How Do You Drive for Results Now While Preparing for the Future? Avoid These Common Traps.

By Dev Patnaik

The urgent business imperative of our time is a delicate balance: to perform and transform. Here's how leaders can play the long game, meeting short-term business goals while preparing for the future.

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There's broad consensus among the CEOs I've spoken with recently: They agree they need to drive short-term performance, even as they continue their long-term transformation efforts.

Performance is crucial. Inefficiencies have built up over the past few years of rapid growth and free money; they must be cleared out. Expenses that didn't cost much in a zero-interest environment simply aren't sustainable in a world of 5% interest rates and economic uncertainty.

But leaders recognize they can't depend on short-term performance alone.

In a recent survey, nearly 40% of CEOs across industries confessed that their current business model might not be viable in a decade.

Everything from technology to consumer behavior to geopolitics is evolving at a dizzying pace, posing an existential threat to companies that stand still. Highlighting their balancing act, leaders said they wanted to spend significantly more time on transformation than performance, though in reality the latter took up slightly more of their efforts.

CEOs are right to embrace this paradox. Companies need to both fix the now and build the next. They have to perform AND transform. But that's a pretty nuanced message to rally people around and it's a balancing act that most companies will fail to achieve. Most humans struggle to keep two contradictory ideas in their heads at once. It's the same for organizations. Despite their best intentions, most will fall into one of three traps.

The "We Just Have to Get the Basics Right" Trap

Some leaders will loudly proclaim the dual mission of perform and transform, then just focus on near-term performance. That's because they're inherently more focused on the present than the future. Watch for justifications like, "We have to get the basics right first."

That's because today's challenges are a lot clearer than tomorrow's threats. It's easy for an online retailer to approve $10 million on tech upgrades that immediately improve customer satisfaction scores and completed checkouts. It's much harder to predict the payback of a project that re-envisions shopping behavior clothing in five years.

One way to address this is to separate out the now business and the next business. That's why Ford CEO Jim Farley created a new division last year, Ford Model e, dedicated to the goal of an all-electric line-up by 2035. If he'd kept it within the core business, it would've been vulnerable to internal inertia and crushed by a giant gas-powered core business.

The "We Took Our Eye Off the Ball" Trap

Other companies start down both tracks then kill off their transform initiatives. That usually happens when the future-focused plan fails to fit traditional performance metrics that typically have immediate payback. Transformations, instead, have hockey-stick growth curves that likely won't meet big company hurdles in their early days. Steve Jobs lovingly referred to Apple TV as "a hobby" in its infancy, realizing that it would take time to gain traction.

The real danger for transformation is when the core business starts to falter. That's when leaders worry that others will accuse them of taking their eye off the ball. They panic and halt initiatives with the least immediate payback.

How to fix this? If transformative efforts aren't reflected in your standard metrics, change the metrics. Include future-focused goals, and commit the time and patience to see them through. Jeff Bezos got it right when he said that the few companies that work on a seven-year time horizon have the advantage over the majority that are fixated on the next three years.

The "Yeah, Sure it's Transformation" Trap

The third trap is the most insidious. It's when a company fails to undertake any real transformation and fakes it instead: Maybe they'll dress up parts of their old business in a "transform" wrapper and hope that customers and shareholders buy it. United

Airlines fell into that trap when it launched Ted in 2004. While Ted was meant to be a response to upstart low-cost carriers like JetBlue, it was more marketing hype than business model innovation. Sure, the logo was different, but the cost structures were the same. Ted died a quiet death four years later, largely because United failed to meaningfully differentiate it from its traditional service.

By encouraging honest, open conversations as part of the company culture, you greatly reduce the chance of faking it. If the emperor has no clothes, someone needs to say so and be heard.

Where to go from here

To be sure, it's hard to drive performance and transformation at the same time. But most of us don't have a choice. Only rarely these days can you justify focusing solely on current performance. One exception might be when you're trying to engineer a major turnaround.

It helps to start thinking of transformation as an urgent matter of survival, which it is.

Back in 2008, Denmark's DONG Energy realized that growing concern about climate change would likely doom its coal-dominated heating business. Within about a decade, it sold off its oil and gas assets and transformed itself into the world's largest producer of offshore wind energy under its new name, Ørsted. It was a committed effort to run a tight ship, even as they built a new one.

What to ditch

It can seem daunting to fund both now projects and next projects. There are plenty of other things to cut. Most companies have activities and investments that don't really help performance or transformation. Get rid of them. When you eliminate pet projects and zombie units, your teams will be less distracted and more focused on things that matter.

Consider how Lego revived itself by shedding Legoland parks, halving inventory and, at the same time, going all in on a digital strategy.

To be fair, this isn't easy stuff to get right. Our brains just aren't wired to focus on two, seemingly contradictory, goals at the same time. In reality, though, they aren't contradictory. The best companies use the benefits from their performance initiatives to support their transformation efforts. And they're also learning things from their future-focused work they can use today. Apple's new laptops embody everything they learned from making iPhones and iPads. Manage the now and build the next. That's incredibly hard. But it's the only thing that works.

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