

LEADING GROWTH IN EUROPE

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The European Dream

There is a European dream that is the mirror opposite of the American dream. According to Jeremy Rifkin, author of the book *The European Dream*, this dream is hiding among us Europeans in plain sight, but we are too close to it to see it fully. The dream is a communal dream, a dream of the good life, where people work to live, have social rights, cooperate, value community, inclusivity and solidarity, and where pluralism, secularism and sustainable development are respected goals.

Mr Rifkin was one of the keynote speaker at the FEL-Conference 2005 about 'Leading Growth in Europe'. In an era in which cynicism about Europe prevails, FEL thought it would be refreshing to invite a speaker who sees a great future ahead for Europe. In Mr Rifkin's Europe, growth is not only about quantity but also about quality.

According to Mr Rifkin, Europe can lead in a dream of global consciousness, with European values, promoting the new universal glue: empathy. The result could be universal social human rights embedded in transnational spaces such as the United States of Europe.

This European Dream is the opposite of American rugged individualism, where independence, hard work, individual rights, religiosity and patriotism rule. Americans dream about the opportunity to succeed.

Yet the dream Europeans value seems out of reach and unaffordable. Europeans suffer from an inferiority complex, from Eurosclerosis, Mr Rifkin said. The social models are collapsing, the move is toward capitalism because we look to America and see growth. According to Mr. Rifkin, Europe is looking in the wrong direction. There is no correlation between growth and the American capitalist model. The reason there is growth in the U.S. is because the U.S. is broke. America is not a sustainable model for Europe to follow.

Instead, Europe should look to itself. State by state, the states of Europe outperform the American states. Germany should be compared to California and France to Texas. European businesses and European CEO's are as good or better than their American counterparts. The golden goose in this scenario would be the economic integration of Europe, the community with the greatest potential in the world, as envisaged in the Lisbon Agenda. Europe could succeed at growth and lead in renewable energy, in a third industrial revolution. With a single set of labor policies, English as a common language for business, and a bigger communal market, Europe could outperform the rest of the world. The problem is in getting politicians to believe in this scenario.

And that is where business leaders come in to Mr. Rifkin's thesis. Business leaders need to get this conversation going. They need to articulate the dream of a united Europe and its values. Europe is still learning to deal with diversity at a political level. There needs to be a larger European glue that can become a model for the rest of the world.

ABN AMRO's European Growth Strategy

One example of a company with European leadership ambition is ABN AMRO. Executive Board member Dolf Collee explained at the FEL Conference how his bank is approaching growth in Europe. He said that the bank has developed its strategy for growth carefully, in three distinct phases. ABN AMRO initially changed from a geographical to a client focus. The next step was to play to the company's strengths, namely targeting mid-market private clients and institutions. The increased transparency in the company led to more open dialogues and

better follow-up actions. The process started at the top and was reflected throughout the organization, through mission and values, resulting in improved insights into ABN AMRO's performance. This was a slow process and it is still in motion. Creating focus, the second phase, entailed critically evaluating all the bank's activities and divesting businesses or exiting countries that no longer fit the company focus. Each activity was evaluated according to whether it fit ABN AMRO's core business and played to its strengths. If not, the activity was discontinued. The result was better focus on the mid-market segment. Next, in the third phase, the company set an ambitious growth target: to be in the top five in terms of return on investment within their peer group. The conditions required for growth were also elucidated: client intimacy and loyalty via long term partnerships with clients and competitive products. Corporate values such as respect, teamwork, and integrity are essential to ABN AMRO's growth.

The actual growth strategy became an extension of the focus on the mid-market segment. Although there are various possibilities for growth, acquisitions have the most potential in the segment that ABN AMRO targets. The most recent example is the acquisition of Antonveneta in Italy. In the case of any acquisition in Europe, the fact that Europe is not yet one market is immediately evident. The national pride and protective measures of France and Italy come to mind, but it is also clear that there needs to be a different strategy for each country considering local regulations and markets. According to Mr Collee, we are still a long way from realizing the European Dream. The question is whether Europe has enough drive to realize it and if the various states will be able to join forces in this endeavour. He estimates we will need at least 15 years. In the meantime, ABN AMRO is helping to pave the way to a common market.

The development of growth and strategy is never finished, there must be constant monitoring. Leadership within the company is and will remain crucial. A bank is mainly about people, employees and customers. It is therefore crucial to get employees engaged in what they are doing. ABN AMRO focuses on employee engagement and has a leadership development program that helps managers learn leadership styles that foster engagement.

