When theory comes in handy

Such knowledge helps in decision-making, says Henkel Adhesives executive. CRYSTAL NEO reports

It is easy to dismiss the business theories taught in school as irrelevant in the real world. But Marcus Kuhnert thinks that is nonsense.

"If you have sound theoretical background, this helps you in decision-making," the vice-president of Henkel Adhesives Technologies in South-east Asia said.

Dr Kuhnert was speaking at the SIFE Singapore Forum at the National University of Singapore Business School last Saturday. SIFE, which stands for Students In Free Enterprise, is an international non-profit organisation that forms student teams in campuses to develop community outreach projects.

Dr Kuhnert noted that high-ranking leaders in companies often have little time for decision-making and do not have enough information to make a secure decision. So they have to fall back on the theories they learned in school.

"This is an important fit in trying to combine theoretical knowledge with decision-making," he said.

Sharing his views on successful business management, Dr Kuhnert said that entrepreneurial spirit and risk-taking are important.

"That means you must be ready to take the challenge and, of course, it is wise to calculate the risk you are taking. But my message at the end of the day is that you should not be afraid," Dr Kuhnert said. "Who is not daring, who is not willing to invest in something in terms of time, in terms of resources, in terms of effort and risk of maybe failing, will never get a big reward."

Learning from failure

Adjunct associate professor Toh Tian Ser from the Nanyang Technological University Business School, who was part of a panel discussion at the forum, also told students not to be afraid of failure.

"If you don’t make mistakes, you cannot grow," he said. "This is part of growing up and learning. If you see it like that, then you are not so afraid."

However, Prof Toh cautioned that risk management was also important for businesses.

"The point is not just saying that you are not afraid of failure. The point is learning from failure. You want to lose and learn. You can lose a few times but you cannot lose too many times. What you want is to be able to go down and come up," he pointed out.

Dr Kuhnert added that this also makes it easier for them to adapt quickly into their newly assumed leadership position when the opportunity knocks.

Citing an example of an effective company decision, Dr Kuhnert said that it came to picking the most suitable accounting standard for the company, the International Financial Reporting Standards (IFRS) was chosen over the US Generally Accepted Accounting Principles (GAAP).

This decision was made despite knowing that Henkel could not be listed on the US stock exchange if the GAAP standard was not followed, Dr Kuhnert said.

"We knew that – and it is still valid till today – we said we have no intention of being listed in the United States," he said. "From our point of view, there is a higher transparency, less complexity in International Accounting Standards as compared to US GAAP due to the fact that IFRS is more principle-based while US GAAP is more case-based. So the US standards are more complex," Dr Kuhnert added.

That decision to follow the IFRS was affirmed by the European Union, Dr Kuhnert said, when it imposed a rule that all EU companies have to switch mandatorily to IFRS.

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