# Chapter 1.

## Quo Vadis: Why Organizations Are Losing Their Way

*Whom the gods would destroy,*
*they first grant 40 years of business success.*

Peter F. Drucker

The unthinkable is happening distressingly more often in business these days. More and more firms are facing difficulties and even crises of survival that go far beyond the usual ups and downs of the economic cycle. Something more basic is now going on, something that is causing fundamental subterranean changes in markets, competitive sectors, and even national economies. The well-known ways don't always seem to work any more.

There seems to be a growing crisis of confidence in the business world, and it's affecting all of the developed countries. The United States, the biggest of all mercantile economies, is perhaps feeling the shock waves most intensely, but they are spreading to affect all modern economies. Even the oldest, most revered, and traditionally most successful American firms are facing unprecedented identity crises. A surprising number of firms that were once a sure bet in just about any stock portfolio are now in serious trouble or in disrepute.

### There Will Always Be A Sears, IBM, And General Motors...?

Chief executives are falling like bowling pins. Could anyone have predicted in 1983 that by 1993 the chief executive officer of IBM would be forced out of office as a result of a decline in the company's market and financial performance? John Akers, a career executive and one of the quintessential American corporate leaders, found himself in the saddle of a horse that was going in the wrong direction. As the market for IBM's core business – mainframe computers – softened, prices in its secondary personal computer market kept falling, and most of its other lines of business weakened as well, IBM seemed to be a company without a strategy or a plan. And Akers was a man without a job.

Similarly, General Motors had for decades enjoyed the reputation as one of the all-time corporate stalwarts. But years of inertia put GM as well as the other two of the "big three" American auto firms behind the power curve. The agonizing slowness with which they responded to the Japanese "quality revolution," a proliferation of products from other foreign carmakers, and a significant recession all conspired to create losses in the billions of dollars. The firm's board of directors perceived Chairman John Stempel and his team as having no real strategy for facing the situation, and he was handed his walking papers.

Who would believe that Sears, the retailing giant that for years was a symbol of virtually all that was American, could fall from the number one market position to number three, behind upstarts Wal-Mart and K-Mart? Under a geriatric, caretaker leadership, the company had become so fossilized that it lost its franchise with the American household. It had to sell off a batch of unrelated businesses that it couldn't manage effectively. The final indignity was the closing of its mail-order catalog operation, which for generations had been a defining symbol of Americana. After the shock, Sears' management had to embark on a very agonizing examination of the company's basic premise for its business operation.

These crises were not accidents of nature, quirks of the marketplace, or flukes. The list goes on. None other that Kodak Corporation, the lifelong memory-maker of American families through vacations, birthday parties, graduations, weddings, and countless other personal experiences, started having trouble with its own business picture. The phenomenal popularity of video cameras and other electronic media threatened the market for conventional film products. Kodak faced the need to redefine itself as an *imaging products* company, no longer a photographic products company. Its board of directors decided CEO Kay Whitmore wasn't up the task, and arranged for his departure.

The list of sacrificial CEO's doesn't end there. James Robinson was forced out of American Express Corporation. Ken Olsen, a legend in the computer industry, was forced out of his position as CEO of Digital Electronics Corporation. In the late 1980s, the legendary Steven Jobs, one of the founding eggheads of Apple Computer, was forced out of his position as chairman of the company, as his hand-picked CEO John Sculley – formerly of the Pepsi corporation – brought in professional management approaches that displaced much of the "blue jeans" culture Jobs and his soul-mates originally created.

It's easy for us as bystanders and onlookers to pontificate about these highly visible examples, and to knowingly sum up the "reasons" for their crises. It's easy to declare the CEOs incompetent, misguided, or simply not up to the task of redefining their firms. But that would be missing an essential point, as well as being unfair. These people, for the most part, were unusually intelligent, educated, experienced, and knowledgeable about their industries. None of them were bumblers. In some cases, boards of directors have sacrificed competent executives for "box office" effect, determined to show that they were doing their own duties properly.

