CHAPTER 1

Introduction

Ruthless execution is the method and strategies that business leaders employ to break through performance walls. My friend and former partner, John Sifonis, and I first employed this term in 1996 when we were doing work for Hewlett-Packard (HP). Subsequently, the phrase appeared prominently in our book *Net*

Ready (McGraw-Hill, 2000) as a way to sum up the actions key to getting a company "Internet-ready." During the research process for this book, and in searching for a way to "package" my findings, it became clear to me that the same term captured the essence of the strategies that business leaders execute to overcome tough times.

Few books exist on tough times and how to deal with them. Books on American corporate life have tended to proffer advice on how to steer a business to success and glory. For the past two or three decades, as the stock market drove skyward, as the economy went from strength to strength, as business theorists argued that growth was good, business leaders craved roadmaps that assured them of the same success that others were enjoying.

Authors of business books have focused on the strategies and the kinds of culture a business needs to do well. They have largely skipped over the topic of how to cope with business reversals. As long as the economy prospered, no one cared to write about—or read about—the morbid subject of business reversals.

That has all changed now.

With the advent of a turbulent economy, with the increasing realization that business resembles a roller coaster more than a rocket ship, with more and more companies plummeting from their peaks, a new, painful fact of life in business has become clear: COMPANIES NO LONGER CAN ASSUME A STEADILY UPWARD PATTERN OF GROWTH. Invariably, companies are going to get into trouble from time to time, enough trouble for the ups and downs to become a consistent pattern. Accordingly, books on business subjects must deal honestly and realistically with these reversals and offer some practical ways to overcome these setbacks. That is precisely what *Ruthless Execution: What Business Leaders Do When Their Companies Hit the Wall* does.

Hitting the Wall

I define hitting the wall as a rude awakening that occurs when a company has enjoyed consistent high-level performance, but comes up against some new factor: a downward turn in the economy, a lack of product innovation, growth that occurs too rapidly, a missed market opportunity, or as is most often the case, ineffective execution. Because of that new factor, the company can no longer sustain profitable growth for a significant period of time, at least two years. It is typically rude, because most business leaders don't see it coming, and it is often preceded by strong performance.

In case anyone doubted that reversals have become more and more a business norm, the fact is that 257 public companies, with a total of $258 billion in assets, declared bankruptcy in 2001, eclipsing the 2000 record of 176 companies with $95 billion in assets. By May 2002, another 67 companies had gone bust, among them *Fortune 500* enterprises for which failure had always seemed out of the question.

Hitting the wall—and it's an ugly thing to declare—has become a new reality for many companies. However, hitting the wall does not automatically mean failure to survive. During the bear market of 2001 and 2002, businesses suffered sharp reversals even while falling short of bankruptcy. Some 26 of the largest American firms saw at least two-thirds of their market value crumble, including blue-chip names such as HP, Cisco Systems, AOL Time Warner, The Gap, and Charles Schwab. This kind of near trouble is a recent phenomenon: No major firm suffered such a fate in the 1990 bear market.

In this book, there is no attempt to explain why companies hit the wall. That sort of analysis has been the subject of a number of other books and articles. More important to note is that what causes reversals is most often controllable. Irrespective of cause,

almost always it is an inability to focus and execute that is at the heart of the problem.

Indeed, if hitting the wall has become a new business norm, if business reversals haunt the leadership of companies more now than at any other time, it makes sense to offer urgent guidance on how to return to the path of success, or how to recover after HITTING THE WALL.

For the past three years, I have been investigating companies in this predicament, companies that over the long run have been strong performers, but from time to time have fallen into periods of stagnation. From my research, I have come up with a way of looking at these companies that I have found extremely useful.

The focus of this book is on business reversals and the need to shepherd business leaders through those reversals because, quite frankly, corporations are passing through a new, more complex, more worrying age. The long and the short is that it's far more difficult to be a successful business leader today than ever before.

