersen legacy with them to this day. These sponsors make it possible for us to continue to grow and maintain our website and network. We are always looking for additional sponsors so if you are interested contact admin@andersenalumni.com.

I want to thank our contributing writers, Ed Maier and John Blumberg. Their articles are insightful and offer great business insights. If you would like to submit an article for a future newsletter contact admin@andersenalumni.com.

As always, we need your help to further strengthen and maintain our Andersen Alumni network. Please leverage our Social Media Presence and LIKE our Facebook page and JOIN our LinkedIn network, and lastly you can FOLLOW us on LinkedIn as well.

Sincerely,
Kirk Hancock
Editor

Becoming the "nimble organization"… *How due diligence helps identify the best solutions for cost control and continuous improvement*

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Industry executives anticipate increases across all major cost categories in the next 12 months. But the lower a company's fixed costs, the more agile it can be in good times, as

well as downturns. How does management assess whether or not funds are being spent efficiently?

Margin management remains a top priority for all manufacturers and distributors due to expected increases in manufacturing costs, as well as the challenge of utilizing meaningful sales price increases in a volatile business environment. With margins already stretched to the breaking point, it can be difficult to dedicate resources for initiatives to reduce expenditures when such projects aren't viewed as mission critical or don't present immediate results.

According to the 2013 McGladrey Manufacturing & Distribution Monitor survey, a rising majority of industry executives anticipate increases across all major cost categories in the next 12 months. Inventory, materials and component costs are expected to rise by an average of 4.5 percent; transportation and fuel by an average of 6 percent. Nevertheless, one large, international equipment manufacturer reviewed its $66 million spend and was able to identify nearly $7 million in total savings.

The analysis resulted in more than just lower expenditures, significant as they were. The lower a company's fixed costs—its break-even point—the more agile it can be in good times and downturns. With the appropriate balance of in-house solutions and outsourced operations, the "nimble organization" can adjust its business model and quickly respond to market shifts.

During the recession, many businesses delayed investing in their operations, thinking that it was a way to control costs and conserve cash. But now, executives are admitting that some spending can no longer wait; most anticipate capital expenditure increases in information technology, infrastructure, equipment, research and development and other functions.

With proper due diligence, analysis and review, organizations can identify where and how money for various functions is being spent from year to year and, as a result, assess opportunities for cost savings.

Assessing a company's agility

In order to ensure a company's fixed spend is appropriate and sustainable, management needs to assess the company's current state, as well as identify its growth goals for the future. Following are four primary areas for review and analysis:

Strategy

Companies need to have a clear idea of their future state, understanding their current issues and the overarching strategy to reach their goals. Business objectives will have a significant impact on the needs of the organization, and hasty decisions regarding cost cutting can create unexpected problems. An ad hoc approach to savings can erode morale, damage a company's reputation and degrade infrastructure.

Management needs to understand the strategic direction of the company, as well as the respective tactics and drivers of costs supporting its initiatives. As its customer base grows, for example, a company may want to expand operations to multiple, multistate locations, suggesting any number of facilities, workforce and technology expenditures.

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Another company might identify pricing as a primary strategy to address rising competition, suggesting the need for leaner production and improved operations. Mergers or acquisitions could suggest the need for aligning process and platforms, as well as expand access to information.

The strategic planning process starts with a situational analysis of a number of key areas. Among them:

- A financial assessment of key performance indicators over time, such as revenue streams, productivity, costs and other trends
- A listing of perceived issues, constraints and dependencies within various functions, as well as within the company
- Benchmarks comparing the company's products and services with those of peer organizations, competitors and the industry at large
- An understanding of the organization's current portfolio of projects and strategic objectives

The outcome of this analysis establishes a baseline from which management can make its strategic decisions. It should allow management to identify potential enterprise-wide costs, function-specific costs and direct product or service operating expenses to target for working capital, productivity or efficiency improvements.

Core spend

Many cost reduction efforts fail to have a tangible impact because they don't dig deep enough to identify the true drivers of a company's spend. Ultimately, it's about ensuring that business needs drive purchasing decisions.

On average, one dollar of cost reduction in raw material or packaging costs—often the largest concentration of expenditures—has the same bottom-line impact as bringing in five to seven dollars of new revenue. An in-depth analysis of sourcing and procurement functions can be used to identify potential opportunities for savings.

While the enterprise view can help set direction, a typical spend analysis looks at cascading levels of spend detail to determine opportunities within a category (Figure 1) and develop detailed plans to deliver savings. There are a number of areas where procurement has an impact on profitability and margins, including: cost controls, vendor management strategies, procurement systems, processes and tools and product and packaging cost optimization.

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There are a number of areas where procurement has an impact on profitability and margins, including: cost controls, vendor management strategies, procurement systems, processes and tools and product and packaging cost optimization.

Other areas, such as professional and personnel services, travel, facilities and other areas, can offer additional opportunities for savings.

