



TenStep Supplemental Paper

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Corporate Foolhardiness

Guarding against self-destruction...

Key Learnings

- Certain management issues lead to sure self-destruction
- Innovation helps prevent premature corporate deaths

“Success is a lousy teacher, it seduces smart people into believing that they cannot lose”- Bill Gates.

Bill Gates summarized how successful companies get into a self-destruction mode despite years of consistent successes.

The rate at which organizations are faltering from their own deeds is horrifying. Research reveals that the average span of a successful company is forty years. This proves the point that gaining success is only one aspect of corporate performance; sustaining it is a completely different ballgame.

Nothing succeeds like success and nothings recedes like success! This adage definitely has an element of truth in it. Most companies begin with an innovative thought that sparks a series of successes taking the company to a new level of glory, success and fame. After cashing in for years on the success of that one bright idea, the company gets into an automated success mode where it fails to see the changes around it and begins to miss the hits. The problem is deep-rooted by this point.

The wake up call...

Understanding why and how companies get into the self-destruction mode is rather simple. However, identifying issues and working on them to retrieve the days of glory is a challenge. Experts have identified management practices that are symptomatic representations of a company in the self-destruction mode. With keen observation these practices can sound an alarm sending vibes of urgency through an organization.

Management vs. innovation

The marriage between innovation and management is blatantly called off in dying firms. When companies hit the iceberg the first thing they do is abandon anything and everything about innovation. They begin to believe that innovation is superfluous and has nothing more than an aesthetic value. It is good to brighten up the workplace with crazy ideas.

However, using innovation as an anchor during crisis sounds ridiculous to these masochist companies. The most obvious reaction for these firms in times of crisis is to turn to internal management issues and not brainstorm over new ideas on how to get life back into the company. Therefore, by discontinuing innovation these companies fuel the process of corporate deterioration.



TenStep Supplemental Paper

Distancing customer relations

With time, senior management in successful organizations begins to distance themselves from customers. They are rather clueless about customer preferences and perceptions. A survey conducted by Bain & Company revealed that 80 percent of the executives surveyed believed that they deliver to customer expectations.

However, there was a stark contradiction in what customers had to say. Not more than eight percent of the customers surveyed agreed to the claims of the executives. This difference in perceptions is reflective of a deep-rooted management problem where senior management is distanced from customers and frames strategies and policies having little relevance. Exceptions though exist.

One of Australia's leading banks gets its board members to attend customer calls at least once every two weeks. This helps the senior leaders get an insight to the ground realities and hence frame policies accordingly.

Corporate culture

Corporate culture has rarely come out clean from a crisis. The role of culture in determining corporate success cannot be challenged. A study on the cultural preferences of various corporations reveals that most of those who have been successful have a conservative culture.

They are largely averse to risks and make calculated business moves. Thus, they seldom shift gears to try new business models. In the bargain they fail to find a sure footing in the changing corporate landscape. A classic example of a big company trapped in the shackles of conversationalist culture is that of IBM. Even while the need for desktop computing was seemingly evident, the giant failed to tap the opportunity and lost out to its competitors.

Similarly, Sony failed to tap the portable music and entertainment market in time and lost a major chunk of its market share to competitors. Experts believe that huge successful companies fail to address changing business needs being blinded by their own methods of operation.

Internal hiring

Successful companies strongly believe in hiring from their internal talent pool. They rarely go out shopping for talent. Internal hiring surely has strong merits but remaining ignorant of corporate requirements can sabotage the very purpose of hiring.

Forging reality

Often managers forge reality to convey a hunky-dory image. This may not amount to fraudulence, but it definitely conveys a false picture of corporate health thereby misleading senior executives. This largely stems from an organization's desire to manage the corporate image by cosmetic makeovers like doing up the workplace and editing information that might create a furor.

Corporate structure



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Corporate structure can hinder business growth by hampering innovation. Organizations that work through traditional hierarchies often narrow their innovation processes into the same structural set up. This hampers innovation, killing the spirit of creative thinking.

The management practices mentioned above are potential minefields and hence should be watched cautiously. Keeping a tab on these practices cannot prevent successful corporations from faltering in their growth graph, but they can definitely prevent premature deaths.