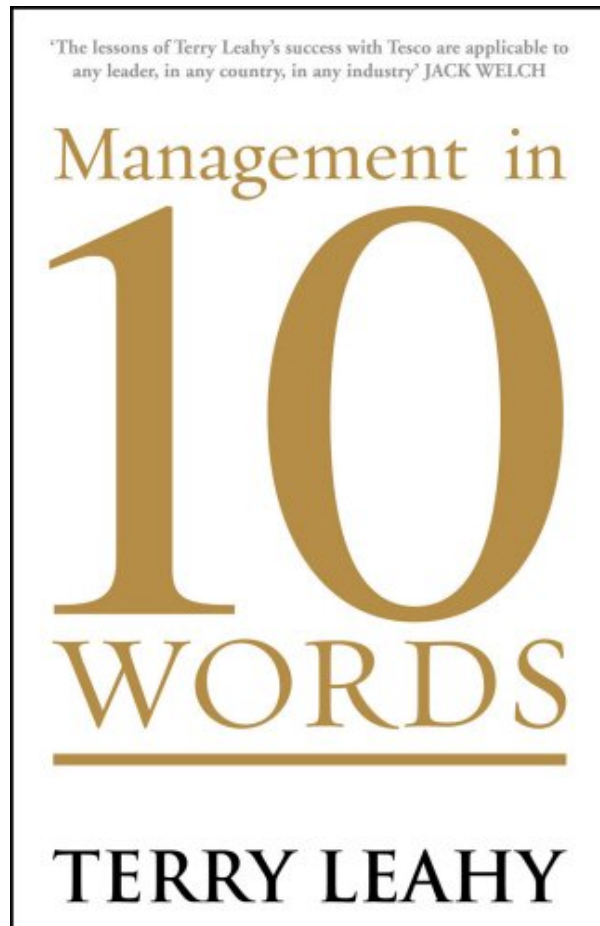


# MANAGEMENT IN 10 WORDS BY TERRY LEAHY



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'The lessons of Terry Leahy's success with Tesco are applicable to any leader, in any country, in any industry' JACK WELCH

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Since Sir Terry stepped down as CEO of Tesco in February 2011 he has been in constant demand as a public speaker. He also serves as director of the Liverpool Enterprise Partnership. He is a champion of education and has recently invested in a video-based online teaching tool for GCSE students. Married with three children, he enjoys sports, reading, theatre and architecture in his spare time.

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So I began with nothing more than a hunch: that if we listened to our customers, they would give us the route map to success. But to prove this theory correct meant getting to the truth, the very essence of what those customers thought about not just Tesco, but what role a company like Tesco could play in their lives. Routine customer research would not do this. To get under the skin of our customers I needed to turbocharge our research, and needed time to do that.

Up against me were calls for 'something to be done now--this instant'. It's a familiar occurrence. Failure provokes panic, initiatives get launched, 'strategy groups' are formed as people mistake action for progress. People think that they have no time to stop and think through the basic questions that they must address--such as 'What is the purpose of the organisation?'--when there is nothing more important than getting to the truth behind the failure.

I lost count of the number of times people popped into my office to ask me ‘What are you going to do, Terry--the board are keen to know?’ In those first few months I had not the faintest idea, but I nevertheless played my part by launching several initiatives. The problem, of course, was that they were all tactical rather than strategic and, as a result, they failed to make any impact at all. More peas shot at tanks. Meanwhile, in the City, while the stock market rose by 20 per cent in 1993, shares in food and drug retailers fell by 20 per cent, with Tesco among the hardest hit.

With our share price in the doldrums, I criss-crossed the country, sitting in countless focus groups of shoppers, hearing what they had to say about Tesco. I was frightened that I was going to find that the Tesco business model was a busted flush. Logic said that if people wanted quality they would surely go to Sainsbury, and if they wanted cheap products they would shop at a discounter: why would they come to Tesco? Worse still, the German discounters were prowling the UK market--and we could become their lunch.

