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Management: The Odd Couple

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This is a risky article. It explores relationships at work, and that is always risky. It also explores long-standing relationships between owner/CEOs and key senior managers. For years I have observed these relationships; only recently have I begun to understand what they mean to our businesses. And, what they mean is often the ability to move forward or to remain in the past.

The Relationships of Direct Marketing Structures

Most direct marketing companies in the small to middle-sized market (below \$100 million in sales) are linear organizations. By that I mean they have a primary executive who tends to influence all areas of the company. Entrepreneurial owners and CEOs come from one of several disciplines generally: marketing (most often), merchandising, accounting and, rarely, fulfillment/operations. When we examine successful companies, the owner/CEO is usually an entrepreneurial direct marketer who came up through the marketing side of the business, an individual with a strong sense of product and process.

That primary, marketing trained CEO is also, generally, a male. Yes, thankfully there are more women gaining leadership of direct marketing and other types of companies, but—by and large—these companies are operated by male owner/chief executives. It is not my intention to discuss the merits of gender management; I have my own beliefs, and they are not particularly supportive of the male-dominant status quo, but they do not apply here.

I believe it is fair to say that males and females often have different management styles. My observations tell me that males usually manage vertically and females usually manage horizontally. Males tend to manage aggressively downward and females tend to manage cooperatively outward. There is no right or wrong, only different styles. However, my personal belief is that you get more from cooperation than you do from aggressiveness.

The linear management style relies on logic and analytic measurement. The cooperative management style relies on consensus and performance empathy. A male goes for performance based on strength and metric direction; a female goes for performance based on agreed potentials and shared efforts. Reduced to its primal drivers, the management style is “kill or be killed” versus “survive by emotional superiority.” Further reduced, it is: strength versus cooperation, or win versus compromise. Women have something going here.

The Marriages

Within those direct marketing companies who have male entrepreneurial ownership or management, more often than not I observe a senior female manager who is so different in her management and relational style as to be in near constant conflict with the male owner/CEO.

The logical-aggressive male owner looks at projects and day-to-day tasks through logic and aggression-colored glasses; the female manager looks at the same projects and tasks through empathy and cooperation-colored glasses. They see very different things, and this leads to conflict.

What I also observe in these relationships is that both the owner/CEO and the senior female manager are together for significant periods of the day, week, month, and year. In fact, they are often together more total hours than they are with their spouses or partners. In many ways, these work relationships are “marriages.”

Some of these pseudo-marriages are satisfying; most, however, are troubled. The owner/CEO has a key manager who is talented, valuable and important to the success of the organization, but she is driving him crazy with her empathy-cooperation demands. The key manager is concerned about the “human” elements of the job, her people, and their emotional well-being, and the CEO’s logic-aggression and “unfeeling” lack of empathy is driving her crazy, as well. The CEO is focused on the company and his monument; the key manager is focused on the elements that make the company successful and her relationship-building.

And, there is the seminal difference: monument-building versus relationship-building; warrior versus diplomat.

Add a Second Element: Power

Oddly, most owner/CEOs are not motivated by power. They tend to be motivated by money or by love. The game plan for most of the entrepreneurial owners I have known has been to build wealth. Some have a secondary desire to be admired and respected (a form of love) by their employees and by other entrepreneurs. But, rarely are they motivated by holding power over their employees.

Yet, more oddly, most of the key female senior managers are primarily motivated by power. They want to hold their staff as a power base to force their positions on the owner/CEO, and they are motivated by a need to be right about most things, even though their method is based on intellect and cooperation with others. As a consequence, they tend to hold decision-making closely and tend to surround themselves with people who will not challenge their authority. And that leads to direct conflict with the owner/CEO and a struggle for power and control. The CEO uses logic while the key manager uses emotion. The result is chaos.

Separations and Divorces

When a key, female senior manager has been with a company for a long time, the degree of control becomes more prevalent. In some cases, there is outright refusal to carry out the strategic wishes of the owner/CEO. Other times, it is a more subtle, delaying tactic that is used.

