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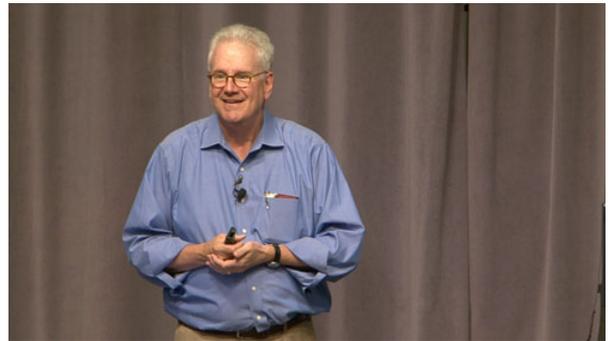
Overcome End of Quarter Neurosis

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Video URL: <http://ecorner.stanford.edu/videos/2728/Overcome-End-of-Quarter-Neurosis>

Geoffrey Moore explains the neurotic endgame that occurs when organizations lacking power continue to try and meet growing quarter-end metrics. Moore believes organizations that feel these pressures have already lost the power game. In this clip, Moore also articulates how companies can find ways to allocate resources to innovation, before getting caught in the annual budget process.



Transcript

And so what happens in a world in which we don't consciously manage power, is we continue to put anxiety and pressure to perform, perform, perform, but every quarter it's a little harder to do than the last quarter. And then if you eke out that quarter you get to try again and the numbers keep going up and your power keeps going down, and so you become kind of neurotic. I mean, and there's kind of a sort of a collective neurosis around the end of the quarter and it becomes this incredible event which you must not sacrifice anything to. And when you're that desperate, you've already missed the quarter. You just question which quarter are you going to miss because you're so far behind the power curve, you've lost touch with the engine of your own company. The people kind of get this but they can't translate it into behavior. So this is what we call the performance trap. And many cultures are very proud about being a performance culture. So it's a little bit provocative when we sort of put this out there but we're pretty confident in the case we're making. OK, so what would you do? And the answer is you need to manage power explicitly or directly.

We have to find the mechanism to do that. What you discover is the performance activity begins when you start next year's annual budgeting process by handing out last year's budget and saying, you see the fourth quarter numbers, multiply them by four and start there. And that immediately starts a zero sum game about resource allocation which is why it's so hard to move resources inside the company because the person is looking at, I have a bigger number to make next year than I have last year, they froze my resources, at least in theory, the last thing I can kind of play is using my resources for something else. And so immediately -- so if you're going to get a head of that problem as a management team, now you're the CEO and you're running your annual calendar, the quarter before you would start your budgeting strategy process, you start the power process. And by the way, in that -- if you don't have a specific resource allocation pressure or sort of Damocles hanging over your head, there's lots of stuff to do here. People have lots of ideas about the next category, the next things you want to get into, how we could be successful, there's lots of opportunities. The key idea is allocate resources to those initiatives before you allocate anything else. And the last, what we call this fund core before context. But that's not what happens at large corporations. Once the budget goes out you're funding context before core.

So do it before, drive accountability for power into the operational plan. There are metrics of power. Sales velocity you know, share capture and target segments. There's a bunch of stuff that even market share itself, there's a bunch of stuff that demonstrates that you have accumulated more power but you have to create those metrics and put them in the comp plan. Today they're not in the comp plan. The comp plan is based on revenue and earnings generation in the current quarter and in the current fiscal year. It is a consumption-oriented comp plan, it is not a replenishment or an aid of the comp plan. The fact that you got stock options is intended to incent you to want to replenish but is too indirect. It's just too indirect a metric to make it work.