WINNING MOVES™

SPECIAL REPORT

What Will You Do With All Those Good People?

Why strategy is essential and good people are not enough.

BY PHYLLIS EZOP

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Businesses thrive with a good strategy. But, they limp along, at best, when the strategy is wrong. Yet, when I give presentations, I may be asked whether people are more important than strategy. It is often said that, with good people and a strong corporate culture, strategy will take care of itself. However, my in-depth research for 20+ years indicates that this is not so. A solid strategy is essential.

Then, why does conventional wisdom often see strategy as less important than people? Does evidence support the conventional view? According to my 20+ years researching business success and failure patterns, here are three factors that come into play:

1. Despite their strong personal characteristics, phenomenally successful business titans periodically fail due to strategic missteps.
2. Organizations with strong corporate cultures experience major failure when they make incorrect strategic choices.
3. Highly people oriented leaders may be inclined to attribute the success of their business to people factors, underemphasizing the importance of strategy.

Leaders with strong personal traits, organizations with strong cultures, and leadership styles with high people orientation all fuel the common wisdom that people are more important than strategy. These positive people factors are often present when organizations succeed. But, a closer look reveals that those same factors are also frequently there during failure. Based upon my 20+ years of research, a solid strategy that fits the business drives success. Strong personal traits, strong culture, and high people orientation are just not enough.

Personal Traits Alone Can't Overcome Strategic Missteps

An example is the late Steve Ross, who had been the highest paid CEO in the country and built what ultimately became Time Warner. He had remarkable personal characteristics that contributed to his tremendous achievements. His determination fueled his successes. But, despite his superb traits, where the strategy wasn't right, his business did not thrive.

For example, Ross bought Atari when videogames were booming. Then, a downturn followed. To revitalize Atari, Ross needed attractive new products that young people would want to play. Previously, Ross's determination and his refusal to take no for an answer had served him well in many business deals. Yet, his strong traits alone could not make kids want to play his company's videogames. Since the much needed product development had little to do with Ross's personal strengths, the business did not rebound. Thus, a strategy that fits the business is essential, even when the people include one of the most successful CEOs with outstanding personal traits.

Strong Corporate Cultures Fail if Incorrect Strategic Choices Are Made

If strong people are not enough, going a step further and developing a strong culture is frequently viewed as more important than strategy. The thinking is that such a culture will allow strategy to take care of itself. But again, my research finds that this is not the case.

An example is Enron's strong culture of very bright people who innovated constantly. Prestigious sources named Enron the leader in innovation. Yet, this strong culture of innovation was actually Enron's undoing. Enron's bright innovators innovated so much that the company went into too many new directions too fast. Enron tried to be all things to all people, a strategy typically associated with failure. This unworkable strategy required seemingly endless financing, ultimately leading to questionable accounting and scandal, resulting in Enron's demise.

Thus, a strong culture won't bring business success without a solid strategy that fits it well. When strategy veers off course, even the most prestigious companies with strong cultures lose their way. For example, IBM had a strong culture. Yet, several years ago, it made strategic choices that did not follow the patterns of successful business growth, and found itself needing a turnaround.

Does this mean companies shouldn't have strong cultures? No, it does not. Strong cultures can play an important role in business success. But, those cultures need a good strategy for the business to thrive.

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People Oriented Leaders May Underemphasize the Role of Strategy

Successful, highly people orientated leaders may tend toward underemphasizing strategy. Instead, they may consider people skills the fundamental reason for their companies' extraordinary performance. A closer look at their successful businesses, however, reveals the presence of a strong strategy underlying their people emphasis. In addition to their first class people handling, these leaders made wise strategic choices such as: selecting strategically right opportunities for expanding, using highly effective promotional strategies, and building upon strengths in various areas whether in markets, in operations or whatever, but not necessarily people strengths.

