



Leadership is a Precarious Thing

Every business that reaches the top must continue to transform itself.
The key is to do it from a position of strength.

Commentary by **Troy Marshall**

While every American has heard about the onslaught from foreign competition in the automobile business, it was still unthinkable a few years ago that General Motors (GM) would no longer be the world's largest automobile maker. In the first quarter of this year it finally happened, with Toyota's sales surpassing that of GM's.

While this is the first time anyone has surpassed GM, and admittedly by fewer than 100,000 cars, none of the experts expect GM to recover anytime soon. The reality is that GM lost its leadership position to Toyota nearly 20 years ago; it just took that long for the inevitable to occur.

It is said that in agriculture we specialize in crisis management and only make changes when things are tough. There may be more than a nugget of truth to that statement. We have to realize that actual economics are rarely the leading indicator. In fact, when the economics begin to change, it is often too late to stop the slide. Talk to any breed association or seedstock producer that has endured a decline in numbers or sale averages and they will usually confirm that the warning signals came long before the numbers showed a decline.

Momentum is the indicator that leaders use to gauge their position. Do they have momentum? Are they gaining momentum? Or is momentum shifting to another entity?

The time to act aggressively and decisively

is when momentum weakens. If you do not act then, you are forced to try and wrestle momentum away from a competitor, which is a difficult task. If you wait even longer, until your momentum turns negative, then it usually takes decades to reverse the trend.

The GM analogy is an important one. GM was the New York Yankees of baseball, the Tiger Woods of golf and the Michael Jordan of basketball. It wasn't simply the biggest automotive company in the world; it was the flagship American corporation.

GM's market share has essentially been cut in half in the U.S. market — from 48% to 24%. Every article you pick up discussing the fall of GM contains the operative words *arrogance* and *complacency*. GM management was focused on the rules and the structure that had made it such a success and protecting that model instead of developing the business that would enable it to remain No. 1 in the future.

Failure to lead

While the values and vision that got you to the top will help you stay there, the business model and the tactics you used almost never will. Simply put, what got you

to the top, won't keep you there. In some ways it seems almost cruel; if you get to the top, you must abandon a large part of what got you there to remain — and that is the

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type of mental gymnastics that most of us simply cannot perform.

GM put out an inferior product for 25 years. By most accounts, it has been producing one of the best products since the mid-1990s, but the damage was done. In many respects, GM was lucky it took a generational turnover to lose its leadership position. If it had been in the software business, it might have been months.

It wasn't merely GM's corporate leadership that failed. Sure, their product was being surpassed in terms of quality, reliability and durability, but it was also a failure of labor leadership. While Toyota was building plants in America with non-labor-union contracts, GM was signing some of the most lucrative labor contracts ever won by organized labor. In doing so, GM's fate was sealed.

Both GM and the United Auto Workers union could see the writing on the wall, but the status quo and comfort level that their success had created kept them from making

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the changes that had to be made. It was their loyalty to the system that had gotten them to the top that created their fall.

GM has slashed costs, rolled out inventive and creative new lines, and dramatically improved quality and reliability, but it was too late.

Momentum cannot be overstated. GM may not be No. 1 in the domestic market for a long, long time, but it is No. 1 in China (the fastest-growing and biggest auto market of

the future). Its success in the emerging auto markets and failures in the mature ones are explained almost entirely by the concept of momentum. Emerging markets saw only GM's improved lineup and improved business models. As a result, GM was able to win the battle of momentum.

GM can regain the momentum domestically in time, but it must lower its labor costs — significantly. It must restructure management and size to reflect

the realities that changed the business 25 years ago. And it must help the American consumer understand that it no longer has to apologize for its vastly improved product. If GM had made the necessary changes 20 years ago instead of in the last four years, the stories in the popular press might be about GM's ascension rather than its collapse.

Ahead of the curve

The key is changing ahead of the curve. A

quote in Accenture's business journal *Outlook* says it very well: "Many companies wait too long to attempt transformations, doing so only when the signs of trouble have become obvious. But in today's unforgiving business environment, that's probably too late. High performers, by contrast, change before they must, knowing that the best way to transform is from a position of strength."

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it from a position of strength. If the signs of trouble are obvious, it is probably too late.

So how does one position one's operation to transform itself on a timely basis? Jack Welch was one of the most respected chief executive officers (CEOs) of recent times, and he did a wonderful job of helping his company embrace new challenges and of never allowing it to feel comfortable. He did this through the constant introduction of initiatives that the entire company was

expected to embrace and implement.

The four initiatives for General Electric (GE) were globalization, product services, Six Sigma and e-business. While all of these programs were quite successful in driving revenue, their most important contribution was keeping GE on a path of constant improvement, and a willingness to make rapid adjustments to changes in the directions of their core business.

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Accenture also made a case for what it calls business acuity — the ability to envision new realities and necessities, convert that vision into effective strategies, and catalyze those new strategies by getting others to act swiftly on the vision. It pointed out that one component of business acuity is the willingness to embrace data sources beyond traditional enterprise systems.

For a seedstock operation, that means listening to cow-calf producers, feedyard operators, packers, retailers and consumers — not just what the seedstock segment is saying. For a breed association, that means looking beyond what its breeders are saying and having a broader industry perspective. For both segments it means looking beyond land-grant universities and industry databases and sources to other industries and businesses for a fresh perspective.

There have been invaluable nuggets of wisdom gleaned from the pork and poultry industries, but probably far more from diverse industries ranging from software to coffee.

Fresh perspectives

Another key to business acuity is to recognize patterns and emerging trends. In today's world of information overload, it isn't merely about accumulating the right data, but making sense of it in a timely fashion. Success in this area requires a commitment of time and a conscientious effort. While largely common sense, the key is to get the right information in a timely basis, and to be able to analyze it correctly in order to implement the appropriate strategies. Once this is done, leaders put systems in place to ensure actions are taken quickly.

Leaders ensure action by putting together the right team, giving them the right resources, and making sure that everyone on the team is pulling in the same direction. Many larger corporations or business entities have established policies where they try to source 25%-30% of their management team from outside of their organization.

In agriculture, we are guilty of inbreeding, whether it be from hiring within small isolated circles, from specific universities or even from strictly within the family. It makes sense to bring someone with a new perspective into the management team from time to time.



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