Understanding the difference between means (strategies) and ends (results) is the key to Enhancing Your Strategic IQ™. In fact, this is the key to the Systems Thinking Approach®, and it’s 50 years of scientific research.

"Steve Haines and the Haines Centre represent the cutting edge of thought regarding strategy, strategic planning, and strategic management. Steve's research-based Systems Thinking Approach to strategy and strategic management has been one of the fundamental components of Sund's journey from good to great."

Richard Condit, Chief Administrative Officer-Sund Construction

"Following their ABC’s of strategic management with an intense focus on measuring what's important, not what's easy to measure, will take your company to new plateaus and sustainability. Selecting from the complete range of Core Strategies (From A to Z) to focus your ways to achieve your vision is much easier with the complete strategies listed in this book—it is a reference bible—keep it handy."

Dave Myers, Former Chairman and CEO-JAP

"It's been said if you don't know where you're headed, chances are you won't get there. Not only has Steve Haines again focused on creating a vision leading to effective end results, but has given us the ABC's and the Strategies: From A-Z to get there. As a school district superintendent for 26 years I utilized this approach and Key Strategies in this book in building a nationally recognized K-12 school district with over 30,000 students that was one of the first to focus on student learning as our main mission."

Robert L. Reeves, Ed.D., Ph.D., Former School Superintendent, Author and Consultant

The purpose of this book is to provide progressive leaders and executives of all types and business/government/nonprofit sectors with a better and more practical understanding of Strategy – from a day to day decision making basis. It is a compilation of lessons learned from the Best Practices on Strategy and Positioning in today's most successful organizations, no matter what their industry or sector, public or private. This book is a proactive attempt to help executives understand and learn strategies a Best Practice Level in order to help them lead their organizations successfully in today's dynamic and changing global economy and environment.

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with Stephen Lin
Enhancing Your Strategic IQ™

Winning Strategies: From A To Z

Stephen Haines

with Stephen Lin

Systems Thinking Press
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Dave Myers, President, CEO, and Owner, Executive Impact, LLC

“Whether flying jets in combat or leading a Naval Aviation squadron through peace time training requirements, Steve’s focus on clarity and simplicity provides “must have” knowledge to keep the elements of our organizational systems executing. The people, processes, rewards and structures only achieve excellence when engaged with a systems’ thinking perspective and this book is a best-in-class capture of an optimum continuum to lead people and change efforts.”

Matt “Pug” Boyne, F/A-18 Squadron Commanding Officer, Captain US Navy

“The Strategic Agility has been recognized to be one of the eight most difficult developed Leadership Competencies in the world. With Stephen Haines’ book Enhancing Your Strategic IQ (Winning Strategies: From A to Z) as guidance to lead corporate leaders to develop their Strategic Thinking competency, will not only shorten the learning gap, but also benefit from Stephen’s core paradigm as always “to teach people to develop their competence with the beauty of simplicity by his research-based Systems Thinking model of ABC.”

Sophia Yeh, CEO, Whole Brain Leadership Consulting (Shanghai), Inc.
This book is dedicated to all my Haines Centre clients over the past 20 years who have taught me more than they will ever know. While they have received support and facilitation of their Strategic Management Systems, I have received learnings after learnings. As a “learning junkie,” I hope I continue learning right up until my last day on earth – for earth is a wonderfully, beautiful diverse world.

In today’s world, I continue to learn more about Strategy from my global clients in places like India and Saudi Arabia, to name a few. Places where the center of the world is moving foward in the 21st century.

My learnings about Strategy originally came mainly from the United States Naval Academy, where we studied the strategies and tactics of every major naval battle in the history of the world. Since then my practical executive jobs at Marriott, Exxon, Freddie Mac and Imperial Capital of America have taught me the basics of Strategy and how to apply them, as many of you, our readers, have done.

However, it has been our clients since 1990, some 1,988 of them, who have actually challenged us and spurred our thinking as they tried to apply real strategies to real issues. The result was the study of Strategy on my own in order to become a Master of Strategy, including the #1 Strategic issue of all: Positioning in your Marketplace, the PhD of Strategy.

It is here on Positioning, more than any place else in this book, where you can gain the “practical PhD” our clients require to successfully compete in today’s dynamic, global economy.

To all of you, more thanks than you’ll ever know.

Stephen Haines
The purpose of this book is to provide progressive leaders and executives of all types and business/government/non profit sectors with a better and more practical understanding of Strategy — from a day to day decision making basis. It is a compilation of the lessons learned from the Best Practices on Strategy and Positioning in today’s most successful organizations, no matter what their industry or sector, public or private.

This book is literally a “work-in-progress” and will be for some time as we continue to learn and master our Strategic lessons. This is now a greatly expanded edition from our first book, *Strategy School*, with over 200 Strategic concepts (literally, from A to Z). It is the large result of a small initial discussion with John Johnson, TEC (The Executive Committee) Chairman and a presentation to his TEC group of 14 CEOs. We discussed how to improve TEC’s executive education on Strategy and how leaders could learn better strategic decision making skills, in particular. This was a key conversation and necessary to facilitate understanding of our Haines Centre’s copyrighted and state-of-the-art Reinventing Strategic Planning and Implementation of Enterprise-Wide Change (“The ABCs of Strategic Management”).

This book is a result of the strategic lessons learned in my life, my executive experiences, and, presently, my 20+ years as a master consultant and researcher, conducting strategic planning and strategic thinking workshops for hundreds of organizations in all public, private, and not-for-profit sectors across North America and beyond. I have traveled and/or worked in over 80 countries, and this list continues to grow. Unfortunately, I have seen executives and managers who, despite reading all the right books by the planning and strategy gurus (see chapter on their Overall Research), still did not understand Strategy, or did not develop the skills necessary to apply strategic lessons to their own leadership or organizations.

Thus, this book is a proactive attempt to help executives understand and learn strategies at a Best Practices Level in order to help them lead their organizations successfully in today’s dynamic and changing global economy and environment. In order to make this book even more practical to you, we have now interspersed activities and exercises on Strategy. In this edition, you can use these activities and exercises to help you apply strategic lessons to your organization. This should make the book much more useful to you and your organization more successful.

Strategies (plural) are the primary “means” (methods, approaches, or groups of actions) that focus your organization toward your desired “ends” (outcomes, results, goals, or even vision and mission in strategic planning terms). “Less is more” when it comes to focusing your Core Strategies and concentrating your forces toward your goals.

Regardless of terminology, however, understanding the difference between means (strategies) and ends (results) is key to *Enhancing Your Strategic IQ™*. In fact, this is the key to the Systems Thinking Approach®, and its 50 years of scientific research,
that underlies this entire book and our entire firm – the Haines Centre for Strategic Management.

The #1 Systems Thinking question is “What is your desired outcomes (ends/mission/vision/purpose)?” Once this is clear, coming up with the primary means or strategies to achieve these ends is the function of strategy selection, and of strategic planning.

The $64 Million Dollar Question for every business is defining and achieving this end in such a way that customers want to do business with you vs. the competition. This is what “positioning” is all about – being unique and different from your competition in such a way that your customers prefer doing business with you instead of them.

But, we are now getting ahead of ourselves. Positioning is the topic of a full chapter in this book.

Congratulations! You have now enrolled in your own private “Strategy School” to enhance your Strategic IQ™, one designed for you to learn and become a strategy expert in the privacy of your own home or office (it’s okay to use this with a team as well). So, on to the Haines Centre’s Best Practices on Strategy and your Mastery of Strategy. Good luck!

Stephen Haines
December 2008

**Insanity...**

Doing the same things in the same way, yet expecting different results.

**Strategy...**

Business strategy is now the single most important leadership issue.
Stephen Haines

Founder and CEO, *Haines Centre for Strategic Management*
(CEO, Entrepreneur, Global Strategist, Facilitator, Systems Thinker, Prolific Author)

Stephen Haines is the Founder and CEO of the Haines Centre for Strategic Management® in San Diego, California, founded in 1990. He is internationally recognized as a world-class leader in the field of Strategic Management and Change. Steve has over 30 years of CEO level experience with over 300 CEOs in complex and diverse international situations. The Centre now has Partners, Principles, and Certified Business Consultants, with offices across the USA and Canada and over 20 different countries.

Prior to founding the Centre, Steve was president and co-owner of University Associates Consulting and Training Services, a pioneer firm in the development of human resource practitioners and their organizations. In addition, Steve was executive vice-president and CAO for the Imperial Corporation of America (ICA), a diversified $14 billion nationwide financial services firm. Prior to that, he was senior vice-president of Freddie Mac, a $32 billion United States financial institution. Steve has been a member of eight top management teams – both U.S. and International – with corporate responsibilities for all aspects of organizational functions, including planning, operations, marketing, PR, communications, finance, HR, OD, training, and facilities. His career also included executive positions at MCI, Exxon, Sunoco, and Marriott Corporations.

Steve has completed his coursework for his doctorate in management from Temple University and an M.S.A. in Organization Development (minor in financial management) from George Washington University. He has a B.S. in Engineering (minor in foreign affairs) from the prestigious and legendary leadership class of 1968 at the U.S. Naval Academy in Annapolis, MD. He is also a graduate of the Department of Defense Human Goals Institute, a former Navy pilot, and a veteran of the Vietnam conflict.

Steve is the World Leader in Strategic Management using the Systems Thinking Approach®. His diverse background includes exposure to hundreds of firms and extensive “Best Practices” research. He has received numerous Who’s Who honors, written 16 books, over 60 articles, and developed 11 volumes of the Haines Strategic Library. He has taught over 80 different kinds of seminars and is in demand as an insightful and provocative keynote speaker at international conferences, with a special emphasis on CEO and Board issues. He was also the co-leader of the prestigious North American Banff Centre for Management’s two-week senior executive “Strategy and Leadership” program and is on the national board of directors for the newly reformed Association for Strategic Planning. His interests include family, community service, sports, sailing, traveling with his wife Jayne, as well as photography, art, design, and his grandson Sebastian.
Stephen Lin
Global Partner, Haines Centre for Strategic Management, Singapore

Stephen Lin is the Haines Centre for Strategic Management* Partner and Master Facilitator in Asia. He works with organizations in Singapore and the region to improve long term performance by developing their strategic management and innovation capabilities through training, coaching and facilitative consulting.

Stephen is a former student leader and government scholar, who completed his undergraduate studies in Germany. He is also a former national sportsman, naval officer and entrepreneur. He has over 22 years of senior management experience in private and public organizations, both as an internal executive as well as an external consultant. As an internal executive, he has led strategic capability acquisition and development efforts in capital as well as human assets, and been a key member of organizations’ strategic leadership.

As an external consultant, he is in demand for in-company training as well as facilitation of planning efforts. His work typically involves raising the competency level of strategic management in client organizations, facilitating client organizations in developing and implementing of effective strategic and change plans to sustain competitive advantage, and coaching senior executives through change within their respective organizations. His clients include a wide range of organizations including multi-national companies, local enterprises and government agencies.

Stephen also regularly leads public workshops/seminars on key strategic management topics of strategic thinking & planning, change management, leadership and innovation, and has conducted these workshops in Singapore, Malaysia, Indonesia, India, China and the USA. He has trained hundreds of managers of all levels in the Systems Thinking Approach* to Strategic Management (Planning, People, Leadership, Change) and Innovation.

Stephen Lin is a member of the Haines Centre for Strategic Management’s executive committee, the collective leadership that shapes the strategic direction of the Centre together with its founder, Stephen Haines.

As a private person, Stephen is devoted to his family; his wife Christina and two young children, Timothy and Bethany. He enjoys swimming, ballroom dancing and is an amateur actor. Stephen is passionate about helping people to think more strategically about sustainability of the earth’s environment, and how their individual actions could collectively make a difference.
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Acknowledgements

This book has been two years in the making and the result of interactions and dialogue with many of my Haines Centre Global Partners. Stephen Lin, in particular, has been instrumental in both questioning many aspects of Strategy as well as contributing heavily to this book with Chinese and Asian perspectives and reviews.

I would also like to thank Art Drexler, the “wizard,” for his extensive help to me on both the original book, Strategy School, and the first draft of this book. Thanks Art!

