

How to succeed in business ...

You are the new CEO of a serious organisation. How will you set about improving its performance?

A good first step is to cut out unnecessary expenditure and to push up prices. There is an immediate increase in profit. This makes everybody happy. The shareholders are happy because it increases the share price. You are happy because it earns you a large performance bonus, as well as increasing the value of your share options. You are a star, and can after a couple of years move on with enhanced reputation to provide the same benefits to another company.

And just how good you are is shown by the fact that your successor has great difficulty maintaining the improved performance you have introduced.

Unfortunately, the increased prices have alienated many customers, who are now drifting away, and are proving hard to replace. The problem is exacerbated by the fact that your reduced expenditure has led to skimmed products which are less attractive and less reliable, and to noticeable reductions in customer support.

You have avoided spending unnecessarily on staff pay and staff welfare. . The best have left and are hard to replace. Those remaining are somewhat disgruntled, and show less loyalty and enthusiasm.

You have avoided spending unnecessarily on maintenance of premises, leading to increased expenditure demands in the future. You have avoided spending unnecessarily on maintenance of equipment, and on replacement of old equipment, leading to reduced performance, lower reliability, and hence greater disruption.

And you have cut back all that lavish expenditure on R&D which offered no return in the short term and could not even guarantee it in the longer term. So no new products are now in prospect.

And if your clearly incompetent successor cannot solve all these problems within two or three years he will almost certainly get the sack. Perhaps to be replaced by the liquidator.

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