If It's Not Broken, Break It Then Fix It

Excerpted from the forthcoming book by Greg Bustin,
How Leaders Take Charge in Changing Times.

What are the waves of change crashing toward your organization that will make your currently profitable business plan obsolete?

Sound like an improbable scenario? Don't tell that to successful advertisers and their agencies. They're scrambling to find new ways to reach and engage consumers in an increasingly cluttered and fragmented media market made even tougher by technology that allows people to delete or bypass commercials.

Or to pharmaceutical company leaders that must constantly develop and bring to market new high-quality products to replace revenue lost to expiring patents and generic drug-makers. Or to recording industry executives who, in a span of 20 years, have watched the way music is sold and enjoyed move from vinyl LPs to CDs to music that's now available (sometimes for free) over the Internet. Or to packaged-goods manufacturers who have watched store brands capture an increasingly larger share of sales since the early 1990s.

Some threats are difficult to spot, but once identified, are relatively easy to quantify and address. Other dangers are hard to spot and even harder to assess in terms of the potential negative impact on your organization. And still other threats are easily recognized but can be dismissed as harmless.

Smart leaders take care not to underestimate the impact of any potential threat, no matter how seemingly insignificant. On May 9, 1864, General John Sedgwick had moved his Union troops into position near Spotsylvania, Virginia, and was inspecting the line of battle. The general's chief of staff cautioned Sedgwick to avoid a particular area of the Union defenses, explaining that "every officer who has shown himself there has been hit, both yesterday and today." General Sedgwick said that there appeared to be no reason for him to be in that area, yet later found himself in that very location. As Confederate sharpshooters observed movement, they began to pepper the Union troops with rifle fire. General Sedgwick laughed and teased his soldiers as he watched them dodge the incoming bullets, saying, "They couldn't hit an elephant at this distance." These words proved to be his last as yet another barrage of bullets came whistling into the Union positions, with one finding its mark, striking and instantly killing General John Sedgwick.

The four Cs

The lesson is clear. Whether you're running a large company or small business, you must be ready with the next generation of thinking and remain alert to changes, especially those outside your control and even if your business is meeting your operational expectations and hitting your financial objectives.

Presidential Medal of Freedom winner Eric Hoffer noted in 1932 that, "In a time of drastic change, it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists."

And yet learning and changing comes hard to many. Making changes goes against human nature, especially when business appears to be going well. Most of us are content to stay rooted in the familiar. Stability and constancy are great qualities. But in times of "drastic change," such strengths can become weaknesses.

How do successful companies maintain their performance in times of change and uncertainty? Why do otherwise successful companies stumble? What can be done to prevent it?

To simplify, there are two kinds of leaders where change is concerned: Those that think about the future and determine how best to position their organizations to capitalize on emerging trends, and those that choose to respond to changes that threaten their organizations.

"Drive thy business or it will drive thee," said Benjamin Franklin. Centuries later, Jack Welch echoed Franklin's advice when he said, "Control your destiny or someone else will."

Leaders of successful organizations that are willing to make significant changes even when things are going well bring a balance of vision and pragmatism that I've summarized in my book as "The Four Cs" — commitment to excellence, continuous learning, conservatism in financing and courageous decision-making. Sometimes, there's a fifth "C" — creating a crisis to drive urgency — and we'll briefly examine that approach here.

Pre-empt trouble

Some companies are better at responding to threats than opportunities. So creating a crisis is often a necessary wake-up call for organizations that have grown rich, happy and complacent. To say that a crisis is "created" is a bit of an overstatement since a leader's credibility is lost if the crisis isn't real. But the idea is to zero in on an area of a successful company's business to demonstrate that radical change must occur within a specific timeframe if the company is to survive an emerging threat. The threats usually fall into one of three categories: financial (including hostile takeovers), customer-related or industry driven (including regulatory matters).

In 1990, Craig Weatherup, the head of Pepsi-Cola's profitable $7 billion U.S. soft drink division feared that a business-as-usual approach in what is always a highly competitive industry would not be enough to secure the company's success in the years ahead. So he created a financial crisis. In meetings with his direct reports, he set a 15% profit target versus the 10% profit target his managers were accustomed to hitting and shared feedback from some of Pepsi-Cola's most important customers about areas of frustration. To drive the change he was looking for, Weatherup gave each of his lieutenants 90 days to go to school on their own operations and their customers to determine areas where the company could better serve customers while increasing profitability. The lieutenants used the data and knowledge they gathered to train the next layer of management. And so on and so on, ultimately reaching some 30,000 employees. As a result of this change initiative, Pepsi-Cola re-organized itself into 107 units that are closer to the customer and focused on producing results at that level. Three years later, profits for the first quarter of 1993 rose 22%.

We've advised another Fortune 500 company where management, over an extended period of more than two years, focused its organization's efforts on addressing an emerging crisis caused by regulatory changes in its industry. This crisis, which threatened the way the company ran its operations and charged for its services, has now abated as legislators turn their gaze from law-making duties to re-examining lessons learned from others operating in similar situations. Company leaders, meanwhile, have taken the opportunity to allow its employees to pause from their relentless preparation efforts, explain the reasons why the race has been halted in mid-lap, and re-focus the organization's energy on completing most of the changes they voluntarily initiated. There's no question the company will be stronger as a result of continuing the work it started.

Our firm's experience indicates that, more times than not, the choice of continued success versus gradual decline is there for the leader to make. All too often, today's leaders — like the Union Army's General Sedgwick — disregard warning signs, choose to look the other way or genuinely believe that their organizations are safe from the waves of change.

Times may have changed, but human behavior has changed very little over the centuries. Why can't we learn our lessons? Bill Gates reminds us that, "Success is a lousy teacher. It seduces smart people into thinking they can't lose. And it's an unreliable guide to the future."

So even if your business isn't broken, think seriously about breaking it and then fixing it. Before you're forced to do so. ■