

Best Practice in Swiss KMUs (Klein & Mittelunternehmungen)

Theory on strategic management applies to be good for all companies of all sizes in both local and global economy. Recent studies on Swiss KMUs, however, move these theories on company strategy to second place. For specifics on managing Swiss mid-business our new findings may lead into a bright future of a KMU.

In 2009 we asked questions such as: Following the saying 'managers get things done through other people', how do founders and CEOs of Swiss KMUs get things done in their business? We want to know which tools and techniques they use to accomplish their management tasks. Do leaders of Swiss KMUs believe in the concept that any kind of leadership automatically contains strategic management? Besides that, some management theorists claim that a company without a management strategy is not doomed to fail. We are curious whether and how Swiss KMUs prosper without a properly created corporate strategy.

Companies without a strategy are not necessarily doomed to fail but may flourish. The reasons: Improving corporate performance is a fundamental issue in any company; instant results, however, are more visible indicators of success or failure for founders

and CEOs than any long term efforts such as the definition and implementation of a management strategy. So why design a corporate strategy?

And in a company without a strategy there is no analysis of strategic issues, so much time and costs are saved. As there are no fixed directives that might work like boundaries within the mind, CEOs are not limited concerning innovations and potential investments. Furthermore, as there is no pressure to act within a set frame, the company is fairly free to – for example – wait for ideal business chances to emerge on their own. Companies without a strategy have no stress to reach toughly defined objectives. The directive is 'Go with the flow'.

Certainly there are some disadvantages for a company that has no management strategy. For instance: No strategy means no focus, no aligning of efforts and valued resources (people, competencies, money). The results are: CEOs acting dispersed and divergent – the company lacks core qualifications and maybe even a core business. As the company does no periodic evaluation of its enterprise and business environment to formulate strategic goals, the firm may be helplessly torn apart by the changes of economy, market and cus-

tomers interests. A non-existence of a corporate strategy may bring along inefficient processing of relevant business data, an inclination for wrong decisions, and hardly any control on the allocation of resources.

From a 'good' to a 'great' Swiss KMU

Results of our survey conducted in 2009 in 183 Swiss KMUs move management beliefs of 'great' Swiss KMUs and the pathways from a 'good' to a 'great' KMU into the center of management excellence in small & mid-business in Switzerland. Strategic thinking and implementation of a corporate strategy is ranked in second place. For specifics on managing Swiss small & mid-business, however, following new findings may lead into a bright future for KMU in Switzerland. The study reveals eleven management beliefs of 'great' Swiss KMUs. It also describes nine pathways how to become a 'great' company going beyond a simply 'good' firm.

Belief 1: 'Great' Swiss KMUs make distinct efforts to develop and implement a smart flexible strategy, not necessarily an elaborate one. Each KMU has to decide how much time and money they want to spend to create a management strat-



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egy including implementation and improvement. 'Great' Swiss KMUs are definitely determined to spend quality time on it and take its development process and improvement seriously. Statistics show clearly that 'great' KMUs like to spend effort on creation and realization of a lean management strategy. These efforts include dedicating brain power and intellectual capital to the reasoning behind the strategy in practice. Creation, implementation and adaptation of a corporate

A study of tools alternate to a management strategy and the evaluation of our survey make obsolete the question whether a Swiss KMU 'has' a management strategy or not. The fundamental question rather is: Are you aware of the eleven management beliefs of 'great' Swiss KMUs – or not? And: Do you know the nine pathways from 'good' to 'great' Swiss KMUs – or not? Findings from 183 Swiss companies avoid the pitfalls of an elaborate 'wrong' corporate strategy deriving from the present management strategy-hype.

strategy is an ongoing job fully integrated within the entire management team and within the year-to-year periodical evaluation. 'Great' KMUs focus on simplifying management life, reducing window dressing, show effects and not merely rhetoric. Efforts defining a management strategy are welcome in great KMUs and not covered marginally in everyday business, management team or organizational development. Utmost efficiency in designing and realizing a corporate strategy is a pre-requisite in addition to avoiding elaborate management strategy definition or appointing an expensive consulting company for strategy-designing.

Path 1: Becoming a mature 'great' enterprise: Do-it-yourself and expecting full responsibility. A company is not static but more like a living organism: After founding, it is subject to ongoing internal changes and varying demands from the market place. In this situation management literature offers concepts for getting along well, thus becoming a mature organization that knows how to cope with employee expectations, customer needs, economic crisis or governmental restrictions. 'Great' KMUs broaden their competencies by doing as much as possible by themselves („Do-it-yourself approach)

thus avoiding the hazards of out-sourcing. This, although out-sourcing is so popular. The management goal 'Do-it-yourself' is realized by granting as much responsibility as possible to particularly the CEOs – but also to department heads, specialists, staff members etc. Granting full responsibility means accepting full responsibility. This enhances employees' dedication towards the companies' demands. 'Great' KMUs know well that granting responsibility empowers people to take on broad extra tasks and additional jobs. With this species of staff, any enterprise can become mature and well prepared to cope with ongoing internal changes and varying demands of the market place.

