FINANCIAL TIMES

April 1, 2013 3:15 pm

Killing projects is the hardest innovation

By Andrew Hill

Companies should build reputations for pruning unneeded activities

Pascal Soriot, AstraZeneca's new chief executive, has just laid out a new strategy to "focus, accelerate and transform" the pharmaceutical company. Mark Thompson, newly arrived at the helm of The New York Times Company, has promised to "concentrate [the group's] strategic focus" on the core business, putting The Boston Globe up for sale and rebranding the venerable International Herald Tribune.

"Focus" is classic CEO jargon. It sounds precise and purposeful. But by implying that activities on the periphery will fade away with a twist of the strategic lens, it severely understates the struggle involved in persuading any company to stop doing certain things, and the pain of carrying out such decisions.

Good luck to Mr Soriot and Mr Thompson, but the chief problem they face is that decisions on what to give up are too often one-off dramas staged by a new boss. Instead, companies should turn their reassessment of priorities into a habit. Peter Drucker, the late management writer, called this "systematic abandonment". It is as vital to corporate health as systematic innovation.

Why is it so hard for companies to kill off projects? Many leaders think it is more courageous to advance, expand and acquire than to retreat, shrink and divest. At a recent strategy meeting I attended, executives' warm enthusiasm for new ventures was inversely proportional to the chill and doublespeak that filled the room when they were challenged to take the axe to longstanding initiatives.

Yet when organisations stop to scrutinise themselves, the accretion of unheeded strategy visions they find hanging around them is extraordinary.

Business leaders appointed to help oversee branches of the British civil service reported last year that some government departments had set themselves more than 60 "priorities". But long-established bureaucracies are not alone in this. In his book *Good Strategy, Bad Strategy*, Richard

Rumelt recalls how, in the early 1990s, Digital Equipment Corporation was doomed to irrelevance because its leaders "avoided the hard work of choice, set nothing aside, hurt no interest groups or individual egos, but crippled the whole".

Short of a crisis – when the flames of a burning platform are licking around the boardroom – it is too easy to try to muddle through.

Corporate leaders' fear of ridicule for scuppering ventures they once launched deters them. Historic attachments, sometimes compounded by familial or cultural ties, contribute to the problem.

One CEO told me recently about a high-profile deal that foundered because the seller insisted on retaining ownership of a factory where his great-grandfather had been born. That is extreme. But residual sentimentality helps explain Rupert Murdoch's reluctance until recently to split News Corp's newspapers,
the legacy of his father's original Australian business, from the empire's film and television assets. Time Warner's sluggishness in spinning off its deep-rooted Time Inc magazines division looks like another example. By contrast, I admire François-Henri Pinault's decision, having recast PPR as a luxury and sportswear company by selling retail interests it had bought, to rebrand it as Kering, not Pinault. The move symbolically distances the group from the family enterprise on which it was founded.

Companies such as Cisco or Google have become famous for serial acquisitions or constant innovation. They also need to go beyond calls for focus and build a reputation for successfully pruning unneeded projects. Both John Chambers at Cisco and Larry Page at Google have used the F-word to urge their staff to be more choosy. Consequences include the closure in 2011 of Cisco's popular Flip video camera operation and the abolition of Google Reader as part of a "spring cleaning".

Google was slated for that recent decision by fans of the news tool, but Mr Page's instinct is right and the metaphor is a good one. Drucker used to tell CEOs to ask themselves: "If we did not do this already, would we go into it now?" It would be a good discipline to pose that question at least annually, just as people in colder climates traditionally dust and declutter their homes. Clearing outdated priorities and projects from the corporate attic is hard. But when the alternative is slow suffocation under the detritus of past strategic plans, it really is the only choice.

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