

Corporate Management

INTERVIEW

“Networking Intelligence”

The search for the great go-getter is absurd, says PETER KRUSE, chief executive of the Bremen consulting firm nextpractice. Collective awareness is needed to make successful changes within companies.

INTERVIEW: STEFAN UHLMANN

Professor Kruse, according to opinion polls, 85 percent of change processes within companies are unsuccessful or, at least, fail to achieve the desired results. What’s going wrong?

Kruse: With respect, where do you want me to start: with the correct moment in time that’s been missed, with executive resistance to counseling, with the apathy of chief executives, with the sometimes passive on top of active resistance of the workforce, with the absence of underlying information or with the lack of competence? These are just a few of the countless reasons.

And the often described as versatile and expeditious small businesses are no exception?

Kruse: The dilemma here is perhaps even greater, due to the fact that family businesses in particular have blatant management problems. The owners, who, in the main, are also the bosses, are on their own and prefer to rely on their personal intuition, which is often instinctive and creates a lethargic attitude after the motto: “it’s always gone well and it will do so again”.

Where does this principle of hope lead?

Kruse: If “all goes well”, and for some, all goes “well” for quite a time, but then only isolated from actual developments. If all does not go well, it instantly leads to insolvency. At the moment, insolvency is on the decline because of the tailwind afforded to small businesses by the market. The ongoing economic situation at present covers up a lot of corporate weaknesses. The new Basel II loan regulations also enforce greater professionalism in regard to business management. However, under the surface, the problem is still fermenting.

What prevents company bosses from gaining higher professionalism and from getting essential changes under way?

Kruse: They simply lack feedback. They’re given no honest feedback whatsoever. Try to play a violin well when you can’t hear what you’re playing. This is one of the dramas of the small business. It loses the ability to learn and this makes further development questionable in a lot of companies.

To what extent?

Kruse: Systems that lack feedback are always the most endangered, because this means there are no more interrupting variables which must be continuously dealt with. Decision-makers in small and middle-sized businesses are left to their own devices. If they take a wrong step, there are no corrective options.

Do self-importance and the feeling of being irreplaceable, especially amongst business patriarchs, hamper essential change in companies?

Kruse: Entrepreneurs are generally in a dangerous situation. It is all the more important to hold up a mirror in front of them to drag them away from their world of dreams.

How is that done?

Kruse: By gathering the honest opinions of employees and making them transparent. This is certainly no easy task, because there are dependencies – emotional but above all financial dependencies which, if infringed upon, can threaten existence. We’ve developed an anonymous method with which spontaneous and unadulterated employee opinion patterns can be generated.

But does this not again produce distorted and highly subjective patterns which bypass objective reality?

Kruse: The assessments are of course subjective, but the composition of 100 individual viewpoints produces an honest perspective which is extremely close to reality. The boss must accept this. If a hundred automobiles are heading toward me on my side of the road, they’re not on the wrong side, I am. No one can resist such power of opinion. Perhaps then they’ll start thinking about themselves and their role in the company.

Despite this, has even the era of the great go-getter in the small business passed?

Kruse: There are unquestionably still amazing people amongst the small business entrepreneurs, but the notion that the great power of change can be created by the individual is, in my view, obsolete. In this respect, the circumstances have become far too complex. As an individual, I can no longer figure out solutions for today and tomorrow. That’s absurd. It requires collective, networked intelligence. This is exactly what we try to organize for companies.

With whom must company owners and managers be networked?

Kruse: They must be networked internally and externally

That sounds like a regulars' table and also like a confessor.

Kruse: But it's not how it's meant

How then?

Kruse: Company regulars' tables are not intelligent networks because they are too locally prejudiced. They're caught in the reputation trap in which many small businesses already find themselves. They believe they have a reputation to keep up and won't lay the real problems openly on the table. It's much more effective to link local and interdisciplinary networks. These are, meanwhile, fairly widespread by way of various associations and networks and, in my experience, they have also proven successful because, besides political lobbies, there is a more honest exchange of problems. Everyone knows and respects each other, but most of all, everyone's taken seriously.

But, given the problems described above, how seriously interested in internal networks are small business entrepreneurs?

Kruse: Entrepreneurs who are seriously looking for discourse as to the welfare and woes of their companies as well as their own actions will establish such internal networks. This will only work if they are able to create a culture of frankness and know neither fear nor ambiguity. For example, anyone who relentlessly discloses performance data is also able to cultivate an open exchange on the subject. However, who will do this come what may?

Counter question: is it at all reasonable, to put it laxly, to drop your trousers, especially in times of crisis?

Kruse: It's always reasonable, because honesty in the sense of transparency is an asset in itself. No one should be sheltered from the market, no one.

But isn't there a danger of demotivating employees if they're confronted with the existence-threatening problems that face the company?

Kruse: If it's done honestly, then, in my experience, no. However, if a catastrophic scenario is repeatedly used to put the squeeze on employees, this crooked game will very soon be over. They'll simply sit back and think: Let him talk, he'll do what he wants. But that's just one side of the coin.

And what's the other?

Kruse: It robs them of the ability to survive in the market. They'll no longer have the qualifications to be able, in principle, to walk into any organization. It's neither fair to the employees nor does it help me as a businessman. If my scheme for added value isn't based on innovation and creativity, but on keeping people ignorant, then sooner or later, I'm bound to fail.

How widespread is this awareness amongst small business entrepreneurs?

Kruse: My impression is that a change in behaviour has set in. Much more consideration is given to how new concepts can be provided for. Not in terms of process optimization – "I'll make it better and cheaper" - but in terms of: "what makes me different?" That's the difference that keeps me alive in tomorrow's market.

If it so exists doesn't this change of attitude come too late for a lot of companies?

Kruse: In my 15 years as a consultant, I've never come across a company that no longer had chances.

So these recommendations are beneficial, but how? What do you advise?

Kruse: My answer is: Get professionalized, try to understand your market. Stop believing that you already know everything. Look for new added-value schemes and, in the process, get yourself networked. Nobody's self-sufficient. If you believe that, you're no longer a good businessman, even if you manage to survive for a few more years.

Personal Data: Prof. Dr. Peter Kruse is the managing partner of the consulting firm nextpractice and honorary professor at the University of Bremen. After having studied psychology, biology and human medicine, the experimental psychologist concerned himself with the question of how the human brain creates order. Today, the scientist and his team of 40 employees provide the knowledge and tools for cultural change within companies.