When the conflict deepens, it spreads to other departmental management relationships, such as merchandising, operations, finance, and IT. Subtly, over time, the “wife” of the relationship begins to exert influence over others to bring the “husband” into line. The owner/CEO wakes up one day and finds himself in revolt from numerous fronts across the company, all intentionally stage-managed by the aggrieved “marriage” partner.

At this point a “trial separation” often ensues. The owner/CEO attempts to salvage the marriage by “space.” Duties are reconfigured and responsibilities are changed. However, it is almost impossible for the owner/CEO to imagine corporate life without the “marriage partner.” Every justification is offered for continuation of the relationship, even when all others see the toxicity and fatal pathology of the relationship.

Rarely does the trial separation improve matters. All too often, it deteriorates—sometimes rapidly and sometimes over a period of years—to the ultimate divorce. It seems to depend on how much pain both sides can stand in the fruitless and profitless exercise of loyalty to each other. In some cases the divorce is painful and costly; in some cases it is a mutual parting of the ways with an amiable outcome. In all cases, however, it is necessary and inevitable.

The Cloud of Acceptance

There are so many reasons why these doomed relationships are allowed to fester to the detriment of all. In some cases, the key manager was instrumental in saving the owner's bacon in the lean years. In some cases, it is a psychological game that neither understands, an unwholesome game of wills and control. In other situations, it is something approaching a benign intimacy and mutual caring that, for whatever reasons, goes awry and turns cancerous.

What is always present, however, is a period of clouded acceptance of the inevitable and ultimate solution. The key manager is usually the first to fear the coming divorce, and tends to ratchet up the emotional pressure. The owner/CEO usually reaches the end of his rope and—for the first time—refuses to tie a knot in the end of the rope and, finally, slips off and goes into free-fall and full reorganization mode. From there, there is no reconciliation and no turning back. There are no “part-time” or “consulting” opportunities for the key manager; it is over.

Once the cloud of acceptance clears, the toxic aftermath becomes apparent and both the owner/CEO *and* the key manager realize “I should have done this years ago.” And that recognition by each person speaks volumes about these types of relationships.

The Other Side of the Story

For every female key executive in these situations, there are an equal number of owner/CEOs who are equally difficult. There is no monopoly on gender pathology.

I can recall male owners who have a long and well-developed history of exploitation and psychological warfare towards their senior managers and, often, most of their employees. Some very large direct marketing companies have been built this way. Generally, they are referred to euphemistically as “training grounds” or “revolving doors” for direct marketers. They tend to be totally autocratic organizations, often having two or more generations of autocrats who have established the management style. And, it must be said, usually the individuals who rely on this autocratic, dictatorial management style are not very good at what they do and have less than successful companies.

In these situations, the marriage is an arranged marriage and it is usually flawed from the beginning. The female, senior manager has no independence, no defined authority, no decision-making room, and little to offer her staff in the way of personal growth and a future within the company. These dictatorial owners tend to treat the senior managers as robotic tools with the only purpose of servicing the owners' directions, right or wrong.

These are particularly sad relationships. The marriages tend not to last long, often no more than a year or two. And, interestingly, these relationships are not limited to the female senior managers. Male senior managers are manipulated by the toxic owners in the same way. The difference is that when you subdue a woman, you create a smarter

woman who grows out of the toxicity and finds a better position and success elsewhere. But, when you subdue a male, you often create another angry, toxic male who creates failure and gets fired.

The Unspoken Reality

Most of the time, we describe direct marketing companies in terms of the capabilities for exceptional performance. They are “great” at analytics, or they are “unbelievably good” at new customer acquisition, or other such accolades.

Rarely, do we talk about the internal relational reality of these companies. We never hear, for instance, “they are totally incapacitated by toxic internal relationships” or “what a sewer of conflicting ego and emotion that place is.” The truth is, most of us who see company after company understand which ones are well-managed and which ones are ill-managed. But, what we rarely get to see are the true relationships between the owner/CEO and his senior executives, particularly where those senior executives are both long-time employees and female. More often than not, there is significant pathology in those relationships. However, now and then they do work and work well.

