

Aligning Your Leadership Team for Success

By Christopher DiCenso

Picture yourself as the quarterback of a football team. You're in the huddle with your team calling the next play. You call for a pass play but one of your teammates questions your decision by stating that the defending team has great pass protection and that you should use a running play. You ignore his comment and continue with the pass play. On the line, the ball is hiked; you fade back, fake left, and then look right to where your receiver is supposed to be running to the right. You notice that he is running left and completely protected. Before you find an alternate receiver, you are sacked. Although you may have lost a few yards on the play, there appears to be larger issues to overcome before you have a winning team.

Playing the position of quarterback or coach of a football team is no different than being the President or leader of a business. If your team is not in complete alignment on what is necessary to win, you will lose. But for a business, what are those instrumental or fundamental business practices that you need to exhibit to be well aligned and to be successful as a team? What is the cost of not being aligned? We have been researching growing and successful companies for many years and have found five effective business practices that your leadership team should be aligned with to have a winning team. We have also estimated what it costs the business if the team is not aligned.

The Research

For the past few years we have been researching growing companies to identify which business practices they have focused on to grow. Many of these growing companies come from the Inc 500, Fortune Small Business 100, and other fast growth company lists. We have combined the quantitative research from these companies with interviews of CEOs in growing companies and with other growth based research. When we analyzed the combined research, we found that there are five consistent business practices that stand out from the rest and have driven the growth of these companies.

So, if these are the five business practices that have been proven to develop growing businesses, shouldn't every leadership team that wants to grow be aligned to them?

Below we have briefly identified the five business practices and listed some of the questions that all members of the leadership team should unanimously agree upon to have a growing and winning team.

Five Effective Growth Practices

1. *Effective Strategic Planning:* What is the company's primary method of competition? Are you a product innovator, customer intimate or operational excellence driven company? What is your value proposition? Who specifically within the company is tasked to do what? What measures of performance (beyond financial) are important to you? What percent of your growth is designed to come from selling more products to existing customers or acquiring new ones?
2. *Advanced Customer Management:* What specifically are your target markets, customers, channels, geographies? What are the unique solutions you provide to each customer segment? Which customer segments are most profitable? Have you eliminated all unprofitable customers?
3. *Robust Processes:* What are the core processes of the business? Are they designed to be efficient, flexible, both? Are the processes leveraging best practices? Are they scalable for future growth?
4. *Superior Products and Services:* What are the company's core products and services? Do you have a process for introducing new and innovative solutions? Which products and services should you expand upon, reduce or eliminate? Which products or services should you sell to new customers or cross-sell to existing customers?
5. *Strong Core Values:* What are your company's core values? Is the company 'living' its values? Beyond the financial rewards, what are you really in business for? What motivates your people every day?

There are undoubtedly additional business practices that a leadership team should be aligned on, but these five have proven to be instrumental for growth and therefore should be the first place to start.

The Cost of Misalignment

What does it really cost you if your team is not completely in agreement on the strategies to grow and improve the business? The exact costs of misalignment will vary for every company depending on the cost structure of the business, but we have used one example company with two different approaches to calculate this cost. You can use this example to extrapolate your own company's cost of misalignment.

Company #1: \$25M in revenues, growing 5% per year, 10% net income, 100 employees and 5 members of the leadership each with a \$100,000 per year salary.

Direct labor cost calculation: Lets assume that of the 5 members of the leadership team, each of them would not be completely aligned on some of the practices defined above. For simplicity, let's assume each member was "misaligned" by 20%. This means that each member would be ineffective on completing their tasks to grow the business by 20%. The salary cost of this misalignment would be 5 members x \$100,000 x 20% = \$100,000. Let's expand upon this a little. Without going into the details, if each leader is misaligned, then the people they manage will also be misaligned to a potentially larger degree. We estimate that there is an additional \$500,000 in direct labor costs misused due to misalignment. In total, this adds up to over \$600,000 in direct labor costs ineffectively used due to misalignment.

Revenue growth cost calculation: Let's now assume that this misalignment will negatively impact the company's revenue growth and profitability by 20%: 20% less revenue growth (4% vs. 5%) and 20% less profits (8% vs. 10%). (Mathematically, if 5 people are each misaligned by 20%, the sum of this misalignment is much greater than 20%, but for this example we'll use 20%.) The net income impact of not growing 5% and not obtaining a 10% net margin is over \$500,000. As you can see, the ramifications of this misalignment can be staggering.

In either calculation, there appears to be at least \$500,000 in unproductive direct labor costs simply because the leadership team is not completely aligned on the strategies to grow the business.

Now that you have a better understanding that the alignment of your leadership is not only important for future growth but can have a very significant financial impact on your business, what are you

going to do to make sure your leadership team is aligned? Many company Presidents know there is not complete alignment of the leadership team. The real question is, "How bad is it"? Is it 20% for each team member, or is it more? Are you entering your business 'huddles' and having teammates question the strategy or tactics? Are each of your managers running their own plays while you run the one you called? The method used to identify how well aligned your leadership team is, is really quite simple. You simply have to first know what is important to focus on and then know the right questions to ask. When you have complete alignment of your leadership on the business practices that have proven to be instrumental for sustained growth, you will have a winning team.



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