1 The Grocers, Andrew Seth and Geoffrey Randall, Kogan Page (1999), p.24

2 *ibid.*, p.25

3 Jack Cohen quoted in Counter Revolution: The Tesco Story, David Powell, Grafton Books (1991), p.119

4 The Grocers, Seth and Randall, p.24

5 The Grocers, Seth and Randall, pp.25 and 27

6 The Grocers, Seth and Randall, p.33

7 The Guardian, cited in The Grocers, Seth and Randall, p.33

8 The Grocers, Seth and Randall, p.35

9 Sunday Times, Sri Lanka, 1 April 2001

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In *Management in 10 Words* he draws on his experience and expertise to pinpoint the ten vital attributes that make successful managers and underpin great organisations. He tackles the challenges that every manager faces, in a series of insights that are personal, provocative, and down to earth. And he explains:

- Why initial failure often leads to ultimate success
- Why profits stem from a company's values, not its day-to-day business
- Why competition should always be welcomed
- Why simplicity leads to innovation
- Why trust is the bedrock of effective leadership

The result is an inspiring, thoughtful and supremely practical guide that will prove invaluable to all managers in all types of organisation.

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Up against me were calls for 'something to be done now--this instant'. It's a familiar occurrence. Failure provokes panic, initiatives get launched, 'strategy groups' are formed as people mistake action for progress. People think that they have no time to stop and think through the basic questions that they must address-- such as 'What is the purpose of the organisation?'--when there is nothing more important than getting to the truth behind the failure.

I lost count of the number of times people popped into my office to ask me 'What are you going to do, Terry--the board are keen to know?' In those first few months I had not the faintest idea, but I nevertheless played my part by launching several initiatives. The problem, of course, was that they were all tactical rather than strategic and, as a result, they failed to make any impact at all. More peas shot at tanks. Meanwhile, in the City, while the stock market rose by 20 per cent in 1993, shares in food and drug retailers fell by 20 per cent, with Tesco among the hardest hit.

With our share price in the doldrums, I criss-crossed the country, sitting in countless focus groups of shoppers, hearing what they had to say about Tesco. I was frightened that I was going to find that the Tesco business model was a busted flush. Logic said that if people wanted quality they would surely go to Sainsbury, and if they wanted cheap products they would shop at a discounter: why would they come to Tesco? Worse still, the German discounters were prowling the UK market--and we could become their lunch.

1 The Grocers, Andrew Seth and Geoffrey Randall, Kogan Page (1999), p.24

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6 The Grocers, Seth and Randall, p.33

7 The Guardian, cited in The Grocers, Seth and Randall, p.33

8 The Grocers, Seth and Randall, p.35

9 Sunday Times, Sri Lanka, 1 April 2001

Most helpful customer reviews

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20 % biography and 80 % management insight

By Stefan Pettersson

I have only read a few management books so if you are an avid reader of such texts, my reactions may not align with yours.

Management in 10 Words is a lovely book in that it keeps giving insights. When I read a book carefully I usually take the time to create a mind map of topics, insights and aphorisms. The size and look of the map is a good indicator of how much I've learned. The mind map for Leahy's book became very dense. I learned a lot and I'll be sure to come back to it from time to time.

Unfortunately, many of the aphorisms were silent, embedded in the text, waiting to be rephrased. If I were the editor I would have taken time to make Leahy's words more quotable.

This is of course not an ordinary management book. I'd say it's 20 % biography and 80 % management insight. It's split up in ten chapters but it doesn't matter much, most of the words will shine through throughout the text. The two final chapters (Compete and Trust) read like a thriller while the chapters Lean and Balance were less inspiring.

I asked Google where wisdom comes from, apparently there are two schools of thought: it either comes from God or it comes from experience. I'm inclined to say that wisdom comes from knowledge and experience. Knowledge comes from study. Experience comes, as Terry Pratchett wrote, from lack of experience. Failures.

Leahy has studied management. He's got a B.Sc. in management sciences and there are many references and lessons learned from literature; Field Marshall Viscount Slim and Samuel Smiles seem to have a special place in Leahy's heart. Leahy has also made several mistakes and regularly reminds the reader of this. He is also stressing that failures are a fact of business and that they must be accepted and learned from.

My only grudge is that he wrote the book so soon after his departure. It was released after about a year. If he could have waited two or three more years we might have had more valuable failure-insights. I would've loved to hear his comments on the aftermath of the (now failed) Fresh and Easy initiative in the US for example.

