How to Survive and Even Thrive in Today’s Competitive World

Everyone has seen the newspaper stories. They come at a depressingly rapid rate in today’s shark-infested, competitive waters. The headlines show one enterprise after the other falling from the ranks of market leaders, disclosing a scandal or otherwise encountering some other form of disaster. This could happen to any company. These problems stem from a discreet number of management or process shortcomings that are all too common among organizations today.

What may be surprising and perhaps even contrary to conventional wisdom is that many of these issues have been encountered and successfully addressed by several large non-commercial organizations, chief among which is the U.S Military. For them, however, such missteps during a military operation can mean potentially disastrous battlefield losses...loss of human life.

What are the characteristics of organizational failure?

The top of the list of issues that lead to failures in organizations include:

1) **Failure to keep up with changing conditions.** In business, this means not having or not acting upon pertinent business intelligence and/or not having a structure that is flexible enough to adapt to new requirements. Making key decisions without thoroughly understanding how the market is changing is tantamount to driving a car blindfolded. Not being able to change directions fast enough when necessary is like trying to drive with a frozen steering wheel. In the military, such conditions can mean not correctly assessing battlefield information or not being able to shift forces when necessary. Either situation can endanger the entire force under arms.

2) **Underestimating the competition.** In the commercial world, it’s sometimes easy to believe that your competitors’ actions will be what would fit best with your plans. Misinterpreting your competition’s actions would make it difficult to successfully execute your strategy. Taking the time to deeply understand what your competitors are doing allows you take the appropriate actions at the appropriate time. In a battle, failure to have a complete understanding of what your enemy is doing can mean being defeated by them.

3) **Lacking an effective system of communications within the organization which creates a feeling of trust among its members rather than fear when they use it.** Leaders are only as effective as the quality of the information they have to act upon. In an enterprise, this typically means getting an understanding how the business is running and what changes are being encountered, passed along by participants who are intimidated. In a military situation, good communications is the only way commanders can stay on top of the situation in which their troops have to operate, especially in battle. This is why good leaders have followers who trust them.

4) **Not giving the appropriate emphasis to having the eyes and ears of the organization focused clearly on its “front line”**. Enterprises that do not force their leaders to spend sufficient time in the field find themselves all too often making decisions from the boardroom based on insufficient insight into what is going on at the point where their product meets their customers.
In the U.S. Military, the leadership is dominated by people who have spent their time in the field and the input from field commanders is given the highest priority. Said simply, soldiers will not follow commanders whom they don’t respect and respect is tied to having a shared experience.

5) **Not having a clear understanding of the mission of the organization at all levels.** The #1 reason business fail today is a distinct lack of clarity...in everything about their business! True Organizational Clarity is where everyone in the organization...from the Janitor to the CEO, from the Accountant to the Customer Service Representative...is on the same page and talking the same language. It’s rare that this exists in an enterprise today but an organization that possesses such clarity can be agile, responsive and is more likely to be successful. In the military, such clearness of vision is essential. Without it, combat missions fail or, at the least, are much more costly in a variety of ways, including lives.

6) **Missing a moral compass or firmly embedded code of ethics at the foundation of an organization.** A code of ethics provides a roadmap for members of an organization showing how they should act under a variety of circumstances. This is especially important in times of great stress and risk. Such a code, if embedded throughout the enterprise, provides a strong framework to each member how to answer the question, “How should I handle this?” Without such a code, the probability of errors in judgment increases geometrically. In the Armed Forces, this type of code gives members certainty that they can count on each other in all circumstances, including battle.

7) **Failing to have a robust training and development program that ensures the continuity of the leadership of the enterprise.** Leadership has to grow as an enterprise grows. Organizations that do not enhance their pool of leadership start to break down at key junctures in the structure. The most effective way to grow leadership is through a well-developed program of training and development. Not only do effective outfits have such a program, but they cycle their best and most experienced people through training positions to pass along their stored knowledge. The military’s Training and Development Command (TRADOC) is at the core of their successful turnaround since the end of the Vietnam War.

