For the CEO Whose Company Isn't Perfect—Yet

During November, Frederick Harmon, president of The Presidents Association, and management consultant Garry Jacobs will be meeting with PA members at a series of one-day, free, member-only roundtable meetings. The discussion will focus on the research the two did for their new book *The Vital Difference: Unleashing the Powers of Sustained Corporate Success.* The book has been selected as a main book selection for the Macmillan Book Club and is PA's next special book selection.

In an interview with THE PRESIDENT, Harmon explained why the book was written. "Much has been written about what an excellent company looks like," he observed, "but what interested us was how it got that way."

Harmon and Jacobs are both students of management. But while Harmon's background is with American corporations, Jacobs has lived in India for many years, and his approach to management has an Eastern perspective. From a synthesis of Eastern and Western thinking came a model of management that the authors then tested at 15 leading American corporations. As Harmon explained, these organizations had been successful over an extended period of time. In interviews with their CEOs and in-the-know employees, Harmon and Jacobs searched for the sustaining qualities that enabled them to survive and grow through good times and bad, while competitors were struggling and sometimes collapsing.

According to Harmon, the key word is "intensity. These businesses are able to channel and build on the raw energy that each of their employees brings to the job." Visiting a successful corporation, he observed, one immediately got a sense of charged intensity about it, a corporate intensity that kept everyone keyed up for success.

Harmon noted that the medium through which individual energy is transformed into corporate intensity is the "corporate personality." That personality is made up of such elements as beliefs, attitudes, values, disciplines, systems, skills and even a corporate body. "The stronger, more integrated that personality, the greater the capacity to convert energy to intensity," Harmon noted.

Every corporation has its own distinct personality, and that personality has grown with the company and usually owes many of its dominant characteristics to the entrepreneur who founded it. As a general rule, said Harmon, the founder who builds a business lends his or her personality to it. The traits—good and bad—are carried through, sometimes, many corporate generations.

Of course, the process does not cease with the departure of the founder. Succeeding CEOs often put their indelible stamp on the company. Harmon noted a current example—Lee Iacocca and the Chrysler Corporation. While the rebirth of Chrysler is, in many ways, a unique situation, the company now bears the imprint of his personality.

According to Harmon, of the elements that make up corporate personality, corporate values are the most important. The values may focus on such areas as customer service, punctuality, cleanliness, and safety. These are the values that companies like Marriott, Sears, IBM, and DuPont, among the companies studied, have maintained for many years. They were not "taken on" once the company had become successful, Harmon observed. The firms grew up with them.

Interestingly, Harmon and Jacobs found that the most common weakness that entrepreneurs tended to bring to their companies was the value that "profit is all." In their studies, Harmon noted, they never found a successful corporation where that was the predominant value.

Frederick Harmon

Garry Jacobs

Harmon: To effectively establish a new value in a company, a CEO and his or her top team must make a commitment of will to implement that value.

For CEOs who want to achieve the same everlasting success for their own organizations that the 15 companies studied have experienced, the important message is that values can be changed. The worth of *The Vital Difference* lies in the fact that it provides a step-by-step description of the process. As Harmon explained, "It answers two questions: How do companies get that way? And how do I take my company there?"

To effectively establish a new value in a company, said Harmon, a CEO and his or her top team must make a commitment of will to implement that value. Systems supporting it need to be set up and, most important, enforced.

As a new value is integrated into company systems, Harmon admitted, it will almost inevitably create some problems. For example, employees may not be able to accept the new value because it is at odds with current performance systems. "This isn't a cop-out," said Harmon. "It is something to fix." Often the complaints explain why the value has not really been implemented before: It doesn't fit. It is then the responsibility of the CEO and top management to change the system and modify the rules to ensure effective implementation of the new values at all levels.

Through the analysis of real situations in real companies, and step-by-step instructions, Harmon and Jacobs have provided an important tool for continual corporate success. They will be sharing their model of management with PA members November 1 at Toronto's Inn On The Park, November 4 at AMA's Management Center in Atlanta, November 11 at The Loews Anatole in Dallas, November 14 at AMA's Management Center in Chicago, November 15 at AMA Headquarters in New York City, November 19 at The University Club in San Francisco, and November 20 at the Century Plaza Hotel in Los Angeles.