But the real point of this discussion is the basic challenge of redefinition itself. If it can happen to IBM, Sears, General Motors, Kodak, American Express, Digital Equipment

Corporation, and others, then it can happen to any firm. Nobody is safely and permanently successful in the new business era. J.W. "Bill" Marriott, who founded the Marriott Corporation in 1927, starting with a chain of A&W Root Beer shops, declared: "Success is never final." He believed that it's harder to stay at the top than it is to get there.

The truth is that most or all of the firms so far mentioned would probably have come to their crises in one way or another, regardless of the person in charge at the time. The world changed. Markets changed. Customers changed. Technology changed. And the firms, originally defined to cope with a world that now no longer existed, were caught in the cross-currents of these changes.

IBM laid off employees for the first time in its 70-year history – over 20,000 of them. General Motors put 50,000 of its people out of jobs. Procter and Gamble eliminated some 13,000 jobs and closed nearly 20 percent of its worldwide manufacturing capacity. General Dynamics jettisoned 10,000 workers, victims of the relatively sudden collapse of the Cold War between the United States and what used to be the Soviet Union. Employees and managers of many other aerospace and military-goods firms suffered the same fate.

Airline companies in the United States racked up losses in a period of about five years that exceeded all their collective profits since the Wright brothers' first takeoff at Kitty Hawk in 1903. For many companies, falling revenues during the recession only masked more serious problems of business logic and changing economic infrastructure. Journalists dutifully blamed the job cuts on the recession of 1988-1992, but many of the problems were actually basic structural effects. Many of the reductions would have been inevitable, recession or not. Most of those jobs will never return.

General Motors will probably never be as large as it was at its peak some 800,000 employees. It must restructure itself for a new world. Mass markets are fast breaking up into minimarkets, and many megacorporations will likely fraction themselves into mini-corporations. It makes just as much sense for GM to spin off smaller, targeted operations that can confront the competitive forces that are rapidly differentiating themselves in the transportation market. Maybe IBM would work better as a constellation of smaller, more focused, and more dynamic enterprises.

There is a conventional "wisdom" often expressed by observers of new, rapidly expanding technology markets. The pundits sagely predict that "in a few years, there will only be three to five big players left. All the small fish will either disappear or get swallowed up." The evidence for this view of the future is less and less compelling. The game is no longer won or lost based on who has the deepest pocket or access to the most capital. It is more and more being played on the basis of who can deploy resources most effectively to create customer value and competitive advantage. Big is no longer better. In some cases, it may not even be good.

While the three biggest airlines in the world, United, American, and Delta, struggle to stay above the red ink, a small niche player like Southwest Airlines continues to post a respectable profit. While the major lines cut each other to pieces in suicidal fare wars, giving back their prior-year profits to their customers, Southwest sticks to a successful formula that gives it a commanding position in local, short-haul markets.

Who made the personal computer a product so successful that it became a socio-technical phenomenon in its own right? Certainly not IBM, the biggest and most powerful of all firms in the "computer market," defined previously as the mainframe business. It was a small company that literally jump-started from a garage operation by two California whiz kids, Steve Jobs and Steve Wozniak. Why didn't "Big Blue," the company traditionally considered synonymous with computers, introduce the PC? Why did IBM take so long to enter the market, and with such mediocre products? Why did it not take the PC phenomenon seriously for at least five years, as the industry was being created by small upstart companies?

But remember that success is never final. Why did Apple Computer, Compaq, and other major PC marketers laugh at the idea of selling computers by mail? While they jeered at the very notion that consumers would be willing to buy a box of parts with no added-value "service" provided by the retail store, consumers realized they weren't getting any service from retailers to speak of, and they responded to Michael Dell's market message. The computer became a generic product and Dell Computers rapidly grew to a billion-dollar operation selling custom-assembled computers by mail. It took IBM years to finally open a direct-marketing computer operation. Somewhere around 1990, people stopped referring to PCs as "IBM compatible" and just started calling them PCs. IBM had lost its putative franchise as the computer seller of choice.