8) **An inability to work effectively with partner organizations.** No organization works alone. Every enterprise has a network of partners, associates, suppliers, etc. that are essential to its continuing success. There is a long list of companies that have failed to take this lesson to heart and have endangered their success as a result. There is a much smaller list of enterprises which have made a point of integrating their partner organizations deeply into their processes. These groups tend to have much more successful operations. In the U.S. Armed Forces, various units are forced to rely on various other parts of military in order to complete their mission. The U.S. Marines rely heavily on the U.S. Navy for logistical support of all types, for example. Likewise the Army and Air Force work tightly together in many circumstances. The price of not working effectively together would be total failure the military mission.
Examples of organizational failure

**Penn State** – One of the nation’s most renowned institutions of higher learning has been suffering under a cloud of controversy since the end of 2011. The Jerry Sandusky scandal has had ramifications beyond even the horrendous nature of the allegations that have been leveled against the former assistant coach. The scandal’s aftermath has centered on the lack of immediate investigation and follow-up by the university’s inner leadership circle, including the late legendary coach Joe Paterno. Two key failings at Penn State included:

**Lack of a fear-free system of communications** – there have been a number of stories that have come to light about employees of the university who had knowledge of the assaults early in the chain of events, including some eyewitnesses, but were afraid to report what they had seen to university authorities for fear of negative repercussions.

**No embedded code of ethics** – what has become clear in the aftermath is that the university’s administration did not follow its own stated code of conduct. The decision of the president of Penn State and the other administrators to cover up (for nine years) the Sandusky episode underscores their lack of a fundamental moral compass.

**Nokia** – Nokia’s remarkable downfall is a classic tale of management missteps. Nokia went from being the unrivaled king of the mobile phone marketplace around 2005 to a distant laggard by about 2011. At the peak of its dominance, Nokia ruled the common usage mobile phone market globally (except North America) and was even an early motivator in the smartphone segment. The management failings that led to this sad ending included

**Failure to keep up with changing conditions in the mobile marketplace** – Nokia actually pioneered downloadable apps for mobile phones but failed to create a coherent environment for apps in general. In the meantime, competitors like Apple took the initiative and overtook Nokia with an easy to access apps ecosystem one of the key advantages they offered.

Additionally, Nokia’s technology management model was so rigid that it was unable to quickly change the mobile phone models it offered when the market began to demand different features.

**Underestimating the competition** – Nokia had a firm belief that the features and shapes of the devices that they had been delivering for some time would continue to be what the consumers wanted. When Motorola was developing the RAZR and Apple the iPhone, Nokia wrongly felt that the features offered in those devices were inferior to their own.

**Not having a clear understanding of the real mission of the company** – While the company had and continues to have large groups of very smart, innovative people who had come up with several leading edge concepts, including smart phones but didn’t understand that bringing that innovation to their customers was their real mission.
Yahoo – In 1994 Stanford students David Filo and Jerry Yang started up Yahoo out of their dorm room as a hobby. It quickly became a search engine of choice among internet users. Corporate advertisers were willing to pay millions to have their banner ads on Yahoo. By the mid-2000’s Yahoo’s business model was failing. By 2012, they had cycled through 4 CEO’s in 3 years and there is a real question of the viability of the company. Some of the things that led to the loss of their leadership in the market were:

Not truly understanding what business they were in – While the basis for Yahoo’s success was its usefulness as a search engine, Yahoo referred to themselves as a media company. They focused on selling ads for which corporations were willing to spend big money. Partly they were mistakenly comparing the cost of banner ads to traditional print while failing to recognize that readership is not the same. Yahoo was and is a technology company which they began to realize relatively late in their history. By that time, they were beginning to lose the battle for technology talent which further led to slowness in their innovation. Another example of their lack of clarity as to their mission was that Yahoo licensed Google’s search technology rather than develop their own. This helped to cement Google’s place as the “go-to” search engine.

Failure to have an internal development program for their leadership – With their heavy emphasis on selling ads, Yahoo failed to have a robust training and development program in place. Josh Bersin, a contributor on corporate leadership to Forbes magazine, wrote in a July 30, 2012 Forbes blog, “I have a good friend who was a senior manager at Yahoo. He told me that during his entire 8 years there he never attended a single leadership development program. This is a sign of a company that has not yet figure out the role of leadership in business performance.” This lack of a development program further led to the erosion of their leadership capability.

Examples of successfully implemented principles

The Asea Brown Boveri (ABB) Group – ABB is a Swiss multinational company focused on power and automation technology. Over the last several decades, ABB has grown through many acquisitions but has very effectively continuously reinvented itself. One of significant principles that they have followed successfully was that they kept a very clear focus on its front line. They followed an approach they called the 30-30-30-10 rule which meant that 30% of managers are kept at top management; 30% at middle management; 30% on the frontline management and 10% are laid off. This approach continuously leans out the management of the company while also continuously forcing managers toward the customer touch points.