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Members who attend PA's next round of free, member-only roundtable meetings will each receive a copy of *The Vital Difference*. For further details on these meetings, Patricia Nallen, member liaison at PA, should be contacted at The Presidents Association (212-903-8309). ★

"Eurogloom" Exaggerated, Hudson Institute Reports

"Immense changes" are needed to put the economies of Western Europe on a sound footing, but pessimism over long-term stagnation is exaggerated. This was the conclusion of a report on *Europe and the World* published by the Hudson Institute, the Indianapolis-based research institution founded by the late Herman Kahn.

According to Hudson Institute President Thomas D. Bell, Jr., the report was more than a year in the making and stemmed from a concern "that visions of a permanent decline of Europe were becoming conventional wisdom. Commentators were missing many signs of European industrial adjustment and exaggerating tensions within the Atlantic Alliance. It was time to take a more balanced, detached, and objective reading of events." To study the situation, a high-level panel was formed headed by General Alexander M. Haig, Jr., the former Secretary of State and Commander-in-Chief of NATO military forces and a senior fellow at the Hudson Institute. The group's findings were released at a conference of top executives sponsored by the Hudson Institute.

The panel reported that despite problems of labor market and capital market, institutional and cultural, and regulatory rigidities that continue to plague the European Economic Community, the nations of Western Europe should experience a long-term economic growth rate of 2 to 3 percent each year. Moreover, General Haig noted, "The European Economic Community can look forward to 15 years of highly favorable demographic developments," which "favor lower unemployment rates and greater productivity." While admittedly modest growth is projected, such growth will allow a doubling of Gross National Product "every 23 to 35 years," and along with "gradual (economic) reform will relieve the dangerous pressure from economic stagnation and the need to build up military forces." A continuation of such pressure, said Haig, would foster a nationalism that would be "incompatible with membership in an alliance."

It was felt that Europe's long period of economic stagnation had

The Hudson Institute report projected a long-term economic growth rate of 2 to 3 percent each year, which while modest will allow a doubling of GNP every 23 to 35 years.

contributed to many of the problems facing the Atlantic Alliance, problems ranging from economic protectionism to anti-Americanism and efforts to shatter the NATO military and political consensus. The Hudson Institute study panel suggested that European economic recovery will reduce many of the existing tensions within the Atlantic Alliance, but the United States must also be willing to give its NATO allies "a more assertive voice within the traditional Alliance framework."

The study also called for a concerted effort by the allies "to renew balanced growth, which demands actions by the U.S. to curb its deficit, actions by the Europeans to establish a more innovative (economic) climate, and actions by both to reverse the growing trend toward protectionism."

Among the positive economic indicators of Europe's future cited by the study were the facts that in 1984, for the first time, the rate of growth in European government expenditures did not exceed the rate of growth of GNP; that by and large

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the European Economic Community has overcome the huge balance of trade deficits attributable to energy costs; and that in spite of continued strengthening of the U.S. dollar all European countries have made progress in reducing inflation. At the same time the study group admitted to a weak "recovery of the spirit," only modest structural adjustments, "no sense of collective vision of the future nor of an emerging synthesis of traditional and 'new' values," and rigidity of markets and institutions. "If a strongly shared political will and vision existed," the report said, "European leaders could move quickly to identify and eliminate nontariff trade barriers, ensure that a truly integrated capital and labor market existed, review laws that prevented the mobility of labor within and among countries, open up government markets to wider competition, deregulate key service industries, and adopt standards that favored a larger market and economic restructuring," Since political will and public support did not at this time support such sweeping changes, gradual adjustments were more likely in Europe's future. But, the study added, "gradualism need not be marginal .... Adjustments have already improved Europe's inflation, balance of trade, energy, and growth outlook .... Immense changes are still needed, but Europe should not be written off." ★