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Why Small, Private Companies Are Best Equipped for the Long Haul

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Deloitte has a fascinating new article addressing the merits and drawbacks of both short- and long-term organizational strategies. Weighing each approach equally, I haven't seen a business leadership article quite like it.

But while the tables at the top of the piece that address points and counterpoints of short- and long-term approaches are unbiased, Deloitte Center for the Edge Co-Chairman John Hagel's commentary below the tables makes it clear that he thinks many executives' short term-focused strategic tweaks, based on the state of the economy over the last two years, will undermine their organizations' positioning for lasting success.

Hagel's argument is based on research for a book he co-authored, *The Power of Pull*, which reveals that since 1965, return on assets for all public U.S. companies has collapsed by 75 percent. "There is no reason to believe that the long-term performance erosion will not continue," he warns.

However, based on Winning Workplaces' own employee engagement research of small, privately held businesses, **it would seem these enterprises are equipped to buck the performance erosion that has hurt public firms over the past 40-plus years, and which Hagel predicts will continue to limit their potential in the years to come.** Here's why, working off the points he raises in his commentary:

- As private companies, which are not bound to post quarterly returns for shareholders as publicly held firms are, these organizations have more freedom to take the hits associated with several poorer quarters (the short term) to pivot in their strategy to realize a more profitable long term. Ironically, a good portion of our small business honorees *do* have shareholders: employees in an ESOP, who, in a workplace culture of ownership, are incentivized to help leadership arrive at the best strategy moving forward, particularly when times are tough.
- Hagel attributes much of the performance erosion of public U.S. companies over the past four decades to obsolete yet entrenched management practices and institutions. Our Top Small Workplaces operate quite differently, relying on employee engagement from the bottom up to improve practices [Buy cheap Cialis Online](#) and institutions that work, and to remove those that don't. This speaks to the silo problem that is endemic of larger firms, and inherently much less of an issue in smaller companies.
- Finally, Hagel talks about how companies' competitive advantage tied to value creation has shifted from "owning" knowledge to developing "scalable pull platforms that amplify a company's ability to draw out the right people and resources." I've blogged at length about how our honored firms routinely outperform their larger peers when it comes to hiring for attitude and fit for their work environment, committing to engage employees to keep them satisfied so they won't leave, and investing in employee leadership development to make the most of their knowledge base, as well as to reduce recruiting costs involved in hiring and training from outside.

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