

THE ART OF TACKLING

Corporate culture: Why Hermes thinks and acts pragmatically



This section is about doing stuff. Let's not beat about the bush. Let's just get on with it. Imagine for a minute that you are stranded on an unknown desert island. In a chest, that could save you, there is: an axe, matches, a parachute, flares, a radio, some cords and a piece of tarpaulin. There are also five litres of drinking water and some paper and a pencil.

So what do you do first?

It seems that everybody knows this psychological test. It is regularly used, in different variations¹, in job interviews, the training of job seekers or in seminars for managers. It is supposed to work out what action type you are. There are therefore various possible answers: Do you first make a fire? Do you discover the island? Or do you build a hut?

Two things are apparent. On the one hand, it doesn't matter which choice you make, there are good reasons for all of them. A fire gives off heat and will perhaps make you noticeable to passing ships. Discovering the island will tell you what your situation really is. A hut, for its part, offers shelter and keeps you dry, and the shade it provides will reduce your water consumption.

However, each choice is also open to criticism. A fire might attract wild animals, discovering the island might be dangerous, building a hut might not be necessary if there is a cave nearby. Depending on which solution you prefer, certain characteristics become clear. The optimist will set off the flares – someone's bound to see them. The innovative type will use the tarpaulin to make a distillation device – eventually the water will run out. The researching type needs to have certain knowledge before he can decide. And a discussion ensues as to what is the best solution...

The most important thing to bear in mind is that doing nothing is not an option in the test. No provision is made for it. Obviously the creators of the test had read a sentence from Eric Kästner's novel "Fabian": "There's nothing good except doing something".

This sentence could be described as the moral tenet of pragmatism. It does at least sum up well the way the Hermes Group sees itself as a service provider. We do things, are active, tackle issues and see things through. Doing business is the opposite of doing nothing.

The very foundation of Hermes in 1972 was based on the principle of "we can do it better ourselves". What had started in 1950 with 300 hand-bound catalogues presenting shoes using photos pasted in by hand and bearing the slogan "trust for trust" had, by the end of the 1960s, turned into a large company. We're talking about the OTTO mail order company. The company's tradition of customer-friendliness always came up against a barrier, i.e. the Deutsche Post. This company was actually no such thing. It was a state authority which had a virtual monopoly and did not have to operate on economic lines.

In order to be faster, cheaper and more individual, OTTO decided to set up its own delivery service. From the outset, pragmatism was the order of the day. Partners were sought that already had sound experience in the area of dispatching goods. By cooperating from an early stage with the Union-Transport companies, developing a modern data-processing system and entering into a partnership with the Werner Velbinger Organisation, it was possible to set up a system of logistics which was completely independent of the post office. Experienced partners are still important today. For example,

we have entered the Russian market in cooperation with Dynamic Parcel Distribution (DPD), and Add/Up, a joint venture of Hermes Fulfilment and the B2B fashion logistics company Meyer & Meyer, is combining mail-order and in-store sales.

It would be easy to give an endless list of examples of how pragmatism is seen as a central principle of our corporate culture and how it is experienced by Hermes. But we don't have much time, so three should be enough.

The Hermes Einrichtungs Service has set up a distribution centre close to Poznań at the heart of the Polish furniture industry. This large warehouse receives and dispatches goods daily and thus guarantees a high level of delivery speed. Without it, every single furniture manufacturer would have to wait until it was worth transporting its products from Poland to various regions of Germany.

Likewise, Hermes-OTTO International (H-OI) uses its international experience as a buyer of fashion for a trading platform called "KeenOn Fashion", on which brand suppliers and retail and mail-order companies can network. H-OI then gives support to both parties in procuring, transporting and distributing goods.

The third example extends from the time we were set up right to the present day. It will come as no surprise that the number of consignments to be delivered over Christmas increases significantly and it is therefore difficult to find enough delivery agents for this specific period. This is why many Hermes employees – employment lawyers, office administrators, technicians, etc. – leave their regular jobs and put on the dark blue uniforms of our couriers in order to help us to cope with the flood of packages. Just at a time when the snow doesn't stop falling, as was the case from 20 December 2009 in the Düsseldorf area. From 10am many of them were already stuck in the snow. The backlog of consignments which had been stranded before Christmas Eve could only be cleared with extra delivery rounds – but cleared it was.

Pragmatism is therefore action which is not bound by ideology or rules. Pragmatism means analysing the situation and rolling your sleeves up. As they say in Hamburg, where Hermes has its headquarters:

"When you have to, you have to".

What you have to can mean many things. Pragmatism is easily confused with adapting and misunderstood as to mean working to rule on a treadmill or a shrug of the shoulders followed by an "OK, I suppose I'll do it then". Pragmatism can just as quickly turn into actionism, i.e. acting for acting's sake without hesitating and thinking about it.²

Of course neither of these can be avoided in the everyday workings of a large company. The 40-year history of Hermes, with its innovations and its international expansion, proves, however, that dull routine has rarely been the order of the day and that wanton reaction does not belong to its business model.

This is perhaps because Hermes basically concentrates on what it knows and what it can do. There is no nice-sounding management mantra, no all-embracing overriding principle – unless you count doing the job as it should be done. Hermes focuses on what can be achieved. And above all this includes asking questions. The questions are old, but their effect is to rule out doing nothing. They are quite simply as follows:

What needs to be done?

Who is going to do it?

How, when and where does it need to be done?

And the main one is: Why don't we do it differently, better?

From these and similar questions, the following can be deduced: It is not about the one-off big push forward, it is about constant and steady improvement, in terms of both processes and results. It is about calculation but with passion.

Big goals are nevertheless pursued. For example, the 2015 Strategy Package sets the goal of making Hermes the market leader on the German private package market by then. However, this big intention is being pursued in small steps and on the basis of carefully defined interim goals. We leave others to build castles in the air.

It means having or attracting the best staff for the job. It means using resources in a cost-effective manner. It means developing new technologies. And it also means observing one's environment, i.e. our competitors and social trends. Only in this way can the strategy achieve its supreme goal of leading to success in the future.

This means we are in a similar situation to the person in the psychological test who is stranded on a desert island. For both him and Hermes there are different ways of achieving the goal. The main thing is whether they are flexible and react appropriately to unexpected setbacks. After all, goals are never defined for eternity but have a half-life of three, five or perhaps eight years during which the situation is monitored and adjustments can if necessary be made. Blindly following a predetermined path runs the risk of completely losing one's way.

Pragmatism thus has to be based on the long term.

And Hermes has been proving this for 40 years.

¹ This specific version comes from the book "Anpacken statt aufschieben" by Alexander Jürries (Haufe Verlag, 2004).

² Yes, there is a philosophical movement known as Pragmatism. Founded by the American philosopher and mathematician Charles S. Peirce (1839–1914), it is broadly speaking based in epistemological terms on a reduction of truth in favour of what is useful in the moment. We won't go into a deeper discussion here – for purely pragmatic reasons.