MORGANCROSS
CONSULTING

Growth's Hidden Killers

Business Leaders' Top 10 Self-Limiting Beliefs

What do Nokia, Kodak and HMV have in common? The answer is that they are all major companies that have failed. Not only that, but they are *excellent* major companies that have failed. Their failures weren't a result of poor operational performance, but instead resulted from poor leadership. Each of these businesses failed to change and evolve in response to rapidly changing markets and that problem is, at its heart, a leadership issue. And, in turn, the poor leadership decisions made by each company's executive teams reflected the invisible beliefs that each leader carried around with them.

In my 25 years working with businesses of all shapes and sizes across different geographical markets I have identified 10 common self-limiting beliefs that can kill companies' growth potential and prevent organisations from achieving their potential.

1. **Our goal is profit.** Profit is not a goal; it is a constraint. The sustained success of a business is not achieved by single-mindedly pursuing profits but by cost-effectively delivering products and services that customers can't get enough. Without the customer demand there is no company, and that should be the goal of every leadership team.

2. **The customer is always right.** They're not. In particular, customers are often wrong when it comes to innovative new products and services. When Renault was planning the launch of its unusual Twingo car in the early 1990s over 75% of customers tested gave the concept negative ratings. The car's design took some getting used to and it required a collective leap of faith before the company made its most successful launch ever. If the directors had just listened to its customers the car would have never seen a production line. Knowing which of your customers you want to listen to and when is critical to your ongoing success.

3. **We want an organization of happy, satisfied workers.** Wrong. Instead, you want an organization of productive colleagues. I once worked with a grocery chain that was investing $ millions on a new staff satisfaction scheme. The only problem was that the happiest, most satisfied staff worked at the least productive stores where they could 'coast'. Colleagues in the best performing stores were far less satisfied, mainly because they were under ongoing pressure to deliver.

4. **Strategy is long term.** The creation and delivery of a strategy needn't take years to achieve. In fact a new strategy can be envisioned in a matter of hours and its delivery can be achieved within months not years. At one business I worked with, we established a new strategic ambition and direction in a two-day session, including a 4-year goal to profitably double its sales. Immediately following that meeting managers and executives began making decisions consistent with the new strategy and the business had delivered a 30% performance improvement on its new #1 goal in less than 12 months.

5. **100% quality is mission-critical.** Pursuing 100% quality is self-defeating in three ways. First, it is likely to cost too much. Second, it takes too long to achieve. Third, it inhibits you from taking the risk of launching 90% quality products with the potential to inspire, engage and attract more customers. The only mission-critical factor is your ability to deliver innovative, better new products and services faster than your rivals.

6. **Only implement what your organization has the capability to deliver.** If that was true no company could ever truly innovate. Let the strength of the new ideas you're delivering direct the capabilities you need, not the other way round. Find and recruit new people with the skills and talents you need, partner with other organisations, and/or use the innovation process to build the capabilities you need in-house. Even Procter & Gamble, the consumer goods giant, now aims to source over half of its new product ideas from outside the company.

7. **Fail to plan and you plan to fail.** I much prefer the army's adage, "*Plans rarely survive contact with the enemy*" or, even better, Mike Tyson's quote that "*Everyone has a plan – 'till they get punched in the mouth*!" In other words, success doesn't go to those companies with the best plans, but those that are able to repeatedly act, learn and adapt quicker than their competitors. Rather than putting all your effort into an annual plan that becomes redundant weeks after its launch, establish regular and focused performance review sessions that will allow you to adjust your priorities and actions as you go. Depending on the markets you serve, the pace of innovation you're expecting and the level of risk your working with, these sessions could be weekly, monthly or possibly quarterly. Either way, managing performance is far more important than planning.

8. **Reward success.** Everyone wants success, but if that is all you ever reward you are unwittingly reducing the level of risk-taking in your company. Your people will only ever do anything if they know it will be successful. Instead, you need to reward behaviours, rather than simply results. Have a reward for the best idea that failed, for example, or talk about a glorious failure that brings to life the behaviours you are trying to embed.

9. **Downturns are dangerous.** When markets decline and times get tough the natural reaction is to batten down the hatches, cut costs and reduce investment. Yet, the evidence shows that a totally different approach is required. A study of 1,000 businesses clearly demonstrated that the companies that performed best in the years following a 1990s recession were those that had continued to invest in marketing, maintained their appetite for acquisitions and continued to innovate. The winner of the *Tour de France* doesn't build a lead going downhill – all the cyclists go at a similar speed on these stretches – but his move on one of the tougher climbs in the race. Similarly, it is in difficult market environments that you can move to accelerate the growth of your business.

10. **Only operate in attractive markets.** Business leaders are attracted to high growth, profitable markets. This seems natural, doesn't it? Who wouldn't want to expand their business operations into China.The only trouble is that you are far more likely to make profitable returns if you are advantaged in an unattractive market than if you are disadvantaged in an attractive market. The critical success driver is building and exploiting your sources of competitive advantage, not merely investing in supposedly attractive markets. Vodafone pulled out of China and Tesco exited the US market, for instance, after both companies had invested £ millions without creating any clear advantages. Compare that to Ryanair's ability to consistenly deliver profits in the tough, unattractive European airline business. The difference is Ryanair's business model is based on a series of distinct competitive advantages rather than the hope that involvement in a strong market will lead to success.

Which of these self-limiting beliefs exist in your leadership team? And what new growth ideas could you deliver if you challenged and removed these growth killers?

© Stuart Cross 2015. All rights reserved.