Management should engage key stakeholders—such as sales, marketing or product development—to ensure that spending priorities and decision-making are aligned with corporate objectives. Because resources available for "back-office" projects can be scarce, it is important to use detailed spend data to prioritize and focus on the right categories.

Support and process structure
According to the 2013 Monitor, manufacturers and distributors have identified general process improvements, improved labor utilization and training as important factors in improved productivity. Because they are using increasingly sophisticated technology, many company workforces lack the skills necessary to take full advantage of the technology. A review of current operational processes, as compared to organizational and individual skill sets, can help identify and address these types of opportunities for improvement.

A focus on enterprise-wide policies and procedures, indirect and shared functions, such as training, marketing, human resources and information technology, and the general operating model of the company can result in increased efficiency, reduced costs and, ultimately, a high ROI.

A private wholesale jeweler, for example, was earning revenues of $20M annually and was growing at a rate of about 10 percent per year. But the production and operations functions were at capacity and could not safely handle any additional demand. As a result, the company was not nimble enough to take advantage of a number of growth opportunities being presented. Management realized that it needed to review its existing processes and organizational structures, in order to assess their preparedness if they were going to grow. The comprehensive assessment process included a review of roles and responsibilities, documentation and planning, manual- and technology-based processes and even the physical layout of the company's facilities.

The organizational review identified a number of opportunities for improvement that would have a significant positive impact on operations, customer service, cost tracking

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and employee development. Departments were not effectively aligned with corresponding roles and responsibilities in other areas, resulting in a lack of accountability. Knowledge of processes and customer requirements were generally known by only a few individuals, requiring greater supervision of employees and straining other resources. A new organizational structure was proposed that would allow for greater customer focus, ensuring high customer satisfaction, while maintaining efficient operations.

The process flow analysis uncovered additional areas for improvement. Some processes often relied on paper reports, requiring additional steps by another department to receive products. Manual receipt required excessive handling of products before processing, and many processes had little documentation or strategic planning. Information was being sent to customers by multiple individuals in different departments.

As a result of this comprehensive assessment, the company experienced significant growth despite the economic downturn. Increased efficiencies were gained through the reorganization and restructuring of processes that allowed for increased productivity and growth. Ultimately, this lead to an improved gross margin and a rise in employee morale.

Information technology

Finally, it is only after documenting the overall strategy, processes, functions and support structure that the question of information technology should be addressed. Management should determine if the underlying technologies that support all of the processes and the business itself are adequate. This is the time to evaluate the risks and opportunities associated with current business systems, information technology (IT) infrastructure, governance, risk and process management, budget and the overall technology organizational structure.

As a percentage of revenue, the average spend on IT in North America is 3.7 percent[1]. Industrial manufacturers dedicate an average of $5,676 per employee to IT, spending a significant portion of their IT budget on simply running the business (67 percent), followed by growing (18 percent) and transforming (15 percent) the business.

With so much focus on day-to-day operations, it is critical that the organization ensure the business is run properly and that IT decision-making is aligned with business requirements. One Northeast-based manufacturer, for example, discovered that the limited resources it had dedicated to IT caused that function to operate in a perpetual “firefighting” mode. The department was able to address only day-to-day pain points, with little emphasis on developing a formal, holistic IT improvement strategy. Management operated under the mistaken belief that such limited spending would force the IT organization to become more efficient. This prevented the function from examining current business processes and systems, in order to make strategic investments that would enhance efficiency.

The impact on the company of their limited IT resources was pervasive: The implementation of an underfunded ERP system resulted in highly inefficient, cumbersome operational processes; sales lacked a clear view of current leads and opportunities, with open orders dating back to the previous year; accounting utilized a

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manual process for invoicing, slowing payments; inventory forecasting and demand planning were also performed manually, resulting in overstock of lesser-used parts, while causing a shortage of more critical items.

The department's aging, insecure infrastructure frustrated remote users and allowed the company to be the victim of virus-related spam. Management had no data on which to base investment decisions and no way to track performance of the IT function itself.

Targeted investments in IT, based on a sound strategy road map, enable the IT function to become more efficient, improve service to the organization and open the door to future cost reductions and efficiencies in IT and across the business.

For some organizations, the number of ERP solutions supported by IT functions can be an issue of concern. Many organizations have grown through mergers and acquisitions and, for one reason or another, have delayed looking at a unified ERP platform. These disparate solutions can have a negative impact on business processes, such as monthly financial closing, management reporting and overall efficiencies. Whether or not a single ERP solution is cloud-based or on-premise, there are many efficiency and cost advantages to having a unified business platform.

