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A GENERAL MANAGER'S AGENDA

What good managers do

Joan E. Ricart and Jaume Llopis

As management scholars and teachers, we often worry about a fundamental question: what do managers, especially good ones, do? It seems like a simple and easy-to-answer query. Just follow a few managers around and watch them. But this approach doesn't reveal essential information. Since managers spend most of their time in meetings, speaking with people both inside and outside the organization and addressing diverse issues, it's hard to tell between what is urgent, what is important and what is necessary. And distinguishing these is important.

We decided to try to answer the question by taking a different approach. We invited top managers from diverse types of firms and industries to attend our classes and explain their work to MBA students who were about to graduate. In addition to giving the students a chance to reflect on what they believed were the most important tasks for general managers, the discussion also forced managers to think about and identify them. Instead of merely describing how they spent their time, they were asked to identify their priorities. We encouraged them to focus on this idea when they prepared for the sessions, and in many cases, we followed up with separate interviews to clarify their views.¹

Not surprisingly, managers' styles, and therefore their perspectives and in-class presentations, were quite varied. They reflected the characteristics of their firms, industries, histories, experiences and values. Despite these differences, clear patterns emerged. As we developed the framework to be explained in this chapter, and shared these with the executives in our executive education and alumni classes, we identified significant a convergence in key areas. We realized that our framework was not always explicitly articulated by executives, but it was a cogent reflection of their implicit understanding of the relevance and importance of their leadership task. In our framework, we identify three fundamental priorities: the future, the business model and people.

The first fundamental priority is creating a future for the organization and communicating this – something easy to say but so difficult to do. Top managers know that their essential responsibility, their true service to the organization they manage, is to make sure the organization has a future. And this requires playing the roles of entrepreneur, strategist and visionary. The CEO must act as a true integrator with a long-term perspective. Sometimes we call this the “strategizing” role of a general manager, to highlight the ongoing strategic thinking that is involved.

The second fundamental priority we identified was continuously adapting the business model. We consider the business model to be the instrument that creates value in a sustainable way. And this instrument requires constant renewal to deal with continuous changes in the environment, in competition, in the capabilities of the organization and in the learning of individuals. Renewal involves ongoing restructuring to boost efficiency, reengineering to be more effective and reinvention to sustain differentiation. We call this general manager role “renewal” to highlight the design perspective and the need to continuously reimagine the business model.

The third fundamental priority that emerged was people. We found that managers invest significant amounts of time and effort into attracting talent, developing people and helping them grow in their organizations. As one manager noted repeatedly, “My job is to get the best version of each person in the organization and focus them on our mission as a company.” The general manager’s role as “organizer”

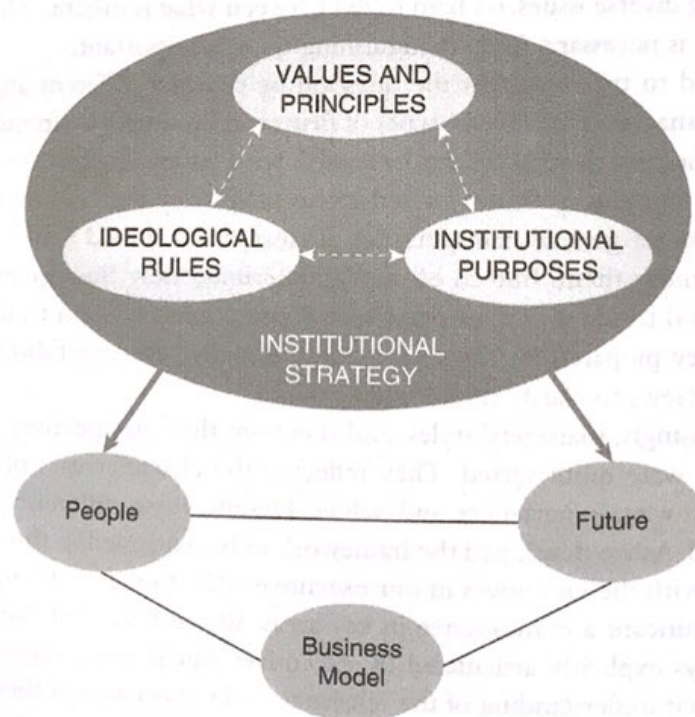


FIGURE 1.1 Priorities of a General Manager

Source: Authors.

emerged from these conversations but with a focus on people as a starting point rather than tasks.