FEWER WORRIES

In earlier days, business leaders had fewer worries. Their jobs were simpler. They faced less pressure, requiring fewer, easier decisions. Because there was less pressure to succeed, there was concomitantly less dishonor and embarrassment over failing.

Certainly, major corporations had their ups and downs in the past; some even went through distressing bankruptcies and fatal collapses. Yet, that gentler period was witness to a more consistent flow of business. Businesses did not achieve, as some do today, hyper-growth rates of 30, or 40, or even 50 percent a year, but neither did they fall flat on their faces overnight, as has hap-

pened all too frequently in the past year or two as company after company has watched helplessly as huge inventories languished on shelves and massive debts mounted.

That gentler period allowed business leaders to survey the big picture, and then scurry for the golf courses and quiet dinners, less out of laziness than boredom.

The chief executive officers (CEOs) of the 1950s were free for those dinners because of an emphasis at the time on decentralized authority and command-and-control styles of management that allowed business leaders to delegate more decision-making to underlings. As a result of these hands-off types of management, businesses appeared to run themselves.

In days past, the status quo was king within the realm of business leadership. Conservative managers resisted any decisions that altered their companies' strategic focus on business fundamentals. The goal was to preserve core competencies, not to pursue high-risk initiatives that smacked of innovation and aimed at growth. There was little motivation to challenge the status quo and go beyond one's comfort zone.

As long as change within the business environment, when it came, was incremental, and did not require sudden, dramatic decisions from people at the top, that kind of don't-rock-the-boat mentality was fine. But the quickened pace of change in the last few decades—changes wrought by globalization of new technologies, by sharper competition, and by rapid production innovations—has created a business environment that is confusing, complex, and uncertain.

If the simplicity and certainty of a previous business era exalted the status quo, today's business environment, ever so chaotic and unpredictable, has put increasing pressure on business leaders to keep a competitive edge. To get ahead of the competition,

companies have felt the need to pursue high-risk innovation in pursuit of company growth.

Business theorists like Peter Drucker have argued persuasively that what made companies great was growth! If companies did not grow at 8 or 9 percent a year, Drucker insisted, they were not really growing. Growth was not only good in his view, it was essential for survival.

Companies in the 1990s appeared to understand Drucker's analysis. Growth was in the air and it was fun breathing it, profitable too. Every few months, companies produced new computer-based products; stepped-up research created a flourishing biotech industry. Perhaps the greatest source of innovation and a spur to growth was the Internet.

The pressure on companies to grow has been very real, urged on not only by business gurus with our latest management tools, but also by other proponents as well. Venture capitalists opened their pockets eagerly; Wall Street dispensed initial public offerings (IPOs) like candy; analysts, both on the Street and in the media, judged companies by how much they grew in a year. Even as Lou Gerstner was leading IBM's resurgence, erasing billions of dollars of losses, the media scolded him for not attaining double-digit growth. The message was clear: If you're a growth king, the media sings your praises. As an example, *Fortune* magazine wondered whether John Chambers might not be the best CEO for achieving 70 percent annual growth rates over a five-year period at Cisco Systems.

If the 1980s was the "greed is good" decade, the 1990s produced a "GROWTH IS GOOD" mentality that made company growth at any cost seductive and difficult to avoid. Yet, the very pursuit of growth and innovation took companies into unchartered, dangerous waters. Growth brought companies to new financial highs, but it also all too often brought them to shattering new lows.

To survive in this go-go environment, reflected most visibly by the Internet business bubble that took hold in the late 1990s, executives were led to believe that playing the growth game vigorously would lead to unconditional success. They were in for a rude awakening and would pay a heavy price. John Whybrow, former executive vice president of Royal Philips Electronics, recalled just how seductive a time the Internet bubble was for executives: "Yes, we were seduced, both personally and professionally. It seemed like a continual stream of people was coming to my office to say you're wrong (to ignore the Internet), you're just an old-fashioned manager; the days of bricks and mortar are over. You should be building this or that company on the American West Coast for a billion-dollar investment." Whybrow's instincts proved correct as eventually the bubble burst.

