

# Confessions of a Heavy Thinker – Signs of Rising Corporate Mortality

by A. James DeHayes

*Steve Brown of the Key Life Network recently recounted the following story on his weekly radio broadcast:*

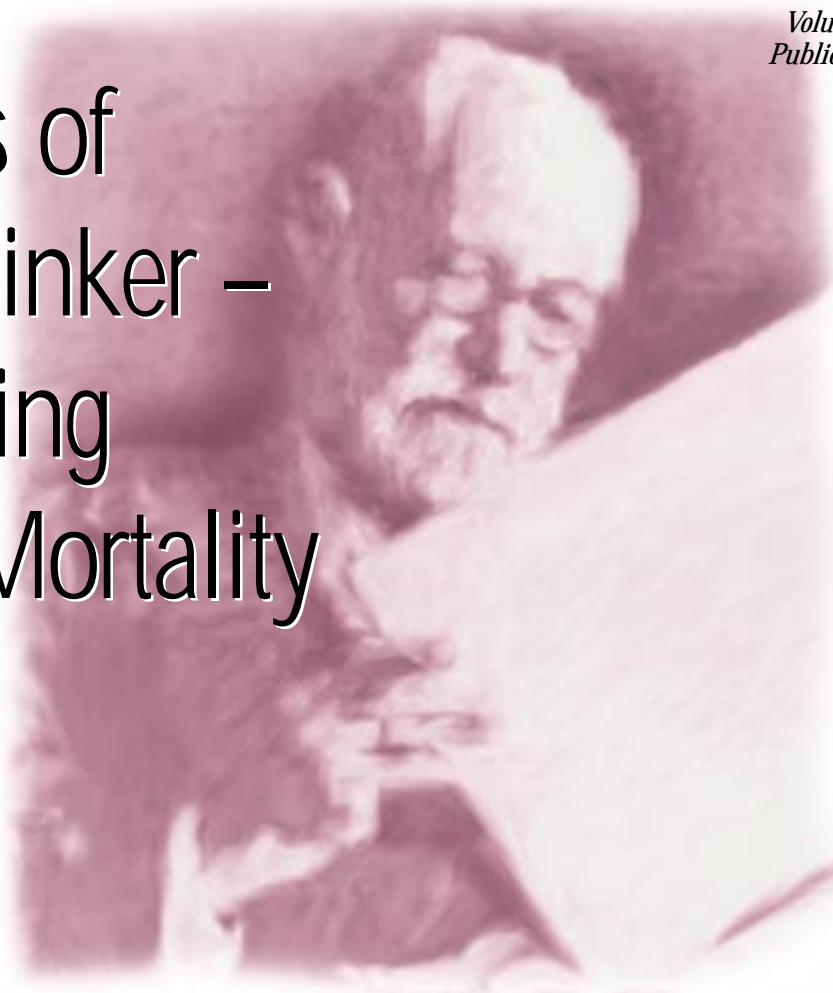
It started out innocently enough. I began to think at parties occasionally to loosen up, but one thought led to another and soon I was more than just a social thinker. I began to think alone (to relax, I told myself), but I knew it wasn't true. Thinking became more and more important to me and finally I was thinking all the time. I even began to think on the job.

I knew that thinking and employment didn't mix, but I couldn't stop myself. I began avoiding friends so I could read Thoreau and Kafka. I would return to the office with my head spinning and asking, "What is it we are really doing here, and why?"

Things weren't going so well at home either. One evening I turned off the TV and asked my wife about the meaning of life. She spent that night at her mother's. I soon had a reputation as a heavy thinker.

One day the boss called me in and he said, "Charlie, I like you and it hurts me to say this, but your heavy thinking has become a real problem. If you don't stop thinking on the job, you'll have to find another job." This gave me a lot to think about.

I came home early after my conversation with the boss and said, "Honey, I confess, I've been thinking."



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"I know you have been thinking," she said. "I want a divorce."

"Honey, surely it's not that serious," I said. "It is serious," she said, lower lip a quiver. "You think as much as college professors and college professors don't make any money. So if you keep on thinking, we'll be broke!" "That's a faulty syllogism," I said impatiently, and she began to cry.

"I've had enough, I'm going to the library," I snarled as I stomped out the door. I headed for the library in the mood for some Nietzsche with a PBS station on the radio. I roared into the parking lot and ran up to the big glass doors. They didn't open. The library was closed.

To this day, I believe that a higher power was looking out for me that night as I sank to the ground, clawing at the unfeeling glass window when a poster caught my eye. "Friend, is heavy thinking ruining your life?" it asked.

You probably recognize this line, it comes from the standard Thinkers Anonymous

poster. Which is why I am what I am today - a recovering thinker. I never miss a Thinkers Anonymous meeting. At each meeting we watch non-educational video. Last week it was *Porky's*. Then we share experiences about how we avoided thinking since the last meeting. I still have my job, and things are a lot better at home.

Life just seemed easier, somehow, as soon as I stopped thinking.

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While it is not necessary to go to the extremes of poor Charlie in the story, a modest dose of heavy thinking does give rise to some chilling

thoughts about the financial services industry. A significant number of substantial companies are headed for premature mortality – but which ones, and why?