In addition to these three fundamental priorities and roles, we identified another critical element. We found that managers frequently spoke about the mission, values and the contribution of their firms to society. Importantly, they discussed these issues as fundamental, rather than residual, aspects of their leadership roles. This led us to identify a fourth priority, which acts as an umbrella and gives meaning to general managers' work in their organizations. We called this priority institutional strategy.

In addition to giving meaning and direction to firms, particularly in highly complex and uncertain situations, this priority reflects the view of the firm as an institution with values, principles, norms and meaning in a broad sense. Serving as ambassadors for these attributes, on behalf of the organization, is perhaps the most important role that general managers play.

Figure 1.1 presents the framework we discuss in this chapter. It is a simple model that captures the complexities of leading organizations as they fulfill their missions in the world. It highlights the important aspects of a general manager's role, their important service to all stakeholders and the beauty of the profession of leading people to do extraordinary things for the good of society.

Search for the future

What could be more important than the future? The future is, of course, highly relevant and important for all stakeholders. There is no need for long discussions about this. So any leader should, before anything else, be aware of the future as a fundamental responsibility. They, along with everyone else, should be thinking about, working toward and imagining the future – a positive future – for everyone involved in this collective project. The creation of the future is the base for any strategy. It involves the analysis and identification of opportunities and is the starting point for the existence of the firm itself.

Consider the quote of one executive, José María Pujol, president of the Spanish multinational Ficosa International. Ficosa, which designs and produces components for the auto industry, was a small company back in the 1980s manufacturing mainly for Seat, the Spanish carmaker that now forms part of the Volkswagen Group. Over the years, it has undergone various transformations. Today, it is a small multinational with a turnover of roughly 1 billion euros selling to basically every car manufacturer in the world, with a leading position in retrovision systems.

Pujol said, "The future will come. The question is if you are going to have future. You have to anticipate it, make decisions and be right about your choices. Sometimes you even need to commit suicide to really innovate and lead the change that is coming."

Difficult choices have to be made, which are even more difficult in situations in which there are opportunities for creating a different future. Often the first choice to be made is whether one should anticipate the future or create it. Creating the future, in fact, is the best way to anticipate it, but can you also be a leader in it?

The starting point for the reflection about the future should always be the anticipation of the future needs of your clients (or future clients). One of Ficos's main divisions is focused on retrovision systems, which feature mirrors. Today, cameras have become just as important in cars as mirrors are. And tomorrow, the industry may need no mirrors at all if cars become driverless. So what are the real needs to be satisfied in the future? Whose needs will the company satisfy? What should be done today to secure the firm's future tomorrow?

A culture of innovation

In a world of innovation, there is vast space for creating a new future. And it derives from needs that are not satisfied today and perhaps not yet known. Apple, for instance, showed people their great unmet need for smartphones and tablets. And today we can't live without them!

The second step in creating the future is to put forward a value proposition that satisfies the needs we are anticipating. The value proposition provides a clear vision that can inspire the whole organization. Rather than a "dream" projected onto the future, it manifestly satisfies customer needs through its value proposition.

Good managers are good entrepreneurs, who effectively carry out these fundamentally creative tasks with the support of their teams. They are also able to bring the vision to the present moment and put the necessary strategic building blocks in place to take the company into this future. Again, in this process, there are two fundamental steps.

First, managers should define the businesses in which the firm can create sustainable competitive advantage. It helps to focus on one fundamental question: where do we want to compete? Businesses are defined, in a practical sense, by the needs that are going to be served, the clients who have these needs, the geographic areas that will be served and the competencies required to carry all these actions out successfully.

In terms of competencies, a second fundamental question must be asked: how are we going to win? Both questions need to be explored simultaneously. We can't choose where to play without understanding how we're going to win. Both questions are equally important.

Most work in the strategy field over the last fifty years has centered on providing the answer to the second question, which is extremely difficult to answer. Consequently, countless methods have been developed to help general managers understand the competitive environment, a firm's capabilities and resources, competitive interaction, potential new players and radical change actors.