I would also like to thank Lisa, who edited this final version for Stephen Lin and myself. She along with our core Haines Centre for Strategic Management staff, deserve many thanks for their extensive help on various aspects of this book – Jennifer Des Rosiers, our Vice President of Marketing, Joyce Evans, our product manager and Rubik’s Cube expert at preventing unintended consequences, and Jayne Haines, our business manager, CFO, and IT head, for all her extensive help with every aspect of this book, from start to finish. Thanks ladies! I could not have done this without you.

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Survival and Adaptability

Darwin didn’t prove that survival is of the fittest.
He really proved that survival is of the most adaptable.

Jack Linkletter
PART 1

Think Differently

Chapter 1  So...What Really Is Strategy and Strategic Planning?
Chapter 2  Systems and Strategic Thinking
Chapter 3  A Yearly Strategic Management System (Phase E)
Do you know:

The cost of everything
but
the value of nothing?

“If you are doing business now
the same way you did it five years ago,
it’s probably obsolete.”

-Jack Welch
CHAPTER 1

So...What Really Is Strategy and Strategic Planning?

Integrating the various parts of our work efforts, employee empowerment, risk-taking, innovation, process improvement, quality, and leadership’s “walking the talk,” will have a far greater effect on employee behavior than perfecting any one or two of these efforts alone.

Bill Jensen, Strategy & Leadership

Welcome To Enhancing Your Strategic IQ™

The executive environment is inundated with “strategies.” You can’t go far in a bookstore or on the Internet without seeing hundreds of books on strategy. Pick up a book, go to a seminar, attend a conference – all promise to help you understand strategy and increase your strategic leadership skills.

You do need to have a Vision and Mission for your unit or organization, and you do need to understand how strategies can work within your organization to help you meet your customer’s needs. Trying to come up with one cohesive set of strategies you can use for your particular business, however, is daunting. What are the best strategies? What management and strategic gurus offer the best proposition for producing sustained business excellence and superior results? How can you tailor a generalized strategy to your particular organizational environment?

Through our extensive work with executives and leaders just like you, the Centre has developed the intensive Strategic IQ™ that will help you answer these questions. In this executive “course,” we will start with strategy basics, describe strategy formulation, discuss why having a strategy is important in the first place, and then provide you with specific, detailed strategies based on current strategic management Best Practices, starting on page 94. For your ease of review, these concepts are laid out in an A-Z format and numerized for convenience. We have also included shaded tabbing located at the side of each page for quick reference.

This information will help you narrow your focus, essentially helping you “drill down” to what will become the foundation of your own organizational strategic framework.

Luckily, there is no grading involved and you will not have any pop quizzes or tests at the end of each chapter. What you will receive by learning about the Centre’s Strategic IQ™ model is the means to build clarity and simplicity out of today’s complexity. Instead of reading numerous books, attending a plethora of conferences, or going to the latest and greatest seminars on strategy, you simply have to pick up this book and read it.

Before we begin with the details, let’s take a few moments to look at some popular strategies from renowned strategy “gurus.” Then we will look at strategy as
it is defined today, looking at different types of strategies and how they can be used at different organizational levels. Then, we will define the term based on over 50+ years of intensive research, describing a new way of looking at the term itself that will give your organization its competitive advantage.

You use strategies to help you get to where you want to go. But which strategies are the right strategies for your organization? Which strategies will help you complete your mission and vision? There are many to choose from and the majority of this book is dedicated to outlining many of these current strategies. Before we outline these A-Z strategies, however, we must start with those strategies that stand out from the rest – these are the strategies put forth by today’s strategy gurus.

**The Strategies of the Gurus**

There are many strategies. This is a fact and one of which you are probably aware. There are so many strategies that it is a wonder that anyone can actually sit down and conduct strategic planning. Which strategies are the right ones for you and your organization? Why should you pick one over the other? Which one should you choose?

In this chapter we will discuss and provide a definition of strategy. We will outline different levels of strategies and key differences between strategic and organizational planning. We will actually provide you with a listing of the A-Z strategies we have compiled.

Before we delve into the A-Z strategies, let’s look at those strategies that stand out a little from the rest – strategies formulated and articulated by the gurus of strategy today. These include:

1. Peter Drucker
2. Gary Hamel/C.K. Prahalad
3. Boston Consulting Group
4. Michael Treacy/Fred Wiersema
5. CEO Home Depot
6. Michael Porter
7. Hayden and Haynes
8. Tom Peters
9. Jim Collins
10. Stephen Haines

For the sake of time, we will not provide an exhaustive narrative of each and every strategy (read their books!), but a recap of each guru’s main strategic message.
**Peter Drucker**
Organization-Wide Key Success Measures and Core Strategies

*Adapted from Peter Drucker (1954) and others*

To balance long- and short-run considerations, there are ten key areas in which overall corporate business objectives/strategies should be established:

1. Customer satisfaction
2. Worker performance and attitude (employee satisfaction)
3. Market/customer standing vs. competition (benchmarking/market share)
4. Profitability and/or retained earnings (organization’s financial viability)
5. Innovation and quality products/services
6. Productivity and efficiency
7. Physical and financial resources (strategic management and resource allocation)
8. Manager performance and development
9. Social responsibility
10. Environmental responsiveness

**Gary Hamel/C.K. Prahalad**
Strategy Development is Pathbreaking

*Adapted from Competing for the Future (Harvard Business School Press, 1996)*

Our starting premises are simple:

1. Competition for the future is competition to create and dominate emerging opportunities – to stake out new competitive space.
2. Creating the future is more challenging than playing catch-up in that you have to create your own road map.
3. The goal is not simply to benchmark our competitor’s products and processes and imitate its methods, but to develop an independent point of view about tomorrow’s opportunities and how to exploit them.

Pathbreaking is a lot more rewarding than benchmarking. One doesn’t get to the future first by letting someone else blaze the trail (also called *The Blue Ocean Strategy* by W. Chan Kim and Renée Mauborgne).

---

**The Leader’s Role in Forging a Strategic Revolution**

In many companies, “strategy” consists of nothing more than following the industry’s rules, and the strategic planning process is little more than a rote procedure in which deeply held assumptions and industry conventions are reinforced rather than challenged.

On the other hand, the best companies – and leaders – have adopted a new philosophical foundation: **strategy is revolution.** They realize that the future belongs to those companies that move beyond “incrementalism” to fundamentally reinvent the rules in existing industries, or invent entirely new industries.
Boston Consulting Group
Mediocrity and Industry Norms (vs. Your Competitive Business Advantage)

Adapted from Bruce Henderson, BCG

“The essential element of successful strategy is that it derives its success from the differences between competitors with a consequential difference in their behavior. Ordinarily, this means that any corporate policy and plan which is typical of the industry is doomed to mediocrity. Where this is not so, it should be possible to demonstrate that all other competitors are at a distinct disadvantage.”

Michael Trealy/Fred Wiersema
The Discipline of Market Leaders

Disciplines:

1. Discipline of operational excellence
2. Discipline of customer intimacy
3. Discipline of product leaders

Strategies:

1. Choose your customers
2. Narrow your focus
3. Dominate your market

CEO Home Depot
“We Must Learn How to Compete All Over Again”

Adapted from Wisdom of the CEO: 29 Global Leaders Tackle Today’s Most Pressing Challenges (Wiley, 2000)

1. Look at market share and your potential there.
   - Dominate your market and stay focused on your core markets
   - Perfect your “business model”
   - Then, grow into other market segments

2. Become intimate with the details of our customers.
   - Build relationships
   - Have clear data
   - Be smart
     - Who are our profitable customers?
     - Where does our gross margin come from?
   - Stay “top line” customer-focused

3. Learn how to “kill” your competitors.
   - Have the right business model
   - Have the right killer instinct
So...What Really Is Strategy and Strategic Planning?

Michael Porter
Porter on Corporate Strategy

*Adapted from the Harvard Business Review*

The track record of corporate strategies is dismal. They have dissipated instead of created shareholder value.

-Michael Porter

Corporate strategies:

- Portfolio management
- Restructuring
- Transferring skills*
- Sharing activities

*A corporate strategy that truly enhances the competitive advantage of each business unit is the best defense against the corporate raider.

Porter on Strategy (Positioning)

*Adapted from the Harvard Business Review*

**Uniqueness**

*Strategy rests on unique activities:* it is the creation of a unique and valuable position, involving a different set of activities.

**Trade-offs**

*A sustainable strategic position requires trade-offs:* strategy is making trade-offs in competing.

**Fit**

*Fit drives both competitive advantage and sustainability:* strategy is creating a fit among a company’s activities – both leadership and management. Examples include the alignment of the delivery process (management) and attunement of people’s heart and minds (leadership).

Hayden and Haynes
Four Generic Competitive Advantage Areas (Figure 1.1)

*Adapted from Hayden and Haynes*

1. **Cost Leadership**

A business pursuing this strategy works on being the overall low-cost producer in its industry. Such a business cannot afford to ignore product quality and utility, but the core of its competitive strategy must be to have the lowest costs in the industry. This is very difficult to sustain, however, as others can match your low prices.
2. Differentiation

A business pursuing Differentiation works on differentiating the product so as to be perceived industry-wide as unique. Approaches to differentiating can involve many forms of utility, brand identification, information, etc. The objective is to provide a uniqueness that is desired by a sufficient number of buyer groups willing to pay for the differentiation. Not that a business cannot ignore costs when implementing a differentiation strategy, but that the central aim of the competitive strategy must be on differentiation.

3. Focused and Unique

A business pursuing the third generic strategy, a Focused and Unique strategy, serves a particular target market better than any other competitor in the industry. This strategy may allow the business to be the unique and distinct competitor in serving that target market. Once a suitable target market has been identified, however, the focus of the business’ competitive strategy should be to serve that market and not be tempted by a broader market perspective.
4. **Focused Market Dominance**

A business pursuing this fourth strategy aims for low cost through economics of scale by dominating market share in its focused marketplace and niche customers.

---

**Tom Peters**

Strategies for Today

*Adapted from Tom Peters*

**Rethink your products and services**

Product life cycles are shrinking. Service standards rise. The best way to compete is to compete with yourself.

**Rethink your structures**

These days, every team must be a small business unit. You and your teammates are responsible for initiation, execution, and follow-up. Each team’s ultimate responsibility is to create value.

**Rethink your systems – use Systems Thinking**

Is the “system” working against you? Many procedures stifle innovation, productivity, and spirit. Improve your processes – blow out bureaucracy – learn Systems Thinking.

**Rethink your personal structures**

How do you stay competitive? There is only one way – become evermore productive and valuable personally.

---

**What’s Out**  
- Paper  
- Size  
- Stability  
- Hierarchy  
- Mere customer service  
- Organization around functions  
- Managers  
- Worker bees  
- Land lines

**What’s In**  
- Internet  
- Speed  
- Change  
- Business-development teams  
- Customer-driven processes  
- Organization around products/services  
- Coaches  
- Workers trained, empowered, and held responsible  
- WiFi/Satellites
Jim Collins
Why Some Companies Make the Leap and Others Don’t

Adapted from Good to Great, Collins, 2001

1. Celebrity executives almost never lead good companies to greatness. Good-to-great leaders embody a paradoxical mix of personal humility and professional will.

2. You can’t achieve great things without great people. Many companies create strategy, then try to rally people around it; good-to-great companies start with great people and build great results from their efforts.

3. Simplicity rules. To go from good to great requires leaders to know what their organizations are passionate about, what drives their economic engine, and at what they can (and cannot) be the best in the world.

4. Enterprise-wide discipline is essential. When you combine a culture of discipline with an ethnic of entrepreneurship, you are more likely to achieve great results.

5. Technology is an accelerator. Good-to-great companies do not jump on technological bandwagons or chase after fads. They determine what technology makes the most sense for them, and then pioneer its application.

