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OnPoint Consulting's 2006 Business Execution Round-up: Seven Companies to Learn from as You Reflect on the Year Gone By

*Yes, 2006 was a year of trials and triumphs for America's corporations.
Business execution expert Rick Lepsinger analyzes what went wrong and what went
right with these industry giants . . . and what you can learn from them.*

New York, NY (January 2007)—Now that 2006 has come to an end, business owners and executives of every stripe find themselves reflecting on the past year. What went right? What went wrong? Did you make progress toward your goals? Did your business grow? Did profits increase? Did the quality of your products and services improve (or, at the very least, hold steady)? Did your leaders truly *lead*? Were your employees motivated and engaged? If the annual soul-searching has you feeling overwhelmed, take a cue from Rick Lepsinger: make an effort to learn from the trials and triumphs of your more well-known business brethren.

“Plenty of major companies experienced dramatic failures and successes in 2006—and some did so very publicly,” says Lepsinger, president of OnPoint Consulting (www.onpointconsultingllc.com) and co-author (along with Dr. Gary Yukl) of *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices* (Jossey-Bass/A Wiley Imprint, 2004, ISBN: 0-7879-6531-6, \$44.00). “I find it interesting to observe what happened with large corporations because their mistakes can be instructive and their victories inspiring.”

Lepsinger, whose consulting firm specializes in helping clients close the gap between strategy and execution, offers the following “year-end round-up” of companies whose actions ran the gamut from “brilliant move!” to “what were they *thinking?*”:

In the Area of Innovation and Change

THE GOOD: The Procter & Gamble Company. Procter & Gamble made 2006 a year to remember by doing well in all areas of business execution. The company had a clear,

unifying vision and strategy, coordinated its efforts across the globe, focused on customers, and, most importantly, focused its employees on the importance of sharing ideas in order to reach new customers and keep their current ones. CEO Alan G. Lafley emphasized to his employees that the customer is king, and as a result, employees focused their efforts on looking for and developing products that they knew Procter & Gamble's customers would like. And they hit a home run with products like the Mr. Clean Magic Eraser. "A P&G employee actually discovered the prototype in Japan," says Lepsinger. "And rather than sticking with their own internal ideas, Procter & Gamble saw an opportunity to license a product that already existed and tap into their organizational competence to add value. Their plan to use ideas that have been developed outside the company worked due to P&G's openness to change and their ability to execute flawlessly. The Magic Eraser and Procter & Gamble's similar products made them one of the success stories of the year."

THE BAD: Dell, Inc. Just as people can get stuck in a rut, so can businesses. Dell developed "the Dell Way," and now the company's reluctance to tread off of the beaten path is costing it its customers. The company was once able to attract customers to its website with low-cost offers that would require the buyer to make additions in order to have the best computer, which meant the price would end up being more than the original low-cost offer. Now, consumers don't have to go to Dell to get a "custom-made" computer because there are tons of affordable computers out there with all of the bells and whistles that consumers want. "Here's where Dell turned a problem into a *huge* problem," says Lepsinger. "When they realized they were losing business to competitors, they fell back on a practice that had always worked for them before: they cut costs to maintain market share. One place that suffered was customer service, which had originally been one of their biggest strengths. Basically, Dell created a customer service nightmare, and customers became very disgruntled. The company is now making changes to get back on course. But once you've lost consumer confidence, it can be hard to get it back."

THE LESSON: "If you want to run a successful business, you have to be willing to create and implement innovative strategies and adjust to changes in the market," says Lepsinger. "That's true of small businesses and huge, international corporations alike. You have to be flexible."

As you see from our two examples, embracing the spirit of innovation and change can help you reach new levels of success, while being rigid and unwilling to change can cause serious, perhaps irreparable, harm.

In the Area of Employee Engagement

THE GOOD: Google. When Google started out, it was easy to keep all of their employees involved—primarily because there were so few of them. But now that the company has expanded into thousands of employees, leaders have had to find ways to ensure that everyone has a voice. One way they keep their ears open to grassroots ideas is a policy that allows engineers to spend at least one day a week working on their own pet

projects. The company also uses smaller teams to develop new concepts—sometimes assigning only three or four people to a team. Lepsinger likes to compare Google’s approach to employee involvement and engagement to another computer-centric company, Microsoft. “One reason Microsoft has run into problems is their tendency to have many large teams working on the same project,” he explains. “The lack of communication and coordination between teams can lead to problems. For example, when Microsoft was developing its new operating system, one team placed a set of icons on the right while another placed the same set of icons on the left. Google avoids these problems by using small teams. Members of a small team have more ownership and accountability and can more easily communicate and execute their ideas.”

THE BAD: National Basketball Association (NBA). This season the NBA introduced a new basketball and guess who they forgot to involve in the decision: *the players!* That’s right. The NBA came up with a new ball design and never once asked the players how they liked it while it was in development. “There’s really no reasonable explanation why NBA corporate wouldn’t involve the players during the development of the new ball,” says Lepsinger. “There clearly needs to be more communication between the NBA management and its players. Asking the players would have increased the quality of the ball *and* the acceptance of the ‘new ball’ decision. As a result, the players refused to use a new ball they felt was difficult to handle when it was damp and would actually cut their fingers. Because of the player backlash, the NBA had to scrap the new ball and go back to the ball the players preferred—the same one they have been using for decades. The NBA is a glaring example of why it is important to involve people whose support you need in decisions that affect them.”