The analysis of these first two questions gives rise to a third: what capabilities are needed? As we carry out the process, we need to identify the core competencies and which of those associated with them are actually necessary.

Clearly, the answers to these questions will differ according to the industry, the firm, the interest of the owners and the geographical area. Ultimately, though, strategy is about being different, not doing the same things better. This first priority, the

future, connects us directly to the second one in our framework: business model renewal.

Business model renewal

What is a business model? It's the set of choices that a company's leadership makes, taking into account the company's history, philosophy and the way it creates value for its stakeholders. The business model describes how the company generates value for society as it seeks to create the future it has envisioned.² As revealed in our discussions, general managers continuously renew the business model. Since clients' needs are constantly evolving, the vision of the future must evolve, too.

The Swedish furniture retailer IKEA acts as a useful example of both effective design and constant adaptation of a business model. In our sessions, Belén Frau – at the time general manager of IKEA Italy and previously a manager of a large retail store in Northern Spain – explained this to us in detail. IKEA's business model is determined through fundamental choices. When it first began, the company set out to “democratize” good Nordic design by making it widely accessible to customers through low prices obtained through large volumes and operational capabilities, especially logistics. But this basic value proposition has always evolved. Currently, IKEA sells unassembled furniture, which eases the logistics process and enables clients to transport merchandise themselves, cheaply and efficiently. But IKEA hasn't always done this. Instead, the company decided to embrace the idea at the suggestion of an employee as it sought to refresh the business model to better serve the needs of clients.

Similarly, IKEA is constantly adapting the buyer experience and business model by studying the habits of consumers in different countries. Changes are implemented either on a global or local level, based on ongoing experimentation, pilot tests and prototypes.

Traditionally, the business model – its design, configuration and adaptation – has been a priority for general managers. A more relevant issue today has become the increasing opportunity to do things differently.³ For this reason, business model types are proliferating. In the past, discussions centered on the trade-off between differentiation and cost, or mass markets and focused segments. These differences are still important, and business models have to be carefully designed to ensure they are consistent with the choices made in these domains. But today, general managers must consider other factors too.

Numerous drivers of change – demographics, globalization and technology, among others – can help identify alternative ways of designing business models. As a result, value chains often become fragmented as value-added activities are distributed geographically and outsourced to other companies and as distribution systems grow. The key dimensions of business models have multiplied, providing increasing opportunities to create new and distinctive types.

As a consequence, there has been an explosion in recent years in the number of tools, models and proposals for redesigning, innovating and renewing business

models. Meanwhile, designing, experimenting, rapidly prototyping and deploying new business models has become a daily task and priority of general managers. As new competencies are necessary, business model renewal has become an important element in management education, with systemic and design-thinking capabilities now emphasized.

A focus on people

We found that general managers firmly believe that people are the center of the organization and the key to execution. Everything is done by and through them. Following this view, good managers spend significant amounts of their time focused on people.

The first fundamental priority in the area of people is to manage talent. Firms use different procedures and processes, but good managers put a lot of their time into identifying talent, developing it, providing challenges and new tasks, offering training and planning careers and assignments. In other words, they provide opportunities for people to grow.

Jaime Aguilera – president of Unilever in Spain and at the time of writing in charge of Eastern Europe – told us that his main role was to make sure he had the optimal team and that each member was able to “bring the best version of herself or himself to the table every day.” In fact, he actually stated that this was the *only* thing he did: simply get the best version of each person to work with others on the team to fulfill the goals of the company. This is a nice way to express what should be the first priority of the top executive of any firm, division or department, and not just the domain of the human resources (HR) manager.

Importantly, talent management is an individualized task and therefore one has to involve every manager in the organization as a mentor, trainer and/or coach. It’s a fundamental duty to ensure that people are growing and able to bring out the best in themselves at work every day. Managing talent is also challenging on an individual level since most tasks are carried out in teams. This means that people need to be combined in ways that enable them to flourish and grow while producing positive results.

Yet another dimension is managing levels of challenges and risks by making people feel responsible and therefore accountable. This involves empowering people and providing the tools and processes for good decision-making, along with channels for measuring and evaluating performance and providing feedback. Doing all this in a fair way is not easy and requires an understanding of motivation and incentives. It also means providing recognition and rewards fairly while correcting what needs to be corrected.

