This article first appeared in BA Upfront, *September 2003*

Wake-up call for "world class" wannabees

Tony Manning

Right now, there's plenty of good news to please South African business people. Inflation is coming down. Lower taxes mean that consumers have more to spend. President Thabo Mbeki has promised to boost infrastructural investment. Tourists are pouring in, and with SARS apparently under control, they're sure to come in even greater numbers in future.

Face it: South Africa is on a roll. Things are happening. Our airports are extraordinary. Wonderful new restaurants, cosy B-and-Bs, luxury lodges, curio shops, and boutiques are opening everywhere. The property market is booming. Services are improving. Alien trees are being cleared from riverbanks. Electricity and water are available where there was none. Media are proliferating. Cellphones connect people who don't have fixed-line services. People are trying things, experimenting, and innovating like crazy. This country is indeed "alive with possibilities."

Of course, everything is not as everyone would have it, and there are many very serious issues to worry us. But only a fool would argue that we are not much better off than we were back in 1994 – or even just a few months back. We need to recognize this, and celebrate our successes. For if we don't enthuse ourselves, no one else will do it for us. To keep bitching about what's wrong – crime, corruption, HIV/Aids, crippling legislation, dismal sporting performances – is to fuel a "can't do" mindset rather than one of "can do."

Optimism is a vital leadership trait. We could do with a lot more of it. But that said, and while we have good reasons to be optimistic and engage in "blue sky" thinking, we also need to keep our feet on the ground. As Jack Welch put it, we need to "see the world as it is, not as we'd like it to be."

In an article in the July 2003 issue of the *Harvard Business Review*, Daniel Kahneman, winner of the Nobel Prize for economics in 2002, and Dan Lovallo, a strategy lecturer, warn managers that "optimism can, and should, be tempered." Human beings, they say, tend to exaggerate their talents. They all too readily make decisions "based on delusional optimism" and "spin scenarios of success while overlooking the potential for mistakes and miscalculations."

There is a danger that when we look for good news, we notice only the stuff that pleases us. As we have seen so many times, this country is prone to wild mood swings. One rugby win or an uptick in the gold price makes us euphoric. When a South African succeeds in just about anything, we assume we can all win at everything.

During 2002, many local firms were blessed with windfall profits thanks to the sickly rand. Suddenly, it was possible to make real progress on the export front. And given the widely-held view that the rand was a "one way bet" – in other words, that it would continue to weaken – a lot of managers thought they had things made.

But conditions that were taken for granted less than a year ago are now a distant memory. The rand strengthened faster than anyone expected, and no one knows where it'll go next.

Companies that imagined they were world class have been wakened with a jolt. Their costs are too high. Their prices are out of whack. They're in a street fight with foreign players who are hustling for sales in a hostile economic environment. And chances are good that things will get worse out there before they get better. With over-capacity in just about every industry, and smart customers shopping for deals, pricing power has gone out of the window.

To be world class means just one thing: that you are as good as – or better than – the best in everything you do. It means that you can play the business game anywhere, and hold your own against anyone.

To many firms, however, "world class" is a slogan rather than a standard. The words are plastered all over the place. The boss trots them out in speeches. They appear in mission statements, in ads, on websites, and in press releases.

But what the rand's newfound strength has shown is that, with few exceptions, South African companies are far from being world class. A weak currency lets them get away with so-so performance; otherwise, they'd be in deep trouble.

And don't under-estimate the challenges many organizations now face. Tolerance for mediocrity has ingrained bad habits. A lack of "stretch" has led people to assume that quality isn't the big deal it's made out to be, that productivity doesn't need to be relentlessly worked at, that capital investments, training, and aggressive improvement efforts can be delayed, and that hard decisions can be put off.

The bottom line is, the time of reckoning is here. For all the changes that managers might have made in the past, they must now urgently step up their efforts. Deadlines must be shortened. Standards must be raised. Targets must be re-set. High performing people must be positioned where they can make a difference; deadbeats must be rooted out and, if necessary, replaced. Good intentions must be turned into action.

There is not a moment to lose. If, as the experts tell us, the rand reflects "the country's share price," more good news will simply make it stronger. Even if that doesn't happen, and things go the other way, companies will still have to sell their wares into a rough-and tumble environment where the sick, lame, and lazy wind up as roadkill.

Strategy is a mind game. It's partly about decisions and trade-offs, and largely about attitude and opportunism. Now, a decade after South Africa was welcomed back into the community of nations, we face another turning point. And as the adage says, "You snooze, you lose."

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