



OPERATIONAL RISK: THE MANAGER AS A COMPANY'S BOTTLENECK

I recently sat together with the CEO of a mid-sized company, who invited me into his office to discuss the major criteria of a new product we were supposed to launch during the next month.

Once we started our conversation, the chief accountant stepped in because something in the monthly report to the tax authority seemed to be wrong. After the CEO and his associate found the reason for the error, she left and we continued our discussion.

A few minutes later, when I had just wanted to introduce the first item, his mobile phone rang. He looked into my eyes, apologized with a friendly gesture and said: "I'm sorry!" Then he picked up the phone. I couldn't follow the whole conversation, but it seemed to me that he wasn't very concentrated: several times he asked his dialogue partner on the other side: "Could you please repeat that?" Besides that, he was pacing back and forth in his office and maybe my presence also made him nervous.

Finally, he was "back" in our meeting, at least physically. He raised a few questions and I tried to keep my feedback quite short, because I thought that in that way he would maybe keep the main message in his mind.

Suddenly his assistant knocked on the door: "Sir, your next visitor has already arrived, 15 minutes early. Should he wait outside or do you want me to let him in?" "No, he should wait" was his answer, visibly annoyed about the repeated interruption.

Then he continued: "Klaus, I think that with this new product we could reactivate our non-active customers. You know what I'll do? Immediately after the next meeting I'll sit down and check our customer database, and tomorrow I'll send you the data file, but I must apologize, because I have to talk to my next visitor. Will you come again, after you receive the file?"

"NO" was my very short answer, "but if you want to continue our conversation on a more professional level, we can meet in my office!" **He was shocked, because he couldn't imagine such feedback.**

One week later we met for a beer in a restaurant in the city centre, but not in continuation of our discussion about the product launch. It was around 8:00 p.m. and both of us were dressed casually.

"Klaus, I really don't know what to do anymore: everybody wants to talk to me and everybody thinks that I know everything. I already work some 15 hours a day, where a day means from Monday until Sunday. **Tell me, what's wrong?**"

This time I didn't want to cheek him again with my answer, but on the other hand I wanted to be very honest instead of telling him just fairy tales. So I said: **"It's YOU who is wrong**, but let's find a way out of your misery!"

"What do you see as your responsibility as CEO of this company?" was my first question, and his answer, quick as a shot, was: "To make decisions!"



I continued the quiz: “What kinds of decisions, strategic or operational ones?” “Yes, of course I have to make strategic decisions.” he said. “Yes, of course, and to find the problem in the report to the tax authority together with your chief accountant and decide about the proper explanation for the error, this you would also consider a strategic decision, or!” was again my very nasty reply, but by now he had got the point.

“Look, it’s your associates’ responsibility to take care of problem-solving on such an operational level, and if a decision out of their competence is necessary, then they have to come up with their proposal. And your job is ‘just’ to say YES or NO.”

“But tell me something else” I said to him. **“What are your daily duties?”** “Oh, I usually start my day in the office by reading all the e-mails I received during the night. You know, Klaus, some people already realized that if they send me their e-mails during the night, they will receive feedback immediately in the morning. Otherwise it can last a little bit, because during the day there are a lot of meetings and simply no time for answering e-mails.”

“But who filters your e-mails?” was my next question “Or do you receive all your e-mails personally?” Now I could feel how he had begun thinking, and after we ordered the next round of beer, he had already provided me euphorically with his thoughts: “That’s it; my assistant is acting just as a postman. So, whenever someone needs my support or input, this one approaches my assistant and she directly forwards the request to me. And the same stands for my e-mail box as well. Klaus, we have to change this immediately.”

“That’s not everything, because I also want you to do some homework.” I continued with my main concern. “Tomorrow morning I’ll send you a template and I ask you to fill in all your activities for the next 30 days: what you were doing the whole day, with whom you were cooperating or communicating, how long every activity lasted and what the contribution was of every event to your company’s success.”

“Let me now raise one last question before we go home: **“How many people or associates report directly to you?”**”

“...17, 18, or no, 19, if I haven’t forgotten anyone.” The CEO counted his closest circle of associates and my additional calculation was: “In the event you talk to each of them for let’s say half an hour, your day is gone ‘just’ with conversations to your key staff!”

“But this means that first I would have to reorganize my team structure, and together with that the number of colleagues who will then directly report to me has to be reduced. Am I right?” was his conclusion. “I just think that some of the people who now approach me daily with their questions and ideas won’t be very happy if they get another superior between me and them. And maybe we won’t be as flexible and fast as we are now, because I can approve things immediately – if necessary!”

“You are absolutely right” I said, “but that’s your challenge now: to improve your managerial skills by improving your organization’s flexibility and performance at the same time. **Otherwise YOU will remain the bottleneck and YOU personally will become the operational risk factor in your company!**”