

THE SEVEN DEADLY DISEASES

What are the signs that an organization is in trouble? What are the symptoms of a company that has lost its way? Based on the ideas of W. Edwards Deming, "The Seven Deadly Diseases" are the things you need to look for – whether you're managing a company – or simply investing in it.

1. Lack of constancy of purpose:

- Purpose of business is to stay in business, grow, create jobs, and create value.
- Does the company have a clear strategic foundation – and the discipline to stick to it? (See related tool: "Integrated Strategic Planning".)

2. Emphasis on short-term profits:

- "Paper entrepreneurs" only take a bigger piece of the pie, don't make the pie bigger.
- Does the company show steady growth in sales, revenues and profitability?

3. Emphasis on performance assessments or annual reviews:

- Ascribes to people in a group differences that may be caused totally by the group they work in, factors beyond their control.
- Discourages teamwork. The greatest accomplishments by mankind were created without competition.
- Does the company hold onto talented people?

4. Mobility of top management:

- Takes years to learn a company, what it does.
- People need time to learn to work together.
- Does the company value "home grown" talent?

5. Running a company on visible figures alone ("counting the money"):

- Impossible to measure the effect on sales of a happy customer.
- Results in short-term, shortsighted vision.
- Does the company have multiple ways to measure success?



6. Poor customer retention/high customer turnover:

- Customers have long-term memories (even when personnel changes)
- The cost of acquiring a new customer is four times that of keeping an old one.
- Does the company dedicate itself to customer relations?

7. Excessive legal costs:

- For some companies, this is their single largest expenditure.
- Excessive costs of warranty, fueled by lawyers that work on contingency fees.
- U.S. is the most litigious nation in the world.
- Does the company strive to communicate proactively with employees and customers – to keep them aware of changes in policies or procedures (the "no surprises" rule)?