

THE HALO EFFECT

... And the Eight Other Business Delusions That Deceive Managers

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The Web site for this book is at www.the-halo-effect.com.

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MAIN IDEA

Success in business is actually far more elusive than most business books, gurus and best-selling professors would have us believe. Every year hundreds of new books are published which basically are variations on the same theme:

- This is the secret of high performing companies which not too many people know.
- Study what makes these companies great, and then go and do likewise by applying these ideas to your company.
- If you do this, you'll gain a competitive advantage because your competitors won't know these things.

The problem is even though many of these authors mean well and have worked hard to synthesize the reasons for one company's success, they are offering a "quick fix" route to high performance which simply does not exist in the real world. Being successful is never just a matter of taking what works for someone else and plugging in your own products and people. Instead, you have to do your own thinking and take a much more clear-eyed and thoughtful approach.

If you plan on achieving superior and lasting business performance, you won't get there by following a specific set of steps which apparently worked for someone else. Instead, you need to focus on understanding and acknowledging the fundamental uncertainty of business performance and then progressively working to improve your probabilities of success. That will take more work than you'd like, but at least you'll be focused on the elements that actually drive your company's performance rather than the common business delusions which absorb the time and attention of others.

1. The nine delusions of business thinking – why the experts get things wrong so frequently Pages 2 - 6

Business success is never genuinely plug-and-play – take what worked for another company and go and do likewise. Anyone who believes that has had their thinking shaped by one or more of the nine most common delusions in the business world:

▶ 1	The Halo Effect	Successful companies must be doing everything right
▶ 2	Correlation and Causality	It's possible to definitely say one thing causes another
▶ 3	Single Explanations	There is just one factor which generates superior performance
▶ 4	Connecting the Winning Dots	Success lies in whatever successful companies have in common
▶ 5	Rigorous Research	If you gather enough data, reasons for success can be isolated
▶ 6	Absolute Performance	Company performance is absolute – competitors don't matter
▶ 7	Lasting Success	If you keep doing the right things, you will be a long-term success
▶ 8	The Wrong End of the Stick	Success comes from pursuing a tightly focused strategy
▶ 9	Organizational Physics	Business performance can be forecast with the accuracy of science

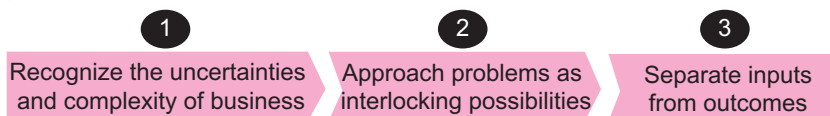
These combined result of these delusions are two pieces of business fiction:

- That following a few key steps will lead to genuine business greatness.
- Any company's success is the result of its own actions irrespective of external factors.

The reality is success is more often than not shaped by external factors well beyond the company's control. In a competitive business environment, there is no formula which guarantees a company's success. This may be disappointing at first glance but it actually is good because it means managers will always be needed to make the complex decisions. If success could be reduced to a formula, there would be no need for human input which would mean less opportunities for good people to shine. In short, what business executives bring to an enterprise matters and they make an important contribution.

2. A better way to approach business management Pages 7 - 8

Replace looking for plug-and-play formulas to follow with a greater respect for probabilities and the impact of external market forces. Be willing to make the difficult and complex judgement calls which often end up being pivotal to your company's future fortunes. To make those calls as best you can, there are three general steps you can try to follow:



If you can gather appropriate marketplace information, evaluate it thoroughly and make the choices which provide your firm with the greatest possible chance of success, all the time acknowledging the fundamental uncertainties involved, you've done all you can to make an effective decision. This will prove to be far more fruitful than trying to follow a given formula or set of steps others have used.

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