If I were to attempt to quantify the degree of unhealthy relationships between male owner/CEOs and senior, key female employees, I would have to put it at something like sixty percent. It sounds high, but it is frighteningly common. In some companies, there may be five key senior executives who are female and three of them are estranged relationships. In some, there is only one estranged relationship, but it is a huge problem and is causing extreme difficulties for all other senior managers.

What I don’t understand is the reluctance of owner/CEOs and of key senior managers who share this problem to deal with and resolve the situation. It isn’t going to change. It isn’t going to get better. It is costing a great amount of lost opportunity and lost profits. It is wearing emotionally. It wastes inordinate amounts of time. It is counter-productive. And it is detrimental to the overall organization. Do something about it!

The Myth

The owners/CEOs who struggle with this problem, sometimes for years, usually tell me that they are concerned that there is no one who knows as much as the senior manager; no one who has so much corporate history and who knows what works and what doesn’t; no one who can replace the senior manager. I’m not convinced.

The owners/CEOs who plead this myth as a case are simply unable or unwilling to deal with confrontation. They are afraid someone is going to yell at them again. In other words, they are confronting their own weakness.

No owner/CEO will be successful until weakness is met and bested. The only way to overcome innate weakness is from a position of common sense and future benefit. There

is no benefit to prolonging these relationships and there is no common sense whatsoever in making excuses for internal conflict from either side. It destroys companies.

Similarly, the senior manager who is stymied by an owner/CEO will only find resolution in facing the common sense in the future personal benefit of moving on. You can't change things and you can't grow; therefore, it's time to go. Women tend to solve these problems; men tend to try to ignore them and hope they go away.

The Unusual Rarity

When the owner/CEO is a woman, I rarely see these difficult relationships with key, senior executives. I don't know why. I keep coming back to the cliché: men and women are wired differently. My conclusion is we need more companies managed for the right reasons by the right people. Draw your own conclusions.

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Thoughts Looking From My Window

*A few thoughts that you may want to consider yourself.
A regular feature of the newsletter.*

The view from the window this month is from my automobile. I've just returned from a week of holiday driving to Rancho Mirage, California and to Tucson and Tubac, Arizona. The route was through California's Central Valley, the vast agricultural region that does its best to feed a great part of the nation.

What I saw in the Central Valley was a lesson in scale. For nearly 250 miles there are unending groves of almond and walnut trees planted about 10 feet apart. That's a nut tree every ten feet in all directions, extending for 250 miles by at least 50 miles in width. That's a bunch of nut trees.

I had no idea there was so much demand for almonds and walnuts. The tonnage of nuts from 12,500 square miles of groves has to be enormously enormous. And, at \$2.89 for a six-ounce bag, it also has to be enormously profitable.

But scale has its costs. There are, maybe, 300 serious players in the almond and walnut game. That works out to about 42 square miles each, or a grove about 6.5 miles by 6.5 miles in size. At 640 acres per square mile, that works out to an almond or walnut grove of about 26,880 acres. That's a bunch of acres.

If land sells for around \$3,000 an acre, you're looking at \$80 million just to own the land. Add in another \$3,000 an acre for irrigation, trees, planting, fencing, and labor,

and the enterprise is now \$160 million in expense and you don't have nut one yet. Plus there is the weather, the pests, the spraying and equipment, the mechanical tree-shakers to be bought to harvest the nuts, the tarps under the trees to catch the nuts, and the several hundred workers needed to prune, spray, cultivate, harvest, and do all of the other chores year-round. Add another \$2,000 per acre: \$53 million. That's \$213 million total start-up cost to be a small player in almonds and walnuts. That's scale!

Makes a catalog business look pretty good, doesn't it?

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Merchandising

The "Range Review."

In mid-December I returned from a lengthy stay in the U.K. where I am the outside director on the board of the U.K.'s largest privately-owned consumer catalog company. Having spent a great deal of time with the Director of Merchandising (who is the most talented and skilled merchandiser I have ever known), I came away with renewed respect for what is known in the U.K. as the "Range Review."