As was evident with "the bubble," unconditional success all too often leads to rude awakenings.

A business reversal may come suddenly, as it did for John Chambers' Cisco Systems in the winter of 2000–2001; or gradually, as it did at General Electric (GE) in the late 1970s and early 1980s, and at IBM throughout the 1980s. During the early 1980s, few at GE other than the new CEO, Jack Welch, acknowledged that GE was heading for the shoals. Though many in a company prefer to deny its existence, the rude awakening shouldn't be hard to miss: First, sales are flat or start declining; soon leadership starts cutting so that operating margins don't take a hit; eventually Wall Street picks up on the theme; then comes a drop in the stock price; that dismay quickly infects employees and customers who may both display a lack of confidence in the company. Whether the rude awakening occurs abruptly or slowly, at some point, the company begins to drift.

Figuring out how to avoid a business setback is far more difficult than it might appear, as business leaders discovered in the early part of 2001 when product demand suddenly dried up across the

U.S. economy. Executives who had become preoccupied with the growth side of their businesses suddenly felt defenseless against the dramatic downturn in the economy; they were forced to react to the sudden loss of business in dramatic, often extreme terms, laying off thousands of people, taking charges on now-useless inventory, and canceling plans for future growth.

A way out exists that can keep business leaders from taking these extreme measures. They need not be the norm. It is possible to find instructive guidelines on how to recover from rude awakenings by doing nothing more than studying business leaders who have gotten themselves through these messes. THE LEADERS WHO HAVE PULLED THEMSELVES THROUGH THESE SETBACKS SHARE CERTAIN BEHAVIOR PATTERNS. Business leaders who wish to cope successfully with reversals can learn a lot from these behavior patterns that fall under the broad-ranging phrase "RUTHLESS EXECUTION."

In early 2000, watching companies struggle with the collapse of the "New Economy" and ensuing economic downturn, I became interested in uncovering the ingredients that leaders who overcame these struggles shared. That became the thrust of three years of research, which eventually made it clear that THE NOTION OF RUTHLESS EXECUTION COULD SERVE WELL AS A POWERFUL AND OVERARCHING FRAMEWORK FOR GUIDING BUSINESS LEADERS THROUGH THE REVERSALS THAT INEVITABLY AND FREQUENTLY OCCUR.

The research examined companies that had at one time or another suffered setbacks. The goal was to discover what practices these companies employed that helped them break through the wall. The means was to study a diverse set of industries and companies, large and small, using surveys, company documents, research reports, publicly available financial data (10-Ks), and where possible interviews with key business leaders. At times, I

served as a consultant to these companies, enabling me to build case studies of these enterprises.

One key discovery gleaned from the research is that in times of uncertainty—and there is no more uncertain time than a business reversal—business leaders who have succeeded in breaking through various walls have outperformed their peer groups with respect to relative market share growth and stock price performance.

Conventional Wisdom

Conventional wisdom has dictated that only two ways of exerting leadership in troubled or uncertain times exist:

- The run-and-gun strategy—This way of thinking creates a vision and growth engine and seeks to drive that vision as fast as possible. As long as the economy remained in good shape, business leaders following this approach were treated like celebrities. But danger arose when the economy soured and these same business leaders failed to take care of the fundamentals of their businesses. In pursuit of hyper-growth, some business leaders lost sight of certain business imperatives, believing that as long as their companies were growing, it was simply not necessary to give any kind of priority to business fundamentals. There was no "rainy-day" strategy for these leaders, a strategy that would have allowed these leaders to put the brakes on growth-oriented initiatives long before an economic downturn could ruin those initiatives. Unfortunately, some growth-bound leaders appeared to lack the will and operational skills to activate the requisite fundamentals. "In growth mode," said Lew Platt, former CEO of HP, "being a great cheerleader, keeping the company culture together, and communicating well with Wall Street become important." One can probably get away during those times

as a leader without having great operational skills. But that usually comes to haunt you later. Having the right kind of operational skills is fairly important because otherwise you are inadvertently making mistakes that will cost you when that downturn inevitably comes, and it always comes. "Every time you overbuilt in good times you wind up paying the price when bad times come," says Platt.