It's a very pleasant read. Thank you Terry.

0 of 0 people found the following review helpful.

Solid, Practical Management Knowhow

By Jorgen Bottern

The flashy title misleads: this is a solid, practical book on management written by one of the top CEOs in the International retail trade. The common sense that pervades every page of this book applies as well to the retail trade as to most other commercial endeavours and, indeed, should be read by every politician in a democratic society. Frank and transparently honest. A management gem.

0 of 0 people found the following review helpful.

Good words to live by

By Philip S. Auchincloss

A well written account of Terry Leahy's management experience. A good list of things that have worked for him. A good story about TESCO which I didn't know. A very interesting read. The book would have been better if he offered some corroborative statistical information to back up his claims.

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# MANAGEMENT IN 10 WORDS BY TERRY LEAHY PDF

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## Review

"The most inspiring autobiography you will read this year" Daily Mail "Should be required reading for anyone running a business, or indeed any organisation" -- Chris Blackhurst Evening Standard "An insight into Sir Terry's influences, his management style, the techniques he used to deliver results and his recollections on the genesis of some of his numerous achievements - Management in 10 Words is a revelation" The Grocer "Enlightening" Independent "This is the authentic voice of the man ... the nearest any outsider is likely to get to understanding what motivated one of Britain's most successful businesspeople" Financial Times

## About the Author

SIR TERRY LEAHY was educated at St Edward's College, Liverpool, and then went on to the University of Liverpool Institute of Science and Technology, where he gained his BSc (Hons) in management sciences. He joined Tesco when he was 23, became the company's first marketing director and was responsible for the introduction of the highly successful Tesco Clubcard. As CEO he oversaw Tesco's expansion into everything from groceries to electrical goods, built a £1 billion clothing business and was one of the first to see the potential of the internet for selling groceries. He was knighted in 2002 for his services to food retailing and has received many industry honours and awards, including Sunday Times Business Person of the Year in 2010 and a Lifetime Achievement award from Retail Week in 2011.

Since Sir Terry stepped down as CEO of Tesco in February 2011 he has been in constant demand as a public speaker. He also serves as director of the Liverpool Enterprise Partnership. He is a champion of education and has recently invested in a video-based online teaching tool for GCSE students. Married with three children, he enjoys sports, reading, theatre and architecture in his spare time.

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## 1 Truth

Organisations are terrible at confronting the truth. It is so much easier to define your version of reality, and judge success and failure according to that. But my experience is that truth is crucial both to create and to sustain success. ?

Confronting the truth is painful. To confess even to yourself, let alone others, that your job is not as great as it might be, that an investment is not paying off, that your company is slipping or that you could do better at work--any admission of imperfection or inadequacy is hard. And once the words have passed your lips, all sorts of questions raise their ugly little heads. Why has this happened? What did you do wrong to make this happen? And what are you going to do about it? Change jobs, sack people, restructure the company? All that spells change for you and, most likely, for someone else. Change is difficult. Change thanks to a mistake you made is doubly hard.



So the easy option is not to confront the truth, but to let things potter along as they are. Of course, if it is a car or house you are unhappy with, well, that's something that you can take in your stride. But if it is a job that is going nowhere, or a company or team at work that is steadily slipping, that's something that can erode your confidence and gnaw away at your soul. The sense of purposelessness, knowing you could do better, leaving work each day not sure of what you have achieved--all this is demoralising, depressing, crushing even.

Almost worse is when you sense that everyone in the organisation is thinking the same thing: that the latest strategy is not going to work, the so-called 'performance indicators' are meaningless, and that the organisation has lost its way. But, inevitably, no one is saying so. The longer the silence lasts, the harder it becomes to confront the truth and face the consequences. As a result, the more likely it is that nothing is done--until it is all too late.