This is not to say that size doesn't matter, only that megasize may not be the answer. It isn't likely we'll see a commercial world of small mom-and-pop businesses with very few mega-firms left. And anybody who underestimates a firm like IBM, that at any one time sits atop cash assets in the neighborhood of five billion dollars, is making a serious mistake. General Motors will almost surely sustain its profitability over the long term, as will most other giants that are now struggling.

But nothing rises to the sky. Growth begets its own problems, and eventually can pave the way for its own downfall. What is needed in the new era of business is a better answer to the question of “Why” as well as good answers to the question of "How". We're no longer talking about just the megacorporations of the world. We're talking about all business enterprises, from the greatest to the smallest. More and more organizations, even noncommercial ones like government agencies, associations, trade groups, and nonprofit enterprises, are facing fundamental questions of destiny. They are facing the need to redefine themselves, to rethink what they are doing in the most basic ways.

## Shock Waves And Shockwave Riders

In 1964 the town of Hilo, on the island of Hawaii, was almost entirely destroyed by a giant tidal wave, known to Hawaiians as a *tsunami.* An incredible wall of water traveled for hundreds of miles at high speed from its origins in the Pacific Ocean, slamming into the shore community with astonishing force. These amazing killer waves are thought by scientists to originate in rare but powerful seismic events that occur under the surface of the ocean, transferring tremendous energy through the sea above them, and erupting into surface waves of great speed and force. All of the Hawaiian islands now have tsunami warning systems, but there is little anyone can do about them except to use the few precious hours of reaction time to relocate to higher ground.

It's becoming clear that there are also figurative waves, much like tsunami waves, erupting in various dimensions of national and international life. These economic, technological, social, and political *shock waves* can have profound effects on the business environment, changing the threats and opportunities facing the firms trying to operate in that environment, and changing the options and resources at their disposal for surviving. Part of defining or redefining the destiny of an enterprise must be understanding the shockwaves in its environment and deciding what they mean to the business.

We can make good use of this shockwave metaphor in better understanding the environment the enterprise must deal with. For this purpose we can define a shockwave as:

> ***An irreversible trend or movement powerful enough to restructure the basic realities of doing business.***

A shock wave typically originates, much like a tsunami, in a triggering event or change that may at first be subterranean. That is, it may not be detected until the shock wave it creates signals its existence by implication. Defining or redefining the concept of the business must now involve recognizing and adapting to the shock waves we can see, and possibly even predicting the arrival of shock waves our logic or intuition tells us must surely come.

According to business journalist and speaker Ron Zemke, the successful leaders of the future will have to be *shock wave riders,* able to see the long waves coming and able to position their figurative surfboards above those waves. The more skillful of them will actually benefit from the rising waves, capitalizing on their movement and the restructuring they cause. Those who fail to see the waves coming, or who fail to react appropriately or quickly enough may suffer serious losses in competitive position and in some cases may not even survive.

What are some of the shock waves we already know about, that are affecting and will affect businesses around the world? At least six of them come to mind as nearly universal in their effect:

***1. The Japanese "quality miracle."*** Reacting to a very negative image of Japan following World War II as the world's supplier of cheap junk products, Japanese industrial leaders undertook a virtual revolution in attitudes, spirit, and work methods that created a base of skills and technology which enabled them to compete in almost any product arena they chose. The dominance of American and European firms in consumer electronics, cameras, automobiles, and even heavy equipment steadily gave way to the onslaught of lower-priced Japanese products that were often superior in quality as well.

In many cases Japanese products became the standards for comparison rather than the imitators. A number of Western firms virtually abandoned various products and product lines, conceding that they couldn't compete successfully with the Japanese. Coupled with extremely restrictive import practices, both formal and informal, which protected home markets from foreign competition, Japanese industry piled up enormous trade surpluses with the United States and with most other Western countries.