Implementing your cost reduction and efficiency initiatives

There are a number of advantages to the various technology solutions available. Perhaps the most well-known approach is cloud computing. Simply put, cloud computing allows networks, servers, storage, applications and services to be conveniently available on demand from almost any location. A successful cloud strategy can provide companies with an array of benefits, including cost optimization, convenient access to data and continued innovation, by eliminating the need to maintain their own IT infrastructure, applications and internal systems. It also gives management the freedom to focus on its core business. Nearly half of the businesses (45 percent) represented in the 2013 Monitor use cloud computing for IT systems or applications, an increase from 41 percent in 2012. The most common use is for storage, infrastructure or backup.

Moving to the cloud

The success of moving to the cloud is dependent on a methodical approach to implementation. Management will need to organize a committee that is composed of representatives from affected business areas, and then develop a structured methodology to better understand the use of cloud computing within the company and its associated risks, including areas such as data access and security.

Cloud vendors should be chosen on the basis of a well-defined request for proposal that aligns strategic initiatives with prioritized technical and business requirements. A plan to test and evaluate data, interfaces, functionality and systems that are migrated to the cloud should be developed, along with appropriate end-user involvement and training.

Additionally, it is critical that organizations perform effective due diligence regarding their cloud providers. This would entail reviewing Service Organization Control reports, financials, disaster recovery plans, site visits and more. Understanding the risks of outsourcing and applying controls to mitigate those risks are an essential part of partnering with a cloud computing vendor.

1 Source: Gartner IT Key Metrics Data (January 2012)

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Successful organizations are increasingly turning to business process outsourcing (BPO) to enhance performance, increase flexibility, control costs and optimize operations. Leading-edge technologies have allowed alternative business models to take advantage of a large, talented human resource pool without hiring full-time or even part-time employees. Outsourcing allows companies to scale their operations and resources up or down as their business needs fluctuate. By combining the functionality of business applications delivered by cloud channels such as software-as-a-service and by leveraging components of outsourcing, executive leadership can realize tremendous gains at a price point that is very compelling.

The BPO model also allows service providers to bundle pricing for certain technologies and services that roll up as one monthly fee. This month-to-month pricing model can ultimately be significantly lower than individually procuring software and services separately, and especially lower than managing everything internally.

Outsourcing IT also allows companies to leverage cutting-edge technology functionality, skill sets and data security. Companies can assess their technology infrastructure, identify key risks and help ensure its business systems are secure, reliable and properly controlled across the enterprise. Well-aligned processes, policies and technologies can reduce the cost and complexity of risk and compliance management.

Strategic sourcing offers the potential for more savings and implementation will vary depending on spending category complexity, the diversity of the supplier mix within a category and company priorities, among other criteria. But in the end, it’s all about driving savings and protecting margins: Taking full advantage of volume, centralizing procurement where appropriate and engaging in fact-based negotiations with suppliers.

Becoming a nimble organization

Successful companies are investing in their futures, and are more likely to regularly put a percentage of revenue into a number of areas. There is a strong correlation between those companies that consistently deploy process improvement and quality programs and those that are thriving—it’s a “virtuous circle” of investment and growth. But finding the resources and budget for these investments can be difficult if a company’s spend isn’t being properly managed.

Investing in new or upgraded information technology allows companies to develop innovative products, decrease cycle time and increase productivity. Management can also invest in software to gain access to corporate performance information that they can translate into actionable plans, thereby giving them an advantage over their competitors. Strategic sourcing practices help businesses to better understand and reduce the costs of procured products and services.

All of these approaches can make a company nimble and quick—and successful for the long term.

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Have a Mentor…Be a Mentor

By Ed Maier, *Former Andersen Partner*

Should you have a mentor? If asked to be a mentor, should you do it?

First, let me clarify what I mean by a mentor. According to my favorite research source, Wikipedia, the word "mentor" was derived from Homer's "Odyssey". Mentor was Odysseus' loyal friend. When Odysseus ventured off to fight the Trojan War, he gave Mentor the responsibility of nurturing Telemachus (Odysseus' son). Therefore, historically a mentor is a trusted guide and counselor. The mentor-protégé relationship is a deep and meaningful association.

A mentor is not a coach, although there may be some overlap. Coaches help you work on certain skills or behaviors that you wish to improve; mentors help you understand and navigate your environment. For example, consider a professional golfer. She has been playing well, but all of a sudden she has trouble making a certain type of shot. No matter what she tries to do, she cannot execute the shot in the desired manner or with the success that she had in the past. She will engage a coach to work with her to identify the necessary changes in her swing to alter it and shape the shot. The coach will help her assess the current state of her swing, develop a plan to alter the swing, practice the new swing behavior, use the new swing in appropriate tournament situations and measure the results. If her shot results improve, she will adapt these new behaviors as a part of her swing pattern for that shot.

A coach helps you change a behavior and achieve a specific result – something to improve your immediate performance; a mentor helps you consider other matters, such as long term career development.

