

# Corporate America's Report Card

As I interact with business leaders regarding the challenges they are encountering, I hear the issues and can relate to their current struggles – and understand their pain. I have experienced the same challenges during my 30+ year career inside corporate America. I tell the leaders they are not alone as evidenced by:

- ➔ 70% of strategies...are never fully implemented.
- ➔ 70% of change efforts...fail.
- ➔ 75% of mergers and acquisitions...under perform expectations.
- ➔ 91% do not sustain...profit or revenue growth of 5.5%.
- ➔ 75% lower profit %...than in 1951.

References: Louis Foringer, Chris Zook, Michael Beer and Miltin Nohria, Prospectus Strategy Consultants, "The Economist,"

These are not the results of a well oiled and highly efficient business machine – and this report card reflects lack-luster performance.

As part of understanding the current business climate, I present these statistics to the students in my classes at Indiana University's Kelley School of Business, and ask how would they grade America's business performance (A,B,C,D,or F)? Once again, students this semester handed Corporate America an "F". An extremely lively discussion followed among the students, probing from, "Why and how does this happen?" to, "Should they consider another major?"

When business leaders are asked the same question, many try to avoid assigning a grade. It seems too difficult for many to say the letter "F". Initially they defend the difficulty of doing business in the current recession. After it is pointed out the results are pre-recession from the 90's boom, they relent and agree the report card shows room for improvement – but still avoid assigning a grade. Following their admission that room for improvement exists, they continue by going on record that business has become increasingly complex, and this complexity has to be taken into consideration. They want the grading to be done on a curve, I assume to lower the standards. Likewise, the leaders for the most part, state their organizations are better than these numbers. Either we are extremely lucky to only interact with companies that are above average, or it's time for leaders to face the reality, business is off track, even their company is off track, and until they face this reality, it will stay off track.

The students are advised they have one of two choices. They can evaluate these results and 1) ask why go into business or 2) they can look at the tremendous opportunity to put business back on track. So far, this exercise has not derailed anyone from majoring in business, every student has elected to take on the challenge.

Business leaders also have a choice, they can pull the reins back and try to control the results, or they can seek the opportunities created by less than perfect performance of others. Unlike the students, I cannot report every leader has as enthusiastically chosen to take on the opportunity challenge.

Pulling back the reins will allow most businesses to survive the recession so they can return to "F" level performance when the economy rebounds. But pulling back will not fix the ongoing reasons for the "F" performance. Let's be candid, the reality is; business cannot successfully implement/execute strategies and change. Business leaders are extremely skilled at formulating brilliant strategies and plans that never become reality. Do not get us wrong, strategies are important, but without execution, by themselves they are like a derailed train

At The Kanning Group, our observations confirm research findings. Strategy/change implementation is attempted predominantly from the top of the organization. It is like the steer wrestling (bulldogging) competition at a rodeo. The cowboy rides out on his horse, jumps off, grabs the steer by the neck, twists, and wrestles it to the ground. As soon as the neck pressure is released, the steer jumps back to its feet and returns to what it was previously doing. Attempting strategy/change implementation solely from the top initially achieves results ... and when leaders feel it is going well, they

turn their attention to other pressing needs – and the change initiatives lose momentum and soon return to the way it was previously. Business can grasp short-term gains, but cannot sustain the gain momentum to keep their companies on track.

Leaders overlook or take for granted that sustained implementation and execution takes place deep within the organization, at the front line/hourly level. Repeatedly we hear leaders say, “We cannot get the organization to buy into our strategies.” Quite frankly, if we keep twisting necks, there will be no buy in. You cannot demand or command buy in. Execution excellence requires focusing on creating relationships. Relationships in turn lead to involvement and idea generation, then aligning, developing, and delegating unleashes the dormant power of everyone. When everyone is focused on the task of business improvement, it becomes an easier task. Companies that engage, energize, align, and involve their entire team, outperform those that do not. Charles O’Reilly III, professor at Stanford’s Graduate School of Business states based on his research, “People centered practices can double productivity.” Yet we have found less than 10% of companies do a good job with this process.

Every organization has a tremendous opportunity to improve its performance. The next performance elevation frontier awaits those who face the reality that business leaders must fundamentally rethink how they approach business, and focus on execution excellence. When you unleash the power of everyone instead of the power of a few, performance elevates to new levels of previously unmatched success.

The great organizations will not wait. Now is the time to step up and make the necessary changes while economic challenges are the greatest. Great leaders understand while the challenges are the greatest is the best time to determine the real size of the issues they face. Often economic recovery and the business spike that accompany the recovery, hide issues or create the false sense the issues have been completely corrected. To maximize on the recovery, leaders should get out in front now, be a great leader, and prepare to take full advantages from every potential recovery opportunity to improve their organization’s report card – and ultimately the organization’s long-term success.

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