In our discussions, Luis Cantarell, VP of Nestlé Global, Head of Zone EMENA (Europe, Middle East and North of Africa), asserted that in his company, everyone behaves as if people are the most valuable asset in the company. Over the years, his many mentors and bosses helped him develop his career at Nestlé and provided him with opportunities to thrive and grow. When we spoke with him, he was

developing team members and mentoring people in units throughout the company. In addition, he kept his own list of potential talent within Nestlé.

In essence, good managers are strong believers in human capital being fundamental for good execution, believing that optimal productivity is obtained not by exploiting people but by helping them grow and develop. They understand that passion comes from commitment and empowerment, and they manage human capital carefully. The result is often extraordinary things carried out by ordinary people – the key to success.

Building an institutional strategy

We live in a world characterized by high uncertainty and risk. Companies struggle to create or at least anticipate the future; design and constantly adapt the business model; and develop talent that can execute effectively. In a world sometimes described as VUCA (volatility, uncertainty, complexity and ambiguity), providing direction for these priority tasks is tough. How can general managers provide sufficient direction and stability in a VUCA world?

Detailed planning, a conventional approach for dealing with this challenge, is simply unfeasible today. Of course, you need to plan, but you also need to keep in mind that you may have to change plans tomorrow. For this reason, detailed planning is essentially death. So what do good managers do? They map out a clear institutional strategy.

An institutional strategy has different complementary elements, which include values and principles; institutional purpose and mission; and a working philosophy or “rules of the game.” Let’s take a look at each of these elements in more detail.

Values and principles form the backbone of any corporate culture. We have described how various general managers express their organization’s values and how these connect to action and performance. They serve as ambassadors for these values, and moreover, they seek to live them. The consistency between espoused values and actions of key managers is crucial, because good managers demonstrate how to live these values.

The origin of values can vary considerably, depending on the history and the ownership structure of the firm. Even in centuries-old companies, the founder has an important impact. We found that values tend to be simple, clear and with a few unique characteristics. Generic values are not useful for providing direction and focus. Finally, values need to be shared by the whole organization, which is why the ambassador role played by top management is so important.

The second important element is institutional purpose, sometimes used interchangeably with the word “mission.” The basic question to be asked here is, what contribution does the company make to society? This goes deeper than just talking about needs, clients and geographic areas that the company serves.

The purpose should include the *external mission*, which defines the value proposition and/or segments of clients. It should also include the *internal mission*, the

purpose of the organization on a deeper level. By connecting the inside and outside, managers can link managerial choices with the organization and its clients.

Many times, the values and principles, as well as the purpose or mission, become ingrained, not only in the organizational culture but also in what we call the working philosophy of the place. Often, these are artifacts derived from the culture of the place. Sometimes they are largely implicit: learned by doing and by following examples. Sometimes they are explicit: written down and communicated to everyone even before they start working in the organization.

Two elements stand out when defining the working philosophy since they condition the behavior of people in the organization. The first centers on excellence, or what it means to do things well in the company. The second point relates to merit. Does the company recognize excellent work? If so, how is this done? How effective is this recognition?

A relevant example for understanding the role of institutional strategy is La Fageda, a Catalan cooperative founded by Cristóbal Colón. The company was started to provide dignity through jobs to mentally impaired people in the region of La Garrotxa, Spain. La Fageda produces, as Colón likes to say, the best yogurts (also ice creams and marmalades) in the world. Although the company competes with Danone and Nestlé in the marketplace, its driving force is its internal mission to generate employment for the mentally impaired. Driven by the combined external and internal missions and supported by strong values, the company competes successfully while providing tremendous social value.

Many companies with sustained long-term success have strong cultures based on intrinsic values, a clear purpose and a specific working philosophy. The world outside is changing fast, so the company has to adapt, change and learn. But the institutional strategy gives the company stability, a sense of direction and focus for everyone in the organization.

The institutional strategy is, therefore, an umbrella that provides direction to the other three fundamental priorities: future, business model and people. Without this umbrella, the VUCA world can become a turbulent, unmanageable place. The institutional strategy provides order amid chaos and agility when adapting the business model.