Back to our golfer, a mentor may help her consider such matters as the tournaments in which she should play, the types of business or professional affiliations to consider in order to promote her career to the public, how best to develop her career path from amateur to professional. In business, a mentor's activities could help an aspiring executive consider which career path might be best for him, determine what learning activities he should consider to enhance his professional growth, define the intermediate career steps he should take to achieve a long-term career objective, or learn and navigate the culture of a new organization he has just joined. After a while, the roles of the coach and mentor may even blend. More often than not, the coach's role ends when the particular behavior change is achieved. The mentor's role may extend much longer and beyond the current workplace.

What Mentoring Is and What It Isn't

Mentoring is a partnership between the mentor and the mentee. It provides value to both participants. It helps identify and develop skills to be successful in your career and life.

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The mentoring relationship gives the mentee and mentor an opportunity to grow and develop each other through a business relationship. It is a relationship built on trust.

Mentoring is not “on the job training”. We don’t mentor people to offer them corrective or remedial instruction. It is also not casual “water cooler” or “over the counter” advice. It is not the direct relationship between boss and direct report; in fact, having your boss as your mentor is probably not a good idea, in most instances. Mentoring is not one-size-fits-all; it is not necessary that everyone have a mentor all the time.

Mentoring develops a good relationship between the mentor and mentee. It commits both parties to each other’s learning and development. It maintains confidence and builds trust. But it also challenges each other’s thinking and develops their growth. And, it can last as long as both parties want it to last.

The mentee must work in partnership with the mentor to build trust and respect confidentiality. As you get to know your mentor, you will be more comfortable sharing information with her. As you communicate with each other you must strive to be open and honest in your conversations—to think straight and talk straight. You should have an expectation that your mentor will maintain confidences; your mentor should feel comfortable that you will do the same. You should discuss this as a part of establishing your mentoring relationship. This aspect of the relationship is especially important if the mentor and mentee work within the same company. If you are a mentor, it is absolutely critical that your mentee know that he can share anything with you and it will not go beyond your mutual conversation, and vice versa.

The mentee should be encouraged to share his goals and dreams. The mentor should not second-guess them, but should challenge the mentee if the mentor observes that current behaviors are inconsistent with them. The mentor should also help the mentee evaluate whether or not they are realistic.

There is an oft-quoted maxim that is often attributed to the leadership author, John Maxwell, which states: “People do not want to know what you know; they want to know that you care.” In a mentoring relationship, I believe the singular most important thing you can do to demonstrate that you care is to be a great listener.

Good listening skills are imperative to the success of a mentoring relationship. For a mentee to be a good listener, it does not mean to accept on faith everything the mentor says. If you have concerns or issues with the points being raised, you should challenge them and discuss them. The same is true for the mentor. He should listen carefully to the mentee describe his issues and concerns, but not be afraid to challenge the facts or assumptions on which they are based. But remember, mentors, you should listen carefully and challenge politely, not question ruthlessly or interrogate.

In any mentoring relationship, both the mentee and mentor should be willing to learn together, grow together and continue their personal and professional development. Depending on the situation, the mentor can suggest learning opportunities, training

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programs, classes, books, etc. that can be beneficial to the mentee. Similarly, the mentee should feel that she can suggest ideas for continued development to the mentor. As a "senior" businessman, I have worked in mentoring programs for undergraduate college students and for young professionals and managers. Based on feedback I have received, I know I have helped my mentees learn, grow and develop. But I also know that I have grown and developed as a result of my relationship with them. I have one bit of advice for senior mentors in this regard. You have to let you mentee know that you want them to share ideas they have about your development just as you share yours with them. It can be something as simple as suggesting a new iPhone application or website to visit. You build your relationship with your mentee when you do so.

Both parties in the mentoring relationship should be willing to give feedback to each other. The relationship should encourage doing so. An easy way to practice it is to make sure that every meeting ends with a brief conversation on what each of you got out of the conversation.

The mentee should take the primary responsibility to schedule appointments and send out reminders. I think that is a small task and tends to show how committed the mentee is to having a mentoring relationship. Some mentors and mentees like to schedule regular meetings or phone conversations. Find out what works best for each of you and come to an agreeable solution. In today's environment, it is also helpful to decide how you will communicate the basic things like meeting appointments, reminders, etc. Some people prefer email; others voicemail; others texting. You should come to some agreement about these early in the mentoring relationship.

Both the mentor and the mentee must follow through on commitments. If the mentor promises to send the title of a recent book they read, they should make a follow-up note to do so. It should also be agreed that each party will hold the other accountable. In this case, if the mentor forgets to send the book title, the mentee should not feel intimidated to remind them. As the relationship grows, mentors and mentees will learn what accountability techniques work and when it is necessary to ask permission to employ a technique.