- THE SLASH-AND-BURN STRATEGY—This strategy focuses on performance-oriented initiatives in times of peril. It applies more to companies that face great peril rather than simply tough times. This form of leadership calls for companies to take drastic actions, such as massive cost-cutting procedures, layoffs, etc., to keep the place from going under. It is therefore not very popular among business leaders who prefer to believe that they would never have to undertake such desperate actions.

This either/or approach to business leadership has been popular since it conforms nicely to the notion that most want to believe: A business leader faces either good times or bad times, nothing in between. In good times, one behaves in one way; in bad times, in another.

But, the run-and-gun/slash-and-burn framework is far too limited. It simply does not adequately account for most situations. Indeed, most business leaders feel strongly that the norm for them is facing periods in between these two extremes, thus making the run-and-gun/slash-and-burn framework virtually irrelevant. However, a third approach called *ruthless execution* is available, and it works far better for most business leaders. And, it provides business leaders with great opportunities to get past the rude awakenings.

It is possible, without too much difficulty, to characterize business leaders who rely on *ruthless execution* in some very specific ways, for they differ quite decisively from their colleagues.

Business leaders who pursue either of the run-and-gun/slash-and-burn approaches come with a certain impulsiveness and eagerness to opt for quick-fix solutions, particularly when faced with crises or a need to turn their companies around quickly.

Engaging in ruthless execution means that business leaders have the time and opportunity to study the issues, and then act on them. During tough times, leaders do not have to rush into making decisions, but just the opposite. They should take the time required and think prudently about what to do next and how to focus the company's efforts. Indeed, business leaders who have broken through walls have tended to be very fact-based and analytical in their approach to problem-solving.

Exhibiting patience is a definite requirement for making decisions in uncertain times, for the last thing you want to do is to suggest that it is easy to revitalize an organization. One McKinsey & Company study,* for example, pointed out that of 492 software companies defined as struggling, just 13 percent of them were able to break through their walls. The software business is notoriously filled with struggling businesses, so this is an extreme example perhaps; nonetheless, it should not be assumed that the remedy is a trivial matter.

We've recently experienced a period where is seems like dark days have fallen on the corporation. Scandal has hit one major enterprise after another as executives have allegedly embarked on systematic, earth-shaking exercises in criminal greed. First it was Enron; then Arthur Andersen; Global Crossing, Adelphia, Tyco, and WorldCom followed. Corporate fraud, however isolated the above cases were, has taken on the appearance of a broad, generalized disease sweeping across the entire business landscape.

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*. M. Bluming et. al., *The McKinsey Quarterly*, vol. 3 (2002).

In setting out the concepts and themes of this book, it is best to leave to others the analyses and lessons that will inevitably arise from these scandals. It makes more sense to examine the themes of this book as if these scandals had not occurred, or were occurring in some other environment. You might wonder about making such a distinction: Is not corporate greed, manifested through these allegedly fraudulent acts, a result of the pressures on business leaders mentioned previously? The answer is: Yes, corporate greed is certainly such an illustration, but it is far too simplistic to argue that putting an end to corporate greed will make it easier for all corporations to break through the walls that they will hit from time to time. The current corporate fraud relates to certain companies, but by no means to all. The concepts and themes articulated in this book relate to all companies.