Conclusion

The priorities of top managers that emerged from our study, which are summarized in Figure 1.1, are consistent with other studies on the normative behavior of top management. They are also aligned with the principles of IESE Business School, as articulated by the founding dean, Prof. Antonio Valero, and the emeritus dean, Prof. Juan Antonio Pérez López.⁴

By integrating academic work into our empirical observations, we can categorize the areas of responsibility for general managers in four interdependent elements that together make a system.⁵ The role of the general manager (GM) is to work on each of the areas in a balanced and coordinated way, as presented in Figure 1.2.

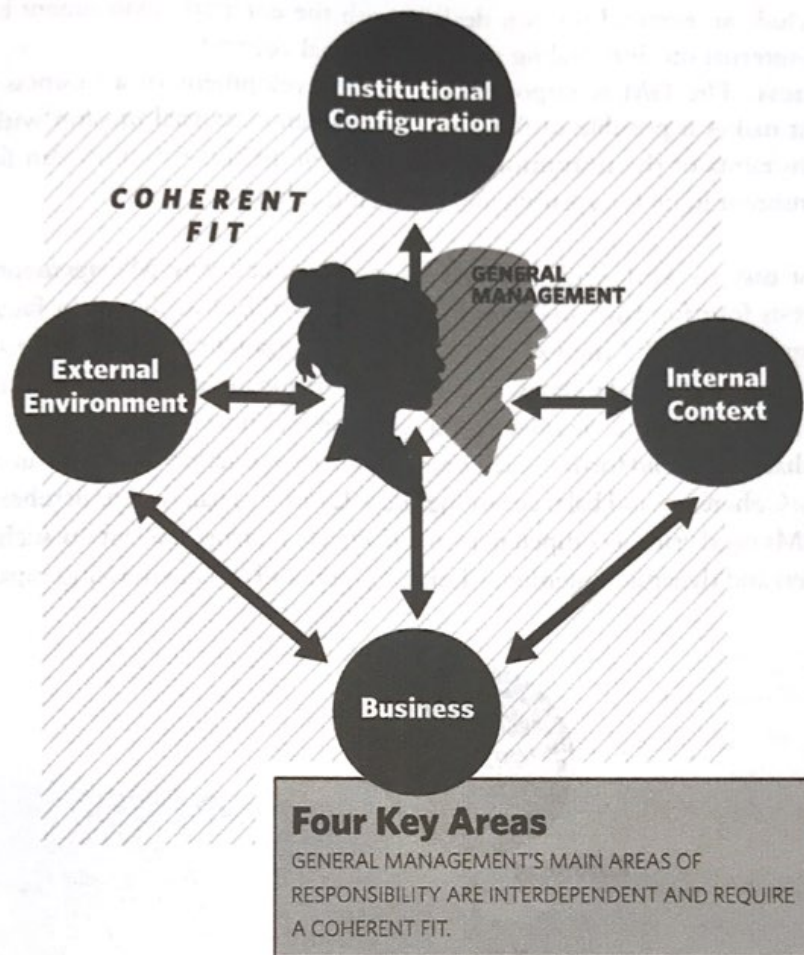


FIGURE 1.2 General Management Main Areas of Responsibility

Source: IESE Insight, No. 23, Fourth Quarter 2014, pp. 15–21.

Institutional configuration: The role of the GM is framed by the ownership, governance and stakeholders of the firm. The GM makes decisions relating to issues such as laws, regulations, government intervention, fiduciary law, as well as social norms. The GM never has total freedom, nor is totally constrained, since he or she can always manage or influence to some degree.

External context: GM actions are conditioned by the external context, which includes customers, channels and competitors. Again, the GM can sometimes greatly influence such parameters. But even when the degrees of freedom are limited, the GM has to manage the external context in a coherent way with the other elements while also considering the company's idiosyncratic dynamics.

Internal context: GM actions are also conditioned by the internal context, particularly people inside the organization. Consequently, the purpose should

include an external mission dealing with the external environment but also an internal mission dealing with the internal context.

Business: The GM is responsible for the development of a business model that makes it possible to fulfill the internal and external mission within the constraints of the institutional configuration. In this way, they can follow a consistent logic for creating and capturing value.