One of the important roles of the mentor is to share stories and experiences. After all, experience is the best teacher. Don't be afraid to tell "war stories". You may think they are boring, but I guarantee you that most mentees will not. After you share a story, share the lesson you learned with your mentee. He will appreciate you doing so. And, the stories don't always have to be successes. Let's face it. Some of the best learning experiences we have had in the past come from our mistakes or failures.

The mentor should also take the lead in modeling the appropriate behavior. You can do serious damage to a mentoring relationship if your mentee sees you behaving unprofessionally in the work environment. Even if you don't work in the same area in the organization, trust me, any bad behavior on your part will filter back to your mentee. It is especially important for you to "walk the talk." As a mentor you wear many hats -- sponsor, teacher, guide, counselor, protector – know when to behave like each.

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Any mentoring relationship should have an element of fun. Please make sure yours does. The conversations don't always have to be heavy and serious. They can be lighthearted and humorous. Activities you might share together don't always have to be job-focused; they can also be social events.

Getting Started

If you are feeling like Telemachus and don't have a Mentor and would like to work with one, here are some steps to consider:

- Check with your organization's human resources department and find out if a formal program exists; if it does, ask if you can participate. If it does not, discuss your thoughts with them about how you should approach finding a mentor in your company.
- If a formal program does not exist, ask yourself: "Which senior person in my organization do I think would be a good mentor for me?" Then, ask them! If you would prefer a mentor from outside the organization, then identify an appropriate person and approach them with the same request.
- Develop your own goals and objectives and prepare to discuss them with your mentor.
- Agree on and arrange logistics about where to meet, frequency, etc.
- Get to know each other and begin the process.
- And remember, have fun!

If you are interested in being a Mentor to a young Telemachus, here are some steps you should consider:

- Check with your organization's human resources department and find out if a formal program exists; if it does, volunteer to be a mentor. If it does not, discuss your thoughts with them and develop your own plan to become a mentor.
- If a formal program does not exist, think about the people in your organization who might benefit from a mentor. Talk to them about your idea and whether or not they think they would benefit from a mentoring relationship with you.
- Share your thoughts on your goals and objectives in being a mentor; encourage them to do the same with you.
- Agree on and arrange logistics about where to meet, frequency, etc.
- Get to know each other and begin the process.
- And remember, have fun!

Whether you are Telemachus or Mentor, you will grow and benefit from the relationship.

So by all means, yes, seek a mentor and, yes, be a mentor.

Share your thoughts on my thoughts by writing me at ed@thinkstraighttalkstraight.com .

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A Wintry Mix

By John Blumberg, *John is an Andersen Alumni and a full-time professional speaker and author who speaks with organizations who want to strengthen their core values and turn their people into better leaders. You can learn more about John at* www.keynoteconcepts.com

If there is one weather forecast that spells trouble, it's the one indicating a "wintry mix" is on the way. It typically means a mixture of sleet and freezing rain. It often results in coating everything in its path with ice ... slowing things down, causing serious traffic hazards, treacherous walking conditions and the risk of falling tree limbs and downed power lines. You could say it has quite a negative systemic impact. It is a hazardous mix!

Not all mixtures are bad.

For instance, cooking and baking require a mixture of ingredients. The success of a chef or baker's work depends on the nature of the mix. Creative thinking, on a work team, comes from a diverse mix of backgrounds and experiences. Success, on a sports team, comes in the mix of gifted talents coming together. Business success often is achieved through a mixture of services and products. A useful tool box is filled with a mix of very different kinds of tools. Life itself is enriched through a mixture of different kinds of experiences and relationships. Mixtures aren't only a good thing ... most often they are a critical ingredient.

There is one combination, however, that is as lethal as a wintry mix. That is a leader's use of "mixed messages" when it comes to core values. Similar to the results of a wintry mix, things can look incredible on the surface. An ice-covered scene can be impressive in its beauty. So can a well-worded list of core values on the website or wall of any organization.

Once you step into it, however, things can quickly get hazardous!

A leader can fall into the trap of "mixed messages" for a number of reasons. It could result from a basic lack of cognitive awareness or a full understanding of the organization's core values. It could be a lack of personal or emotional commitment that prohibits the leader from genuinely embracing the core values. Maybe it's the stated core values, themselves, that leave the leader uninspired to inspire others by them. There are a number of possibilities that can cause the onslaught of a leader's wintry mix of messages.

It is important to understand that while mixed messages can create havoc, they are not the real problem. The real problem can always be traced to a leader's relationship with their own personal core values, the stated core values of the organization they lead ... or the intersection of both. Mixed messages are the result of something and not the driver.

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Mixed messages can, however, drive significant damage.

Just like a wintry-mix, mixed messages can cause slippery conditions. It is hard, if not impossible, for employees to take a stand for core values that are slippery. While the values might look good on the web or a lobby wall, it becomes very difficult to take-hold or maintain your footing. At best it causes confusion and ultimately lack of alignment and engagement.