Stephen Haines
Seven Success Strategies:
Business Excellence Architecture: The Systems Thinking Approach (see Chapter Six for a full description of what we call the Seven Hexagons)

A-Z Strategies following the Business Excellence Architecture

1. Building a Performance Culture
2. Reinventing Strategic Planning
3. Leading Enterprise-Wide Change
4. Creating the People Edge
5. Achieving Leadership Excellence
6. Becoming Customer-Focused
7. Aligning Delivery and Distribution
This organization-wide set of categories/hexagons are what organizations need to focus on, leading to business excellence. The Haines Centre for Strategic Management, in partnership with Carla Carter & Associates has researched and built this comprehensive and insightful “best practices” that incorporates the seven basic components of a Business Excellence Architecture.

Based on the Malcolm Baldrige National Quality Award Criteria for Performance Excellence, and the combined Best Practices Research of the Haines Centre for Strategic Management, Carla Carter & Associates, and the National Institute of Standards and Technology, this valuable tool is designed to evaluate an organization’s current state and focus in on specific critical modules/components of the organization that need strategies for change to create Customer Value.

The Business Excellence Architecture™ is a model mentioned throughout this book. It is a visual graphic of this enterprise-wide best practices set of strategies.

Listing of Strategic Concepts

The purpose of this book is to provide you with a ready access of information regarding strategy. Thusfar, we have described some of the key strategic concepts outlined by today’s top strategic thinkers. Before we broach the definition of strategies, however, let’s look at some other common strategies outlined in Part Three: Close the Gap. This detailed A-Z listing outlines some of the most frequently used strategies used today. These strategies are the tools in your toolbox. For convenience of review, we have listed these concepts and their corresponding page numbers below.

Strategies A-Z

(Beginning in Part 3)

Hexagon 1 – Building a Performance Culture – Strategies

A. Innovation Strategies

#1 Continuous Improvement
#2 Managing Innovation and Risk
#3 Creativity and Systems Thinking
#4 Innovation as a Strategy
#5 Why Companies Don’t Learn About Innovation
#6 Innovation and Mission
#7 Nonlinear Innovation
#8 Perpetual Adapters
#9 The Meaning of Innovation: Five Levels “Less is More”

B. Simplicity Strategies

#10 Simplicity – Your Ultimate Strategy
#11 Make It Simple in Acquisition
#12 A Life of Simplicity
#13 Leaders Are Simple – and Keep It Simple
#14 Create Simplicity From Complexity
#15 Complexity From the Worker's Point of View
#16 Marketing: Keep It Simple Sam
#17 Make It Simple – Organization-Wide – Be Clear!
#18 The Systems Thinking Approach® is Simplicity

C. Public Sector Strategies

#19 Renaissance in Government

D. Educational System Strategies

#20 Most Important Paradigm: Changes Needed for Schools
#21 DOE - Strategic Plan

Hexagon 2 – Reinventing Strategic Planning – Strategies

E. The Basics of Strategy

#22 Less is More
#23 Building and Cutting Strategies Needed
#24 Economy of Speed and Flexibility
#25 Only Three Proven Strategies
#26 The Primary “Failure” Strategy – MOS
#27 Don’t Neglect Your Core Business
#28 Micro-Smart But Macro-Dumb
#29 Industry Boundaries Blurred
#30 Fundamental Restructuring
#31 Core Competencies
#32 “Z” Model

F. Strategy Formulation

#33 Strategies Change Over Time
#34 Look for Emergent Strategies
#35 Growth as a Universal Strategy
#36 Strategies as a Stretch
#37 Outcome Measures of Success Linked with Strategies
#38 Initiative/Proactive
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As stated previously, these strategies will be your tools, methods, and key levers for change. Later, as we discuss how to go about selecting strategies that will create a competitive advantage for your organization, you will call upon these strategies to help you.

Now, let’s delve into the concept of strategy by defining it and redefining it based on the Haines Centre’s own unique perspective based upon over 50 years of scientific research and proven best practices. It is the 21st century view and best practices of Strategy. Therefore, it is important that we discuss how the Haines Centre views strategy and what makes our concept of strategy stand out among the rest.

**Defining Strategies**

Since the time of Alfred Sloan and the beginning of General Motors, the old axiom has been “mission leads to strategies leads to structure.” This axiom still remains the same today – only the terminology has changed.

A mission is an outcome. Other words for outcome include vision, outputs, results, or ends.

Strategies, therefore, are the primary means or the “how to” to achieve this future end or outcome. They are the major methods, means, or approaches that bridge the gap from today to your Ideal Future Vision (Figure 1.2). They are the coherent, unifying, integrating, and organizing business glue that should hold an organization together.

*Strategies can also be thought of as:*

- The criteria or basic approaches we use to guide individual team and organizational behaviors toward the achievement of our organization’s vision.

---

**Figure 1.2** Bridging the Gap.
• The collective set of key ways, methods, and groups of activities we use to guide us in “bridging the gap” over the life of a strategic plan – from your Current State Assessment to your Ideal Future Vision.

• The “how-to’s” or major ways we will use to get there – to the attainment of our vision and mission.

• The fewest strategies that allow a focused direction by the organization. Strategies should be few in number, generally 2-7 (maximum). Core Strategy is a great term here.

The sole purpose of strategic planning is to gain an edge in the marketplace. What strategic planning is all about, what distinguishes it from all other kinds of business planning, is, in two words, competitive advantage.

Without competitors there would be no need for strategy, for the sole purpose of strategic planning is to enable the company to gain, as efficiently as possible, a sustainable edge over its competitors. Strategic planning is also about remaining relevant to society or your community, in the changing external environment – as in the case of social services and some government services.

There are two types of strategies to achieve this competitive advantage:

1. **Deliberate strategies.** The proactive allocation of resources to achieve specific business goals/outcomes.

2. **Emergent strategies.** Actions taken in response to changes in the market environment, and the business, which are not as yet recognized as part of the deliberate strategies and Strategic Plan.

Both deliberate and emergent streams of strategies are continually at work, both at the organizational and at the business unit level. The development of new products requires an understanding of both. Relying solely on deliberate strategies can kill the chance for surprising discoveries that cannot be mandated or predicted.

There are also two types of strategies:

1. **External strategies** dealing with the marketplace vs. competition (customers and products), and

2. **Internal strategies** dealing with organizational culture, competencies, capacity, infrastructure, etc.

These strategies (and their tactics/actions) must be living, breathing, and changing, as necessary.

There are four levels of strategies:

1. **Corporate strategies – Organization-wide**
   (What business are we in?)
   • Portfolio management (buy/sell assets)
   • Restructuring assets

Note: In China, the only “real” strategy is corporate strategy.
2. **Strategic Business Unit (SBU) strategies or Competitive strategies**  
   (How to create a competitive advantage?)
   - Market
   - Product
   - Financial
   - Employee
   - Manufacturing
   - Miscellaneous

3. **Functional strategies – all departments/staff units**  
   (Learning to be efficient)
   - All functions
   - Tactical planning
   - Operational planning

4. **Strategic Management – Strategic Planning and Operations Planning and Implementation and Change**  
   (Developing and making strategies work)
   - Leadership
   - Persistence/details
   - Fit
   - Design
   - Energizing forces

Strategic terminology, however, is viewed differently in the private and not-for-profit sectors. This difference in terminology often leads to confusion in understanding strategic levels. Figure 1.3 below describes the difference in strategic terminology in both the private and not-for-profit sectors.

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**Figure 1.3** Strategic Terminology.
Based on these four levels, there is a Cascade of Planning and Change (described later):

I. Strategic Planning Levels

1. **Organization-Wide strategic planning:** You need an organization-wide, 3, 5, or 10-year strategic plan, defining the organization’s vision, mission, core values, and key success factors, along with the core strategies for achieving them. (This is organizational Level #5 of the Seven Levels of Living Systems, outlined in the next chapter.)

2. **Small Business Unit strategic planning, often called 3-Year Business Plans:** You need 3-year business plans for each small business unit, Major Program Area (MPA in government), and Major Functional Area (MFA in departments) within the organization.

II. Annual Plans, Goals, and Objectives

3. **Annual Plans for all Departments, Functional and Line Units:** Annual operating plans over the next 12 months are needed (and budgets, too) for all parts of the entire organization.

4. **Individual Plans, Tasks, and Objectives:** Individual plans are needed to show how each employee intends to accomplish the goals they must meet in order to carry out the organization-wide strategic plan. You also need to revise your performance appraisals, basing them on core strategies (results) and core values (behaviors).

The question is, “Which are strategic levels?” (Figure 1.3, previous page). The answer is twofold. In purist terms, the strategic levels are at the top. However, the practical
So...What Really Is Strategy and Strategic Planning?

There are key differences between strategic versus tactical or operational/business planning. These differences are shown in Figure 1.4.

The relationship between strategies and operations is illustrated in Figure 1.5. The question is: Which box (I-IV) is your organization in today? Why?

The key to strategies is concentration and focus. “The principles of war, not merely one principle, can be condensed into a single word – Concentration. But for truth this needs to be amplified as the concentration of strength against weakness. And for any real value, it needs to be explained that the concentration of strength against weakness depends on the dispersion of your opponent’s strength.

_Cpt. Liddell Hart, 1929_

Strategies close the gap from today to the Ideal Future. Methods for closing the gap include:

**Today**
- SWOT
- Other analyses
- Past documents
- Strategy ideas
- Strategic issues list

⇒ Close the “gap”⇒

**Future**
- Environmental scan
- Vision
- Mission
- Values
- Key Success Measures (Goal Setting)
Defining strategies versus Strategy

The definition of “strategy” is often vague and confusing. Different management consultants and the media use different definitions and ideologies for this important concept. Instead of referring to only one strategy by the generic word “strategy” (singular), the word strategy is often used to mean many different things, thus creating a high level of confusion.

Popular definitions of the singular strategy include:

- A “Grand Strategy as a singular, big strategy that will result in success (one means to the end/result that is analytic in nature and is never true – there could be one primary [little “s”] however.
- A “Grand Strategy that defines/is success (an outcome) – this is a poor, inaccurate use of the term.
- The entire field of Strategy is fine as a term, however.

“Strategy,” with a capital S then, is either a monolithic means or a singular outcome; neither of which we will encourage for use in this book.

Thus, these popular definitions above are confusing and do not reflect the mainstream’s and Haines Centre’s System Thinking philosophy, nor the primary definitions/way the word Strategy is used in practice. We base our field of strategy terminology below on four fundamental sources:

1. Strategic IQ™ Audits performed by the Haines Centre.
2. Our interpretation and translation of others Best Practices research (we do not conduct original research).
3. Our consulting practices around the world in over 20 countries in Strategic Management.
4. Fifty years of research from the Society of General Systems Research (now www.isss.org).

Strategies Defined: The old and simple “mission – strategies – structure” from the Alfred Sloan days comes closer to being our definition and is the commonly accepted definition in the strategy field.

“Strategies” are considered the primary means (methods, approaches, or groups of actions) that focus your organization toward your desired ends (outcomes, results, or vision, mission, and positioning). We actually prefer the term “core strategies” to reflect that less is more here as Focus – Focus is key to success.

In the primary author’s doctoral research focusing on the top 200 credit unions in the U.S., he found a significant correlation between the number of core strategies used in the highest and lowest performing credit unions – the highest performing credit unions had 60% fewer core strategies.
So...What Really Is Strategy and Strategic Planning?

Why Thinking Matters

Your Identity

Your Thinking

Your Judgments

Your Actions

Your Results

WHAT ends up happening

WHAT things do you not do?

WHAT conclusions you reach

WHAT you reach

WHO you are

WHAT you value/feel

HOW you organize data for meaning

Adapted from Jerry Rhodes, 1993

Figure 1.6 Why Thinking Matters. *Adapted from Jerry Rhodes, 1993.*

In coming up with the core strategies for an organization then, less is more; usually 3-7 strategies maximum. Let’s take this definition one step further by using the following analogy. You probably own a car and, despite cringing at the gas pump these days, you must fill up your gas tank in order to get to your final destination. You usually have a choice between regular unleaded, a medium grade, and a superior grade. Ultimately, this is your decision. Any of these grades will still get you to your destination, but a superior grade might make the ride smoother, but might cost more (a trade-off typical of core strategies).