Nonetheless, these leaders see people issues as most important. It's not that they ignore the valuable role of strategy. In fact, they acknowledge the importance of strategic factors, and may often discuss how strategic moves helped build their phenomenally successful enterprises. But, they say that people skills and how people are treated were the most important success factors for their business.

An excellent example is the late Dave Longaberger, who built The Longaberger Company, a direct sales organization known for its line of quality baskets. In his autobiography, *Longaberger: An American Success Story*, Dave credits his people skills. For example, he persuaded the first basketweavers he hired to temporarily work without pay until his loan came through. And, his people skills fostered employee loyalty, especially during tough times like the aftermath of a plant fire.

But, Dave Longaberger also made wise strategic moves that grew the business by building upon strengths beyond his people skills. For example, he started out buying a restaurant, and then a grocery store. Both built upon his prior experience working a baked goods sales route, where calling on and delivering products to restaurants and grocers helped prepare him to succeed in those businesses. And, his earlier work in a grocery store while still in school enhanced his strengths.

Furthermore, Dave's expansion into the basket business built upon his family heritage. Both his father and grandfather earned their living employed as basketmakers. Dave's father continued to make baskets on his own after losing his job due to industry decline. So, Dave's family knew about baskets. Dave initially sold small quantities of his father's baskets before making a major push into this business.

> "Tap the benefits that can come from being people oriented, from having strong cultures and from personal characteristics that produce a success focus—but never forget strategy"

Thus, Dave's family background, plus his sales experience (the baked goods route and Fuller Brush sales), provided strengths upon which to build the basket business into a thriving direct sales organization. And, repeatedly building on strengths, like Dave did, is an excellent strategic path to success.

Although Dave cites people skills as most important, he does discuss strategic factors and how they contributed. He points out the value of thinking, and of paying attention to the past. In Dave's book *The Longaberger Story: How We Did It*, he says, "The past is a foundation." And, his autobiography describes how he strategically focused his businesses by providing the best in service and quality, rather than the cheapest. His book also talks about taking a stepping stone approach. This approach resembles what my research finds is the strategy for thriving via evolution. Yet, he prefaces it all with the importance of people skills, and concludes his book by stating that all his management principles are encompassed in making people feel good.

Longaberger is not alone in crediting the people side of business. The late Mary Kay Ash, founder of Mary Kay Cosmetics, also gives priority to people skills. Yet, her business had a solid strategy with a clear focus, and a step by step approach to growth. In her books, she even discusses the importance of these kinds of strategic factors. But, she surrounds it all with the overpowering message that people issues are more important.

Still another example is Southwest Airlines, a people oriented company built on an unusually strong culture. The book *Nuts*, by Kevin and Jackie Freiberg, tells the Southwest Airlines success story and quotes Colleen Barrett, then Executive Vice President at Southwest as saying "We must never allow the marketing of Southwest Airlines to become so strategic that we lose our heart and soul." Thus, at Southwest, strategy is essential, but people are considered even more important. But, my research finds that this is not necessarily so when companies successfully grow their businesses.

Based upon my research, the people side of the business must not contradict good strategy. Without good strategy, success is threatened. For example, like Southwest, People Express was a low fare airline. It thrived until it abruptly moved out of its niche. If Southwest's strategic moves had entailed leaving its niche and competing head to head early on with the major carriers, like People Express did, making and justifying those moves for some type of people reasons would have brought irreparable damage. Why? Because the strategy is wrong. And, an extraordinary people emphasis could never compensate for that.

So, in summary, The Longaberger Company, Mary Kay Cosmetics, and Southwest Airlines share a commonality. All three credit their people emphasis as most important, yet they all adhered to business strategies that follow the patterns of success. But, when these companies surround their incredible strategic success with an overpowering people factors message, it leaves the impression that people skills and people issues are far more important than strategy. Such an impression fosters the common view that, with strong people and/or strong cultures, strategy takes care of itself. But, it just is not so.