Delivering mixed messages is very different than delivering difficult messages. Great leaders face difficult decisions head-on. Personal and organizational core values don't prevent a leader from making difficult decisions ... they equip them to do so. In fact, those difficult decisions are best communicated through an intentional connection to the organization's core values. This connection, itself, requires a leader to align their behavior and decisions precisely with those core values.

The only mixture in a message should be with the ingredients of the core values themselves.

Through the years, it seems we have evolved into a dangerous pattern of putting a "spin" on many messages. The last time I checked, "spin" creates a mixture of most anything ... every time! A leader's message and behavior must be delivered directly from their core. Otherwise, any message is likely to be an intentional or unintentional mixed mess.

The damage caused by mixed messages should be evidence enough for any leader to become a star pupil when it comes to knowing their own personal and organizational core values. This is especially true when a leader comes to understand that the greatest damage caused by mixed messages ultimately is very personal ... their own credibility.

On the other hand, the opposite is also true. For within the delivery of each consistent message, intentionally aligned to the core, are the seeds of any leader's meaningful legacy.

Entrepreneurial Spirit… AccentMarkets

By Brenda Wisniewski, *Andersen Alumnus and COO of AccentMarkets*

The vision for AccentMarkets began in 2005 when I met Mark Davis, an entrepreneur with a passion for improving communities across the globe by developing profitable and sustainable businesses. Coupled with my passion for education, our meeting was fortuitous; nowhere in the world can there be such a huge impact on peoples' lives through business and education as there can be in emerging markets. I had been with Arthur Andersen since 1984, so when he asked for career advice, I suggested he join Andersen or Accenture as the business principles and culture would provide the very best foundation for creating a business that makes a difference. Mark joined Accenture and

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was relocated to Singapore where Andersen had sent me to work with the Singapore Institute of Management. Little did we know then that this advice would join us together in Mark's quest.

I credit Arthur Andersen for developing my intellectual curiosity, introducing me to cultures across the globe and instilling a passion for education. I served a number of roles with Arthur Andersen's Chicago HQ, helping to develop new lines of business, including A-plusTax, Sales & Local Tax Practice, Appraisal Practice and Virtual Learning Network. After leaving Andersen in 2001, I accepted a 4-year appointment as the Learning & Performance Executive at the IRS and then joined CoreNet Global as Chief Learning Officer in 2005. During this entire time, I've continued my focus on education, by supporting Park University for 10 years in various capacities including Chair, Board of Trustees. My current passion, besides AccentMarkets, is Junior Achievement's Discovery Center (BizTown & Finance Park) where volunteers guide middle school students through a simulation designed to create the greatest impact on improving young peoples' personal and professional futures.

During this time, Mark and I explored various business models that would advance the company at home and the emerging market community. One of the key ways that repeatedly found its way into our models and discussions, was the strategy of building support teams in emerging markets to spur growth in a company's home market. Mark put the concepts into practice by using his personal time to guide Western business leaders through the emerging markets of SE Asia. In 2011, he left Accenture to launch AccentMarkets, inviting me to officially join the team in 2013.

AccentMarkets takes the uncertainty out of entering emerging markets by breaking down the barriers to entry through a simple three step process: Insight, Due Diligence, and Business Building. These three categories include all the services that we deliver to clients to make them succeed. Whether the client's goal is to expand the current business or invest in or acquire a local business, the AccentMarkets team identifies the right opportunity, increases speed of entry, and manages implementation so risk is mitigated and on-going growth and profitability are attained. We provide the in-depth knowledge of business environments, legal frameworks, and high-quality partners, coupled with local cultures, languages and community that are mission critical for success. We aren't just strategists that sit in offices and advise clients. We actually go into the field and manage the implementation on site, when negotiating with local partners, overseeing the office set-up, and a host of other steps are needed to build a strong and profitable business. We partner with our clients from concept through implementation to ensure their new venture is solidly established.

AccentMarkets is headquartered in Singapore with teams located in the US, UK, and ASEAN emerging markets. Our team has been carefully selected for their experiences in global business consulting, entrepreneurial enterprises, and work in the emerging markets. We bring a culture predicated on our Arthur Andersen and Accenture experiences in which every team member recognizes that clients are more than a priority, they are the future for AccentMarkets and the local communities we serve. Our team is

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comprised of exceptional people whose passion, innovation and dedication lead to long-term, trust-based client relationships. And because each team member has a dynamic stake in the success of our business, our clients experience real results that impact the bottom line and produce a solid return on investment.

We have instilled the Arthur Andersen culture in the AccentMarkets organization – creating value for our clients. This isn't marketing speak; this is real, felt and acted upon by everyone in the firm. We are passionate about building things that create value that lasts. We have fun, and love what we do as we believe work should be enjoyable. And we challenge each other to develop, professionally and personally, and hold ourselves accountable. We also ask our clients to join us in having fun and creating something exceptional.