Using this analogy, we can absolutely define “strategies,” with a lowercase s, and talk about organization-wide core strategies. Your car is your organization (it can also be your life, your career, etc.). In order for your organization to start, in order for it to be able to travel down the road, you must fill its gas tank with “strategies.” You can choose to fill your organizational tank with “regular” strategies or you can fill it with superior core strategies. The plural, lowercase form of “strategies,” is the fuel (or means) for your organization to achieve its destination.

Just like the car, you fill your organizational tank with strategies to get to a destination. You might use strategies set forth by the gurus or come up with your own. Just like the car, you might also use the assistance of a GPS navigational system to get to your destination. Using a facilitator is like using a GPS system – it enables you to get to your destination quickly in an impartial, non-emotional way. It will also help you recognize detours and road blocks along the way.
Essentially, like driving, in Strategic Management, you utilize multiple strategies to get to your ultimate destination. This destination is your outcome, your results, your final destination. For all organizations, this destination must first be your customer’s satisfaction through clarity and the achievement of your positioning in the marketplace (e.g., your reputation for high quality). This will be discussed further in a future chapter.

From this point forward, we will be using these defined terms. Therefore, when you see the lowercase “strategies,” think in terms of the primary means to the desired ends. If you hear someone use the singular word “Strategy,” think in terms of results and the field of Strategy. We hope these definitions will create more clarity and simplicity out of complexity and confusion.

**Why Is It Important To “Think Strategically”**

Strategies are more than just a concept, it is a way to think and plan strategically. The more you learn about the field of Strategy – the more you begin to understand about what strategies are viable, why you must formulate strategies, and how you cannot implement strategies without having a full range of knowledge of strategic concepts – the more you become a Strategic thinker. This concept will be covered in more detail in the next chapter.

As you read these chapters, you will change from a reactive strategies purveyor to a proactive Strategic Thinker. This change will affect all aspects of your life, including your personal focus. For you will develop a higher Strategic IQ™; you will increase your ability to think strategically in your personal, career, organizational, and future environments.

This way of thinking starts at your core. It is who you are and how you feel. As you develop a new way of thinking more Strategically, you will impact your thinking processes, your judgments, your actions, and, ultimately, your results in all aspects of your life (Figure 1.6).

So, grab a cup of coffee or tea, flop down in a comfortable chair, and turn off the world. Enhancing Your Strategic IQ™ has already begun!
Chances are, if you picked up this book, you are interested in developing strategies for your organization or, perhaps, even on a personal level. Thinking about strategies, however, is part of thinking strategically and it is this concept that we will discuss at depth in this chapter.

The Haines Centre for Strategic Management utilizes a new level of Strategic thinking based upon 50 years of scientific research on the “natural way the world works” which comes from General Systems Theory. This new level of Strategic Thinking is our Systems Thinking Approach®. This approach is our foundation. It is a new orientation to life. To understand this concept, let us begin by explaining General Systems Theory, Systems Thinking, and its 50 years of scientific research led by Nobel Prize winners.

**General Systems Theory**

Systems Thinking is a heavily researched methodology and rigorous scientific discipline with roots in the Universal Laws of Living Systems on Earth and in the science of biology. Austrian biologist, Ludwig Von Bertalanffy (Vienna), is generally agreed to be the father of what he called General Systems Theory (GST) and the society of General Systems research that he formed over 50 years ago with four Nobel Prize Winners. Bertalanffy was actually nominated for a Nobel Prize, led by Buckmaster Fuller, but died before he could be selected. GST has been a focus of Dr. Russell Ackoff (renaissance professor emeritus at the University of Pennsylvania), Edward Deming of TQM fame, Peter Drucker, the 20th century’s #1 management consultant (also from Vienna), Abraham Maslow, Margaret Meade, and Dr. Jay Forrester of MIT, among others. In fact, we have identified over 30 other scientific disciplines, such as electronics, architecture, complexity and chaos theory, project management, etc., whose leading thinkers and writers are moving toward Systems Thinking and a unified more integrated way to think.

In short, Systems Thinking is an old/new natural orientation to life. It is a better, more natural, and holistic view of living systems (i.e., individuals, teams, and organizations) as they attempt to survive and thrive in today’s dynamic environment. This holistic and more purposeful outcome-oriented approach to Strategic thinking
distinguishes itself from others whose sole focus is on the components or separate issues/functions of an organization (a more narrow, piecemeal, analytic, and fragmented approach). If you don’t believe in living systems, hence Systems Thinking, ask any farmer or rancher about the reality of their lives and work – they work on earth, the largest living system there is.

A “System” Defined

Within GST, a system is defined as “a set of elements or components that work together in relationships for the overall good and objective (or vision) of the whole.” The Centre has taken this general definition and translated, interpreted, updated, and synthesized it into a cohesive framework that we call the Systems Thinking Approach*.

Based on over 50 years of rigorous scientific and biological research on Systems Thinking, the Centre’s Systems Thinking Approach® uses four interrelated main concepts of GST to clarify and simplify how we view the world and improve as individuals, teams, organizations, and societies. These concepts give us a broader framework, or mental map, to see, to think, to understand, to diagnose and to act more effectively.

Adhering to the KISS (Keep It Simple Sam) method, the four interrelated concepts, outlined below, create a more elegant simplicity for guidance and a framework for applying Systems Thinking to practical issues.

1. **Seven Levels of Living Systems.** There are seven levels of living systems on earth that are in natural hierarchical relationships with each other. We have adapted this model to focus on the three key levels of living systems in organizations. We also use this model to discuss our Six Rings of Focus Model – six levels of readiness and focus for planning and change. (See James Grier Miller’s, *Living Systems*, McGraw Hill, 1978).

2. **12 Natural Laws of Living Systems on Earth.** In GST, there are standard and predictable living system characteristics that occur at each of the Seven Levels of Living Systems on earth. These are 12 characteristics of open/living systems. These 12 are what allow us to work within multiple organizations; for all organizations, despite their differences, are all quite similar and follow these same predictable human dynamics. (See American Management Association’s Yearbook, AMA, 1972).

3. **A-B-C-D-E Systems Model.** Within any dynamic and changing environment, all living systems include a circular “input – throughput – output – feedback loop,” as described by GST as the “standard systems dynamic.” The Centre has adapted this traditional model and copyrighted this dynamic as the Five (A-B-C-D-E) Phases of the Systems Thinking Approach* framework.

In addition, we use the natural and historical “cycles of change” to help senior management be more proactive, innovative, and successful with their strategic and
systematic change processes. This is #4, the Rollercoaster of Change®, a synthesis of over 20 theories of change:

4. **Rollercoaster of Change®**. The Rollercoaster of Change® has many applications regarding how all levels of Living Systems undergo change. This is our copyrighted 4th Systems concept. It uses two of the other twelve natural laws outlined in #2 and is the only thing you need to know about the process of change. These cycles are also a natural part of how the world works.

**Summary**: Influenced by the General Systems Theory expounded by Ludwig Von Bertalanffy, the Haines Centre for Strategic Management has adapted GST’s research-based general principles to develop a comprehensive Systems Thinking Approach® to Strategic Management (planning, people, leadership, change to deliver customer value). Based on over 50 years of scientific research, this approach is a “new orientation to life,” which promotes a new way of **Strategic Thinking** that is integrated throughout this book. To start you on your way to developing this new way of thinking, let’s explore these concepts in some detail. You may also explore this topic further in *Strategic and Systems Thinking: The Winning Formula*, another award-winning book in the Haines Centre series on Business Excellence.

**The Systems Thinking Approach®**

**Concept #1: Seven levels of Living Systems**

Systems are made up of a set of components that work together for the overall objective of the whole. These set of components follow a natural hierarchy as described below. Within the Systems Thinking Approach®, we concentrate on levels three through six.

1. Cell
2. Organ
3. Organism/Individual
4. Group/Team
5. Organization
6. Society/Community
7. Supranational System/Earth

As Albert Einstein said, “Problems that are created by our current level of thinking can’t be solved by that same level of thinking.” Therefore, in Strategy, escalating your level of thinking to the next higher level almost always gives you a better Strategic view and increased options. For example, in terms of new product development, you might ask how your new product relates to the other, larger products of which it may be a part? In terms of customers, you might ask whether there are higher/larger groups of interests?
Within organizations, there are also seven components or “rings” that make up the whole (Figure 2.1).

Note that Rings 3, 4, 5, and 6 are four of the Seven Levels of Living Systems. Rings 3A, 4A, and 5A are “collisions and collaborations of systems” with other systems.

Ultimately, the focus of all systems elements in an organization should be the definition and attainment of an organization-wide shared vision and value of customer satisfaction within today’s complex and changing environment.

**Concept #2: 12 Natural Laws of Living Systems on Earth**

Based on General Systems Theory, there are 12 Natural Laws of Living Systems that occur on earth. These natural laws have been translated and interpreted by the Haines Centre as “best practices” for organizational systems vs. the traditional dysfunctional systems dynamics.

On the next page is a comparison of these natural laws (best practices) versus the traditional organizational system dynamic. The first six relate to the entire system as a whole, that together create Concept #3 on the next page. The second six relate to the inner workings or “components” of the whole. Understanding the basic principles of living systems is absolutely essential to developing a new way of thinking Strategically. The implications for Strategy, as well as for Strategy implementation, are enormous. As you develop your internal/external strategies, these 12 Natural laws should become your criteria for effectiveness.
### 12 Natural Laws – Best Practices

<table>
<thead>
<tr>
<th></th>
<th>Traditional Dysfunctional System Dynamics</th>
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<tbody>
<tr>
<td>1.</td>
<td>Holism – Overall purpose-focused, synergy</td>
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<tr>
<td>2.</td>
<td>Open Systems – To the environment</td>
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<td>3.</td>
<td>Boundaries – Integrated, collaborative</td>
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<td>4.</td>
<td>Input/Output – How natural systems operate</td>
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<td>5.</td>
<td>Feedback – On effectiveness, root causes</td>
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<td>6.</td>
<td>Multiple Outcomes – Goals</td>
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<td>7.</td>
<td>Equifinality – Flexibility and agility</td>
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<td>8.</td>
<td>Entropy – Follow-up, inputs of energy/renewal</td>
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<tr>
<td>9.</td>
<td>Hierarchy – Flatter organization, self organizing</td>
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<tr>
<td>10.</td>
<td>Interrelated Parts – Relationships, involvement, and participation</td>
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<td>11.</td>
<td>Dynamic Equilibrium – Stability and balance/culture</td>
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<td>12.</td>
<td>Internal Elaboration – Details and sophistication</td>
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<tr>
<td>1.</td>
<td>Parts Focused – Suboptimal results</td>
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<tr>
<td>2.</td>
<td>Closed Systems – Low environmental scan</td>
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<td>3.</td>
<td>Fragmented – Turf battles, overlaps, duplication</td>
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<td>4.</td>
<td>Sequential – Piecemeal, analytic</td>
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<tr>
<td>5.</td>
<td>Low Feedback – Financial only, fear, defensiveness</td>
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<td>6.</td>
<td>Conflict – Either/Or thinking</td>
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<td>7.</td>
<td>Direct Cause-Effect – Agility and flexibility</td>
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<td>8.</td>
<td>Natural Decline – Rigidity and death, obsolescence</td>
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<td>9.</td>
<td>Bureaucracy – Command and control, policy paramount</td>
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<td>10.</td>
<td>Separate Parts – Components, silos, individualism</td>
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<td>11.</td>
<td>Resistance to Change – Ruts, habits, myopic view</td>
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<tr>
<td>12.</td>
<td>Complexity – and Confusion</td>
</tr>
</tbody>
</table>

#### Concept #3: The A-B-C-D-E Systems Model

*(the best ongoing framework and language we have today)*

“The great successful men (women) of the world have used their imagination. They think ahead and create their mental picture, and then go to work materializing that picture in all its details, filling in here, adding a little there, altering this a bit and that a bit, but steadily building – steadily building.”