It's not easy to work with this system in a balanced way. Management literature suggests four fundamental roles for the GM or CEO, as shown in Figure 1.3: (1) strategizing, to fulfill the external mission; (2) organizing, to fulfill the internal mission; (3) business model renewal; and (4) governing. The empirical observations gathered in our work are clearly aligned with these abstract tasks.

Note that the gerund form of each word is used to emphasize that these are continuous roles. Coherence and balance among the roles are crucial. And remember – it is a system! GMs need critical competencies to effectively manage this system, such as having an open and dynamic systemic or holistic vision and design-thinking capabilities.

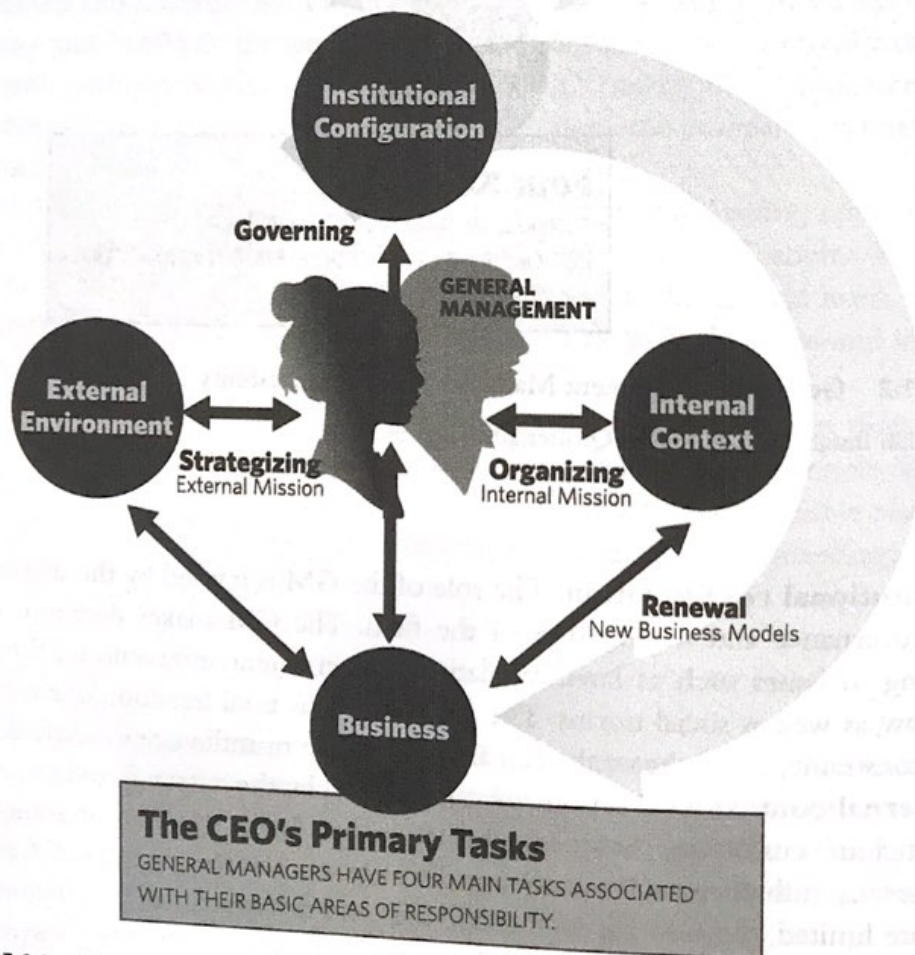


FIGURE 1.3 General Management Main Tasks Associated with the Areas of Responsibility
 Source: Authors.

When GMs manage a system, they need to have a systemic or holistic vision. They need to see the forest beyond the trees. They also need to understand that a system is more than the sum of the parts, so aspects such as proper fit, consistency and reinforcement are vital. Furthermore, in a world of swift evolution, GMs need to understand systemic change. They may need to modify many things at the same time and, of course, will face many difficulties doing this.

But the system is open and dynamic. It's open because it constantly interacts with diverse stakeholders, many of them outside the organization itself. And it's dynamic because such relationships and interactions are constantly changing: sometimes steadily evolving, other times undergoing punctual change.

