

Editorial

Rejuvenate or Perish*

How US-based F&F companies might change tactics in the turbulent age of globalization

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The biggest single threat to the status of the US flavor and fragrance industry is likely to be the rush right way to proceed. Advocates interpret the concept to mean that industrialized nations are nobly bringing the third world up to their standards. However, I feel many in the United States have failed to see that the process of globalization is actually a hidden transfer of wealth — from the rich countries to the poor.

- The transfer of US manufacturing and service jobs to other countries has been well publicized. US citizens, when put out of work, on average find new jobs at about 70 percent of their former salaries. Other unemployed citizens simply drop out of the job market. So, at the same time that globalization is raising third world living standards, US living standards are in decline, a continuing trend.
- In 2004, foreign student registration at US universities dropped for the first time ever. China and India continue to raise the standards of their universities — a high priority for both governments. The result? In the immediate years to come, it will become much cheaper to send US students out of the country to foreign universities where a world-class education can be had. Unless US universities find ways to lower costs and radically rethink their strategies, enrollments at domestic institutions will dramatically decline, fomenting insolvency.
- Simultaneously, Chinese and Indian companies have started aggressively selling their flavors and fragrances to US-based customers, and from a lower cost basis.



Ronald Fenn

My intention here is to frighten US companies into taking action: doing nothing differently (i.e. apathy) will be a silent killer. To make my points impactful I have used time tested truisms and quotations. Taking innovative actions now will help ensure a prosperous future for the US flavor and fragrance industry.

Devil in the Details

Business is like an automobile — it won't run itself, except downhill.

But the basic rules for running a business successfully are really not so complex. One just has to buy low, sell high, collect early and pay late. Simple, right? Except for a few million details!

Let's now address a few of those of details:

- With the US dollar having become some 40 percent weaker than the euro over a three-year period, and headed lower still (at time of writing), the US business community should theoretically be in a healthy mode, exporting like crazy with sales orders pouring in. But that's not the case. The US trade deficit is skyrocketing. There aren't too many happy faces among the corporate ranks these days. With the squeeze on margins resulting from fierce competition, there is a cloud of uncertainty hanging over those employed in the US flavor and fragrance industry.
- Concurrently, the growing pace of flavor and fragrance acquisitions eliminates jobs, yet staffing over-capacity still prevails.
- While some US-based companies are doing well, owners of small to medium sized operations are

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left to wonder whether they should a) sell out while they still can or b) improve operations and try to fight it out.

America remains the land of opportunity, although these days it's most true if one runs a business in India or China. (Note, for instance, the continually shrinking number of aroma chemicals that are currently produced in the United States and Europe, a situation that can only be reversed if India and China re-value their currencies.) How to adjust to this shifting paradigm? There are several things all companies — healthy and ailing — must do.

The Corporate Physical: Just What the Doctor Ordered

Within the last year, has a third party critical review or audit (by a consultant knowledgeable in the industry) of all operating departments been carried out at your company? The answer to this question has to begin to be yes. Such a move is necessary to ascertain continued viability in this rapidly changing environment. Why? Because when you are done changing, you are through with life, period! Even when a company is on the right track today it will surely be trampled by events — if it remains stagnant.

An independent third-party audit of any company, particularly one in trouble, should start with a discussion and review with the senior officer or owner. Why? As an old (undiplomatic) Chinese proverb says, “a fish rots from the head down.” More palatably put, “the speed of the leader sets the pace of the pack.” The consultant, starting at the top, has to establish early on the nature of the company leader(s)’s likely willingness and capability to manage changes/improvements. This point is indispensable because the difference between a successful person and all others is not the others’ lack of strength or knowledge, but rather the others’ lack of willpower and drive.

Ironically, a company in trouble has the greater potential for improvement. Some 2,650 years ago, the Roman poet-satirist Horace observed: “Adversity reveals genius, prosperity conceals it.” Since a company in trouble usually has complex problems, appropriate genius in this case would be the ability to reduce the complicated to the simple. Such a leader also requires sense enough to pick good people to address outstanding problems, and self-restraint enough to keep from meddling while they do it.

Further diagnostics:

- Does the company have a corporate mission statement known and understood by all employees?
- Does the company have a strategic plan known and followed by at least all the senior executives?
- If the answer to the above is yes, is the strategic plan on track and working as expected?