Further beliefs and pathways will be exposed in Part 2 and Part 3 to follow in the next LEADERS. ■

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Best Practice in Swiss KMUs

From a ‚Good‘ to a ‚Great‘ Swiss KMU

As stated in the previous LEADER, our study conducted in 2009 was subject to intense statistical operations in search of alternate tools to manage a strategy absent KMU. Belief 1 and Path 1 was documented in Part 1 of the LEADER in April 2010. Now we will introduce further ‚Beliefs‘ and ‚Paths‘ in Part 2.

Belief 2: Great KMUs take short term planning seriously. Besides long term visions they are alert to monitoring their business on a one year basis. This attitude makes great KMUs different from all other selected groups. ‚Great‘ KMUs know that planning introduces and exercises consciousness and control into a business life full of ambiguity. The year-to-year plans encompass mainly organizational, business and administrative issues. Being well aware of the 12-month span of productive work and business relations helps great KMUs to reach their goals. They prefer year-to-year planning for gaining awareness in and control of their enterprise in their day-to-day business life.

Belief 3: Great KMUs are flexible in adapting a management strategy for the sake of keeping flexibility. This attitude makes great KMUs different in particular to ‚strategists‘, the selected group of enterprises that follow a corporate strategy according to definition of Ansoff, Chandler, Andrews and MacCrimmon. Great KMUs know the dangers of the management-strategy-hype leading to rigid structures in business, brains and bodies. A strategy is then helpful for KMUs if strategy-adaption and improvement is part of it. Better no strategy than a ‚wrong‘ corporate strategy harming the company’s success. It is not easy to detect and thus avoid a ‚false‘ strategy, so it is well advised not to follow a strategy blindly but handle all ‚management by strategies‘ with great care. ‚Great‘ KMUs are determined to achieve the balance between sticking close to their

management strategy and abandoning the restrictions of a toughly designed elaborate strategy. This is a chance to avoid suffering a ‚wrong‘ management strategy.

Belief 4: Great KMUs focus strongly on the business and organizational goals they developed for their enterprise. ‚Great‘ KMUs set goals – see above: year-to-year planning – and reach them on time, in budget and with the estimated resources. This only works because the goals make sense to all staff and management team. The trick is to call all internal opinion leaders to contribute to the development of business goals and organizational aims – and even call in as many employees as possible. This procedure is indeed possible in particular within small and medium size enterprises. ‚Great‘ KMUs streamline the enterprise towards effectiveness and efficient processes. They bundle all objectives of business and organization. ‚Great‘ KMUs are informed about the life cycle of organizational development. Knowing your KMUs organizational steps provides insight to finding the most appropriate goals and issues on which to intensely focus. Thus the ‚great‘ KMU which prefer to focus strongly on goals avoids focusing on the ‚wrong‘ goals.

Belief 5: Great KMUs support self-containment by granting profit-loss responsibility to their business units. While companies grow and mature they install structures and procedures which should support business. Often, however, the firm becomes caught in strains of hierarchy, i.e. vast management levels, covert kingdoms, scapegoat mentality and overlapping departments and responsibilities resulting in slowing down all business activities. Crucial turnaround is then refused to re-invent the idea of alert and entrepreneurial units of the kind the KMU was when it initially started its business. Re-inventing includes establishing small business units, granting all responsibilities for both

profits and losses to each unit. The idea is to support entrepreneurship throughout the company. Self-containment within an enterprise affords a mind shift towards entrepreneurial thinking and acting. Self-contained business units of ‚great‘ KMUs mirror the project-oriented company. Project-oriented enterprises split rigid organization charts into dynamic projects.

Path 2: Managing a ‚great‘ future: Sophisticated scenarios and econometric planning tools. There are several ways to cope with present and up-coming issues within an enterprise. When dealing with the future, ‚great‘ KMUs create visions and develop several scenarios. They do not hesitate to go beyond limits and develop sophisticated or even wild scenarios. At the same time they apply analytic planning and controlling tools like enterprise resources planning (ERP), computer based knowledge, management for innovations, balanced scorecard, or process monitoring derived from management quality systems like ISO 9001:2008, EFQM European Foundation for Quality Management, etc. ‚Great‘ KMUs like to combine both approaches, the creative mind-set and the econometric approach.