In summary, the role of the GM is the configuration and management of an open and dynamic system in a complex context with myriad stakeholders. So managers need to be careful when using tools that simplify and specialize, since their task is essentially integrative. For this reason, they should always maintain a systemic perspective.

The Japanese imaging and electronics company Ricoh provides an example of this transformational role of the GM.⁶ In the wake of the economic crisis and the onset of the digital economy in Spain, Ricoh Spain needed to create new opportunities in the marketplace. As general manager of Ricoh Spain Ramón Martín explained to us, the firm decided to move beyond the introduction of new products launched by the corporation and embrace a new business model based on digital services. The deployment of the new business model is still in progress, requiring adjustments in all dimensions of this system.

GMs face the challenge of understanding complex situations and excelling in difficult roles. Management literature points to three criteria for judging the quality of a GM's decision-making:

- 1 **Discipline.** This refers to the managerial competencies to make rigorous decisions using the available information and the right managerial tools. Essentially, GMs should be competent and well trained, work hard and understand the complexities of the world today.
- 2 **Innovation.** We can also call this creativity or imagination. The complexity of the problems today requires novel solutions and innovative formulas to respond to the external, internal and governance context.
- 3 **Responsibility.** It may seem obvious, but an intrinsic sense of responsibility is associated with the work of a GM. The GM manages systems that affect stakeholders in many ways. And behind each stakeholder group, there are people affected by choices, either in positive or negative ways. GMs leave their fingerprints on every decision they make, a fact they are keenly aware of.

The GMs in our sample demonstrated these criteria and sought to transmit them to our students, each in a different way. They viewed the criteria as important for making choices during their careers.

As we got to know the person behind the GM role, we were able to identify several common character and personality traits and lifestyle patterns. In total, we pinpointed eight personal characteristics associated with good managers:

- 1 Hard work
- 2 Knowledge and competence
- 3 Shared values
- 4 Integrity
- 5 Spirit of service
- 6 Conflict management
- 7 Personal balance
- 8 Passion in their work

Being a general manager has always been difficult, never more so than today. Beyond the authority, status and power that we usually associate with the role, general managers perform a service that is ideally carried out by well-prepared professionals who possess integrity, competence, passion and a deep sense of responsibility for the well-being of all stakeholders. Ultimately, GMs are leaders of institutions that serve society and are agents of change and prosperity in a quickly changing world.

Notes

- 1 This research has been collected in two books published in Spanish: J. E. Ricart, J. Llopis and D. Pastoriza. *Yo Dirijo: La Dirección en El Siglo XXI Según Sus Protagonistas*. Deusto Ediciones, 2007; J. Llopis and J. E. Ricart. *Qué Hacen los Buenos Directivos: El Reto del Siglo XXI*. Madrid, Spain: Pearson, 2012. A summary was published in J. Llopis and J. E. Ricart, "What Good Managers Do: Management Priorities for the 21st Century," *The European Business Review*, September–October, 2013.
- 2 See R. Casadesus-Masanell and J. E. Ricart. "How to Design a Winning Business Model." *Harvard Business Review*, 100–107, January 2011.
- 3 See technical note: Strategy in the 21st Century: Business Models in Action, SMN-685-E, December 2012.
- 4 Some classical references here are
 S. Finkelstein and D. Hambrick. *Strategic Leadership: Top Executives and Their Effects on Organizations*. Minneapolis/St. Paul: West Publishing Company, 1996; J. Kotter. *The General Managers*. New York, NY: The Free Press, 1982; H. Mintzberg. *The Nature of Managerial Work*. New York, NY: Harper & Row, 1973; J. A. Pérez López. *Fundamentos de la Dirección de Empresas*. Madrid: Ediciones Rialp, 1993. Forthcoming in English as *Foundations of Management*.
 A. Valero and J. L. Lucas. *Política de Empresa: el Gobierno de la Empresa de Negocios*, 2nd ed., Pamplona, Spain: EUNSA, 1991.
- 5 What follows comes from R. Andreu and J. E. Ricart, "The Genuine Responsibilities of the General Management," *IESE Insight*, 23, Fourth quarter, 15–21, 2014.
- 6 See case 5.2: Ricoh Spain. Transforming the Business (María Eugenia Pascual, Miquel Lladó and Joan Enric Ricart).

