

The Power of Negative Thinking

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By Mortimer R. Feinberg

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Assessing the nation's economy recently, Wallace Rasmussen, former CEO of Beatrice Foods, remarked that he fears that as the economy moves upward, people will fall back into their old ways and create the same old problems. "Once people feel comfortable," Mr. Rasmussen believes, "they become affluent, lazy and fat again. Prosperity may be around the corner, but learn from the past."

Much the same advice could be given to individual companies. At Eastman Kodak, for example, management grew too comfortable about its success. Consequently, it missed the warning signs that its core business was changing in fundamental ways — with new technologies and new competitors flooding the market.

So how does a company prevent itself from getting too comfortable? Doesn't a certain arrogance inevitably come with being part of a winning effort of seeing entrepreneurial dreams realized, or of reaping large financial rewards? The challenge for a prosperous company is to find ways to simulate poverty when, in truth, the organization is still affluent.

Closely held companies are particularly susceptible to this complacency. For the firm's founding partners, memories of the poverty of the early days can still be very real. They still turn off the lights. More recently named partners, by contrast, know only the days of affluence. The resulting gap can be enormous.

What steps can senior management take to foster the old fire in the belly? These suggestions should provide a start:

- Banish titles. Don't expend all your resources staffing up with positions that carry impressive titles. Keep the organization lean enough so that the early entrepreneurial spirit can still reign. Be particularly cautious when it comes to creating layers of management.

Psychologically, people may feel better with titles. But titles create an expectation that there will always be "a VP slot" Dampen expectations by banishing titles, though not responsibilities. As Peter Drucker has said, "Responsibility should always exceed authority."

- Practice pessimism. What would you do if your business got cut back 30% to 50%? Ask, "How would we survive?" In the 1950's, the late Norman Vincent Peale's "Power of Positive Thinking" took hold of the popular imagination. Consider the reverse, the Power of Negative Thinking.

Rather than burying your failures under the carpet, talk about them - not because you want to wallow in the bad news, but because you want to acknowledge that things won't remain rosy.

The late Sam Walton once was called with congratulations on Wal-Mart's tremendous year. "People are walking around with their heads in the clouds," he acknowledged, "but in the next couple of hours, I'll knock them off at the knees."

- Go back to basics. Ingenuity often comes from the desperate desire to break out of poverty. It was once part of the culture and can be again. Go directly to your customers and ask what it would take for an upstart competitor to lure your business away. The more brutal and honest their answers, the better. Reward them for their honesty with one-time rebates and discounts. "Ask your customers what you have to do to obtain more of their business," says John McGlynn, president of the Technical Imaging Systems division of Miles Inc., in Ridgefield Park, N J. "If the response zeroes in on price, hear that. If it's order turnaround time or other service issues, hear that."

- Provide punishments as well as perks. Companies aren't punishing enough at the top of the organization. They need to build in disincentives for senior management when goals are not reached, where right now we're still providing only rewards. "We allow senior managers to wallow in their achievements too long," says Robert Voss, executive vice president of merchandising at Dollar General, a discount retailer in Nashville.

This will mean deflating some much cherished parachutes. But it is one way to communicate to key managers that they're going to be held accountable. Nobody likes to talk about give-backs, but if unions can be asked to take a step backward in salary and benefits, so can management.

Cut management salaries 5% or 10% for starters. In this context, it's a motivator. Ask people to justify their raises. "Treat your people as consultants who have to earn their keep. Bring this idea into their performance reviews," advises Dennis Bottorff, president and CEO of First American Corp., a banking firm in Nashville. In what ways have they built the organization in the past year to warrant an increase? Ditto stock options. Ditto company cars. Perks are not gifts; they're rewards.

Remember, in the Mayan culture it was the captain who got decapitated when the army suffered a defeat not the foot soldiers. What we need to implement is a system of creative take-backs.

- Institute re-applications. In the same way that some married couples reaffirm their wedding vows periodically, companies can require managers to reapply for their own jobs. Typically, an effort like this is part of a larger downsizing program at the company, but it needn't be linked to work force reductions, at least not directly.

Indeed, companies can ask managers to justify in writing the existence of their entire departments. Instruct people to take some time to think the exercise through seriously. It's one more way to get people to concentrate on their contributions to the organization and will help restore some of the original spirit that's been lost over the years.

This is hardly intended to break the bond between the company and its employees. Nor is it meant to advocate some sort of dictatorial "managing by fear." It is a reality check.

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