To be clear, this book is not about fixing companies in crisis. Crises such as fraud or bankruptcy often require a slash-and-burn approach and intense media management. This book is about getting stalled companies performing again. Companies are going to get into trouble for all sorts of reasons, scandal being just one of them. The plain truth is that most large corporations—over 90 percent of all public companies—suffer rude awakenings from time to time; indeed, setbacks happen to these large enterprises frequently. Large, established companies can become complacent; they may become too bureaucratic to innovate; innovative enterprises may favor hyper-growth at the expense of discipline and rigor.

When companies find themselves stagnating, it becomes time for their leaders to engage in ruthless execution.

What is meant by *ruthless execution*? It means the way leaders and their teams behave, or in other words, the strategies they must adopt to break through the wall.

Ruthless Execution

The strategies of ruthless execution are framed in three distinct categories that are already part and parcel of every executive's daily life: leadership, governance, and critical capabilities. Within each of these categories, a number of practices will be elaborated on throughout the book. There is no suggestion that engaging successfully in any one of these strategies automatically allows you to break through a wall. The idea is to point out the common ingredients (or practices) that business leaders who have figured out how to break through the wall share.

It is possible to say, however, that business leaders who have successfully broken through the wall follow a logical sequence that roughly follows the order of this book. In other words, the very first step that a business leader should take in seeking to escape from a business setback is to recalibrate his or her strategies. I define strategic recalibration as the act of validating the direction and focus a company is going to take. In doing so, the company should identify and focus on key battlefields and realign its resources so that it is more effectively balancing between performance-oriented and growth-oriented efforts.

Those who engage in strategic recalibration must rearrange their portfolios of business initiatives; they must assess how they are allocating resources to various initiatives; they must set a course for the direction that their companies should take. At this stage, these leaders operate within the leadership framework as they decide what it is they must recalibrate.

Leadership

Leadership frames the specific actions that drive strategic formulations, and to a degree, the characteristics that business

leaders need to overcome business reversals. The focus in the leadership category is on strategic formulation.

Key questions to answer are:

1. What is important to your company? How do you fundamentally create value?
2. Are you effectively balancing between performance-oriented initiatives and growth efforts?
3. Has a clear focus been defined and effectively communicated throughout the organization?"
4. Can you drive this focus through the organization for effective optimization of resources?

Within the LEADERSHIP category, the focus is on the following two strategies:

- ENGAGING IN STRATEGIC RECALIBRATION—As noted above, strategic recalibration validates the direction a company is going to take. It is, in effect, the process by which business executives achieve a proper balance between performance and growth efforts.

  The performance side of a business encompasses the short-term items that are fundamental to the business's existence, such as being efficient, stabilizing core revenue, and hitting quarterly numbers to meet Wall Street's expectations. The growth side encompasses the efforts that are most inclined to lead to new revenue streams, new markets, and new products. Growth implies an emphasis on the "new" aspects of a company.

  Part of getting over a business reversal is knowing when to engage in performance-driven initiatives and when to turn to growth-driven ones. You have to know what the right mix is.

- DEVISING A BUSINESS PHILOSOPHY—The second practice under leadership is DEVISING A SHARPLY DEFINED BUSINESS PHILOSOPHY THAT CAPTURES EMPLOYEES AND

keeps the company on the right course. It also helps executives keep a clear focus on what really matters. Most important, it emphasizes doing the right things as opposed to doing things right. Others like to call this notion "culture," but I find the phrase "business philosophy" to be more appropriate. A company can have a culture that moves from one generation to another, making culture less indicative of what a company looks like at a given moment. A business philosophy emanates from the top, it is highly individualistic, and it tends to be identified with the CEO of the company. A business philosophy is more likely to offer guidance on what a company is all about at any given moment more than a culture, which can be vague and uninspiring. The single best illustration of a business leader who devised a sharply defined business philosophy was GE's Jack Welch. He weaved every aspect of business into a single, coherent, tightly drawn philosophy. There was no GE culture as such; but there was Jack Welch's business philosophy. For strong evidence of how much the business philosophy belonged to Welch, not GE, take a careful look at the post-Welch GE under the new chairman and CEO, Jeff Immelt. He has dropped a number of the familiar Welchisms in favor of his brand of business philosophy.

