

Transformation as a Way of Life

An interview with Brødrene Dahl's CEO, Lars Fournais, on strategic transformation

From good to better

When Lars Fournais became CEO of Brødrene Dahl in March 2008, he had a vision for the company. It should be transformed from a traditional wholesale company characterised by autonomous branches into a streamlined, adaptable organisation with a high level of freedom in pursuit of the same general objective. "Brødrene Dahl was in no way a badly run company. On the contrary, the 2007 results were excellent, and also very good compared with our competitors," says Lars Fournais.

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All the same, he saw huge untapped potential in the company. "I actually had a luxury problem because I didn't have to rescue a sinking ship. The challenge was to make a good company even better. On the other hand, it can be extremely difficult to convince the organisation of the need to do anything new when what we're already doing is good. The problems may not be pressing, but if you don't meet the challenge, you're already well on the way to creating your own burning platform. And although this is good for motivation, it is not a situation a responsible management wants to put its company in," says Lars Fournais.

WITO – Winning together

Specifically, one of the first things that Lars Fournais did was to meet individually with every single member of his management team and other selected managers and ask them five questions:

1. What are our biggest challenges now and in the future?
2. Why are we facing these challenges and why haven't we done anything to tackle them?
3. What untapped potentials for growth do we have?
4. How are we utilising these potentials optimally?
5. What would you do if you were me?

The purpose of the meetings and the questions was to kick-start a strategy process addressing Brødrene Dahl's key challenges in a way that tallied with the traditional three-year plans. The answers had to be prepared in writing before the meetings. This committed the individual manager more, and at the same time ensured a good basis for discussion at the meetings. According to Lars Fournais, this process triggered many things in the management team. "I had asked them to answer honestly, and I did get some very honest answers. And although I obviously expected the task to be taken seriously, I was still impressed at how much was put into it and how much valuable information and how many ideas it generated," says Lars Fournais.

The meetings were the first small step on Brødrene Dahl's strategic journey. The next step was a workshop where an expanded management group was assembled. Here, the participants worked further on the challenges and opportunities that had emerged from the individual meetings, supplemented with analyses of the market, competitors and trends. The workshop created broad consensus in the management team on the strategic rationale for Brødrene Dahl's continued development.

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It was in the period around the workshop that Brødrene Dahl looked for an external adviser to support the strategy process. For Brødrene Dahl it was important to find a partner that could make a sharp diagnosis and at the same time had good insight into what was needed to create real change and, not least, ownership in the organisation. "Strategy is about direction. We need to know what we want to do – and then we need to do it. We needed someone that could challenge and provoke us, while at the same time supporting a process where we ourselves planned 'our own journey' instead of a chartered tour arranged by a travel agent. Ownership in the organisation is the be-all-and-end-all if a strategy is to be developed and implemented," says Lars Fournais.

TRANSFORMATION AS A WAY OF LIFE

The next big step on the journey was Brødrene Dahl's annual management conference, attended by all of the company's 150 employees with management responsibility. Traditionally these conferences had been characterised by one-way communication from top management down concerning the status of the company and key figures, and without any real involvement from the management layers below top management. This was changed radically. The opening to the conference was an 'interview on DR in 2013' (DR is the Danish Broadcasting Corporation) in which Lars Fournais discussed Brødrene Dahl's journey from 2008 to 2013. The interview took place in a real studio with a real host from DR, and, as well as being a surprise to the managers, it was also a starting point and common ground for further work at the meeting. All managers were involved in how Brødrene Dahl would manage to achieve the goals they had heard in the interview and, not least, in what it meant for the individual manager and his/her employees.

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Subsequently, Brødrene Dahl has followed up on this with information in newsletters and through the company's intranet, which now hosts a forum in which employees can comment on progress in the strategy work. "The need for information is enormous. I don't believe you can overinform in this sort of situation. As a manager it's important to remember that the reason why you yourself think the strategy is obvious is that you've been so intensively involved in the work on it. Your employees haven't been."