THE LESSON: “The employees of a company shouldn’t feel like they exist only to help the company make huge profits,” says Lepsinger. “They should be involved in all critical decisions that affect them and should be able to freely share their thoughts and concerns. It gives employees a sense of ownership and nothing truly great can occur in the absence of that. Employee involvement and engagement should be built into a company’s culture. Their ideas must not be merely welcomed; they must be solicited.”

In the Area of Overall Execution

THE GOOD: Hewlett-Packard Company. In the case of Hewlett-Packard, CEO Mark Hurd was constantly being asked if he thought acquiring Compaq was a good idea. His answer? The question is irrelevant. Basically, Hurd said what’s done is done, and his job now is to find a way to make it work. He did just that when he reorganized the company into three divisions, with each division having its own sales force, making the heads of the divisions responsible for sales. He also reorganized the IT function. Instead of having eighty-five data centers, he centralized them into three. “Essentially, he decentralized the sales force and centralized the IT function of the company,” says Lepsinger. “This is the opposite of the way the company was organized before, and it ensured the organizational structure would be better aligned with the business strategy. One measure of HP’s success is that operating profit increased during 2006 by 31 percent.”

THE GOOD (Yes, another one!): Motorola, Inc. Another example of near-flawless execution, Motorola was able to coordinate decisions and actions across work units. While developing new mobile phones, the company assembled teams that included members of each major department—design, engineering, marketing, and finance. Thus, the company was able to avoid false starts, delays, and cost overruns because all the key players were involved from Day One. “Motorola used this approach to develop popular products like the Motorola Razr, Slivr, and Motokrzzr,” says Lepsinger. “These teams make it possible for Motorola to keep an eye on what consumers want from every possible perspective.”

THE BAD: Ford Motor Company. In 2006 Ford struggled to execute, allowing departments to clash with one another rather than looking for a way for departments to coordinate with one another. “Ford did a terrible job executing on its strategies this year,” says Lepsinger. “There’s really no other way of saying it. Here’s an example: the company decided to update the Ford Focus. The North American operation wanted to simply refresh the existing model, while the European operation wanted to develop a new version of the model. The two groups couldn’t come to an agreement, so they each did what they wanted to do. The North American group updated the existing model and the European group developed a new model. As a result, Ford couldn’t share parts or take advantage of economies of scale. There was a complete lack of coordination across the organization, and it cost the company money.”

THE LESSON: “Executing well is everything,” says Lepsinger. “It doesn’t matter how great your strategy, how brilliant your vision is, if you can’t bring it to fruition.”

Execution, of course, is the real bottom line, and Lepsinger’s constant battle cry. It’s what he pushes his clients to focus on as they seek to improve organizational performance—and it’s the lens he urges all leaders to look through as they review 2006 and make their “business resolutions” for 2007.

“I’ve found that there are four critical factors that differentiate companies that are superb at execution from those that are mediocre or just plain ineffective,” he says. “They are the ability to coordinate actions and decisions across work units and levels, having organizational structure and systems that support the strategy, involving employees in decision making, and top management’s ability to effectively manage change. Label them ‘The Big Four’ and post them on your wall, right at eye-level. Let them drive every decision you make. A year from now when you’re looking back at 2007, you’ll be glad you did.”

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FLEXIBLE LEADERSHIP:
Creating Value by Balancing Multiple Challenges and Choices
By Richard Lepsinger and Gary Yukl
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Richard Lepsinger is president of *OnPoint* Consulting and has a twenty-year track record of success as a human resource consultant and executive. He was a founder and managing partner of Manus, a human capital consulting firm, which he grew to over \$4 million in revenue and sold to Right Management Consultants in 1998. At Right, Rick was the managing vice president of the Northeast and Eastern Canadian Consulting Practice, where he was responsible for fifty-five professionals and grew the region's revenue from \$7 million to \$20 million.

The focus of Rick's consulting work has been on helping organizations close the gap between strategy and execution. He has served as a consultant to leaders and management teams at Astra-Zeneca, Bayer Pharmaceuticals, Citibank, Coca-Cola Company, ConocoPhillips, Eisai Inc., GlaxoSmithKline, Goldman Sachs, Johnson & Johnson, KPMG, Lehman Bros., Merck & Co., the New York Stock Exchange, Northwestern Mutual Life, PeopleSoft, Pfizer Inc., Pitney Bowes, Prudential, Siemens Medical Systems, Subaru of America, and UBS among others.

Rick has extensive experience in formulating and implementing strategic plans, managing change, and talent management. He has addressed executive conferences and made presentations to leadership teams on the topics of leader effectiveness, strategy execution, managing change, performance management, 360° feedback and its uses, and developing and using competency models to enhance organizational performance. Rick has co-authored three books on leadership, including *Flexible Leadership: Creating Value by Balancing Multiple Challenges and Choices*, (co-author with Dr. Gary Yukl) published by Jossey-Bass/Pfeiffer, *The Art and Science of 360° Feedback*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer, and *The Art and Science of Competency Models*, (co-author with Toni Lucia) published by Jossey-Bass/Pfeiffer.

He is also the author of several book chapters, including "Performance Management and Decision Making" in *The Handbook of MultiSource Feedback*, "The Art and Science of Competency Modeling" in *What Smart Trainers Know*, and "Using 360-Degree Feedback in a Talent Management System" in *The Talent Management Handbook: Creating Organizational Excellence by Identifying, Developing, and Promoting Your Best People*, as well as numerous articles on leadership and organizational effectiveness. His most recent article, "Why Integrating the Leading and Managing Roles Is Essential for Organizational Effectiveness," appeared in *Organizational Dynamics* and is one of its most frequently downloaded articles.

For more information, please visit www.onpointconsultingllc.com.