This shock wave changed the rules for doing business: product quality became paramount, manufacturing technology had to improve vastly to meet aggressive Japanese pricing strategies, and many Western companies suddenly developed quality-image problems as second-rate suppliers. Xerox Corporation, for example, the pioneer and leader in the field of photocopying machines, suddenly discovered that the Japanese had a product that worked better, and which they could sell at a retail price lower than Xerox's base manufacturing cost. This was a wake-up call of unprecedented magnitude for Western businesses, and many of them took an ungodly long time in rousing themselves.

***2. The microelectronic revolution.*** Triggered by the development of the digital "computer on a chip" in the early 1970s, and continuing through a series of astonishing advances in design and manufacturing technology, a whole new business subculture of high- tech firms began marketing commercial products ranging all the way from digital watches to electronic heart pacemakers. The Apple II computer, developed and marketed by Steve Jobs and Steve Wozniak, although not commercially impressive over the longer run, made the idea of the "personal computer" plausible. The idea that a small machine on one's desk could actually do as much or more than the traditional huge mainframe computer was a revolution in thinking.

With the rise of the digital way of doing things, and the phenomenal strides in microchip capability at the same time prices were being drastically reduced, the whole world began going digital. Personal computers proliferated throughout business organizations, multiplying the knowledge-processing capability of workers many fold, and opening up ways of working not previously available. This trend led to an enormous demand for software and computer-related products.

This shock wave restructured business realities by making the impossible possible. The relentless advances in chip technology made digital products more familiar and more plausible, with the result that computers became relatively cheap commodities rather than exotic techno-products. Digital clocks and watches, digital telephone answering machines, fax machines, and a host of other microelectronic products created whole new markets overnight and destroyed others. The hand-cranked desk calculator used by merchants became a museum relic. The traditional mechanical watch nearly disappeared from the scene as digital watches came in, only to reemerge as a style option with battery-powered microelectronic workings in place of the centuries-old mechanical mainsprings and escapements. Swiss watchmakers learned a brutal lesson about not seeing shock waves coming. Incidentally, Swiss engineers had developed prototype versions of digital watches well before the Japanese, but industry leaders refused to believe the product had a future.

***3. The oil-price shock.*** The sudden rise in oil prices beginning in about 1972–brought about largely by the ability of the OPEC cartel of Middle Eastern oil-producing countries to ration their production, along with structural changes in the world petroleum market–caused all kinds of restructuring in various industries. Companies in energy-intensive industries had to find ways to reduce consumption radically. The rise in gasoline prices signaled the death knell for the oversized American cars, known in some countries as the "yank tanks." It triggered a relentless technological march toward fuel efficiency. In many ways, it gave the Japanese carmakers a head start in penetrating American markets, because Detroit carmakers dawdled for several years before they finally began to take the new economics seriously.

Although Europeans and Asians had long been accustomed to high fuel prices, Americans were new to the fuel-shortage game. Gasoline rationing in the early 1970s made it clear to Americans that their country no longer called all the shots in the world economy.

The oil shock radically drove up the cost of air travel. It also created great confusion in the American oil industry over time, because the OPEC nations kept whipsawing their prices and shifting supply levels to keep American oil firms off balance. Just about the time when oil prices were so high as to make new drilling feasible in North America, the OPEC cartel would boost production and force prices lower to destroy the incentives. Americans moaned and complained about their dependence on foreign oil, but none of a succession of administrations ever succeeded in creating a viable national energy policy.

***4. The collapse of communism.*** Perhaps the most amazing political and economic phenomenon of the post-World War II era, the caving in of communist regimes changed many things. It changed the character of military planning in NATO countries and the United States in particular. It created wild fantasies of new markets as formerly communist countries would surely hunger for Western-style consumer goods as well as basic industrial products. Many of those fantasies were slow to come true, but the basic premise seemed appealing.

The American defense industry shuddered immediately at the prospect of massive cuts in the national budget for weapons systems and all of the associated materiel. Aerospace firms scrambled to find ways to redeploy their heavy capital assets and find new markets for their technological expertise, again with less than outstanding success in the beginning. For example, AM General, in South Bend, Indiana, decided to market a civilian version of its "HumVee" super-jeep. But with prices ranging from $35,000 to $75,000, buyers stayed away in droves.