At this time Lars Fournais had also put together the right team of managers around him. A good mix of experienced people with a long history at Brødrene Dahl and new people from outside. "The right team is just as important – perhaps even more important – than the right strategy." Supplementing the management team with new faces was not a given beforehand. "Today all 150 managers are involved in our strategy work, and both they and I value this. But not everyone felt the same, and you have to respect that. Involvement requires commitment the other way round; otherwise the decisions aren't implemented wholeheartedly. This creates uncertainty and frustration among the employees concerned, and that's unacceptable," says Lars Fournais, who admits that it has been necessary to say goodbye to a number of employees in the course of this process.

The first results

The results were evident even in the very first year. Partly in the way Brødrene Dahl was working, but particularly in the financial results. "I never think you're entirely sure whether you've chosen the right strategy. So it's at least as important to work with a general direction and a strategic preparedness as it is to have a detailed strategy plan," says Lars Fournais.

The climate sector is a good example. Here, Brødrene Dahl has a general ambition to become the leading wholesaler within the next five years. At the same time, there is a need to take the time to develop the strategy and the efforts as the market evolves in this area.

According to Lars Fournais, a good

example of the new way of working is that the company's monthly management meetings always have two fixed but very different items on the agenda, namely:

1. How can we develop our business so that we remain competitive in the longer term?
2. How do we run our business to optimise operations in the short term?

We always work on the strategic questions in the morning, while operations are discussed in the afternoon. And this is no coincidence. "It's due simply to a recognition that it's difficult to prioritise time for development because you always have a tendency to focus on the immediate burning issues.

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By waiting to discuss operations until we're ready to work on development, we force ourselves to think strategically and not just get drowned in operations," says Lars Fournais, stressing that this way of working and thinking is a major contributor to establishing a permanent strategic preparedness. A preparedness that he believes is the precondition for creating the flexibility needed to run a company today. "You never know whether you have the right strategy. So it's important to be humble and open to input and changes at the point in the process when the strategy is defined. Here we have to be honest and signal that we believe what we're doing is right. For very good reasons we can't know in advance. On the other hand, it's just as important to show great certainty and consistency when

decisions are taken and need to be implemented. But even in the middle of the process we must always think and act strategically. If reality proves to be different than expected, we need to be able to change our plans. It's a delicate balance, and here it's important to acknowledge that we'll never end up with a strategy that we can double-underline and say – that was it."

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According to Lars Fournais, the biggest strategic change for Brødrene Dahl has probably been the movement away from an organisation consisting of 52 decentralised, independent shops to being a chain-driven wholesale company where the central functions comprising the core of the company's services – purchasing, marketing and sales – have gone from being support functions to being more strategy-setting, while the focus in the shops is aimed at giving customers the best possible service.

An important factor for getting this to work in practice has been very close

coordination between the three functions. No major decisions have been taken without consensus among the three managers involved. This has eliminated the tendency for suboptimisation between the three areas, while contributing to giving them a much more strategic role in the company. "When all the initiatives from purchasing, marketing and sales are 100% coordinated, their combined impact is much greater in the branches. The individual shop managers have seen that the campaigns are well thought-out, so they are much more motivated to support them." Lars Fournais also believes that the increased coordination from the head office has really helped to support a development where branch managers have had some of their previous power removed. "It goes without saying that it's never easy to take away responsibilities and authority from employees who are often highly independent. It hasn't been easy here either, and we're still not quite where we want to be. But we're getting a lot of understanding from the shops, and I believe this is clearly down to the fact that they can see they're getting something in return, and at the same time they're being given new re-

sponsibilities and new authority under the new set-up," says Lars Fournais.

Specifically, Lars Fournais believes that the new way of working, including better category control and price management, is the direct reason why the company's gross profit has risen by two percentage points in less than a year. An increase that is appreciable with sales just under DKK 4 billion. "We've become a much more focused and competent company. Our campaigns have become much more effective, and we've been able to create a really fantastic team to run the company. When I could see that the teamwork had begun to function, I knew we would be much harder to beat – and don't forget we've only just started out on our journey," concludes Lars Fournais.

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