



# 5 solutions for 5 dilemma's of CEO's in the capital goods industry

## Management Summary

This summary is intended for executive management of organizations operating in the international B2B industry for capital goods. In particular, manufacturers or distributors with regional plant operations and/or independent dealer organizations.

Mid-2015 I interviewed  $\pm$  35 companies for a research project investigating whether long-term automotive trends are also apparent in related sectors of the capital goods industry. In collaboration with the Logistics Management Association (VLM), the research project will be published In October 2015.

Apart from the above study, other management issues repeatedly surfaced during the interviews. It became apparent to me that in virtually all sectors the same issues kept coming back. I discerned 5 key issues that are directly related to key success factors in the capital goods sector. It appears that executive management admittedly pays much attention to these core issues but that most companies have not been sufficiently able to achieve the desired improvements.

In this summary, I will respond to these core issues based on my personal experience. In case my approach is appealing to you, feel free to contact me at [www.fjbosmaninterim.com/contact](http://www.fjbosmaninterim.com/contact). To download the full version of my E-book click [here](#).

## 5 solutions for 5 dilemma's of CEO's

(Summary)

### 1. Our growth strategy is good but the execution is lagging...

Growth is too slow so we cannot stay ahead of the competition. As CEO, you could use your mandate to enforce your targets and a timetable. But that would disregard the qualities of your Management Team members. Chances are they will disagree and work slower rather than faster.

**Analysis.** Strategy and operations miss connection. Understanding of the whole is incomplete.

**Action.** Relation between strategy and operations must become transparent. The organization needs to know what is expected of them. The short and long term objectives must be made so clear and measurable that middle management can easily translate them into operational plans. Use a system of regular feedback of results from operations. Develop management skills so that role model behaviors can go from top management to middle management to operational management.

### 2. We are not satisfied with our business model, how can we do better?

To compensate for declining sales in recent years, we have already cut costs significantly, but we just cannot seem to recover. If we do nothing, we will soon have to go into further re-organizations. I want to avoid the negative spiral, but I'm not quite sure how to avoid it.

**Analysis.** Ruthless cost cutting is not an adequate solution to the problem of market shrinkage. Big chance you will be cutting costs you need to maintain to ensure continuity.

**Action.** Attain a firm understanding of your supply chain and your competition. Process improvements that are too big or too heavy for your own business can be resolved together with chain partners, and could keep (unnecessary) competition out of the way. Create insight in the costs and benefits of each income stream. Evaluate which processes provide less net contributions. Often these are candidate processes to improve efficiency. Prioritize process improvements providing the highest customer value. A different way of thinking is necessary, from "the cost determines the margin" to "added value determines the margin".

### 3. My customers are becoming less loyal

We know that the market is becoming more competitive, but I already see them leaving for a few percent less. This seems very short sighted. It can take years before we get to the table again with those customers. How can we retain our customers and also make a reasonable profit?

**Analysis.** The decision to buy the next vehicle of the same brand is largely made based on practical experience with the after sales promise.

**Action.** Make sure that the after sales promise is fulfilled. Pricing should be competitive but the total service package should be above average. Investments in CRM and data technology are required to organize preventive maintenance actions to customers and suppliers. However, changes are not only needed in the area of technology improvement. During the conversation with the customer having a complaint is decisive for his future decision. Such conversations must be conducted professionally. Consider every complaint as a gift. Accept it, thank the customer for it and give regular follow-up until it is resolved.

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### 4. How should I deal with cultural differences?

My team consists of highly qualified managers with diverse nationalities. Individually, these people are really great performers but the cultural differences are large. Appointments increasingly seem to be understood “differently”, which often leads to delays and much frustration. How should I handle this?

**Analysis.** Every culture experiences their culture as the norm. Opinions about other cultures are then measured against that standard.

**Action.** Try to listen to what is meant instead of reacting to what is said. Show informal interest in the way the other has experienced a situation and share how you experienced it yourself. Discuss the differences, not with the objective to resolve them but to understand each other better. Consider giving a “culture training” within your organization in which information is provided how the individual cultures think differently about leadership, decision making, respect and dealing with criticism.

### 5. I think we still have a lot of waste in the company.

If I walk through the company, I see quite a few things are still not going well enough. Something tells me we should be doing things much more efficiently. I think we can save a lot of money and aggravation if we start doing things smarter.

**Analysis.** Improvements in the past have led to sub optimization.

**Action.** Stop managing work and start managing people and processes. Allow your staff to be trained in process improvements. Manage based on facts and avoid assumptions. Involve the organization in searching for improvements. Appoint multifunctional teams to review the problem and identify the goal(s) that must be achieved. First measure what happens in the process. Then analyze why it happens, and then choose the best solution. Ensure that improved processes are also carried out consistently. Ensure that innovative people are given enough space to work on new improvements.

### About the Author

My name is Frans Bosman (1959), owner of FJ Bosman Interim. I have worked in the international capital goods industry for more than 25 years in which  $\pm$  10 years as Interim Manager. I have delivered in both operations and in support roles in various senior management positions in the areas of strategy development and implementation, Corporate Planning, Pricing, S&OP, Purchasing, Materials Handling, Customer Support and After Sales.

I have lived and worked in Hong Kong, the United States, South- and Central America, Australia, New Zealand and in the Netherlands. I have worked closely with many different cultures to improve efficiency and optimize business processes leading to fewer inventories, less service calls, higher cost savings, profit optimization and increased customer satisfaction.

My specialization is with improving the performance of After Sales organizations and ensuring optimal communications amongst Manufacturing, Marketing, Sales and After Sales departments.

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