THE COMPETITIVE EDGE

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DESPERATE MEASURES

A dysfunctional corporate culture stymies business growth. Such cultures must change before improved growth becomes possible.

When Paul O'Neill became CEO of Alcoa in 1987, America's largest aluminum company was in trouble: revenues flat, profits mediocre. O'Neill correctly identified the cause: a dysfunctional culture. Turf battles were common, data scarce, silos closed off. O'Neil chose an ingenious method to improve the culture: he declared his focus would be to achieve zero injuries. The result? Fewer injuries, yes. But in addition, improved processes, fewer barriers between silos, good teamwork. Revenues grew and profits doubled rapidly.

When Gordon Bethune became CEO of Continental Airlines in 1994, the airline had just emerged from bankruptcy. The existing culture was fixated on turf battles and cost cutting. Performance was terrible. To improve performance, the culture needed to change. Bethune eliminated the most intransigent managers, then persuaded the rest that the threat to survival was very real. To survive, they needed to work together and make their route structure more cost-efficient. Bethune shifted the focus. The changes succeeded. Continental's culture and performance improved dramatically, resulting in its stock price going from $2 to $50 per share.

Mike Walsh acted fast to fix Union Pacific's terrible culture when he became CEO in 1987. He immediately fired three layers of management, before, as he said, they could wear him out. He then drove a focus on objectives of efficiency and process improvement that turned the company around.

Sometimes the dysfunctional culture is so entrenched that the only remedy is to start from scratch. One Italian manufacturer was so stymied and frustrated by Italian regulations and the leisurely work culture of his employees that he knew a drastic remedy was needed. One August, when all his workers were on vacation, he dismantled his factory and moved it to Poland! He hired Polish workers and now has a good business.

"Today we are going to decide who to blame."

In 2015, the CEO of Traeger did the same. Traeger was a $70 million company making superior outdoor grills. Growth was stymied by a bad culture in place for too long. Jeremy Andrus moved the business, minus the workers, from Oregon to Utah. Revenues grew from $70 to $400 million in five years.

BUILD A CULTURE OF GROWTH

Improve business growth by changing your company's culture. Who, when, and how growth is considered make a big difference. The following diminish growth potential:

- Only a few, higher-level people think seriously about growth.
- They think about it infrequently and irregularly.
- They think primarily about major growth initiatives, not minor revenue improvements.

When only a few people in an organization think about growth, others tend to think that growth opportunities are not their responsibility. Result: fewer people looking for good growth ideas; reduced communication about ideas that are detected.

Infrequent, irregular consideration of growth ideas gives growth lower priority everywhere. Result: less identification of good growth ideas; slower implementation of ideas selected.

A focus only on major initiatives can cause three problems: (1) most in the business to think growth is not their responsibility, (2) smaller opportunities tend to be dismissed, (3) growth tends to be sporadic, less likely, and harder to manage.

Improve growth by changing the three cultural traits just described. Do the following:

- Make consideration of growth everyone's business.
- Meet regularly (weekly if possible) to review progress on growth initiatives.
- Set up operational processes to get the entire organization alert for growth ideas.
- Set up regular occasions to encourage the flow of growth ideas from everyone.
- Set up small teams, each charged to produce new revenues in 100 days.
- Create and use a true comprehensive growth-investment budget, something that is missing in most companies.

THE HAIER EXAMPLE

Haier is a Chinese manufacturer of home appliances. In the 1980's, its products were unreliable, its performance poor. Zhang Ruimin changed all that when he became CEO in 1985.
To dramatize the company's bad products, he had all his employees witness the destruction of 76 defective refrigerators the employees had just made. The message? No more poor quality.
No more poor response to customer needs.

Zhang then instituted radical cultural changes to connect all employees in the company more closely with its customers and to create processes to give customers what they really needed.

The changes succeeded. Haier experienced over 30 years of exceptional growth. Today, Haier is a major global enterprise named one of *Fortune*'s 2019 most admired companies in the world. Many of Haier's practices can help any business improve growth. Several articles have been written about Haier's successful growth culture. They are worth reading.