To address this question, it is possible to build a set of corporate mortality and morbidity factors for financial services companies whose business health and survival signs can be identified and categorized. These signs will offer insight into the probabilities of survival or extinction of individual industry players.

Over the past decade, financial services company morbidity and mortality rates have been higher than during any other ten-year period since the Great Depression. Yet, the economy has flourished and the corporate sectors reached unprecedented levels of valuation. Heavy thinkers in the industry are wrestling with the possibility that a new fundamental element of change is emerging.

The majority of senior executives in the financial services industry are now "baby boomers" – in their late 40s to mid-50s. Are all financial services companies in vigorous

good health, with management voluntarily cashing in their enterprises for top dollar, or are the leaders of these companies choosing to exit as a lifestyle decision?

Could a new

generational dynamic be at the core of many transactions? Perhaps even healthy companies are considering leaving lines of business and/or the industry because of



the intense competition and technology, rating and regulatory pressures.

Some Wall Street prophets would like to ultimately project the industry into the hands of a few dozen dominant financial services enterprises. Does "ultimately" mean 5, 10, or even 20 years? If they are right, what will be the attributes of those dominant players? Will there be so many reverse mergers, recapitalizations, divestitures, demutualizations, and fully integrated financial services companies to even identify those who *make* things happen from those *to whom* things happen?

At the beginning of this decade, would anyone have believed that the largest companies in the insurance industry would have faced the challenges they have experienced? One has to ask, what else can happen?

### Warning Signs of Corporate Mortality

Without a crystal ball, perhaps even the heavy thinkers cannot expect to pick the ultimate winners. But it is possible to identify the likely future victims of ill health and voluntary exits from the industry. By using corporate mortality and morbidity factors, we can construct a mortality table to identify those companies most susceptible to extreme change – creating opportunity for the companies determined to reach the winners' circle. Signs of poor health include:

#### Critical Signs:

- Declining sales - but increasing surplus
- Eroding return on capital
- Difficulty migrating to contemporary technology
- Weakening financial ratings
- Increasing customer complaints

#### Other Signs:

##### Inbred and Tired

- Little or no senior management coming from outside
- Management by committee

- More staff attorneys than actuaries
- Over emphasis on pension plans as a compensation strategy

#### Change Averse

- Difficulty initiating or accomplishing change
- Emphasis on effort vs. achievement
- Frequent protests that "we've never done that before"
- Dearth of entrepreneurial spirit

#### Unfocused

- Distributor needs take priority over consumer needs
- Systems constraints are allowed to limit innovation
- Senior officers have too many outside boards and industry meetings

### Winning Strategies

What can be done to improve corporate mortality with winning strategies? Harold Hook's *Model-Netics* program includes a model on personality change<sup>1</sup>. Its thesis is that people (and perhaps the companies they manage) change only through:

- Brain surgery (lobotomy)
- Religious conversion
- Psychotherapy

Applying this model to the corporation as a framework for positive change, several possible avenues of attack emerge.

#### Brain Surgery

Although a lobotomy may stabilize emotions in a person, its corporate counterpart is unlikely to improve the company's emotional and financial health over the long term. A corporate lobotomy leaves only a functional shell that has lost its ability to react and move forward.

A productive counterpart to brain surgery would be implants rather than removal. Adding one or two senior executives with exceptional

<sup>1</sup>Harold Hook, Personality Change. *Model-Netics* sponsored by Main Events Management Corporation. Houston, TX

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track records as key players in successful companies with winning management teams can produce a quicker and better result than severing a failing business.

A less invasive approach to identify the challenges and address them with winning strategies can often be accomplished through an independent facilitator. A process that enables senior management to identify and deal with the key strategic challenges is more like radiation treatment. Radiation and illumination, as opposed to cutting, retains the

opportunity to make decisions and maximize the contribution of a company's core staff.

Full brain surgery is the most severe and highest risk option available. In the corporate analogy, this might suggest shutting down a major division, with attendant pain. The best approach is to find the least painful method that can realistically address the situation.

### Religious Conversion

Religious conversion, or a deep-seated belief in the potential of the enterprise, can make a strategic difference.

Creating and sustaining such a belief system is a special leadership challenge for top management. No one else can do it. Developing a new vision requires reconnecting with the future and developing new ways of doing business, greater efficiencies, fewer fixed overhead items, leaner operation and an overall dynamic of high entrepreneurial energy.

### Psychotherapy

Psychotherapy can play a role in re-energizing the planning process. Retain consultants of high reputation, industry experience and ability to provide an experience of challenging and heavy thinking.

The key is to begin a process knowing change may take years and will require some new players on the team. It doesn't matter which consulting firm is chosen. It should be one that has the right chemistry for the company and its management team, and one that respects the company, its business, and the industry.

### Creating the Future

DCG does not perform lobotomies, but does encourage implants, radiation and psychotherapy. DCG consultants work most effectively with clients who have a deep-seated belief in their future, and who will take the time to think through their issues as a team. Developing, refining and implementing a business vision on a team basis recognizes that the real answers are most likely already resident within the team, but need to be recognized and shaped into a strategy. Companies that embrace such a process greatly enhance their probabilities of reaching the winners' circle. The challenge is to strike the right balance between heavy thinking and constructive introspection that leads to positive action to create the future.

Here's to future good health! ■

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