Next, business leaders say, "Okay, now that we know what we want to do, we need to figure out how to do it. We need to frame the rules of the game for recalibrating our business." Toward that end, the leaders operate within the governance framework, with accountability, performance management, and discipline as the main strategic drivers for determining how to engage in the recalibration process.

GOVERNANCE

GOVERNANCE spells out the rules of the game; it deals with issues such as the way decisions get made and the discipline that leaders impose on their teams.

Key questions to answer are:

1. Do you have a disciplined process for allocating resources and spending capital?
2. Do you use the right performance measures, and are you measuring the right things?
3. Do you have a disciplined performance management process in place?

Under this concept of governance, we will talk about the following three practices that are crucial to the business leader who wants to get over a business reversal:

- ACCOUNTABILITY—As part of the effort to move beyond business reversals, executives must establish a system of accountability. It is not enough to decide what tasks people must perform. Certain executives must be given responsibility for making sure that those tasks are performed efficiently, effectively, and in the precise way that the tasks were meant to be done.

  Executives who understand the importance of accountability often rely on a set of strategies that falls under the heading of "alignment." It becomes crucial to make sure that senior management and a whole host of elements within the company—and outside of it—are on the same page. Alignment, essentially same-page thinking, represents all those efforts by which a business leader makes sure that the company is working in harmony. With such alignment, there is a much better prospect that a system of accountability will work successfully. Among the elements that require alignment with

senior management are all of the stakeholders: employees, suppliers, shareholders, Wall Street, etc.

- Performance management system—*Performance management* translates business strategies and incentives into deliverable results by using financial, strategic, and operating business measurements that gauge how close a company comes to meetings its objectives.

  There is a definite relationship between accountability and performance management. For a company to expect its metrics to have an impact, someone within the company must be accountable for measuring business initiatives and determining progress.

  Business leaders who do the best jobs at measuring do not try to measure too much. Because they strive for simplicity, they seek to be meticulous in what and how they measure. Measuring too many things in the business can be obstructive; it can slow things down. Focusing too much on metrics can affect execution adversely.

  Those who engage in performance management effectively prune to only the critical metrics. They look at cash flow and other such measurable statistics and they employ different metrics for different phases of the business.

  Companies that have been successful at breaking through the wall have certain characteristics with respect to what they measure. It makes sense to look at those characteristics.

- Discipline—A company that is disciplined has the ability to keep performing in a rigorous and consistent manner. Among the ingredients that business leaders who have broken through walls have in common is a relentless pursuit of discipline, without enmeshing others in a bureaucratic maze.

> Executives have understood that discipline means communicating messages that are consistent, straightforward, and easy-to-understand. They have understood that discipline means creating business plans that have clear-cut goals with reasonable time frames; it means that any employee falling within such a business plan always knows what they are expected to do, and how long it is supposed to take.
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> Leaders accountable for these types of business plans cannot expect those plans to operate without supervision and constant watchfulness. The disciplined executive is the one who pays attention to the business every day. To do otherwise is to allow complacency to seep into the running of the business.
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> The case studies in this book examine a pair of executives, Lou Gerstner of IBM and Larry Bossidy of AlliedSignal and later Honeywell International, who placed great importance on running their companies in a disciplined way. Both men understood that their companies, having suffered business setbacks, did not require major overhauling, of neither products nor personnel. What they needed was proper management. They needed people at the top who understood what it meant to get things done. Both men quickly identified the problems at their companies as a lack of resolve in getting things done quickly, efficiently, and effectively. There was no magic formula to setting things right. Both men knew that it would take continued hard work. But above all else, it would require the introduction of discipline.