The imminent closure of military bases, not only in the United States but in other parts of the world, posed wrenching economic problems for communities that had grown up around them, depending on them for jobs as well as demand for locally supplied goods and services.

In a way, the communist-collapse shockwave caused a restructuring which we might describe as an asset transfer from General Dynamics to McDonald's. While General Dynamics, Rockwell, Lockheed, and other aerospace giants were losing government contracts and laying off thousands of employees, McDonald's was opening up the biggest hamburger restaurant in the world, right smack in downtown Moscow.

***5. The rise of service economies.*** All of the Western industrial nations, and America in particular, experienced the shift toward service economies, with fewer of their people deployed in manufacturing jobs. The rise of global and transnational corporations speeded up the emigration of labor-intensive industries outward toward third-world countries with lower labor costs. At the same time, service industries such as healthcare, fast food, travel, leisure and hospitality, and entertainment grew rapidly.

The closing or consolidation of factories caused massive restructuring in the American workforce as well as those of other industrialized countries experiencing the same transformation. Even Japan, which in the post-war years attracted heavy industry with its low labor costs, began to lose its grip on industries such as steelmaking, garment making, and auto fabrication, as its standard of living rose and its labor costs could not match those of countries like Taiwan, Korea, Philippines, Indonesia, China, and others.

Countries like America tended to hold on to the high value-added production processes that required exotic technology or more highly skilled workers. Japan has been experiencing much the same shift and revision of its workforce needs.

***6. The age wave.*** The so-called "age wave" experienced by America, and to some extent most other highly industrialized countries, saw a decline in birth rates during the war combined with a surge in birth rates following the war, and an increase in life expectancy. This created a disproportionate bump in the population curve, which is currently passing through the range of about 35 through 50. The American postwar baby boom and related demographic phenomena in other countries caused a radical restructuring of demand for consumer products and a shift in product preferences.

As one random example of many restructuring effects, this aging population cohort has made golf a more preferred recreational activity. As people pass through their forties, they become somewhat less athletic and more sedentary, shifting their preferences from pastimes like tennis toward milder forms of exertion like golf. Many of these impacts of the population shift are so demographically predictable that industries rise and fall with the age wave. In most of the developed countries, the over-sixty population is steadily increasing, while the proportion of infants and children is decreasing. This is exactly the reverse of the situation in most developing countries, which are still turning out new citizens faster than they are retiring the older ones. The advanced countries will be facing very different problems and opportunities than the developing countries.

In addition to these global mega-shock waves, there were various local shock waves causing upheaval and restructuring in specific industries. Almost every major industry or economic sector has one or more shock waves that are restructuring its business realities. In healthcare, for instance, major changes in the ways American government agencies pay for treatments have restructured business practices and changed the supply-and-demand equation. Further shocks here are virtually certain. Changes in tax laws have restructured real estate markets considerably. In financial services, advances in communication technology have linked various stock exchanges and commodities markets into a quasi-global market that reacts ever more quickly to global economic developments.

Shock waves come in all sizes as well as all shapes. Some smaller shock waves, happening in certain industries, could more realistically be considered simple trends. They are changes we need to understand and to monitor, but they may not necessarily be powerful enough to restructure basic business realities, which is our working definition of a shock wave.

In any case, in establishing the basic meaning and direction for the business, its leaders must face up to the known shock waves, concentrate on exploiting the various important trends, and be alert to manage critical events that could hand the enterprise great opportunities to strengthen its position in its business environment.

## Road Map To Nowhere: The Price Of Confusion

It is said that revolutions throw people into three different roles, or modes of performance: those who lead the revolution, those who follow it, and those who sleep through it. These days, the sleepers are in real trouble. What you don't know can kill you.