The world over, organisations of all kinds are terrible at confronting the truth. It is so much easier to define your version of reality, and judge success and failure according to that. Management screens and filters out what it doesn't want to hear. To acknowledge a problem would mean having to take an awkward decision or face an unpleasant meeting that would make you unloved and unpopular, and who wants to be that? Worse, truth can expose failure--the f-word, feared by everyone. Slowly and imperceptibly, the 'bunker mentality' descends, blinding management to reality. Those on the board convince themselves that there isn't really a problem, or that the problem everyone is talking about has been concocted by those who are analysing, commenting and often criticising the organisation: journalists, pressure groups, politicians, customers. Whatever is happening, the board persuades itself, it certainly isn't the fault of management. Then, inexorably, the world closes in and the problems grow. By now management knows it has to be seen to be doing something and to be in charge of 'events', so it indulges in frenetic (and often pointless) activity and initiatives.

Paradoxically, the more successful a business becomes, the easier it is to justify not seeking out the truth and taking difficult decisions. If all the indicators are pointing to success--your share price, sales, membership, and so on--why fill the world with gloom and doom? Why bother changing things when you are doing so well? Success breeds complacency, a sense that the world in which you became successful will not change, so neither should you.

The truth is not something you usually associate with retailing. It's a word you normally connect with the law or religion--perhaps too big and worthy to grace the shopping aisles. But my experience is that truth is crucial both to create and to sustain success. And certainly, when I consider how Tesco was in the early 1990s, finding the truth was absolutely essential: it was the only way we would get out of the rut of being a middle-ranking UK supermarket.

A brief bit of history. Tesco began life when Jack Cohen used his gratuity from Army service in the First World War to set up a market stall in the melee of the East End of London. Cohen bought tea (at 9d--old pence--per pound, selling at 6d a half pound)<sup>1</sup> from T E Stockwell. TES plus the CO of Cohen produced Tesco--although Cohen was the driving force. On one day alone, Cohen sold 450 pounds of tea from his barrow. Cohen had a natural flair for retail, an eye for a bargain and a strong belief that low price, and nothing else, was the secret of good business. Once he bought a consignment of Danish cream from a half-sunk ship and sent it to his shops with an order 'Take off the labels, get a tin of Duraglit from the shelves to clean off the rust and sell these for 2d a tin'.<sup>2</sup> Another time he bought a consignment of Polish cigarettes allegedly made of lettuce leaves which, according to one Tesco employee, 'reminded me of nothing more than the old herbal cigarettes which we smoked behind the lavatory at school'.<sup>3</sup> To 'Slasher Jack' (as he became known), quality played second fiddle to price: 'Pile it high, sell it cheap' was his motto, with

‘Always keep your hand over the money and be ready to run’ a favourite maxim.<sup>4</sup>

With Cohen’s forceful character, flair for business and sheer energy, Tesco grew. By the mid-1950s it had 150 stores. Its first supermarket opened in 1956, and in 1961 Cohen asked the comedian Sid James, star of the Carry-On films, to open the UK’s then largest supermarket, a Tesco in Leicester.<sup>5</sup> By the time Cohen--then Sir Jack--retired in 1970 and handed over the reins to his sons-in-law, Tesco had over 800 stores.

But a bigger Tesco was not a better Tesco. Cohen had been Tesco--and therein lay the problem. His forceful, somewhat cowboy personality gave the chain its identity, complete with a reputation for flouting planning regulations and for board meetings that descended into verbal fisticuffs, or worse. But basing a company’s culture on the founder’s personality is not always a recipe for continued success. As Britain started to become richer and an ever-expanding middle class more affluent, Sir Jack’s Tesco began to look rather jaded. Soon, the competition was running rings round Tesco. Sainsbury was building new supermarkets in the south of England, while Asda was building big new stores and selling food at low prices in the north.

The fact that Tesco survived at all is thanks to Ian MacLaurin and his senior team, David Malpas (his Managing Director) and John Gildersleeve (a rising star). In the years immediately after Jack Cohen’s departure, the focus on price had dimmed, and too much faith had been placed in the Green Shield stamps marketing scheme. (Customers would be given stamps to reflect the value of their purchases, which they could then trade for more goods.) Rumours swirled around that a tobacco company had thought about buying Tesco, but had then decided that it might be bad for its brand! Ian took the bold step of abandoning Green Shield stamps, and returned to aggressive price cutting. At the same time, his team took the edge off the ‘pile it high and sell it cheap’ image by creating better own-label brands and a healthy-eating programme, and a focus on fresh foods. On top of that, they focused on building out-of-town superstores, to meet the demands of the growing number of car-owning shoppers. In the three years to 1990, turnover went up by more than 50 per cent, profits more than doubled and operating margins passed six per cent. Tesco’s space--the total size of all its stores--was growing by almost ten per cent per year.<sup>6</sup> Reporting on Tesco’s results in 1990, one national newspaper said:

A decade ago Tesco was the modern equivalent of a music hall joke. But now it is Tesco which is laughing--all the way to the bank . . . the transformation of Tesco is a remarkable success story.<sup>7</sup>

Just when things were going so well, however, Britain fell into recession. After years of shoppers ‘trading up’, now they were looking for bargains, which created opportunities for Aldi and Lidl, limited-range discounters newly arrived from Germany. Tesco tried to protect its margins by cutting costs--for example, by reducing the number of tills open at any one time. The problem with this approach was that it chipped away at the quality of customer service and so dented customers’ loyalty. Things were made worse by escalating interest rates. Tesco customers were badly hit. Sainsbury’s customers, by contrast, suffered rather less: they were older and better off than Tesco customers, fewer had mortgages to pay and more enjoyed income from savings. Suddenly, the Sainsbury juggernaut seemed invincible and unstoppable. Confidence in Tesco’s strategy gave way to doubt. Phrases like ‘on the up’ were replaced by ‘losing its way’. Tesco tried various new initiatives but they proved as effective as shooting peas at tanks. It seemed the company had, in the words of seasoned observers, ‘reached something of a dead end’.<sup>8</sup>

And so, by 1992, morale was flagging and a sense of crisis was beginning to set in. Sitting at my desk at Cheshunt one October day, I was suddenly summoned upstairs for a meeting with Ian MacLaurin. I walked in to find David Malpas there too. I immediately thought I was going to be fired. We were losing customers and I shared more than just some of the responsibility--at the time I was Commercial Director of Fresh Foods, buying and selling a large part of what Tesco sold. Instead, they asked me if I wanted to be Marketing

Director and on the board. A promotion.

The colour drained from my face. The only thing I felt missing from the room was a poisoned chalice. But I accepted. I had just been made an offer I could not refuse. There was no choice.

Although it sounded powerful, the role of Marketing Director had been created for me and so was untried and untested. On my first day I had no team, no meetings scheduled, just an empty office. For someone who is not innately confident, and who likes the structure that action points, agendas and plans bring, I found it all deeply unsettling. But the lack of paraphernalia that usually goes with a new job gave me something I now realise is the most precious thing of all--time to think.

My task was quite simple: to find out why Tesco was struggling, and fix it. For months if not years my gut had been telling me that there was something wrong with our approach to our business. Although Tesco was a retailer, we hardly ever took any account of what our customers thought. Yes, we did customer research, we talked about what focus groups told us, we discussed how sales had risen or fallen, but the truth was that the customer was not driving the business, day in, day out.

'Customer satisfaction' was seen in a silo, the responsibility of a department to address, not something that the whole company should focus on--no more important than, say, process and logistics. Tesco's approach was not unique. The retail industry had become fixated with its own operations: a customer was sometimes reduced to an anonymous unit who bought our goods.

This grated with the most basic lesson of all that I learnt studying marketing at university: successful companies do not just focus on what their customers want, but put the customer at the centre of all they do. The customer should drive the entire business. We--the management of not just Tesco, but other retailers--were not thinking as consumers, and were not asking basic questions about what our business was all about.

Worse still, we at Tesco were fighting our competitors on their terms, judging ourselves against their performance, playing catch-up with their initiatives. We religiously followed what was called a 'benchmarking strategy', looking at what other retailers were doing well and (to quote Ian MacLaurin, who is honest to a fault) 'we just copied what they did unashamedly'.<sup>9</sup> We were playing 'Follow My Leader'--which is not the way to get ahead.

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7 The Guardian, cited in The Grocers, Seth and Randall, p.33

8 The Grocers, Seth and Randall, p.35

9 Sunday Times, Sri Lanka, 1 April 2001

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