Finally, after implementing the necessary strategies, business leaders are ready for the actual recalibration process to occur. They must put in place a number of CRITICAL CAPABILITIES that are, in and of themselves, the very essence of recalibrating. These critical capabilities include productivity management, talent management, and focused corporate transactions (mergers,

acquisitions, and divestitures). It is through these critical capabilities that business leaders recalibrate their businesses in search of undoing business reversals.

Critical Capabilities

Critical Capabilities are the specific actions that executives drive to break through the wall. Critical capabilities are very action-oriented. They are the critical skills and delivery capabilities with which business leaders need to be equipped.

The key questions to answer are:

1. Are costs and productivity improvements in the DNA of the organization?
2. How good are you at finding and getting rid of nonperformers?
3. What business functions should you keep and which should you let go?

In this section, the focus is on the following three critical capabilities that business leaders have employed in successfully overcoming business reversals:

- Productivity management—Companies that have been able to overcome previous business setbacks have two critical capabilities in common: They stress 1) cost and working capital management, and 2) productivity improvement.

  Before these companies were entitled to move on and undertake initiatives that focused on growth, they had to make sure they had done a good job at these two critical capabilities. It is fair to say that succeeding at cost management and productivity are prerequisites for healthy growth. Without paying close attention to these two things, companies cannot regain the confidence of Wall Street or other factors in the financial community. As such, companies have found a key

path to revitalization involves a focus on cost management, working capital, and productivity that brings them operational improvements quarter after quarter.

- TALENT MANAGEMENT—More and more, one hears from business executives that they view their main task to be THE HIRING OF THE BEST TALENT AVAILABLE. An equally important task of business leaders is getting rid of the deadwood, whether at the executive level or among the grassroots staff. So crucial has this management of talent become that it has also become an important strategy in the executive's arsenal.

  Managing talent not only has to do with hiring the best possible people, but also with getting rid of those who are bringing the company down. Indeed, finding great talent is often easier for business leaders than dropping the deadwood. Most business leaders acknowledge that nothing is more difficult in their jobs than dismissing employees, and the very worst thing they have had to do is to fire someone with whom they have worked closely.

  A business leader intent on overcoming past difficulties must know how, among other things, to assure that the right leaders and managers are in place to get results. Business leaders increasingly assert that their most important task is to make sure the right talent is in place; some even say the rest of the business takes care of itself. That task is called TALENT MANAGEMENT.

- FOCUSED CORPORATE TRANSACTIONS—Finally, there is the topic of FOCUSED CORPORATE TRANSACTIONS (MERGERS AND ACQUISITIONS, AND DIVESTITURES) under the category of critical capabilities. The yen to acquire new businesses is part of a company's natural ambitions for growth. Acquisitions become a critical capability for companies look-

ing for ways to get past their existing business reversals. Getting rid of unwanted assets can also be a critical capability.

Indeed, the critical capability of making acquisitions has changed the face of American business. With so much emphasis placed on growth, it is no wonder that corporation after corporation has sought to build business by purchasing other firms. To some analysts, acquiring other firms is an impure, or at least, artificial act, as if the parent company had sought the easy way out by making the purchase. Companies that make a habit of acquiring others are accused at times of simply trying to boost their revenues through these purchases. Critics of this tactic believe that "pure growth" is that which is conceived and implemented internally. What is clear, however, is that companies that are more consistently acquisitive and strategic in their divestitures outperform their peers.

Throughout this book, case studies will be used to illustrate a particular ruthless execution strategy. The introduction of each case study is framed around a moment of time when the subject company has suffered a reversal. These studies show how the company in question used one or more of the strategies to cope. You can benefit by employing one strategy or another in your own efforts to emerge successfully from a reversal.

Lastly, in Chapter 12, I introduce a Ruthless Execution Index. This index can serve as "sign posts" for business leaders who want to understand where they can improve their Ruthless Execution. I encourage you to revisit these practices on a regular basis.

It is now time to explore a pair of strategies that fall within the leadership category, strategies that executives have used successfully to break through the wall.