-Robert Collier

The idea behind Systems Thinking is to look at the entire system as a whole. To find patterns and relationships within the system and learn to reinforce or change these patterns to fulfill your particular vision and mission.
Thus far, we have discussed two researched-based concepts of the Systems Thinking Approach®, (1) the Seven Levels of Living Systems and (2) the 12 Natural Laws of Living Systems on Earth. Concept #3, the A-B-C-D-E model goes into more detail. It is the application or process that the Haines Centre utilizes in helping organizations achieve “systems” or Strategic Thinking. It is also what differentiates the Haines Centre from most of the strategic planners and strategic management consultants today.

This A-B-C-D-E model is based on General Systems Theory. Remember, GST states that a system is a set of components that work together for the overall objectives of the whole. As you can see by the model shown in Figure 2.2, a simple system operates with a series of inputs, throughputs, outputs, and feedback, all within the external environment. Take any system, an electrical outlet, a computer, a human body, and you will see they are all based on this same simple system.

The Systems Thinking Approach® defines this model in greater detail as the ABCs of Strategic Thinking (Figure 2.3). Taking the simple model one step further, the systems thinking model identifies each part of the system process (i.e., inputs, throughputs, outputs), which are identified by the letters A, B, C, D, or E.

Typically, traditional thinking encourages you to start at C and work toward A, with C being the inputs to the system and A being the outputs. The Systems Thinking Approach®, however, starts with A (outputs), thus creating a sort of “backwards thinking,” that is the hallmark of Systems Thinking. Unfortunately, in English, we read left to right, thus perpetuating the analytic mindset.

There are five phases and five questions utilized in this backwards thinking process. Each question corresponds with the specific phases outlined in the model on the next page.
“From Complexity to Simplicity”

Systems:

- Systems are made up of a set of components that work together for the overall objective of the whole (output).

Figure 2.3  A-B-C-D-E Systems Model.
Backwards Thinking:
Five Strategic Thinking Questions – In Sequence:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Where do we want to be? (i.e., our ends, outcomes, purposes, goals, holistic vision)</td>
</tr>
<tr>
<td>B</td>
<td>How will we know when we get there? (i.e., the customers’ needs and wants connected into a quantifiable feedback system)</td>
</tr>
<tr>
<td>C</td>
<td>Where are we now? (i.e., today’s issues and problems)</td>
</tr>
<tr>
<td>D</td>
<td>How do we get there? (i.e., close the gap from C → A in a complete, holistic way)</td>
</tr>
<tr>
<td>E</td>
<td>What will/may change in your environment in the future?</td>
</tr>
</tbody>
</table>

Backwards thinking is the heart of Systems and Strategic Thinking. It is understanding the general concepts of GST, namely that the system is a set of components that work together for the whole, and, thus, looking at the whole first, before its parts. As we saw previously in our description of the 12 Natural Laws of Living Systems, the traditional system dynamic is parts-focused, it is closed, fragmented, linear.

By looking at the whole first and then, by thinking “backwards,” you begin to change your entire orientation to life. You start thinking holistically, open to new ideas. You start to see multiple outcomes. You encourage feedback, You seek complimentary boundaries and those that are integrated with the whole. You begin to envision your future first, defining your desired vision (outputs) first – refusing to look at the components before first studying the whole.

Thinking in this manner is the first part of Enhancing your Strategic IQ™. As you start to look at the whole first, the idea of Strategy takes on a whole new meaning. It becomes clear that Strategy (singular) starts with the end in mind. Just like the general strategizing in a war room, he starts with the idea of victory and plans accordingly. He doesn’t start planning first with no idea of the end game in mind. You are a more powerful Strategic Thinker when you have developed your end game first. From there, the pieces will flow.

This simple systems model is the best organizing framework and language available today. It is the “winning formula” in life and work!

**Enhancing Your Strategic IQ™**

When a craftsman designs a piece of furniture, he first defines the purposes of the piece and then designs the overall object and its framework; finely detailing its every desired curve and nuance. He then utilizes the best tools and the finest woods to make his conception reality. As a leader of planning and change, you are a craftsman/craftswoman of your organization. Your tools are thoughts, plans, people, money, and strategies.

What kind of organization do you want to design? What does it look like? What is its purposes? Who are its customers? Like the craftsman, you must start with the framework. The framework is the Systems Thinking Approach® – it is both thinking systematically and Strategically.
The process of developing your Systems and Strategic Thinking results in the enhancement of your Strategic IQ™, the level of your Strategic excellence. Like an intelligence quotient (IQ), you can enhance your Strategic IQ™ by first retraining your brain and your organization to think Strategically, using the Haines Centre’s A-B-C-D-E framework and, secondly, by conducting an extensive Strategic IQ™ Audit of your organization.

The Strategic IQ™ Audit helps your organization identify its positive Strategic management processes while pointing out improvement areas. Your return on investment is extremely high as the audit results in priority action items that will lead the way to innovation and increased customer value. This will be covered in more detail in Part 3 of this book.

The Strategic IQ™ concept is a breakthrough in Strategic management. By using Strategic and Systems Thinking, you, as well as your organization, will think, plan, and act at a higher level, achieving much better results.

**Haines’ Theory: Strategic IQ™**

To understand Strategic IQ™, you can compare it to the widely known hierarchical pyramids of Ericson and Maslow. Looking at Maslow’s famous Hierarchy of Needs (influenced by Ludwig Bertalanffy and the Society for GST), we all know that individuals must first meet basic needs related to food, clothing, and shelter (Figure 2.4). If these needs are met, individuals continue up the pyramid until they reach the peak where self-actualization occurs. Self-actualization is the point in the pyramid where individuals are able to look at the big picture, seeing the world in a holistic, emerging, and totally fulfilling way.

In Ericson’s theory (an adapted pyramid created by the Haines Centre), individuals gradually grow and develop as they progress through stages of wisdom and maturity. They start from the dependent (egocentric thinking) baby stage, progress through the independent (analytic thinking) stage, beginning as teenagers, and ultimately move upward to the highest levels of maturity and wisdom when they look at the world systemically (holistically) – interdependently.

If you look at the Thinking Model and Pyramid created by the Haines Centre, you can see that each level introduces a different approach to thinking that compares with the Ericson and Maslow pyramid levels. For example, as individuals become more independent, they begin to think more and they begin to think analytically. As they move toward a systemic or systems way of thinking, they begin to think holistically, just as Maslow and Ericson described.

Just like individuals, organizations create customer value when they operate at the highest level of Strategic IQ™. Looking at the Strategic IQ™ model, you can see that the first level is survival. During this level organizations are reactive and egocentric. This level correlates to the basic needs of the Maslow hierarchy non-thinking model. The next level is continuous improvement. At this level, organizations think analytically – managing problems and current issues separately. This is the level from which most organizations operate their strategic planning process, separate from their change management processes.

As thinking broadens, some managers and executives begin to think systemically. At this level, they are more proactive and interdependent. This type of
thinking, however, may look at only 2-3 sides of the Rubik’s Cube – not the whole organization.

Organizations and executives need to operate at the highest level in the Strategic IQ™ Hierarchy. At this level, organizations think Strategically, systematically (i.e., in an organized fashion), and systemically (holistically). Using systemic thinking is like hovering in a helicopter 10,000 feet above the ground – you are able to see all the terrain below. This highest level integrated, Strategic Thinking results in value creation and sustained business excellence. It is also the trademark of most visionary leaders.

Seventy-five percent of all strategic change efforts fail to achieve their intended results (see the Haines Centre’s research in Enterprise Wide Change, Systems Thinking Press, 2005). In today’s dynamic and confusing global environment, the need for leaders of all types to become and remain Strategic thinkers on a daily basis is a necessity for successful change and business growth. It is not enough to build a strategic plan or have a long-term vision or, conversely, to just give up and muddle through the complexities and hope for success. A disciplined way to think, to plan, to act, and to rethink and re-plan all over again is needed to grow your business. It is needed to develop your career as a leader as well.
Strategic and Systems Thinking

As a leader, Planning and Change is your primary job! Strategic Thinking is the way to broaden your thinking. It is the way to spur innovation and develop a more systemic, holistic view of your environment. It is what will set you apart from every other leader out there. Developing your ability to think Strategically increases your Strategic IQ™ exponentially.

You can be a Strategic Thinker on four levels:

1. Organization-wide
2. Small Business Unit/Major Program Area/Major Functional Area
3. Functional/Section
4. Implementation

It is within these four levels where you will use your new way of thinking. By cultivating and fine-tuning your Strategic Thinking abilities, you will be able to plan Strategically, rather than just developing strategies. Don’t get us wrong, strategies do have their place in planning; that’s what much of this book is about. However, it is the destination (remember your car) that is paramount. Depending on the grade of gasoline you use, the ride can be bumpy as you navigate toward your Strategy, or it can be smooth.

In terms of your organization, Strategic Thinking is a broader, more innovative way of thinking on a daily basis about the overall goals of your job, team, and organization. It creates clarity by looking systemically and holistically at your future environment from a long-term orientation.

It is also disciplined thinking with a focus first on the desired outcomes of your entire business as a system. Along with constant feedback on results, this type of thinking focuses on the relationships between your organizational components in order to find leverage points that best achieve your desired outcomes.

Strategic Thinking Excellence includes:

1. Clarify the direction and vision of the organization as a whole, along with its Key Success Measures (KSMs).
2. Identify relationships and core strategies, driving the entire organization toward its vision.
3. Identify leverage points for organizational change on a daily basis.
4. Identifying a simple, structured way to organize your thoughts, despite the complexity of the world today.

Strategic Thinking is a serious discipline, yet the simplicity to do it well is within reach of all executives, managers, and professionals. The ABC’s are the best organizing framework and language that exists today to think more strategically!
Strategic Thinking vs. Analytical Thinking

Strategic Thinking is critical thinking, solutions thinking, future and forward thinking, long-term thinking, and higher-level thinking. It is not analytic thinking, which is tactical, mechanistic, reductionistic, either/or thinking. It is not parts-oriented or the “one best way” to do something.

Strategic Thinking focuses on relationships, multiple outcomes, holism and boundaries, the environment, and the larger system. It is also different in that it readily encourages feedback and puts mechanisms in place to solicit this feedback.

Strategic Thinking reflects the natural way the world works. It allows you to view your organization within the context of its environment. As such, the organization does not exist as an island unto itself, but as part of a larger network, web, or matrix of systems that all function more or less independently, yet interdependently.

Despite the complex nature of organizations, Strategic Thinking allows you to see that all organizations are built on simple, fundamental foundations and a single organizing framework. Once you grasp the notion that an organization works as a system within a set of larger systems, you work through the complexity, thereby earning the ability to arrive at real, effective solutions to difficult business and organizational problems. It is simplicity on the far side of complexity. First, you capture, don’t ignore, the complexity. Then, you find its elegant simplicity, structure, and order.

As opposed to analytic thinking, which only allows you to see one side of the Rubik’s cube, Strategic or Systems Thinking allows you to take a helicopter view, looking at the organization from a height of 5,000 feet, in order to achieve a broader perspective, particularly on achieving desired results that maximize your organization’s presence and success in the marketplace. Think differently! Achieve better results. Think in 3 steps...

Step #1: Outside First (Planning)

Strategic Thinking is first and foremost about being outside and above your organization, taking a helicopter’s broader perspective of your organization within its environment. Your first priority is building this clarity of purpose within your organization’s unique, dynamic, global framework. In The 7 Habits of Highly Successful People (Free Press, 2004), Stephen Covey calls this concept, “beginning with the end in mind.” The Haines Centre identifies this as “backwards thinking,” thinking from the future to the present in order to move forward strategically. Looking outside first is the planning part of Strategic Planning.

This is the idea of working ON your enterprise first!

Working ON your enterprise, looking outside from the helicopter’s point of view, requires that you conduct a Future Environmental Scan to pinpoint crucial areas and opportunities that may or may not impact your business over the next 3-5 years. This is akin to the Threats and Opportunities portion of the traditional current state SWOT analysis, but it is quite different in that it is conducted at the beginning of your Strategic Planning and looks to the future 3-5 years out with a more holistic “SKEPTIC” framework, as we shall explain shortly in Chapter 3. Additionally, a
Future Environmental Scan is not just conducted once but is continually integrated and updated throughout the yearly Strategy and Implementation process.

You must take a helicopter view and conduct a Future Environmental Scan, then you can define your desired vision, mission, and values.

