

## NANO TOOLS FOR LEADERS®

# LONG-TERM THINKING IS YOUR BEST SHORT-TERM STRATEGY

**Nano Tools for Leaders®** are fast, effective leadership tools that you can learn and start using in less than 15 minutes — with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

**Contributors:** Co-authors of *Go Long: Why Long-term Thinking is your Best Short-term Strategy*: **Michael Useem**, William and Jacalyn Egan Professor of Management and director of the Wharton Center for Leadership and Change Management, The Wharton School, University of Pennsylvania; **Dennis Carey**, a vice chairman of the global executive search firm Korn Ferry; **Brian Dumaine**, founder and editor in chief of the New York media company High Water Press and a contributor to *Fortune* magazine; and **Rodney Zemmel**, senior partner at McKinsey.



### THE GOAL:

Instead of focusing solely on quarterly goals, create and execute long-term strategies that will create solid growth, more jobs, and better rewards for shareholders.

### NANO TOOL:

Most CEOs are under enormous pressure to focus on next-quarter earnings from a number of sources, including institutional and activist investors, and even their own boards and executive teams. The result? Cutting R&D, capital improvements, wages, and their workforce in order to meet quarterly goals. But there is growing evidence that long-term thinking pays off much better in the long run. Solid long-term strategies executed well help businesses leapfrog the competition, create jobs, build public trust, improve the environment, and richly reward shareholders.

But there are many ways to go long. Different industries have different time horizons, and CEOs have their own distinct value systems and approaches. Some try to build sustainable organizations that aim to alleviate poverty, improve public health, or reduce their company's carbon footprint. But despite these differences, four broad, basic principles can be used by any CEO who wishes to adopt a long game. Consider the four steps below to help push back against or even ignore some of the pressure to focus on the short term, never selling out the next decade in favor of next week.

### ACTION STEPS:

1. Create a purpose for your organization that is greater than just profits. The purpose must motivate employees by helping them contribute to the company's success, feel like their jobs have meaning, and understand they are a part of something bigger than themselves. The CEO then has to find ways to communicate that purpose and win over both internal and external constituencies.

2. Translate that purpose into a long-term business strategy and then get strong buy-in from your board and investors.
3. Formulate metrics beyond EPS and near-term financial performance that help directors and investors understand whether the business is making progress on its long-term goals.
4. Foster a culture that always focuses on long-term, profitable growth to make sure your long-term strategy is well executed.

## HOW LEADERS ARE DOING IT:

- In 2014, CVS Health CEO Larry Merlo banned cigarette sales in the company's 7600 stores to better align with its mission to "help people on their path to better health." The move cost the company \$2 billion a year in revenue and a 7 percent drop in its stock price the day the decision was announced. But Merlo had already secured buy-in from his executive team and the board after sharing his tobacco-free long-term strategy. He also communicated a clear message about the benefits of the move, including creating new referral partnerships with health systems across the country, creating a sense of pride in CVS employees, and attracting and retaining better talent.
- Verizon CEO Ivan Seidenberg spent \$150 billion on building his wireless and broadband networks. He told his investors that his long-term goal was to create the industry's best products and services. He then picked a clear, easy-to-understand metric as a defining element of long-term growth. He chose market share growth (because it provided strong evidence that consumers wanted his products) to show his investors that his long-term strategy was on track, quarter after quarter, year after year.
- Sir George Buckley, CEO of 3M, created a culture where people felt they were not only supported by the executive team but also felt safe to take risks and fail. He did this by green-lighting R&D programs that his scientists and engineers had thought to be promising but had sat on the shelf during the previous regime, encouraging them to take big risks, and, notably, not punishing them for failure. Buckley showed his employees that he had a plausible and defensible dream for 3M's future and followed through with actions that showed them he believed in the dream. Over his tenure Buckley grew the share of new products that had been launched in the previous five years from 8 percent of sales to 34 percent of sales.

## ADDITIONAL RESOURCES:

- *Go Long: Why Long-term Thinking Is Your Best Short-term Strategy*, Dennis Carey, Brian Dumaine, Michel Useem, Rodney Zimmel (Wharton Digital Press, 2018). Reveals how some of the world's most prominent business leaders resisted short-term pressures to successfully manage their organizations for the long term, and in turn, aimed to create more jobs, more satisfied customers, and more shareholder wealth.
- Mike Useem teaches in many executive education programs, including the [Advanced Management Program](#), of which he serves as faculty chair, the [Executive Development Program](#), [CEO Academy](#), and [Becoming a Leader of Leaders: Pathways to Success](#).

## ABOUT NANO TOOLS:

*Nano Tools for Leaders®* was conceived and developed by Deb Giffen, MCC, director of Custom Programs at Wharton Executive Education. *Nano Tools for Leaders®* is a collaboration between joint sponsors Wharton Executive Education and Wharton's Center for Leadership and Change Management. This collaboration is led by Professors Michael Useem and John Paul MacDuffie.