Chapter 1

Introduction

**Questions**

1. Do you agree that it is impossible for a firm to avoid mistakes? Why or why not?

DISCUSSION POINTS: The answer realistically has to be that some mistakes are inevitable. We cannot expect to bat 1,000 percent in our decisions. In fact most executives are satisfied if they can make more correct than incorrect decisions. In decisions of great importance, we would hope that careful research and accumulation of relevant data would improve the chances of good decisions—but even this is not a sure thing, given the uncertainties in the marketplace. Decision makers lack perfect and complete background information, they lack perfect insights into future happenings, and many times they are not even able to approach the decision with complete objectivity. Given these powerful constraints, how can we expect a perfect batting average?

2. How can a firm speed up its awareness of emerging problems so that it can take corrective action? Be as specific as you can.

DISCUSSION POINTS: While it is unrealistic to think that all mistakes can be avoided, more reasonable is the expectation that mistakes and/or emerging problems can be rather quickly recognized so that corrective action can be taken. A firm needs to be alert to the environment, and areas where emerging problems are likely to occur. Provisions should be set up in the organization so that continual monitoring or sensoring can take place, with feedback systematically gathered, organized, and disseminated to those executives who need such information.

Market feedback can be gathered from customers, from suppliers, from salespeople and executives in the field, from industry publications, from marketing research departments, even from more informal executive observations. And this does not exhaust the possible sources of relevant information, much of which is not difficult to come by. More important is management receptiveness and alertness to such information—some of which will even come unsolicited, as for example, from customer complaints and sales rep beefs.

Deviations of performance from plans or prescribed standards are other flags that should alert management that something is amiss. While such deviations do not usually reveal the cause of a particular problem, they should at least trigger some investigation, which is the first step in responsive action.

3. Large firms tend to err on the side of conservatism and are slower to take corrective action than smaller ones. Why do you suppose this is?

DISCUSSION POINTS: Generally, the larger the organization, the slower it can make changes. Take the analogy of a ship: The larger the vessel, the more difficult to change direction, the more ponderous its moves, the more time it takes to start up and stop. Organizations have the added factor of age also impeding change. With a mature organization, traditional ways of doing things and authorities and responsibilities tend to be deeply cast. Resistance to change can be a real impediment. Smaller firms sometimes can overcome the drawbacks of more modest resources by their ability to quickly adapt to changes in the environment—changes that often afford real opportunities—and even to initiate innovation of products or of methods of doing business.

4. Which is likely to be more costly to a firm, errors of omission or errors of commission? Why?

DISCUSSION POINTS: Errors of commissions—i.e., actions taken and investments made in products, physical facilities, or whatever that prove to be unwise and have to be liquidated—are the more readily recognizable. The costs of such undertakings that have to be written off can often be specifically determined. Later in this book we will examine such errors of commission in the billion-dollar range.

However, errors of omission in which opportunities are spurned and competitors are permitted to gain an advantage can be just as costly. We might even hazard that some of these errors of omission are more costly than errors of commission because of the wasted opportunities and the competitive advantage given to other firms. But it is impossible to specifically set figures for such errors of omission.

5. So often we see the successful firm eventually losing its pattern of success. Why is success not more enduring?

DISCUSSION POINTS: We will see a number of times throughout this book the sobering realization that success is seldom lasting. Indeed, success seems to breed the seeds of its own destruction. Why is this? Why cannot a pattern and mindset of success be unassailable? For now let us suggest that there is a three C’s Syndrome of Failure that creeps into many successful firms, and paves the way for their downfall. These are Complacency, Conservatism, and Conceit. These open the door for aggressive and hungry interlopers to wedge into the scene, and often triumph over the long-established and successful front-runners. Is such a situation inevitable? Of course not. But this scenario occurs plenty often, and ought to be sobering for any front-runner.