**Step #2: Inside Second (Doing)**

Once you have taken a 360° view of your environment and defined your purpose or vision, you are ready to work IN your enterprise. Watch out, however, because, like the Rubik’s Cube, your organization is a highly complex system with over one trillion moving parts (most of which are moved incorrectly).

When you look at your organization from the inside, you are taking action. You are analyzing your organizational system and its relationship to its parts. How do these relationships work toward your overall purpose and goals? Do they support one another or are they embroiled in battles?

As you delve into the heart of your organization, keep a look out for the Rubik’s Cube’s Unintended Consequences which can derail all of your hard work and Strategic Planning. Unintended Consequences are often used as an excuse for not following through with the Strategic Planning process. It is essentially not understanding or taking accountability or responsibility for our actions. It is analytic thinking at its finest. Thinking Strategically and developing your Systems Thinking skills will help you avoid the trap of Unintended Consequences.

Keep in mind that the process of working IN your enterprise can lead to analytic, piecemeal, and tactical thinking. This is why you need to completely change your way of thinking – thinking Strategically and systemically on a daily basis and then working inside the organization, continually looking for the relationships of the parts to each other.

The Haines Centre has developed the Business Excellence Architecture Model that provides a framework for helping you conduct an Enterprise-Wide Assessment of your organization. This model will enable you to take a 360° view of your organization; helping you explore the in-depth relationships between the parts of your organization and the organization itself. This concept will be covered in further detail in Chapter 3.

**Step #3: Outside Third (Checking)**

So you’ve gotten in the helicopter and taken a good hard look at the outside walls of your organization. Then, you landed and immediately jumped into a 3D simulator to look at your organization from the inside. Now, you have to step outside again. This is the third step in the process of looking Strategically at your organization.

This is the part of the process where you check ON your enterprise. This is the feedback part of Strategic Planning. Checking ON the organization asks the questions, “How will we know when we get there?” and “Did I get the results I wanted?”
## ANALYTIC VS. SYSTEMS THINKING

(Strategic Consistency yet Operational Flexibility)

(Outside – In – Outside Again: Both Are Then Useful)

Success Key: Organizational Systems Fit, Alignment, and Integrity

<table>
<thead>
<tr>
<th>Analytic Thinking</th>
<th>vs.</th>
<th>Systems Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Analysis of Today)</td>
<td></td>
<td>(Synthesis for the Future)</td>
</tr>
<tr>
<td>1. We/they</td>
<td>vs.</td>
<td>1. Customers/stakeholders</td>
</tr>
<tr>
<td>2. Independent</td>
<td>vs.</td>
<td>2. Interdependent</td>
</tr>
<tr>
<td>3. Activities/tasks/means</td>
<td>and</td>
<td>3. Outcomes/ends</td>
</tr>
<tr>
<td>4. Problem solving</td>
<td>and</td>
<td>4. Solution seeking</td>
</tr>
<tr>
<td>5. Today is fine</td>
<td>vs.</td>
<td>5. Shared vision of future</td>
</tr>
<tr>
<td>6. Units/departments</td>
<td>and</td>
<td>6. Total organization</td>
</tr>
<tr>
<td>7. Silo mentality</td>
<td>vs.</td>
<td>7. Cross-functional teamwork</td>
</tr>
<tr>
<td>8. Closed environment</td>
<td>vs.</td>
<td>8. Openness and feedback</td>
</tr>
<tr>
<td>9. Department goals</td>
<td>and</td>
<td>9. Shared core strategies</td>
</tr>
<tr>
<td>10. Strategic Planning project</td>
<td>vs.</td>
<td>10. Strategic Management System</td>
</tr>
<tr>
<td></td>
<td>and</td>
<td></td>
</tr>
<tr>
<td>11. Hierarchy and controls</td>
<td></td>
<td>11. Serve the customer</td>
</tr>
<tr>
<td>12. Not my job</td>
<td>vs.</td>
<td>12. Communications and collaboration</td>
</tr>
<tr>
<td>13. Isolated change</td>
<td>vs.</td>
<td>13. Systemic change</td>
</tr>
<tr>
<td>15. Little picture/view</td>
<td>vs.</td>
<td>15. Big picture/holistic perspective</td>
</tr>
<tr>
<td>16. Short-term</td>
<td>and</td>
<td>16. Long-term</td>
</tr>
<tr>
<td>17. Separate issues</td>
<td>vs.</td>
<td>17. Related issues</td>
</tr>
<tr>
<td>18. Symptoms</td>
<td>and</td>
<td>18. Root causes</td>
</tr>
<tr>
<td>19. Isolated Events</td>
<td>and</td>
<td>19. Patterns/trends</td>
</tr>
<tr>
<td>20. Activities/Actions</td>
<td>and</td>
<td>20. Clear outcome expectations (Goals/Values)</td>
</tr>
<tr>
<td>Sum: Parts are Primary</td>
<td></td>
<td>Whole is Primary</td>
</tr>
</tbody>
</table>

Using “Analytic Approaches to Systems Problems”

<table>
<thead>
<tr>
<th>Systems vs. Analytic Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Systems Thinking — the whole is primary and the parts are secondary</td>
</tr>
<tr>
<td>In Analytic Thinking — the parts are primary and the whole is secondary</td>
</tr>
</tbody>
</table>

**Figure 2.5** Systems and Analytic Thinking.

Ultimately, these questions are linked to specific deliverables and outcomes. With regards to your customer, these questions encompass a quantifiable feedback system that measures whether you have fulfilled your clients needs and whether you need to redirect in order to deliver customer value. The Haines Centre defines this system as Key Success Measures/Goals.

Key Success Measures (KSMs/Goals) may be synonymous with terms used in your organization, such as objectives, critical success indicators, corporate goals,
etc., but, ultimately, all of these terms are simply outcome measures of success. KSMs are no different. They are the quantifiable outcome measurements of your organization’s vision, mission, and values on a year-by-year basis. Please see Chapter 5 for a more indepth look at KSMs/Goals.

The Three Step Outside – Inside – Outside framework is not something to be taken off the shelf and used once a year during the strategic planning process. It is the culmination of your shift to Strategic Thinking on a daily basis. This type of thinking can be used every day, in every meeting, with every problem, and in every decision making process. As opposed to analytic thinking, Strategic Thinking is constantly looking out from the helicopter to your world below (Figure 2.5). It is consistently thinking in terms of “planning” and “change” day to day, week to week, month to month, and year to year.

Analytic thinking is specialization – it is what we call being **micro smart**, yet **macro dumb**. Examples of this type of microsmart thinking include:

- IRS rules – over 4,000 pages
- Health care/social services – thousands of small specialized entities based on singular-type grants
- Specialized government districts – water, assessment, school districts
- Separate cities and counties – little or no geographic separation
- Federal Intelligence Agencies – 16 different entities
- Congressional subcommittees – too numerous to mention
- California Education Code – over 7,700 pages
- U.S. Naval Academy regulation – from 10 to 1000+ pages in 150 years
- Sears Corporation – 29,000 pages of policies and procedures
- Federal Government policies/procedures – this is what Al Gore referred to as “stacks and stacks”

There are eleven clues that will help you determine when you are in the presence of or embroiled in analytic thinking. These are:

1. **A lack of clear purpose or outcomes** missing in discussions.
2. Individuals ask (or debate) artificial **either/or questions**.
3. Discussions involve the **“one best way”** to do something without asking those closest to the issue for their solutions.
4. Discussions are focused on a **direct cause and effect** without considering circular causality or environmental factors.
5. Simplistic **knee-jerk solutions and quick fixes** are suggested without digging for the multiple root causes.
6. Issues and projects are separated into **silo discussions** versus looking for the relatedness, impact, and integration with other parts of the enterprise.
7. Discussions are **activity-oriented** without a clarity of purpose.

8. An early project or activity is an **assessment of the situation** (SWOT) instead of starting first with a Future Environmental Scan and targeting desired outcomes.

9. Decisions are made without first exploring their **Unintended Consequences**.

10. Feedback and openness are **sacrificed** in the name of politeness and fragile egos.

11. The **complexity** of the discussions, terminology, and proposed solutions are such that they die of their own weight.

We believe that pulling yourself out of the muck and mire that is analytic thinking and releasing your mind to the freedom that is Strategic Thinking will help you create a forward-thinking, Strategic mindset. This mindset will allow you to achieve sustained business excellence and superior results.

Our Systems Thinking Approach® is an absolute necessity to make sense of and succeed in today’s complex world.

If life on earth is governed by the natural laws of living systems, then a successful participant should learn the rules!

---

How we think...is how we plan...is how we act and that determines the **results** we get in work and life.

Simplicity and Strategic Thinking Wins the Game Every Time
A Yearly Strategic Management System (Phase E)

An effective management system is more than just the sum of the parts; it is a set of integrated policies, practices, and behaviors.

-Edward Lawler, III  
_The Ultimate Advantage: Creating the High-Involvement Organization_

Thinking strategically (as opposed to analytically) is half the battle to formulating Strategic Planning. As we described in Chapter 2, you must follow a framework that looks Outside, then Inside, then Outside again. This is the beginning of creating a Strategic Management System and Yearly Cycle.

Strategic Management is not Strategic Planning. The formulation, development, and integration of Strategies is a complete “systems change.” Part of this change includes the recognizable strategic pieces such as the strategic plan, annual and individual plans, budgets, and key success measures/goals. The difference is that a Strategic Management System manages strategies as a complete yearly process. This system provides for strategic consistency, yet it is extremely flexible for operational flexibility. To be successful, this system must be:

- Vision inspired and shared
- Mission/customer focused
- Values/culturally based
- Strategically driven
- Outcome/results oriented

The Haines Centre for Strategic Management has reinvented Strategic Planning into a 21st century Yearly Strategic Management System and Cycle based on the Systems Thinking concepts explored in the last chapter. We didn't just reengineer or refine Strategic Planning, which would mean that we redesigned or fine tuned the process. We started with a blank piece of paper and _reinvented_ it by building on the precepts of Systems Thinking.

We started with the number one Systems Thinking question, “What is the purpose, or goals, or outcomes that we’re after?” and then set forth three Strategic Management goals based on this question:

1. **Goal #1:** Developing a strategic plan document;
2. **Goal #2:** Ensuring its successful implementation and change;
3. **Goal #3:** Building and sustaining high performance over the long term.
We mixed cement (Systems Thinking principles) with sand, rocks, and water (the three Goals) to develop the concrete we needed for our foundation. Then, we began to build the framework.

**Building The Framework**

In 1991, the Haines Centre conducted an intensive literature search, analysis, and comparison of 27 different strategic planning and change models. We visited popular models, theories, and a variety of resources on strategic planning, in addition to reviewing the research and literature on General Systems Theory.

In addition to drawing upon the vast experience of the Haines Centre, we also looked at George A. Steiner’s 1979 landmark book, *Strategic Planning: What Every Manager Must Know*, as well as the methodologies of strategic planning gurus like Michael Kami (IBM/Xerox), Russell Ackoff (Renaissance Professor at the University of Pennsylvania), Pfeiffer, Goodstein, and Nolan (authors of the Applied Strategic Planning model), and Dr. Henry Migiore, the dean of Oral Roberts University Business School.

Based on this research, the Haines Centre developed our first Strategic Planning and Change models using the A-B-C-D-E framework discussed in the last chapter (Concept #3). Using the Delphi technique, testing the model in real time with clients and in training programs, and after a thorough critiquing by leading practitioners and experts in the field, we developed our current integrated, organizing framework in 1992. We have continued to fine tune and revise this model each year through continuous client feedback in order to ensure that it is now a 21st century state-of-the-art framework. Henry Mintzberg’s work has been particularly useful.

By “reinventing” Strategic Planning into Strategic Management, we have developed a Yearly Strategic Management System that moves beyond planning alone into implementation. There are three parts and ten steps to our Strategic Management System that coincide with the three goals that we originally defined based on General Systems Theory, as described below and as seen in Figure 3.1. It is still just the simple A-B-C-D-E framework of Strategic Thinking.