Although the team is located across the globe, the Arthur Andersen values make us feel like family. Equally important, we hear this from our clients and the local communities.

The One-Firm Firm Revisited *(part two of a three part series)*

By David Maister & Jack Walker, *David is widely acknowledged as one of the world's leading authorities on the management of professional service firms. Prior to his retirement in 2009, he served for 25 years as a consultant to prominent professional firms around the world, on a wide variety of strategic and managerial issues. He was previously on the faculty of the Harvard Business School. He is the author of the bestselling books Managing the Professional Service Firm (1993), True Professionalism (1997), The Trusted Advisor (2000), Practice What You Preach (2001) , First Among Equals (2002) and Strategy And The Fat Smoker (2008.) His articles, blog, videos and podcasts may be found at www.davidmaister.com*

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The Role of Leadership

A key component in a successful one-firm firm is the governance structure. Members of the firm must feel that they have approved the leaders and that the leaders are accountable to them. This is normally accomplished by having the members (or most of them) elect the head of the firm, who would then serve for a term, typically renewable by election.

In most cases, the leader is supported by a small, elected term-limited management committee made up representatively of practicing professionals. This accountability is usually balanced by a structure that insulates the leadership from the wrath of colleagues, following tough decisions that may involve short-term unpleasantness for long-term gain.

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In one-firm firms, driven as they are by a commonly held ideology, once all viewpoints are aired and management makes its decision, the partners generally line up behind the decision. Partners or senior officers are willing to delegate managerial powers upward because they trust that those appointed to leadership will operate in accordance with the principles and values of the firm's ideology. The existence of shared values underpins sustained management effectiveness.

To maintain this environment takes active management effort and (usually) careful thought in the appointment of group leaders. Running on autopilot is not an option.

In a previous article (Maister, Managing the Multidimensional Organization) Peter Friedes, the former CEO of Hewitt Associates, was quoted as saying: "I had 15 or so managers reporting to me. So I needed them to not be pulling the firm in different directions. One practice I had was to remind all those who reported to me that part of their role was to have my CEO perspective in managing their group. They were not to just be an advocate for their group or their people. They had to have a 'whole entity' view."

The payoff from this consensus, values-based management practice can be huge. It permits the firm to excel at getting things done as a firm. In warlord firms, partners typically continue to undermine decisions they dislike, since they feel that they have not delegated the power to management to make those decisions.

This doesn't mean that one-firm firm partners are shy about expressing themselves or opposing management as issues arise. They do, and indeed more safely and effectively than in warlord firms, where political risk and retribution are real issues.

Size and Growth

The good news, we believe, is that many (if not most) powerful professionals yearn to be part of a cohesive team (often in spite of their chest-thumping behavior). This yearning is something that can be leveraged.

However, it is very difficult to sustain the one-firm firm, consensus-based governance system as the firm grows beyond the point where all members know each other.

As clients and competitors change and as firms grow and expand, management must work harder to hold the firm together by, among other things, engendering a sense of reciprocal obligation both between the firm and individual members and among the members.

While twenty years ago a firm could engage in broad consultation and give people a real sense of participation, today's mega-one-firm firms cannot feasibly do this without great effort and creativity.

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Inevitably, the top person becomes more CEO-like. This has happened at each of the named firms. This inevitable transition from consensus-building to “consult then decide” can be successfully accomplished only where a strong philosophical base of shared values has been laid down over many years.

In a sense, the trust given to the firm-wide (often global) CEO is a residual habit left over from times when the individual could be known to all and could interact with all. Perhaps paradoxically, choosing a CEO (or managing partner) based on character, values, and principles becomes even more important if the CEO is to enjoy the same latitude to manage as in the past. And, of course, he or she must continue to deliver. Shared values go only so far.

The Role of Selective Recruiting

A core characteristic of the one-firm firm, in 1985 as well as 2006, is the careful hiring, training, and indoctrination of new talent. The one-firm firms described in Maister’s 1985 article relied almost exclusively on hiring “from the bottom.” They resisted lateral hiring as unnecessary and risky to the firm’s “fabric.” But, as mentioned, things have changed dramatically.

One key feature still common to most one-firm firms is that the core (if no longer exclusive) strategy is to “grow its own” young talent. Professionals hired directly from school invariably have the strongest emotional ties to each other and to the firm, and they are the ones who find it hardest to abandon ship. Focusing on young hires has the added virtue of creating a nimble, energetic army of people who are generally more willing to embrace the core teamwork culture and core values than are older lateral hires.

Many warlord firms have reduced or eliminated entry-level recruiting, purportedly because of the (short-term) cost of hiring and training such people. They prefer to hire laterally from other firms, to avoid the costs of investing in junior people.

We believe these firms are sending two uncongenial messages: the people we hire are fungible, and there is nothing special about us. As a result, they are not developing sufficient loyalty and glue to survive the coming down periods, much less to take them to the upper reaches of their respective industry or profession.

