

The Business of Decision-Making

Have you ever noticed that some businesses just refuse to get it? They continue to manage for the present, or to maximize returns, or to make themselves look good. So what's wrong with maximizing returns in the short term and feeling good about it? It often can lead to trading off long term value. If your company has a short term exit strategy, perhaps it works. But if you are in it for the long haul, beware.

Poor decisions can range from the strategic, such as refusing to believe the business model is outdated to the tactical, like choosing to lose a customer over a \$30 debate.

Every day companies are operating today like yesterday and solving slowed sales or lost customers by working harder—trying to reach more customers or even cut price to be more competitive. The bigger issue, is where is the market going and are you going to be there when it does. Every industry is changing, but each industry is doing so at it's own pace. Some of the fastest changing industries are those that involve communication and the evolution from print to digital such as publishing, printing companies and even greeting cards.

Banking is another challenged industry that has to right the ship. Today, many are doing so by trying to 'right the ship' to past, more conservative credit practices. What is more interesting are the banks that are changing business models and the definition of value they provide in the market, such as ING.com. Customers are demanding more from their banks and the winners will become more consumer driven in their value equation, such as charging fees for relevant value offers, and personal service that adds up to real convenience and financial security (i.e., Sara Lee, Sears).

We read about companies like Sears or Sara Lee that are investing millions of dollars to 'save' their current business. According to Adam Hartung and his blog, the *Phoenix Principle*, Sears' challenges stem from the day it bought Kmart, and

they have seen diminished results ever since. They have cut costs as opposed to rethinking or repositioning. Sara Lee is likewise cutting costs, selling its viable divisions and eliminating research and development. These strategies are seemingly postponing the inevitable.

Many times these dumb decisions take the form of poor service. We often chalk it up to the untrained hourly wage clerk. But it gets really disappointing and downright scary when you see corporate leaders blame their own company's systems for their faulty service and then ask the customer to understand.

Even more alarming are the number of small transactions that companies mishandle. These companies make a stand over a relatively small issue, for ego or to make a point, and jeopardize the potential long-term value with that customer and to everyone that customer talks to, which conceivably could harm their reputation along the way.

Decisions aren't hard if you put ego aside and decide that you are in the business for the long haul. In the book *Nuts*, is explained that Southwest Airlines received 60,000 complaints a year and, for each complaint, there are 25 people who don't complain, and each complainant tells another 12 people. All told that means they believe that negative situations are a cancer that can infect their great reputation with significant consequences. So if the person standing before you isn't your favorite customer or even if there irritation seems trivial in the scheme of things to you, it must matter to them or they wouldn't say anything. Is it really worth NOT addressing it in satisfactory way?



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