- Whether you are the CEO or an entry-level employee, are you confident about the effectiveness of the senior executives in the company?
- Are the company's sales increasing satisfactorily?
- Does the company win its fair share of new business?
- Does each and every salesperson “produce” satisfactorily?
- Do the customers have the upper hand, leaving the company in the position of having to do whatever they say?
- Despite any headcount reductions that have taken place, is there still “deadwood” in the company?
- Are the competitors generally more or less efficient than the company?
- Has the company recently been benchmarked against them?
- Does the company quickly fix or promptly address problems that arise?

Be results driven, not methodology driven.

If the answer to that last question is no, then note that “recognizing a problem doesn't always bring a solution, but until a problem is recognized there can be no solution.” And Voltaire counsels: “No problem can sustain the assault of sustained thinking.” If a company answers no to several of the above questions, the organization could certainly use the help of an experienced “wise man.” (An old Chinese proverb states: “A single conversation with a wise man [today we call them consultants] is worth a month's reading of books.”) However, if a company answers yes to all of the above questions, then that organization is really in trouble!

Cultivating Success: Advice and Observations for Employees and Bosses

Employees: First of all, find a passion and follow it. That's all the career advice you'll

^{*}Traditional advice is to hire optimists as salespeople and pessimists to run the credit department.

ever need. The worst bankruptcy is the loss of enthusiasm. And always know that whether you think you can or think you cannot — you are always right. (Digest that for a moment!)

Some more truisms for you to consider:

- Obstacles are those annoying things you see when you take your eyes off your goals.
- Nothing is as embarrassing as watching your boss do something you said cannot be done!
- You can have everything in life you want if you just help enough other people get what they want.
- When you are tempted to criticize your bosses, try to remember that idealism increases in direct proportion to one's distance from the problem. (John Galsworthy)
- When you cease to make a contribution, you begin to die. (Eleanor Roosevelt)
- Failure to prepare is preparing to fail. (John Wooden, UCLA Bruins)
- Behave as if you will live forever — or die in the attempt. (Joseph Keller)
- The people who get on in this world are those that get up and look for the circumstances they want. If they can't find them — they make them! (George Bernard Shaw)
- And, as the song says, "It's not where you start but where you finish."

Now some advice or truisms for bosses:

- The first of which is: many receive advice but only the wise profit from it.
- But beware of advice from old soldiers, they may not be fighting your war!
- When they say a man is a born executive, they mean his father owns the business!
- If you set the right example you won't need to set many rules.
- Workers often complain of lack of time when the real problem is lack of direction.
- Progress always involves risk; you cannot steal second base and keep your feet on first.
- When you hire people that you think are smarter than you are, you prove you are smarter than them.

- But be mindful that the closest to perfection a person ever comes is when they write their resume.
- Therefore always check a job applicants references.
- When a problem is long term, go as far as you can see and when you get there you will always be able to see farther. (Zig Ziglar)
- An honest executive is one who shares the credit with the person who did all the work.
- When addressing your employees, be brief and to the point, as: If people listened to themselves more often, they would talk less!
- As you grow older, pay less attention to what men say and more to what they do; as, "actions speak louder than words." (Andrew Carnegie)
- Be results driven, not methodology driven.
- Management is the art of getting other people to do all the work.

How to Win

We must all be thankful for the fools of the world — without them the rest of us could not succeed! We must also not forget there is no such thing as good luck or bad luck: luck is what happens when preparation meets opportunity. Those that wish to be successful should not forget to trust only those that stand to lose as much as you if things go wrong and that success is a journey, a continuum, not a destination. On the other end of the spectrum, the formula for failure is: try to please everybody. As previously stated, there's not much difference between winning and losing, except the will or drive. Each person in an organization should think about his or her own attitude when working with others, noting:

- the winner is always part of the solution; the loser is always part of the problem
- the winner always has a program; the loser always has an excuse
- the winner says "let me do it for you;" the loser says "it's not my job"
- the winner sees an answer for every problem; the loser sees a problem for every answer
- the winner says it may be difficult but it's possible; the loser says it may be possible but it's too difficult

Destiny is not a matter of chance — it's a matter of choice. That's good news for US flavor and fragrance companies.

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