The time to start thinking about the meaning and direction of the business is not when things start going to hell. It's well in advance of the shock wave. Any business whose leaders do not have a clear sense of where the environment is going and what kind of a future it must prepare for may be risking its actual survival.

An incident from my military training many years ago often comes to my mind in connection with any discussion of strategy and business direction. As young Army officers, we were taken out into the woods, divided up into teams of ten, and given various tactical problems to solve. On one particular dark night, my team had the mission of ambushing a small force of "enemy" soldiers (actually training officers playing the part) that were encamped at the edge of a clearing. We had spent a long time creeping as quietly as we could until we were within about fifty meters of the camp. The training policy was to rotate the command of the units on a regular basis, so one of our number had been appointed leader of this hit squad.

As we stopped within sight of the enemy campfire, our leader seemed hesitant and confused. He seemed to have run out of plans. We pressed him, in very intense whispers, for his course of action. As we lay on our bellies behind a grassy ridge, he finally blurted out the whispered command "Advance until fired upon!" As the instruction passed along the line, he nearly had a mutiny on his hands. "Advance until fired upon! What kind of a !#@&&$#! strategy is that?!" we demanded. No one was willing to follow him on the basis of such a tenuous proposition. It took us about fifteen minutes to negotiate an approach to the attack, during which time I'm certain the "enemy" soldiers must have heard our buzzing and shuffling about. They could have easily mounted a counter-offensive if they chose to.

The "default" strategy for many businesses seems to be "advance until fired upon." In other words, there is no strategy except to keep moving in the current direction and hope nothing bad happens. The leaders of most enterprises seldom think the unthinkable. In fact, many of them fail even to think the thinkable.

Small companies in particular tend to run on intuition. The meaning and direction may be reasonably clear to the leaders, who translate it into day-to-day business decisions for everybody else. But as firms grow larger and more successful, and their worlds become ever more complex, they often run into a "fog phase," in which things don't seem so clear any more. The chief executive is distressed to hear people saying things that indicate they don't understand or don't accept the key priorities of the business. Factionalism arises, and people draw battle lines. It's no longer one happy family, but a collection of clans, who may not perceive themselves as having any one common cause that unites them.

Of course, this is even more likely to happen in larger organizations, if only because size itself increases diversity, disparity, ambiguity, confusion, and conflict. The chief executive may feel very strongly that the meaning and direction of the business are clear and compelling. But if the other executives, tactical leaders, and rank-and-file employees can't articulate it in some valid way, then for all practical purposes there isn't one.

Even worse, there may be conflicting views in the minds of the various executives about the direction. The lack of a single concept doesn't mean there are no concepts. Worse yet, the chief may not realize there are disparities, or may not grasp the profound differences in worldview that are operating in the minds of the others. It is not at all uncommon for one key executive to have his or her own private view of the critical success parameters of the business, while the CEO is pursuing another view. These differences of worldview may appear in the form of executive politics and divisional factionalism, but in reality those are often the symptoms that signal the underlying confusion.

This intellectual divisiveness can be extremely limiting and even destructive for the enterprise, even without the effects of scattered energies, political game playing, and internal conflict that it tends to cause. We can take it as a maxim that:

> ***If the organization is at war with itself, it can never be very effective on the battlefield of business.***

Intellectual factionalism inevitably begets operational factionalism. If the senior leaders do not see a common vision and do not speak with a common voice, how can the tactical leaders at other levels do so? How can they achieve clarity of purpose for their own teams when none is available to them?

Therefore, we can also take it as a maxim that:

> ***Clarity of meaning and direction throughout the organization can never be any greater than it is at the top.***

Indeed, it will almost always be less. Relatively few executives have so skillfully deployed their strategy throughout the organization that the typical working person fully understands where the enterprise is going and what part he or she is expected to play in its success. The normal state of affairs is for the worker or unit-level leader to have less clarity in his or her mind than the CEO has. In too many cases, there is much less. In many cases, in fact, the CEO may not really care whether the "wage mules," as one executive calls them, understand the big picture.