For Dolf Collee at ABN AMRO, the ambition to grow is fostered by a "burning platform", a need to grow that results from having shareholders and being publicly listed. But this should not translate into growth at all costs. There should be balance between growth and the price the organization has to pay for growth. ABN AMRO has found that having shareholders has led to more discipline in preparing acquisitions well because there is a need to deliver value.

Growth: Peter Lorange and Wessel Ganzevoort

In the morning two academics with extensive business experience shone their light on growth. For Peter Lorange, President of IMD, growth is critical. Professor Wessel Ganzevoort put some question marks to thoughts about growth that are taken for granted too easily.

You grow or you die, said Peter Lorange; status quo is not an option. Critical to growth in a company are in his view its internal entrepreneurs. This is a very un-European finding: some people in a business are more important than others. These people achieve internally generated growth by repeating the business in a new market or by introducing new technology in existing markets. The internal entrepreneur needs the ability to draw on internal and external knowledge networks. This implies job rotation and lots of organizational experience. They lead teams through inspiration and not through hierarchy. Many people innovate, but have no people skills. Others have excellent people skills but no ideas. Internal entrepreneurs have both. They need to be supported by a senior executive, because the executive needs to sell their idea upwards, provide resources, and allow some leeway in breaking the rules while staying loyal to the company. This means it is important to keep

senior people in the company and not make the company too flat, as many European companies have done.

The company that wants to foster internal entrepreneurs needs CEO's who select a specific number of strategic projects for growth and then pump resources into those projects, Mr Lorange said. It is not about doing more with less or about setting budgets. The CEO needs to foster a growth culture. The organization needs to be networked in order to allow different people to work on projects. The company must be action-oriented: you learn by doing, and there is no analysis paralysis, but you go about doing and trying things. Also, the business must have processes that support growth (e.g. bonuses for results and not because of position).

Wessel Ganzevoort urged the audience to question what type of growth they want. What is usually ignored in the case for quantitative growth, is the negative effect on companies' performance. The constant pressure for growth from market and shareholders, leads to acquisition after acquisition, or even to unethical forms of growth when boards crumble under the pressure to show profit. The end result may be the destruction instead of the creation of value. We will need growth, we cannot afford stagnation, but we underestimate the negative effects of growth and overestimate the benefits.

If a company wants to grow, it will need to grow organically, Mr Ganzevoort said. Quantitative growth is easily measured. Quality is much harder to define, not in the least because of its subjective aspect. But recent research has pointed out that happy employees are crucial for happy customers. Even more important however, is that employees do not become or stay "happy" due to benefits and compensation, but due to a company culture that values credibility, respect, fairness, pride, and camaraderie -- the general quality here being trust. Ganzevoort quoted research that defines conditions for organic growth. A company must have a strong sense of purpose, principles, a passion for people, for customers, for its products, and a conservative financial policy. Creating an organizational culture that values trust and meets these conditions, sets the stage for constant qualitative growth from within.

It is clear to Ganzevoort that growth requires the allocation of resources to growth. If not, innovative projects will cannibalize the core business. There is a delicate balance between monitoring new initiatives and leaving them alone. Lorange agrees that growth requires the input of extra energy.

For Lorange, simplicity is needed. The organizational structure must be simple and must lead to processes that are customer-oriented. The organization should also be light on staff functions, which makes a company more responsive to change.

Simplicity is more important than stability, Ganzevoort said. Perhaps growth occurs best in a situation of controlled instability. We need to get used to more instability. There is a difficult balance between fostering internal entrepreneurship and maintaining enough structure for the organization to survive. Ganzevoort claims that the stricter management is on principles, values and mission, the less stringent management can be on rules and regulations. Again, trust is important: you trust your employees to do the right thing. But trust is no panacea. There are enough processes that should not rely on trust alone.

What does a leader do to create trust? Lorange finds a we-culture instead of a me-culture to be important. For Ganzevoort transparency is important. Leaders need to be transparent to their people. This requires time for reflection and self development, which is not a quick fix thing.

Lorange thinks the European leadership style may be a stumbling block to growth. The endless search for consensus could be a problem.

Ganzevoort sees no indication that talking and thinking a lot is bad. What is deleterious is changing decisions that have already been made.

Ganzevoort feels it is Europe's responsibility to keep the discourse on organic growth going. It is our duty to challenge the "grow or die" mindset. The current concept of growth is quantitative and therefore too narrow. Growth is not linear but chaotic and cyclical. Growth is an aspect of change. Change, creativity and innovation are interrelated. Ganzevoort finds development more important than growth. You must develop/evolve or die.