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The success of all three companies was driven by strategic factors. And, as Dave Longaberger pointed out, this includes paying attention to the past. My extensive research into hundreds of business histories agrees with Longaberger that studying the past is valuable. In fact, my research finds that strategically building on past foundations is a major factor that propels successful growth. It, more so than people skills, drives the business. It worked not only for The Longaberger Company, and for Mary Kay Cosmetics and Southwest Airlines, but for so many other thriving businesses as well.

Outstanding leaders like Dave Longaberger, Mary Kay Ash and Southwest's Colleen Barrett crediting the success of their businesses to people factors does not change the fact that thriving, growing companies, including theirs, virtually always have solid strategies. Yes, the superior people skills of these leaders, and the way these organizations treat their people, do play a key role. But, when running a thriving company, a people oriented leader may tend to underemphasize strategy and credit the success of the business primarily to people skills, despite the crucial role that strategy played and even these leaders, themselves, acknowledge. Yet, if and when these companies make strategic missteps, performance generally deteriorates.

Implications

In light of all the above, what role should the people side of the business play? Strong people are an asset to companies. And, since truly superior people handling can provide an almost magical touch, leaders who handle people well can achieve phenomenal results. They can often get greater productivity from their staffs, and may be able to garner enormous levels of support in difficult times.

Furthermore, in a number of instances, the right people may be better able to develop strong strategies and to keep their organizations strategically on track. Or, they may have valuable traits such as persistence, determination, or superior deal negotiating skills. Thus, companies should certainly tap the benefits that come from a people orientation, from having strong cultures, and from personal characteristics that produce a success focus--but never forget strategy.

The wrong strategic choices can bring severe distrous results, even when the corporate culture or people orientation is strong. And, while people factors sometimes make organizations better able to endure the consequences of strategic missteps, wise strategic choices can typically eliminate such missteps altogether. Furthermore, thriving companies that overcredit the people side risk trouble when trying to repeat their previous successes, since they may not focus adequately upon strategy. The right strategy drives business success, much more so than people skills, personal traits, or people orientation. The strategy can change as the business evolves. But, without a good strategy, the people side of the business is just not enough.

So, what do you do with all those good people? Develop strategies that fit their strengths and enable the organization to grow.

About Phyllis Ezop

Phyllis Ezop is a nationally recognized expert on the Winning Moves that drive successful business growth. As a strategic advisor, researcher and marketing information consultant, she blends real world experience in Fortune 500 firms and other major corporations (First Federal Savings of Chicago, Allied Van Lines, Quaker Oats, United States Gypsum, Western Electric unit of AT&T) with her 20+ year study of success and failure patterns in business growth initiatives. Frequently interviewed by the media, Ezop's views have been published in *Business Week*, and she has been quoted in *The New York Times,* in *Investor's Business Daily*, in *Harvard Management Update*, and in various major metropolitan area newspapers. Her quotes and comments have been translated into foreign languages and published internationally.

Ezop's research finds that companies succeed by making a series of what she calls Winning Moves. These growth propelling Winning Moves are based upon powerful patterns that her research unlocked. Her material helps companies to pursue the right growth opportunities, as well as to identify which innovations and changes will propel them forward. Ezop's research indicates that the entire process of selecting target markets and identifying market needs warrants rethinking. And, her study of business growth unveils an entirely new framework for approaching, using, and interpreting marketing research.

A thought provoking speaker, Ezop has addressed discriminating audiences such as University of Chicago Graduate School of Business alumni, students at Northwestern University's J.L. Kellogg Graduate School of Management, and MIT Enterprise Forum. She also taught university courses in new products, market research, and consumer behavior. She served several terms on the Board of Directors of the American Marketing Association's Chicago Chapter, and she has broadened her background into local government, serving on the Village of La Grange Park Zoning Board. With an undergraduate degree in mathematics from the University of Illinois, she holds an MBA from the University of Chicago.

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