Range

The British refer to the product line as "the range." Merchandising there is essentially defined as "anything and everything having to do with the range." In the U.K., merchandisers search out the products, specify the products, buy the products, price the products, manage the products, describe the products, photograph the products, paginate the products, create the catalogs, analyze the product sales, re-buy the products, discount the products, expand the products, eliminate the products, sell-off the overstocked and slow-moving products, and manage the relationships with the product suppliers.

Marketers in the U.K. purchase print production and paper, purchase website services and SEO/PPC, determine offers to customer and prospect file segments, manage the customer database, and manage new customer recruitment. Marketers have little involvement with product.

By necessity, the merchants are working at least a full year in advance. To determine new products, run those products through the "merchandising process," have them manufactured in China or wherever, and receive them into the warehouse or drop ship inventory via container loads takes the better part of ten months. Merchandising is a precise and highly disciplined schedule of repetitive activities.

The Review

The Range Review itself is two- to four-day “gathering of the merchants” to look at and discuss each of the products to be carried in each catalog for the coming year.

Buyers will have visited trade shows, isolated new products and sourced multiple samples from the various manufacturers. They will have beat down the price to obtain the highest possible margin, and they will project sales based on something known as “experience.” There are great buyers and there are okay buyers; now and then there are legendary buyers. The legendary and great buyers are priceless.

During the Range Review, the buyers present all of their products and describe why the product will sell. This is all directed to the logistic merchandisers who will have responsibility for managing the product inventory and re-inventory, and to the creative merchandisers who will write the copy, do the layouts and manage the product photography shoots. The buyers are communicating to the creatives all of the product promise and mystique, and they are convincing the logistic merchandisers that their sales projections are worth risking several container loads on all of those products.

The Merchandiser Director has the ultimate veto or acceptance for any product. When that senior manager is highly skilled, few product or quantity mistakes are made; these talented people just “know” when a product is right and when it will sell. That’s why top merchandising directors are rare and why they make so much money. They will either make you a fortune or cost you a fortune. And when you have a rainmaker, you do anything and everything to keep the rain pouring.

Who Isn’t Present

The Range Review is a pure merchandising festival. There are no CEOs, no marketers, no accountants, no operations types, no fulfillment people, no customer service people. These days are set aside solely for the merchants to convince each other that—collectively and individually—they have got it right. Think about it: the decisions they make will determine how much is spent on what products for an entire year; what those products will sell for; how much gross margin will be produced; and how much contribution to overhead will be generated. This is the business. The only other major considerations are advertising costs, labor and fixed costs. Eighty-five percent of the business is merchandising and advertising.

The Discipline

I have sat and watched the Director of Merchandising cut a product from the review because it did not have sufficient margin, or because it would be prone to damage in shipping, or because it was the wrong product “personality” for a particular catalog. The discipline of the Range Review is brutal. The buyers have to be very convincing and very talented. They are as good as their last product pick. There are no favorites when the discipline is proper.

The merchandisers discipline extends across all aspects of products: personality, quality, margin, appeal and promise, availability, retail mark-up, competitive awareness, color palette, size choices, and on and on. If the product fails on one or more, there is every reason to question its validity as a product for the range.

Interestingly, every merchant spends the four days of the Range Review with accurate, marked up catalogs in front of them showing unit sales, total demand sales, total returns, total net sales, gross margin, square-inch profitability, page profitability, sales ranking, and length of time the product has been in the range. There are no arguments over product performance; it is black and white.

Assistant merchandisers go through this disciplined process for a number of years before they are given responsibility for a category of products or for a catalogue. The apprenticeship is, essentially, learning the disciplines of product selection, buying, management, and analysis. Good merchandisers become catalog managers responsible for all products in a particular catalog. Brand managers become responsible for a number of different catalogs (the five catalogs making up the Home and Garden brands, for example, or the five catalogs making up the Health and Beauty brands). And, when you can manage the disciplines and processes for twelve different catalogs, you have the experience and qualifications to be a Director of Merchandising.

Sometimes a superb Director of Merchandising will master the equally disciplined basics of advertising, circulation, web marketing, customer service, IT systems, database, fulfillment, and finance. When they do, they make good CEOs.



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