Alumni Management

One of the keys to the one-firm firm model has been the vigorous enforcement of high standards for progression within the firm. This means that a relatively small percentage of those hired are actually promoted through the ranks. For that reason, one-firm firms may not have different nominal turnover rates than other firms. However, one of the hallmarks of the model is that people who leave one-firm firms do so with great pride and loyalty, often becoming a source of business referrals for the firm.

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Turnover among junior (and even senior) people has become a fact of life in all professions. In the 1980s, Latham learned that it made all the difference in the world whether people left feeling, on the one hand, neglected or badly treated or, on the other hand, as proud advocates of the firm.

Up to that point in time, Latham had ferociously concentrated on hiring, training, indoctrinating, and holding on to talent. In that environment, when a lawyer left the firm to do something else, it was regarded as a failure rather than an opportunity. The pejorative term "attrition" was applied to these sad events. As a result, the firm often treated the departing lawyer neglectfully or even badly, as if he or she was a defector. This is an example of a one-firm firm principle run wild.

In retrospect, the firm lost millions of dollars in potential business because it mismanaged relationships with those who left. As Latham matured as an organization, it changed its practices to honor people who leave the firm and to cultivate their friendship.

In the mid-1990s, Latham made a calculation about how much of then current business came directly or indirectly from alums. The figure was approaching 50 percent. And it was great business — name-brand clients, often premium rates, quicker bill collection, pleasant dealings, and so on. Moreover, the clients benefited because the alums had a special feel for the firm, including knowledge of strengths and weaknesses. In some cases, alternative risk/reward billing arrangements could be worked out because of the built-in trust factor.

At all of the one-firm firms, the loyalty of alumni is a key competitive weapon. A one-firm firm leader told us, "One of the managing partners of a competing firm once told me, 'The thing that strikes fear in our hearts is when one of your alums ends up at one of our clients — the loyalty is beyond our understanding and usually means it's just a matter of time before you guys have your nose under the tent.'"

The Role of Lateral Hiring

Prior to the 1980s, firms entered new markets cautiously by redeploying existing talent. But affairs and clients began to move quickly and markets have shifted much more rapidly in the years since then. Accordingly, most of the one-firm firms have expanded their use of lateral (experienced senior) hires. To wait for inside talent to develop was to risk missing the boat.

In addition, firms in every profession started to open offices in new geographic markets. Early attempts to staff new offices solely with partners from existing offices were unsuccessful. As a result, expanding firms began to cherry-pick talented experienced people from outside the firm.

Most firms moved cautiously, bringing in only individuals and small groups and avoiding large-scale mergers. The key has been to make sure that when new laterals join the firm, they know what they are buying into. The lateral must understand that he or she is joining

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a firm with an established ideology. "If you don't like this ideology," the clear message is sent, "don't think of joining us."

Surprisingly to many outsiders, one-firm firms have found that many laterals come to the firm to benefit from good management; that is, to be managed. They know about the firm's reputation for effective management and team-based approaches, and they often come from poorly-run firms. Often — not always — they are the most fervent supporters of teamwork, management, and cohesive action in their new organization.

Lateral hiring, now a competitive necessity, remains a double-edged sword for a one-firm firm. On the one hand, careful lateral hiring provides rich work opportunities for the "home-growns." Also, laterals can help the firm challenge its settled view of itself. Done well, laterals can bring a new air of dynamism and creativity to a firm.

On the other hand, lateral hiring is management-intensive. The bottom line is that a disciplined lateral program, anathema not very long ago, can strengthen a one-firm firm. A poorly managed program will tend to pull the firm apart.

The Role of Compensation Schemes

The one-firm firms have largely avoided the stampede toward individual-based (or profit-center-based) reward schemes. However, since 1985 most one-firm firms have gradually expanded the individual component of their reward scheme (in fact if not in rhetoric) and have increased the total compensation ratio between the highest-paid members and the lowest-paid members.

At Latham, until 1993 the long-term compensation element (known as units) was essentially lockstep, with seniority as the main driver. Under cover of the early 1990s recession, this system was changed. Management's considered view was that the firm could not operate successfully in the emerging marketplace without providing more incentive for short- and long-term individual performance, particularly on the business development front.

Walker reports that this was the hardest decision he had to make during his tenure because of the obvious risk to the firm's "fabric." But because the change was sold and accepted as fundamentally respectful of the firm's ideology and shared values — not as a scuttling of them — it turned out to be a successful move. Since that change, the percentage of Latham partners hustling and producing business of substance has dramatically grown.

Most one-firm firms run judgment-based compensation schemes (with a studied avoidance of formulas). As always, the key to successful functioning of the system is agreement on values and ideology. This is because a successful compensation system requires trust: the members must believe that the compensation decisions are made by colleagues who have the firm's best interest as their only agenda.

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