**Part 1 (Goal #1): Developing a Strategic Planning Document**

*Step #1:* Educate and organize
- Hold an Executive Briefing
- Conduct a “Smart Start: Plan-to-Plan”
- Future Environmental Scan (Phase E)
- Discuss Visionary Leadership Practices

*Steps #2-5:* Design
- Determine the “Ideal Future Vision” (Phase A)
- Review Key Success Measures/Goals (Phase B)
- Conduct a “Current State Assessment” (Phase C)
- Begin to Reinvent Strategic Planning into Strategic Management
Figure 3.1 Reinventing Strategic Planning into Strategic Management.
Steps #6-7: Cascade
- Develop a 3-year business plan
- Develop annual plans and strategic budgets to support the Strategic Plan

Part 2 (Goal #2): Ensuring its Successful Implementation and Change

Steps #8-9: Build (Phase D)
- Develop a “Plan-to-Implement”
- Ensure “Enterprise-Wide Change”*

Part 3 (Goal #3): Building and Sustaining High Performance over the Long Term

Step #10: Sustain
- Conduct an Annual Strategic Review and Update

The key to success to developing the Strategic Management System is to bridge the gap from Goal #1 to Goal #2 by ensuring that you conduct Step #8, the Plan-to-Implement, and build skills for “leading strategic change.” This concept of bridging the gap is unique both to the Haines Centre methodology and Toyota’s Gap Analysis, called Problem Identification in their Toyota Management System.

This practical three-part approach will change the way you run your business day to day, creating a high performance organization that will achieve its ideal future vision. In this section of Enhancing Your Strategic IQ™ we will talk a little bit about the first step in the process: educate and organize. Later in the book, we will talk about how you ensure successful implementation and change and how you can build and sustain high performance over the long term.

**Developing the Strategic Planning Document:**

*Reviewing the Smart Start: Plan-to-Plan Process*

Just as you have to train yourself personally to rethink strategically, your organization must also learn how to develop a Strategic Planning Document that is a reflection of a systemic, comprehensive review of the entire organization.

The method used by the Haines Centre to help develop this document is the Smart Start: Plan-to-Plan day. The Smart Start: Plan-to-Plan helps you assess, educate, tailor, and organize your planning process before you begin. One of the most common mistakes planners make is that of running off to make the plan before educating, assessing, and organizing themselves about planning and on precisely what needs and issues are critical to their organization, and before properly tailoring the effort. In failing to “engineer” the success of the planning and implementing up front, before you begin, you’ve set yourself up for failure before even starting.

The Smart Start: Plan-to-Plan is an offsite planning process that consists of two structured days. The first day is set aside to conduct an overall Strategic IQ™ audit of your entire organization and where it stands currently in terms of its strategic

* For more information on Enterprise-Wide Change™, see Enterprise-Wide Change by Stephen Haines, Gail Aller-Stead, and James McKinlay, available through Systems Thinking Press.
direction. What kind of strategies, if any, are you currently following? Are they still valid or do they need to be reassessed and worked into your new strategic plan? The Strategic IQ audit is an audit of your economics, operations, customers, and your actual yearly strategic management system and cycle (or lack thereof).

The second day includes an all morning Executive Briefing. The first part in this session is an executive briefing for senior management and lots of other key stakeholders. This is a crucial part of the process because it’s one in which your organization’s CEO, executive directors, and senior management learn more fully about Strategic Management and all its pitfalls, mistakes, and benefits. It is also where the systems model for Reinventing Strategic Management is explained, discussed, and accepted as a practical, common sense approach to success. Lastly, within the system’s A-B-C-D-E framework, the terminology for strategic management is clarified and simplified.

The second half of the day is dedicated to tailoring and organizing tasks in an afternoon planning process with just senior management that includes:

- Identifying your key stakeholders.
- Designing a Parallel Involvement Process for key stakeholder involvement/commitment.
- Organizing and committing the planning effort and team to its successes.
- Feeding back the strategic/organizational assessment to the leadership team.
- Developing a “strategic issues” list to help guide the planning content.
- Examining ongoing communication, leadership, and team-building skills.
- Identifying potential barriers to the planning process.
- Linking your strategic planning sequence to your annual planning/budgeting sequence and to your individual performance management system.
- Defining the level of environmental scanning you’ll need to stimulate your strategic planning process properly.

The Smart Start: Plan-to-Plan is our main method of starting to help an organization develop its Strategic Planning and change process. The Smart Start: Plan-to-Plan gets your collective leadership team personally ready and committed to guide your strategic planning and change management process. It accomplishes skills training, capacity-building, and team building/visionary leadership right from the very start. The day concludes with a commitment to move forward, with all attendees feeling committed because they have collectively participated in customizing the approach.

It is imperative that you start the framework for Reinventing Strategic Management into Strategic Planning by developing a document based on best practices, solid process, information, and stakeholder involvement. Only then will you be able to ensure its successful implementation and change (covered later in this book) and build and sustain high performance for your organization over the long term.
**Why Our Strategic Management System Framework is Different**

Our Strategic Management System has at least 14 new Strategic Management concepts – this is why we **know** we have Reinvented Strategic Planning into Strategic Management for 21st century success! These 14 new concepts come from scanning the future environment and global economic village. Strategic Thinking – Strategic Planning – Strategic Change are truly relevant in today's fluid and changing world. These 14 new concepts are outlined below and on the following page.

<table>
<thead>
<tr>
<th>21st Century Environmental Scan</th>
<th>New Strategic Management Concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dynamic environment.</td>
<td>1. Importance of regular future environmental scan – do first.</td>
</tr>
<tr>
<td>2. Desire for clear and broader results.</td>
<td>2. Measurement focused – “quadruple bottom line.”</td>
</tr>
<tr>
<td>3. Very complex world.</td>
<td>3. Simplicity is key – rule of three/ of one page.</td>
</tr>
<tr>
<td>4. More competitive environment/drive to commodity/price only.</td>
<td>4. Unique positioning is essential – the right answer does count.</td>
</tr>
<tr>
<td>5. Non-linear future environment/major disruptions.</td>
<td>5. Ideal Future Vision is place to start, not Current State Assessment. Flexible strategies, too.</td>
</tr>
<tr>
<td>6. More demanding customers.</td>
<td>6. “Data-based decision making” – planning team with an external customer orientation is key, not just senior management (support jobs).</td>
</tr>
<tr>
<td>7. More skeptical and less engaged.</td>
<td>7. Parallel Process and large group annual department review meeting – maximum involvement of rest of management/ key employees.</td>
</tr>
<tr>
<td>8. More diverse employee culture, background, ethnicity, age, and values.</td>
<td>8. Glue of core strategies and core values key to Cascade of Planning and implementation – with accountability of performance and rewards.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>10.</td>
<td>No one has all the answers or skills – how to make sense of all the books, fads, theories.</td>
</tr>
<tr>
<td>10.</td>
<td>Leadership development done concurrently with planning and implementation to stay abreast of new concepts and assimilate the learning for us.</td>
</tr>
<tr>
<td>11.</td>
<td>“Long term” is nothing without “shorter term” successful implementation and change linked to longer term.</td>
</tr>
<tr>
<td>11.</td>
<td>Create a Strategic Management System and Annual Cycle as a new way to run the business.</td>
</tr>
<tr>
<td>12.</td>
<td>Complexity within all organizations.</td>
</tr>
<tr>
<td>12.</td>
<td>Need Strategic Business Redesign for “watertight integrity” – systems view, understanding, and challenge of change.</td>
</tr>
<tr>
<td>13.</td>
<td>Faster pace of work and life.</td>
</tr>
<tr>
<td>13.</td>
<td>Tailored Strategic Management System to your unique needs, from “micro” to “quick” to “comprehensive” Strategic Planning.</td>
</tr>
<tr>
<td>14.</td>
<td>Faster pace and variety of changes.</td>
</tr>
<tr>
<td>14.</td>
<td>Flexibility and agility of implementation are key – “emergent strategies” a way of life (<em>plan is a living, breathing document</em>).</td>
</tr>
</tbody>
</table>

This framework results in increased effectiveness and efficiency, focusing the direction of the entire organization from top to bottom. It allows executives and middle managers to develop themselves strategically and conceptually as leaders and to help them build an executive team and create teamwork that cascades down through all levels of management.

**Future Global Environmental Scanning**

*No matter how much evidence exists that seers do not exist, suckers will pay for seers.*

-J. Scott Armstrong,

speaking in Inc. Magazine, December 1981

The importance of a regular future environmental scan is imperative because the 21st century is a dynamic environment and almost everything going on today has global implications. Thus, it is important to first conduct a scan of the future environment to gather information before getting into detailed planning.

The Future Environmental Scan (Phase E in the A-B-C-D-E five-phase model) is a method for scanning the future environment. The Haines Centre uses our unique SKEPTIC framework to accomplish future environmental scanning (Figure
3.2). Much more comprehensive than a traditional SWOT (strengths, weaknesses, opportunities, and threats) analysis which undertakes a current state assessment, the SKEPTIC framework looks out to the future and at the S (socio demographics), K (competitors), E (economics) and (ecological), P (political), T (technology), I (industry), and C (customer) as a way to anticipate what the future holds in store.

By looking at the current state first, the “gap” does not exist and you get mired down in “problem solving, which inevitably results in more of the same.

No matter what you do or how hard you try, you will never be able to foretell the winning lottery numbers or predict next year’s World Series winner. You can, however, become adept at scanning the future environment through practice and education.

Before selecting strategies, the Haines Centre’s System Thinking process involves looking outside and to the future first, in order to pinpoint crucial areas and opportunities that may or may not impact your business. This is Phase E of the A-B-C-D-E model. Stephen Covey calls it “begin with the end in mind” as Habit #2 of his highly popular 7 Habits of Highly Successful People.

We’ve mentioned this topic briefly in the last chapter, but now we will discuss ways in which you can become a strategy expert by becoming a futurist, forecaster, and SKEPTIC. Why is this important? Scanning the Future Environment, learning to look at those things that may affect your business proactively, will help you become an eagle instead of an ostrich.

According to a report titled Ostriches and Eagles released by the Futures Group based in Glastonbury, Conn., business intelligence activities (i.e., environmental scanning) are miniscule resulting in a myopic focus on the future. Specifically, the Futures Group found that:

- 42% of the companies surveyed had no formal process for gathering and producing intelligence to meet decision making needs.
- Those companies that had a system gave themselves only average marks for effectiveness.
- Financial goals were the most common measurement of intelligence effectiveness.
- 25% of the companies (dubbed “ostriches”) did not think competitors used intelligence techniques to uncover information about them.
- Only 32% of the companies surveyed monitored the political climate or global economic conditions.
- Only 36% track the regulatory climate.
- Slightly more than half (55%) were concerned about customer/supplier activities.

By not looking at the outside first, your organization will formulate inadequate and inapplicable Strategy, making itself vulnerable to external and internal threats.
If your company is an ostrich, it will not remain that way for long – it will easily become deadweight, being picked at by the vultures that soar the skies looking for the weak and defenseless.

By conducting a Future Environmental Scan, you become the eagle; sitting on top of a high berth, looming large over the organizational landscape.

Part of this Future Environmental Scan is your role in becoming a strategy expert. This scan really starts with you and your team, as the leaders. You must take an active role in developing yourself as a futurist in order to identify and project possible concerns that will affect your organization’s Ideal Future Vision. This is a crucial leadership skill and one that responds to today’s world of dynamic change.

To become a strategy expert:

1. Become an expert on Systems Thinking.
2. Share/critique strategic plans/strategies/values of other organizations.
3. Conduct bite size Strategic IQ™ topics each month or during monthly staff meetings.
4. Read books and listen to tapes about strategy – share with your team.
5. Invite speakers to speak on strategic topics.

**Figure 3.2** SKEPTIC framework.
6. Conduct competitor analysis, focusing on their strategies.
7. Cover daily department/business unit issues in a 1-2 sequence, as outlined below:
   
   #1  What are your strategies? Your values?
   
