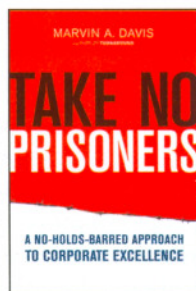


Why Don't Companies Reach Their Full Profit Potential?

The question above is addressed in *Take No Prisoners*, by Marvin A. Davis, where he suggests that companies make the same mistakes over and over again. Davis, a turnaround expert, argues that companies can no longer skate by on mediocre performance. They need to tackle the nagging, persistent problems, and the first step may be to identify recurring mistakes like:



1. Failure to recognize changing market conditions and act on them
2. Failure to resolve internal conflicts and resistance
3. Arrogance
4. Overspending during good times
5. Failure to continually rationalize the organization
6. Failure to act on substandard performance
7. Inability to think "outside the box"
8. Failure to delegate
9. Failure to define market strategies
10. Failure to demand implementation of marketing plans
11. Failure to tie compensation to corporate performance
12. Failure to plan for the cash needs of the business

For more information on *Take No Prisoners: A No-Holds-Barred Approach to Corporate Excellence* by Marvin A. Davis, visit www.amanet.org/books

What We Have Learned About Leadership Development

BY ROBERT M. FULMER AND JARED L. BLEAK

The best competitive weapon any company can have is its up-and-coming leaders. How can a company take such individuals and make them a success? After all, great leaders deliver great results. Truly, organizations with strong leaders and superior leadership-development strategies deliver better results.

Five Guiding Principles for Leadership Development

What evokes these results? Previous research has yielded five guiding principles for leadership development in general. Companies have shown that by following these principles they can effectively improve their leadership-development results and streamline their organizations' focus on leadership development.

1. Start at the top.
2. Link leadership development directly to the business and deliver results.
3. Build an integrated leadership strategy.
4. Drive consistency in the execution of leadership programs and practices.
5. Hold leaders and the organization accountable for results, both developmental and business.

1. Start at the Top. The engagement of CEO support for leadership development is often what separates the top-performing companies from the rest. In a study of the top twenty companies for leaders, Hewitt Associates found that 100% of these companies involved

the CEO in leadership development and many initiatives were sponsored directly by the chief executive, compared with 65% of other companies studied.

2. Link Leadership Development Directly to the Business and Deliver Results. Keeping personal development in mind, organizations should emphasize business objectives when crafting leadership-development plans.

Hewitt found that the top 20 companies in the United States in leadership development closely linked development strategies with business strategies. This linkage was established despite the temptation to build development plans composed primarily of best practices from other companies or heralded in benchmark studies and training magazines.

3. Build an Integrated Leadership Strategy. Perhaps the most significant, overarching trend in leadership development stems from the pressure to organize development activities and initiatives into an integrated strategy. In a 2004 study, 69% of respondents noted that the "creation of an integrated strat-



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Ten Rules to Achieve Pricing Confidence During a Downturn

BY REED HOLDEN AND MARK BURTON

During a declining economy, your company may be tempted to reduce prices in order to sell more or hold onto your market share. In doing so, you will accomplish two things—neither of them good. First, you will be using the wrong pricing approach for the current market cycle. In a mature/declining market, the right pricing strategy is a neutral one—that is, you don't drop prices to try to solve the problem. This only causes price wars, eliminates profits, and cause revenues to decline further. Second, it reduces prices on your high-value products and services rather than selling more low-value products and services.

Instead, try these ten rules to give everyone at your company pricing confidence.

1. Replace the discounting habit with a little arrogance. Price discounting is an entrenched attitude in most organizations. To dislodge any deep-rooted attitude, replace it with another. Arrogance—feeling good about your products and services—will help you kick the discounting habit.

2. Understand the value you offer to your customer. You can't have confidence in your pricing until you have confidence in the financial value your offerings create for customers. Most of your customers are eager to tell you. Ask the right questions and be willing to listen.

3. Apply one of three simple pricing strategies. Know when to price high, when to price low, and a strategy for everything in between.

4. Play better poker with customers. Knowing the strength of your own hand—the value you offer—gives salespeople confidence to resist the temptation to close at any price.



5. Price to increase profits. It's a myth that if you discount price to increase sales, you will see increased profits. Efficiency, controlling costs, better profit metrics—all are required for pricing success.

6. Add new products and services that give you negotiating flexibility and growth. An effective strategy is to develop a dual offering that covers both the high- and low-end customer needs.

If customers want a lower price, subtract features and services.

7. Force your competitor to react to your pricing. Don't participate in a competitive pricing death spiral. Define where you do and do not have a value advantage over your competitors. Know where and how to compete on price—and where and how not to.

8. Build your selling backbone. Backbone comes from knowing the tricks your customers use to get you to drop price and how to deal with them.

9. Take simple steps to move from cost-plus to value-based pricing. The trick to value-based pricing is to evolve pricing as the discipline and skills of your people improve. Start gradually. Once you learn those skills, moving forward to real value-based pricing is a snap.

10. Price with confidence: remember who you are. Customers buy results, not rhetoric. Moving beyond the rhetoric of value will enable you to prove those results to customers.

Reed Holden, DBA, and Mark Burton are leading pricing gurus and cofounders of Holden Advisors (www.holdenadvisors.com), a consultancy that works with business-to-business firms to design and implement value-driven pricing strategies that increase profitability in highly competitive markets. They are coauthors of *Pricing with Confidence: 10 Ways to Stop Leaving Money on the Table* (John Wiley & Sons, 2008).

What We Have Learned About Leadership Development

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egy and system for all executive development" was the leading priority of their learning and development organizations. These results mirrored those of a study conducted in 2000.

4. Drive Consistency in the Execution of Leadership Programs and Practices. The best companies consistently execute strategies that make for good leadership development. They create enterprise-wide standards, practices, and metrics for leadership; they cascade programs and processes down through the organization to improve impact and drive cul-

tural change; they illustrate flexibility in centralized leadership-development programs in order to address specific business needs; and they customize developmental solutions for business units in order to better ensure support and engagement by senior management.

5. Hold Leaders and the Organization Accountable for Results, Both Developmental and Business. Holding people and the organization accountable for development efforts is a trend that continues to gain momentum, especially in an increasingly competitive environ-

ment where any investment or outlay is carefully considered and monitored for a return. In fact, 52% of learning and development professionals plan to use systematic measurement and evaluation to measure the impact of their development efforts.

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