The CEO who can say 'no'

That may help bring clarity to a company's mission

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by Greg McKeown

A few weeks before Steve Jobs passed away, I was at Apple having lunch with one of the firm's leaders. We revisited the well-known story of Jobs returning in 1997 to an almost-bankrupt Apple.

Jobs could have tried to maximise profits by squeezing every cent out of each of the firm's existing product lines.

But instead, he led the charge to remove scores of products. (At the time, Apple had a dozen versions of the Macintosh alone.)

Jobs cut out profitable business lines at a time when it appeared that the company could least afford to do so, culling the business down to four clear product lines.

My lunch companion and I agreed that this atypical move was critical to the company's transformation into what is arguably the most valuable business in the world.

But then my Apple lunch companion wondered aloud: ''Why don't more CEOs bring greater clarity to what their companies should not be doing?''

It is a significant question.

And yet I am surprised by how often CEOs pursue the exact opposite approach.

The CEO of a major corporation that produces security systems for computers, where I have worked extensively, is a good example. He is very intelligent and has significant executive experience, but he has unintentionally created an atmosphere of ambiguity at the firm.

And employees from Silicon Valley to Singapore know why: He is not making the tough trade-offs.

Staff are unclear about which of the company's six major product lines they should focus on.

When he was given the opportunity to clarify, the CEO published six priorities for the year, one for each of the product lines.

Emphasis on everything has led to no emphasis at all - employees are experiencing motion sickness instead of momentum.

Why doesn't this CEO work to focus his business on a couple of key products? In some ways, it makes perfect sense. CEOs often want to keep their options open.

If they put all of their energy behind a single idea and it does not turn out well, they will feel the full brunt of the blame. Yet, by pursuing too many priorities, these CEOs may actually be risking future success even more.

CUTTING OPTIONS

According to a source inside Google who wanted to remain anonymous, the proliferation of products at Google in recent years has been so extreme that some executives do not know how many products they have anymore.

And if they do not even know how many there are, do you think these executives understand what those products even do? Each product uses resources that could be applied to something else. Each requires updates and support.

Deciding to cut options can be terrifying - but it is the very essence of strategic decision-making.

I spent an hour with a CEO of a Silicon Valley company currently valued at around US$40 billion ($50.6 billion). We went back and forth on the principle of strategic clarity. He argued that his company could not be fairly compared to Apple because Apple is a consumer-products company with a relatively simple product line.

He would love to have such simplicity, he argued, but his business is much more complex.

But that logic is backward. Apple does not enjoy product clarity because it is lucky - it did not drift into simplicity. Apple is simple by design. The company wrestled with complexity, debated the issues, threw out hundreds of possible directions and eventually arrived at the kind of sophisticated simplicity people know and love.

As Jobs explained at the 2008 AllThingsD conference, Apple was working on the concept for the iPad long before the iPhone, but stopped development on the tablet to focus solely on the iPhone. Focus requires sacrifice.

STRATEGY DEFINED

In a 2008 interview with Fortune's Betsy Morris, Jobs said: ''People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the 100 other good ideas that there are. You have to pick carefully. I'm actually as proud of many of the things we haven't done as the things we have done.''

Since my initial conversation at Apple, I have made a point of asking leaders to define what strategy means to them. I have polled more than 200 leaders and the universally agreed-upon definition is: ''Saying what you want to do and how to do it.'' Not one person has opted for Jobs' definition.

Curiously, the very essence of strategy, which is embedded in classic research such as Michael Porter's 1996 Harvard Business Review article "What is Strategy?", does not make it into these leaders' practical definitions. Key to Porter's logic is that the realities of business necessitate trade-offs.

The next time you are leading an off-site strategy session, do not be satisfied with figuring out which among a list of priorities to say yes to.

Go through the process of answering the more essential strategy question: ''What will we say no to?''

That is the question that will reveal the real tensions in your team, the one that will uncover the core trade-offs in your organisation, and the one that can deliver the rare and precious clarity necessary to achieve game-changing breakthroughs in your business.

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