The Cost of Corporate Amnesia

If a company is to retain a strong sense of identity, then a board must ensure that successes are celebrated and mistakes not airbrushed out of history, writes **David Molian**

Memory loss is a cruel affliction of old age, progressively destroying a vital dimension of an individual's personality. Typically, it manifests itself in an inability to recall what happened last week, or even the day before, while memories from the distant past are remembered effortlessly.

Amnesia can also afflict businesses, though the symptoms are usually, in my experience, reversed. Recent events are still fresh in the minds of senior managers. It is what the business used to do that is forgotten, supplanted by a focus on what's new, whether that be product, service or market. Not such a bad thing, you might think. After all, companies that fail to innovate and adapt to changes in their environment are destined, are they not, to decline and fall? It is merely Darwinian selection and evolution at work.

However, corporate loss of memory matters when the business loses sight of what has made it successful, or repeats mistakes which have been forgotten through the passage of time. A small but significant example comes to mind. Many years ago I was undertaking some consulting work for a long-standing multinational client. One evening I was chatting to a senior manager. In the course of conversation, he bemoaned the loss of an internal round-up of news and events that once appeared on the desk of every manager in the business. It was known as *Daily Brevities* and featured news of what was going on in the company across the world in its many markets, and external events that >

impacted operations, such as movements in commodity prices. Each edition was at most a couple of pages. "It was really useful and informative," my informant said. "I don't know why they stopped it," he added, turning to a colleague. They agreed both that it was handy and that no one knew why it was no longer produced.

It is easy to dismiss this as the nostalgic musings of the middle-aged. Maybe there was a good reason why the publication was discontinued. But I can't help feeling that the company threw out the baby with the bathwater. At the time the business was undergoing a phase of cost-cutting and "rationalisation", crawling with accountants who knew the cost of everything but not necessarily the value. *Daily Brevities* was part of the glue that stuck this enormous, disparate corporation together. Thousands of managers across the globe read the same news-sheet, albeit at different times and in different offices. Apart from the annual report, it was probably the only common document they all saw, and for five minutes every working day they shared a sense of affiliation to the same organisation. When you're running a business with over 250,000 employees, that's quite something. Within a few years of this conversation, the company's managers had more or less forgotten that *Daily Brevities* existed and the role it used to play.

There is a certain irony to all this. The business had hired me to write up a series of case studies that chronicled past successes and failures, and to disseminate these through workshops and seminars, precisely because the management was aware that the company was suffering corporate amnesia. A household name, the business has a long and distinguished history and is enormously successful, but it had still lost millions through failed product launches, botched acquisitions and outsourcing decisions based on false assumptions. As the philosopher and essayist George Santayana famously put it, "Those who cannot remember the past are condemned to repeat it."

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This is not an isolated incident. Forgetting history is almost inevitable unless a conscious effort is made to keep it alive and learn the lessons from it. This is not just an affliction of large businesses. I spent the latter part of my career working with smaller firms intent on growth. In many cases these companies had hit a ceiling of some kind and despite repeated efforts had failed to break through. Exploring with business founders what had made their businesses grow in the past often brought to light successful things they used to do, but had discontinued: marketing and sales initiatives or procurement processes, for example. Sometimes there was a sensible rationale for stopping these. Just as often, however, there was no good reason and no one knew why.

In larger businesses, the discipline of knowledge management was supposed to address the problem. It flourished in the 90s and then gradually faded, perhaps a classic instance of the new management panacea that promised much and failed to deliver. A big part of the problem was that knowledge management had no natural home. Organisations were unsure how to fit it within their structures and too often it was parked with IT, labelled as a database management issue. It was then assumed that the problem was resolved and senior management could move on to the next item on the agenda.

Lessons Learned

The best candidate as successor to knowledge management is almost certainly artificial intelligence, serving as database management on steroids by making connections and building a narrative that highlights a business's triumphs and disasters. But it won't deliver the goods without human intervention, specifically in the form of courage, creativity and caution.

An organisation must be courageous enough to reflect honestly on its mistakes and resist the natural urge to airbrush these from its history. After all, careers might be at stake. Yet if the authorised corporate narrative is one long success story, how will the rising generation of managers truly learn? IBM's PCjr – or the "Peanut", on the other hand, illustrates the perils of not fully understanding the reasons behind a company's prior success. >

Its forerunner, the IBM PC, was widely regarded as the gold standard of personal computing, enabling the company to diversify out of the disappearing mainframe market. It was the product of careful planning, research and development – classic IBM hallmarks. Concerned about the competitive threat posed by Apple, Atari, Commodore and others, IBM rushed to market in November 1983 with a follow-up, the Junior. During its brief life of fifteen months the product was widely ridiculed for its cheap appearance, limited functionality and its inadequacies as either a games machine or a home computer.

The company also invested $40 million in an international marketing campaign, using a Charlie Chaplin figure as its ambassador. Widely seen in the US as the little guy who succeeded against the odds, in many other markets Chaplin was viewed as a clown and, perhaps surprisingly, a loser. It was a simple truth that pre-launch market research could have unearthed: in its haste, IBM had neglected to do this. At the end of the PCjr's short existence, the business was left with stock estimated to be as high as 400,000 units, and a tarnished reputation. The full cost will probably never be known, but we are almost certainly talking hundreds of millions of dollars.

AI can do many things but it's no substitute for human creativity. Each organisation must work out for itself how best to instil the lessons it wants to embed, and that can't be done by machine. One size is unlikely to fit all. In the example I've given above, the company chose to commission over 50 case histories of episodes that occurred across the world, delivered as part of management development programmes for senior and middle managers. It worked for the culture of this particular organisation, but other approaches might be better, depending on corporate culture and strategy.

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Finally there's the question of caution. There's an old Latin proverb, *festina lente*, which translates as *make haste slowly*, or “more haste, less speed”. At first sight it might seem like a contradiction in terms, but it could equally be seen to signify the importance of striking a balance. The bigger a business gets, the more reliant it becomes on systems, processes and procedures. Often these seem cumbersome, even obstructive, preventing managers from actually getting on with making things happen. I'm all for reviewing these periodically and culling what is unnecessary or redundant as bureaucracy for its own sake helps no-one. But the reason why IBM had developed painstaking processes over many years was to ensure that debacles like the PCjr didn't happen – and their value could only be fully understand when these processes were ignored or circumvented. Unilever suffered a similar experience with Persil/Omo Power when the company short-circuited the standard new product testing process.

It was a laundry powder breakthrough all right, as was pointed out by Procter & Gamble. It destroyed its customers' clothes.

Again, the final cost will probably never be known. ■

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