It is heartbreaking to see what happens in the organization when a chief executive seems to start each day with a clean sheet of paper. False starts, redirections, commitments that come unstuck, and capricious ad hoc decision making keep everyone off balance. Senior executives can't possibly interpret direction for their tactical leaders in any meaningful way. And the further down the organizational maze one goes, the more fuzzy and indistinct becomes the picture of what the enterprise stands for and what people can hope to commit their energies to.

A few executives even seem to take a perverse pride in not declaring a course of action that makes them predictable. From his or her own selfish perspective, such a person may feel safer for not having locked into a strategy or plan that might turn out to be wrong or ill-conceived. One CEO I knew even commented, "I like to stir things up every now and then, just to show them who owns the spoon." Would-be leaders like this seldom have any grasp of the extent to which they have crippled their organizations and constrained the effectiveness of the brainpower at their disposal.

Contrast this "amoebic" pattern of management with that of organizations in which people do know where they are going. World leaders like Disney, Federal Express, Toyota, Matsushita Electric, Sweden's Volvo, Swiss-and-Swedish ASEA Brown-Boveri, Xerox, Wal-Mart, Nordstrom Department Stores, France's Club Mediterranee, and Switzerland's Nestle' are all strong-culture enterprises whose people understand what the model for excellence is and know what to do to make it work. None of them is perfect, and none is immune from blunders and setbacks, but they all start with the significant advantage of knowing who they are and what value they must create in order to succeed.

Far too many executives, in charge of all sorts of organizations in all sorts of industries, fail to grasp the value and the difficulty of effective *strategy deployment,* although there is no shortage of historical examples that show how it empowers people in remarkable ways. Dr. Charles Garfield, a noted speaker and author of *Peak Performers,* has studied the effect of what he calls "mission psychology." During his work as a computer scientist in the U.S. space program during the years of Apollo 11, he was struck by the intense fervor with which people worked toward the one superordinate goal they all understood.[1]

In 1960, president John F. Kennedy had declared the goal, simply and unequivocally:

> ***"I believe this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and bringing him safely back to Earth."***[2]

That declaration became the manifesto, the organizing principle that gave meaning and direction not only to the space program, but to the professional lives of many creative technical people in government and in the aerospace industry.

Says Garfield, "I had never seen such a group of people work with such absolute focus and fervor as those people, who saw it as their own personal *mission* to send astronauts to the moon. They worked incredibly long hours, under intense pressure, and they loved it. They had something that added meaning and value to their own lives, and they gave 200 percent to make it come true."[3]

Believe it or not, there are business organizations in which people work that same way. There are firms in which people know what counts, and they personally own the success premise of the enterprise. They are invariably firms whose leaders have, in the words of University of Southern California professor Warren Bennis, "created a vision for success, and learned how to enroll others in that vision."

## Vision, Illusion, Or Hallucination?

But to enlist the kind of energy that Garfield, Bennis, and other leadership experts talk about requires actually *having* a vision, a meaning, and a direction, one that is not only clear but valid and compelling. While many enterprises have no clear statement of direction at all, many others are self-deluded, believing they do. There is direction and then there is *direction.* Too many firms have trivial, meaningless "mission statements" and other supposedly inspiring documents that say nothing. Too many executives and executive teams settle for "puff" journalism in place of critical thinking.

With regard to the Apollo program, suppose Kennedy had phrased the mission differently? Suppose he had said "we are going to conquer space," or "we are going to beat the Russians in the space race," or "we are going to lead the world in space technology"? Would it have had the same compelling meaning as "land a man on the moon within this decade"?

Consider the following mission statement of a real but unidentified company:

### Our Mission Statement

[ABC] aims to provide superior value and service to its customers.

How effective is this statement? Can you tell what kind of a business it represents? Can you even identify the industry? Can you glean from it a sense of competitive focus, a value premise for its customers, or any form of market differentiation? This statement appeared on one side of a small laminated wallet card given to me by an executive at a cocktail party. The other side of the card said:

### Service Strategy

We will deliver superior value and service to our customers by:

- having the authority to make decisions.
- supporting each other with technology and training.
- supportive leadership.
- recognizing and rewarding superior service.