Path 3: Seeking ‚great‘ managerial competence: Basic and ongoing advanced professional training. How much management knowledge does a leader of a Swiss KMU need? How much does he/she have to know about the professional disciplines underlying the products and services of the KMU? And how much business and administrative competence is necessary to manage a KMU in Switzerland successfully? ‚Great‘ KMUs are determined to obtain very good educational training, both professional and managerial. They are eager to benefit from basic and ongoing advanced training in topics related to their business. In fact, Switzerland’s managers boast completion of a large number of courses and seminars. The



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main topics are business, controlling, marketing, innovation and risk management. ‚Great‘ KMUs like to spend time and money on a diversified portfolio of basic and ongoing advanced education.

Path 4: Growing a ‚great‘ KMU: Business partners in top team and independence for departments. Becoming a mature enterprise is a pre-requisite to the survival of an enterprise. Maturation may include growing and becoming larger with more employees, more organizational structures

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and maybe more products and more services. But ‚growth‘ is not necessarily a precondition for survival. ‚Great‘ KMUs believe that departments or units have to be allowed to be independent to be able to grow and prosper. Is independence, a key issue for prospering companies? For ‚great‘ KMUs, definitely yes. But granting independence is a two sided sword if you are the KMUs founder and still in a leadership position. In this situation support comes from a ‚great‘ KMUs management principle: Stop being a ‚lone rider‘, the single top manager, and invite a member from your staff to become a business partner for your KMU. Top management teams consisting of two or three business partners with equal rights and duties is the preferred organizational structure of ‚great‘ KMUs in Switzerland.

Path 5: Enhancing ‚great‘ synergy: Add complementary know-how and realize innovative products & services. Partnership with other companies for joint business is a great issue for ‚great‘ KMUs. Aim is to enhance the KMUs core competence and thus implement innovative products and services with the added know-how of other companies. ‚Great‘ KMUs like this way of creating synergy. Cooperating complementary knowledge from other enterpri-

ses is gained by alliances, joint ventures, consortium, research projects, etc. Establishing fruitful business relations to add value to your KMU is not an easy job. You have to seek opportunities to find suitable partners. More and more mainstream match makers in business life, i.e. Swiss military exercise, golf clubs or service clubs, business fairs or conferences do not offer sufficient occasions for meeting potential specialists who sell the know-how for which your KMU is looking. Finding dearly needed core competence from other companies is a key issue for small and medium size enterprises. Great KMUs actively exploit Industrial relations for establishing appropriate alliances, joint ventures, research projects, etc.

Further beliefs and pathways will be exposed in Part 3 to follow in the next LEADER. ■

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Best Practice in Swiss KMUs

From a ‚Good‘ to a ‚Great‘ Swiss KMU

As stated in the previous LEADERS, our study conducted in 2009 was subject to intense statistical operations in search of alternate tools to manage a strategy absent KMU. Belief 1 to 5 and Path 1 to 5 was documented in Part 1 and Part 2 of the LEADER in April and May 2010. Now we will introduce further ‚Beliefs‘ and ‚Paths‘ in Part 3.

Belief 6: Great KMUs support outsourcing by job-enlargement and job-enrichment of internal competencies and services. Occasionally management theory expounds out-sourcing as a wonderful tool to improve efficiency and effectiveness. Aim of this belief is to focus on core competencies by transferring certain steps of the value chain to other companies. ‚Great‘ KMUs do not follow this trend in management theory. They keep as many phases of the value chain as possible within their enterprise. They prefer job-enrichment and job-enlargement in order to increase company internal skills, services and value creation. Statistics show clearly that ‚great‘ KMUs like to be self-sustained providing all competencies they need within their in-house team. This affords intense internal education and enabling of work force within the enterprise. Empowered employees benefit the enterprise and themselves.

Belief 7: Great KMUs avoid becoming financially dependent by investing within their own resources. This attitude makes them different to all other sorted groups. ‚Great‘ KMUs have a strong notion of staying free from external obligations, mainly financial support. This trend is totally in line with their sound financial capacity by which the ‚great‘ KMUs were sorted in our sample. So the high scores in this table are not a surprise. Yet we want to know, how ‚great‘ KMUs become financially ‚great‘ so that they can keep free from lo-

ans, free from pressure by stakeholders, etc. Their secret shows up indirectly – through all the other management beliefs mentioned above and below. ‚Great‘ KMUs are proud of being able to act within their own resources. Doing business in a frame of financial independence feels good.

Belief 8: Great KMUs are highly pro active and even adventurous. Constantly they monitor new ideas and potential new opportunities concerning customers, products, business, technology, values, etc. This attitude affords a lively mind, an interest in ‚what is going on?‘ beyond the boundaries of the company i.e. in the outer world, a curiosity for searching and finding, a good sense of what could be of some use to the company and what is not. ‚Great‘ KMUs are aware of weak signals of the market place and customers and staff. They do not wait for other market players to act. They act – if possible – first, because they know about the advantage of moving early.