Johnson and Johnson – In October of 1982, seven people in Chicago died after taking extra-strength Tylenol capsules that had been tainted with 65 milligrams of cyanide, 10,000 more than the dose necessary to kill a person. In deciding how to handle the scandal, the management of the company and its subsidiaries closely followed their code of ethics which emphasized protecting people first and property second. Following this moral compass, Johnson & Johnson immediately recalled all Tylenol from the entire country, amounting to around 31 million bottles and a loss of greater than $100 million dollars. They also halted all advertisement. This above and beyond responsible handling of the crisis paid dividends when the company re-introduced the product after putting in significant safeguards. The public trusted them.
Citigroup’s Consumer Finance Business (CitiFinancial) in Central & Eastern Europe – In 2003
CitiFinancial launched de novo lending operations in Poland and by 2006 it had grown to profitability with over 200 thousand customers and almost 200 branches in four countries. This rapid and successful expansion happened as the result of several successfully implemented management practices, not the least of which was their ability to work in close partnership with the already existing infrastructure of Citibank which had been significantly expanded in 2000 when Citigroup acquired Bank Handlowy, a top 5 bank in the country. This leveraging of existing capabilities (technology, accounting, operations back office, accounting, etc.) allowed a quick and inexpensive launch. Handling this intricate partnership was accomplished by keeping a very open and empathetic line of communication between CitiFinancial’s and Citibank’s management team.

U.S. Military – At the end of the Vietnam War, the U.S. Armed Forces, especially the U.S. Army, was in disarray. It was a comparatively ineffective fighting force, made up largely of draftees and without a well-understood mission. To change, the military needed to grow in several areas that it had not addressed before: a) Capability to address new, different kinds of battlefield missions; b) Ability to attract a different, more professional force of all-volunteers; c) Building a new corps of true leaders; d) Creating a professional development program to provide a path to sustainable leadership. To do this, the Army accomplished this by empowering a single, highly focused and centralized training and development group...the Army Training and Development Command (TRADOC). Today, the U.S. military is considered a highly effective fighting force with some of the best military leaders in generations. It’s also considered one of the best managed organizations of its size in the world.

Conclusions
The world today is more competitive and risk-filled than ever. The chances of failure are at an all-time high. Despite that, a few enterprises succeed beyond all expectations. Some of the principles that are the biggest reason for those successes are:

- **Instill clarity of purpose at all levels of the enterprise.** Every other job is secondary to that mission critical concept. Understand the Big Picture with clarity down to the front-line units.
- **Build a trust-based culture of communications** that flows freely in both directions. Reward the timely bearer of bad news as much as someone bringing good news. When something goes wrong, search for causes to be fixed rather than fixing blame.
- **Embed a culture of training and development** and make training assignments a career development step for your best and most experienced people.
- **Get genuine buy-in at all levels of the organization.** Once the discussion is over, everyone rallies around the leader’s decision.
- **Root out hidden agendas and collaborate with all associated organizations**, including agencies, brokers, strategic partners, suppliers, etc.
- **Get your hands dirty in the details your people bring you.** As a leader, look deeply at the processes as well as the outcome. Be involved and be supportive.
- **Leadership means courage.** Don’t be afraid to look under the covers regardless of what you might find. Don’t be afraid to challenge the experts or conventional wisdom. Sometimes a leader has to stand alone...even if it is against the tide.
• **Have a bias for action.** Don’t wait to be officially sanctioned. Be willing to ask forgiveness afterwards rather than waiting to ask permission beforehand.

• **Listen to your front-line people.** Be prepared to act on what they are telling you and what they are recommending. Ensure that all management gains the viewpoint of the front line.

• **Don’t be ruled by organizational boundaries.** Create an environment that encourages spontaneous cross-unit teamwork. Encourage “swarming” or “surging” to address issues.

No one can guarantee success in the dangerous world in which we live today. However, embedding these concepts in your enterprise will make it a more agile and innovative entity and significantly improve the odds that it will win.

**About The Author**

Ron Malak is the CEO of Beryle & Lee, a specialty consulting and software enterprise geared to provide tailored solutions for enterprises of all sizes. He has led organizations through significant changes including leading CitiFinancial’s expansion into Central & Eastern Europe and directing post-merger integrations for GE Capital in Romania and Poland. Additionally, Ron served honorably as a senior non-commissioned officer in the U.S. Army’s Intelligence and Security Command for more than eight years where he led significant intelligence missions. He has received training in some of the most respected organizations in the world in management best practices and reengineering principles.