I don't know how long it took to develop that statement. I believe it's the mission statement of a shipping firm.

Try another, the mission statement of a railway company:

### Mission

[XYZ] people will excel in meeting customer needs by providing safe, competitive, and efficient transport services.

Can you identify the customer from this mission statement? Do you know what they're doing for the customer? Do you know how they intend to win and keep the customer's business? Would you as an employee of this firm know how to channel your energies to help your company succeed?

Too many corporate statements of purpose are like these: vague, bland, uninspiring, and virtually without meaning. As we progress in this book through the thinking process associated with creating meaning and direction and deploying that meaning throughout the organization, we will need to consider some criteria for doing so effectively. In reading what follows, you will find it necessary to search your own mind for the criteria that make sense to you, and compare them to the criteria I will offer. We may not always agree. What might be an effective mission statement to you might not pass my test, and vice versa. We do not have to agree completely, but the issue of the effectiveness of the corporate "constitution" is a critical one that deserves careful thought.

We will develop some criteria for testing various statements of meaning and direction for validity, power, and impact. Please bear in mind throughout the discussion that there is no one universal criterion, no universal form or format, and no one way of writing such statements that is "correct." The ultimate test of any statement of vision, mission, values, philosophy, or business direction is in its effectiveness in mobilizing people to a common purpose. However, I will advocate fairly strongly certain approaches that I believe are more effective than most others.

I shall try to allow as much latitude for alternative ways of looking at the problem, but I will accept responsibility for putting forth a fairly definite view about how to do it. A later chapter deals in depth with the process of formulating various statements of purpose for your enterprise.

## The Northbound Train: The Power Of A Common Cause

One of the most useful business metaphors I've come across is the idea of "the northbound train" as an image that conveys an unwavering commitment to a particular direction. The person who first mentioned it to me attributed it to a management consultant and educator named Harold Hooke, a man I've never met. I don't know whether Hooke invented it or where he got it, but it's too bad people don't always get the credit for the ideas they create. In any case, I've always liked the sense of imperative conveyed by the term.

Think about the implications of the northbound train: purpose and direction. No vision statement or mission statement can ever make much sense unless it originates in some valid concept about what it takes to succeed. It is not a platitude. It is not a slogan. It is not an exercise in journalism; it is an exercise in careful, clear, creative, disciplined, and mature thought. It provides a *critical success premise* that leaders can understand, commit to, and dramatize to others.

The idea of a moving train also conveys a strong sense of momentum, of unstoppable, implacable movement in an unambiguous direction. I've seen many executives adopt the metaphor in communicating their determination to their leadership team. "This," they will say, "is our northbound train. This is the direction we have chosen, and no other. If you don't feel you want to go north, there are other trains you can ride. But this particular train is going north, and I expect anyone who rides it to commit his or her energies fully to the journey."

***The Northbound Train:***
***The fundamental driving idea of the business,***
***Before which all resistance crumbles.***

But even if the metaphor is useful, the question arises "how do we figure out what our particular northbound train is?" "We aren't Federal Express, or Singapore Airlines, or Phillips, or Siemens, or Club Med. We're who we are, so how do we transform the concept of who we are into a compelling northbound train idea of our own?"

This is the challenge we will take up throughout this book. These questions do not have simple, one-liner answers. The answers come about through a careful process of creative thinking and logical reasoning that must be unique to each individual enterprise. Nevertheless, the process does have certain fundamental features that make it relevant to almost all strategy challenges. We will develop the process in stages and see how it can apply to organizations of many kinds and in many situations.

## Chapter Notes

1. Garfield, Charles. *Peak Performers: the New Heroes of American Business*. New York: William Morrow, 1986.

2. Judie Mills, *John F. Kennedy* (New York: Franklin Watts, 1988), p. 210.

3. Garfield, *Peak Performers.*