Belief 9: Great KMUs focus on exploring new business areas. Create and support all top managements‘ creative efforts. That is the high duty of entrepreneurs – and their core competence. There are several options of how to create and support business. Compared to other selected groups, ‚great‘ KMUs mainly choose to explore new business options. They are dedicated to the exploration of additional chances on the market place. In addition, there is strong agreement among ‚great‘ KMUs to continuously improve company internal processes in administration, production, and value creation. The aim is to increase business.

Belief 10: Great KMUs prefer projects with small volume. But they are also open to conduct very large single projects. This feature is not easy to interpret or understand. But some ‚great‘ KMUs are not at all anxious to engage in a few businesses with very large volumes. Statistics show cle-

arly that ‚great‘ KMUs are determined to think big, and to be fearless. They do not submit to the Swiss principle ‚management by mushroom‘, i.e. get their heads cut off in case ideas or projects become great.

Belief 11: Great KMUs benefit from professional relations within top management rather than close friends. They prefer to appoint co-workers to become business partners. ‚Great‘ KMUs tell us that they tend to apply for becoming an Incorporate (AG Aktiengesellschaft), rather than a GmbH, Genossenschaft or a Co. KG. Next step is internal recruitment of a AG-partner from the KMUs office. KMUs are not too small to be able to provide qualified CEO for top management duties for internal company succession. Even ‚inherited‘ CEOs, i.e. a son or a daughter of the founder takes over full top management, is common within ‚great‘ KMUs. Don‘t waste time on your enemies (you ain‘t gonna convince them) Create an A-Advisory Board (your project is as cool as the cool people who are seen to be supporting you). Find co-conspirators. Start networking now. Find customers. Think as users – from start. Recruit Mr./Mrs.Follow-Up. Take succession planning seriously.”

Path 6: Guarding ‚great‘ management relations: Professional relationship building and succession activities with professionals. Because KMUs in Switzerland are mainly organization with 10 to 50 employees, staff members know each other well, often a bit too well. In some KMUs having up to 250 employees then there is more anonymity. Knowing your colleagues well is definitely both a benefit and a disadvantage. Many tasks are more easily accomplished but also much more interpersonal drama arises which has to be solved. The crucial question is how to deal with relations in the office in a way that avoids becoming too personal. KMUs in particular



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do have to make efforts to balance closeness and maintaining professional relationships. In this situation ‚great‘ KMUs prefer office relations which are conducted with great professionalism. The atmosphere is as if all staff has undergone a self-awareness and interpersonal communication training. Intra-organizational communication is a crucial issue for ‚great‘ KMUs. Close relationships, however, are not sought after. Yet a family company, where a daughter or a son takes over the top management role, are well known among ‚great‘ KMUs. In particular, at the top management level professional communication is often found. And also professionalism when it comes to succession planning.

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Path 7: Broaden personal responsibility – also within top management team. Throughout all selected groups there is one single management issue that scores very high: It is the value of good relations among top management team. The second ranked issue is the idea of enlarging the responsibility of each member of the top team. This idea gained a very high agreement within the entire survey. Although the respondents – founders, CEOs and leaders of Swiss KMUs – are top management themselves, they all seek increasing personal responsibility. They pledge more individual trust in managers. Among all selected groups the grade of agreement on this issue is highest and distinctly in the group of ‚great‘ KMUs (71%). Benefits from increasing the sense of being responsible for the company and its people, policy, partners and products, are a great value for ‚great‘ KMUs.

Path 8: Don‘t be terrified to reveal business information to competitors. Trainers in management and marketing consultants constantly teach the idea of hiding your companies ‚family jewels‘ away from public. To be successful, they say, top management should protect business data, know-how and equipment from loss and unauthorized access. But being too anxious might hinder freewheeling communication within top management. Focusing strongly on data protection binds energy and blocks brains. Anxious top teams may not even realize that they surrender on a nuisance. Management by ‚secret mission‘ is not the way

how ‚great‘ KMUs operate. Play business openly, you have no real secrets that other companies could benefit from. So keeping secrets is not at all an issue in ‚great‘ KMUs. This is a remarkable ‚benefit, result and profit‘ which is rarely heard in business in Switzerland.

Path 9: Increase presence on the marketplace and in the world. Compared to other selected groups, ‚great‘ KMUs are eager to increase their presence as a market player. Although being only a small or medium size enterprise, for ‚great‘ KMUs it is important to act on the market place, to be seen by customers, and to be recognized by competitors. There is no need to play ‚low profile‘ as Swiss companies usually do. ‚Great‘ KMUs like competing in the market and broadening their influence. ‚Great‘ KMUs also think globally. They never forget to try to enlarge geographical boundaries. They are interested in markets and customers from other countries. The word ‚international‘ is a term that does not make them feel uneasy. ‚Great‘ KMUs trust in the big community of international business. ■

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