



business solutions

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Why Let The Truth Get In The Way Of A Good Story?

Posted 16/09/09 by Marc Stone

Corporate Kidology. Why do some Senior Managers including CEO/CFOs still do it? Why do some business executives still refer to their well thumbed copy of 'Short-Term Mis-Management for Dummies'?

You might have thought that with the Banking Sector collapse, and with Lehman Bros, MG Rover, Enron, Worldcom, introduction of Sar-Box etc etc bringing corporate governance and management under scrutiny that some managers might have got the hint by now. But still I hear fossilised views of 'don't worry the auditors won't spot it', 'whatever happens we just need to hit the numbers this month'.

Some people are missing the point. The string of mis-management disasters stems from executives believing their own stories. The fiction they've reported in their accounts then becomes the basis of critical business decisions (and in their head strangely translates to fact). Hence poor business choices are made and the spiral gets worse as the worlds of fact and fiction start to blur. As an old colleague of mine once said of the Executive Team 'why let the truth get in the way of a good story?'

The short term bonus culture still drives this behaviour as poor performing businesses decide to massage the figures as they 'just need to hit budget this month/quarter' to please their bosses. Instead problems are stored for another day, but it just builds and builds until someone is brave enough to write the problem off the balance sheet and start again.

As well as the bonus structure in your business beware of senior managers who;

- Have no tangible plans apart from that their egos will get you out of this mess.
- Are different just for the sake of it.
- Use the term 'commercial' to refer to themselves, which in practice to them means 'cut cost at all costs'. In my world that's easy to do and doesn't 'commercial' actually imply some form of customer-focus somewhere.
- Are merely CV builders.
- Avoid the question at all costs.
- Never share the blame for their businesses failing.
- Believe communication just involves them talking at people.
- Believe that they are always right and everyone else is wrong.
- Are unduly influenced/threatened by their superiors.
- Always have a good story to mask the truth.

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To these people, 'Please, for once, just report the true underlying performance of the business so that we can make informed decisions'. Their colourful ramble is not the first time that the Board will have heard it. It helps no one by lying apart from the chance of pocketing their next bonus. But that bonus may be their last for a while!

To all CEOs out there if you have a business that is struggling get an operational grip of the balance sheet and cash flow. This will ensure that the business is reporting what it says on the tin. Everyone can then focus on the real operational issues and make real changes and trade its way out of trouble in true turnaround style.

Lehman Bros. bankruptcy will always be synonymous with the start of the banking collapse, but it also sees the dawn of a new age of transparency which I hope sees pioneering and skilled managers shine.