   #2  Determine how each of your day to day issues or operational problems fit into your strategies.
9. Become an expert on successful implementation as a “strategy-in-action.”
10. Conduct positioning/driving force discussions and case studies of prominent organizations and use to clarify your own.
11. Conduct Future Environmental Scanning quarterly in your organization.
12. Install a Yearly Strategic Management System and Cycle in your organization.

Most people forget that forecasting is not synonymous with planning. Strategic Planning is necessary because forecasting is so imprecise, inaccurate, and discontinuous. Good strategies rehearse and simulate their anticipated responses to various plausible futures. They don’t wait until they get to a strategic bridge before they figure out how to cross it. Adaptive leaders and organizations are masters of contingency planning.

Are You a Futurist?

Future Environmental Scanning is a process of asking questions about the future as it pertains to your organization. It requires that you think about trends – from world trends to individual trends.

Future Environmental Scanning can start with a review of sources. Some of the sources you can find on the Internet (Google search) include:

**Long-Term View**
- *The Futurist* (monthly magazine)
- World Future Society
- *Science News* (biweekly)
- *Technology Review* (MIT, bimonthly)

**Middle-Term View**
- *Christian Science Monitor* (newspaper)
- *Trendletter*, John Naisbitt (biweekly)
- Joseph Coates, DC/USA
- Charles Fetter, Canada
- *American Demographics* (monthly)
Shorter-Term Trends

- Globe & Mail (Toronto)
- N.Y. Times
- International Herald Tribune
- Arab Times
- Wall Street Journal
- Sound Books (executive summaries)
- The Economist (weekly magazine)
- Fast Company (business idea magazine)

Systems Thinking

- Haines Centre for Strategic Management Newsletter – Strategic Thinking Times
- Pegasus Press (monthly)
- Haines Centre for Strategic Management’s Systems Thinking Approach*

The Environment

- Jacques Cousteau, Calypso (monthly)
- World Wildlife Foundation
- Sierra Club (monthly)
- Greenpeace

Are you a futurist? You must become one in order to fully participate in a Strategic Management System. Future Environmental Scanning is the “E” in the A-B-C-D-E model. It is the first thing you must do before conducting any sort of strategic planning and the first part of closing the gap between your current state and your Ideal Future.

The SKEPTIC Framework

Part of the Future Environmental Scanning process is utilizing the SKEPTIC framework. Each part of the SKEPTIC framework should be assigned to a specific leader as part of their job – not something extra. See example on the next page.

Each of these SKEPTIC areas involves looking at specific environmental trends that may or may not impact your organization during the life of your Strategic Plan. We will now break down these areas and discuss what types of things you might look at when using the SKEPTIC framework as your guide.

S – Socio Demographics (People/Society):

This part of the SKEPTIC framework deals with people. It might include looking at the future as a world-wide “English” culture with the infusion of such television programs like MTV, CNN, and the BBC. It could also look at the future of the U.S. as possibly sinking from first world to third world status.
With the latter in mind, we could look at evidence such as:

- Single parents/broken homes
- Terrorism and new security measures
- Violence vs. safety and security
- Drugs and crime in society
- Shooting, drugs, and violence in schools
- Tardiness, absenteeism, and low education scores
- Violent video games
- Loss of civility and courtesies
- Polarization of dialogue and debate
- Cultural differences, divides, and extremist groups
- Preoccupation with sex in media and society
- Greed, theft, and lying by executives
- Internet viruses and worms
- Environmental concerns, such as global warming

In this area, we might also look at the generational differences that will be part of the fabric of the United States as shown on the following pages.

---

**America’s Five Generations:**

*Why Each Mindset is Different*

**Greatest Generation** (born 1915-1935)

Members of this ultra-conservative and conscientious generation grew up in the aftermath of the Great Depression and endured World War II. Thus, they became accustomed to sacrifice and were eager to create a better life for their children, the Baby Boomers.

MINDSET: High work ethic, strong brand loyalty, eagerness to save for the future.

**Forgotten Generation** (born 1936-1945)

It has been called the Forgotten or Silent Generation because of its small size, 28 million, and because its identity has been eclipsed by the Boomers and Seniors that surround it. It’s the proud and rebellious generation of James Dean, Lenny Bruce, Marlon Brando, and Gloria Steinem.

MINDSET: High work ethic, strong independence.
Baby Boomers (born 1946-1964) As the largest and most heavily chron-icled generation ever, it’s 76.5 million strong. Spoiled by their parents, Boomers have a youthful and individualistic mindset that has established a precedent for other generations to follow. Distinctions include the highest divorce and second marriage rates in history.

MINDSET: Rebellious against convention (beginning with their conservative parents) and extremely loyal to their kids. In the workplace, they want respect from younger workers and a flexible route into semi-retirement.

Generation X (1965-1976) These 46 million children of early Boomers and the Forgotten Generation are distinctive for their entrepreneurial sense and cynical nature which comes from growing up in prosperity and being pampered by their parents. They’re even more independent than Boomers, yet they have a higher degree of brand loyalty.

MINDSET: Strong sense of entitlement. In the workplace, proper work-life balance is crucial.

Echo Boomers (born 1977-1994) Also called Generation Y and Generation Next, they are 72 million strong. They’ve been greatly indulged by their fun-loving parents, invited as children to play a lead role in their family’s purchasing and travel decisions.

MINDSET: Self-absorbed, hotly competitive, and eager to spend money. They have an even stronger sense of entitlement than Generation X. They’re fiercely independent from growing up as latchkey kids and, too often, children of divorce. Enjoying life comes before work.
K – (C)ompetition/Substitutes:

Competition can take many forms. It could be the intelligence level of the world at large, increasing global competition, multilateralism and cooperation, or future emerging global markets.

<table>
<thead>
<tr>
<th>Future Emerging Global Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Argentina, Chile, and Mercusor</td>
</tr>
<tr>
<td>2. Brazil</td>
</tr>
<tr>
<td>3. China</td>
</tr>
<tr>
<td>4. Germany and the EU</td>
</tr>
<tr>
<td>5. India</td>
</tr>
<tr>
<td>6. Indonesia</td>
</tr>
<tr>
<td>7. Mexico and Central America</td>
</tr>
<tr>
<td>8. Malaysia</td>
</tr>
<tr>
<td>9. South and East Africa</td>
</tr>
<tr>
<td>10. South Korea</td>
</tr>
<tr>
<td>11. Russia</td>
</tr>
</tbody>
</table>

E – Economics:

Scanning the economic environment looks at topics such as outsourcing, the impact of the Internet, the deficit, China’s purchasing of treasuries, global labor arbitrage, the value of the dollar, oil dependency, and even hybrid cars. And, of course the elephant in the room is now the world-wide economic meltdown of 2008.

E – Ecology:

You don’t have to look far to see the effects of global warming and the response to its impact via environmental movements and treaties (such as the Kyoto Protocol). Ecological scanning for your organization might also look at the impact that worldwide water quality and water rights might have on your customers.

P – Political/Regulatory:

Political scanning might include the effects of the Obama presidency in the USA, plus poverty, oil/energy struggles, the global war on terrorism and WTO decisions. The political environment can also be looked at in terms of the forces of global change that may or may not impact the decisions of world leaders. These include:

- **Demography** – How many people will there be in the world? How old will they be? Where will they be living?
- **Resources and the Environment** – Can we feed the extra mouths? What other pressures will there be on resources, raw materials, and the environment?
• **Technology** – What new applications will there be for existing technologies? What new technologies will appear?

• **Internationalization** – How far will the process of globalization of trade and finance continue? What are the limits to it?

• **Government and Society** – How will governments around the world respond to the pressures placed on them? How will society itself change?

• **Internet and WiFi Mobility** – How far and fast will it go? Any limits?

• **Terrorism** – How will it impact us as individuals, families, and as a society? How do we combat it?

**T – Technology:**

All organizations should be looking at the impact that technology and future technologies have and will have on their businesses. India, for example, graduates over 250,000 engineering students each year. China’s engineering graduates exceed the U.S. by 5x.

Technology integration is a big issue. How do you integrate technology within your organization? Do you have the brain trust to support it and do you want to spend the money to do so?

Technologies can also be disruptive. How do hybrid cars, the Internet, cell phones, DNA, PCs, wireless, iPods, DVDs, the Human Genome, the digital revolution, drone airplanes, and carbon fiber affect your organization? These are the questions to ask.

**I – Industry/Suppliers:**

The reduction of trade barriers and exponential advances in technology have made it possible to do business instantaneously with billions of people across the planet, and to conduct business from anywhere on the planet, regardless of company size.

- *Thomas L. Friedman*

*The World is Flat (2005)*

Industry is changing. Established companies now often struggle just to maintain their current “topple rate,” (the frequency at which established companies lose their leadership position) which has doubled since the 1970s. See USA big three auto companies troubles.

Future environmental concerns in this area include the global raw materials shortage, changing industry dynamics, global sourcing, and transitional companies

**C – Customers/Citizens:**

Customers want it all, they want it good, they want it fast, and they want it cheap, especially cheap. Customers are much more demanding and they have low loyalty. The pendulum has indeed swung to the side of the consumer. The power
of Generation Y is beginning to eclipse the consumer power of both the Baby Boomers and Generation X.

The key to growth and long-term competitive advantage is building your business around customers. In fact, in a global survey conducted by IBM, the importance of customers was among the top ways that organizations could achieve their growth goals.

According to the survey, the secret to growth-promoting innovation lay in ‘breaking the mold’ in terms of satisfying customers’ needs and expectations. In fact, companies that differentiated themselves in this way were more than six times as likely to achieve their growth goals as those that pursued more incremental approaches.

The key to corporate growth is to deliver the value that customers want and deliver it in new and innovative ways. Unfortunately, most organizations don’t seem to be getting the message. In a 2004 Deloitte survey of 150 technology CEOs (a group presumed to be highly skilled in using innovation to deliver the greatest customer value) only 6% viewed customer loyalty as their biggest challenge to sustaining revenue growth. Bringing new products to the marketplace, hiring salespeople, and developing strategic relationships all ranked higher.

Customers should be your priority. Indeed, they are the core of your Strategy. Although left to the end of the SKEPTIC framework, they should be the center of your Future Environmental Scanning process.

BUILDING A STRATEGIC ENVIRONMENTAL SCANNING SYSTEM (SESS)

Information doubles every two years and faces rapid obsolescence. Although information is not scarce, it is fast becoming a mountain of garbage. Finding the essence of something, and then combining and sharing information, however, creates value.

Being a leader requires building a Strategic Environmental Scanning System (SESS). It requires gathering information, combining it, and sharing it with others in your organization. There are six steps to building the SESS system. They are:

1. Identify the organization’s Environmental Scan needs using our SKEPTIC framework.
2. Generate a list of information sources that provide core inputs (i.e., trade shows, publications, technical meetings, Internet sources, and customers).
3. Identify those who will participate in the Environmental Scanning process. (They do not have to be members of your Strategic Management team).
4. Assign scanning tasks to volunteer members of the organization that have a passion for that particular area. (Use the SKEPTIC framework as a guide).
5. Have each person collect data on a regular weekly basis. (The Internet is a great resource obviously).

6. Disseminate the information in a large group meeting on a regular basis, at least monthly.

Note: Developing teams made up of individuals who have a passion for taking on a certain task in the Environmental Scanning process is essential to creating multiple agents for change. For example, if the Head of Customer Service is responsible for scanning the “Customer” part of the SKEPTIC framework, he or she might choose eight volunteers who show an interest and passion for this area. Thus, one change agent (the Head of Customer Service) becomes 9 change agents. If you do this with all 8 letters of the SKEPTIC framework, you will have 72 change agents ($9 \times 8 = 72$) at your disposal.

<table>
<thead>
<tr>
<th>Future Environment Scanned</th>
<th>Senior Leader Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>S socio-demographics</td>
<td>VP Human Resources</td>
</tr>
<tr>
<td>K (k) competition</td>
<td>Head of Sales</td>
</tr>
<tr>
<td>E economics</td>
<td>CFO</td>
</tr>
<tr>
<td>E ecology</td>
<td>Head of Safety</td>
</tr>
<tr>
<td>P political</td>
<td>Head of Public Relations</td>
</tr>
<tr>
<td>T technical</td>
<td>CIO</td>
</tr>
<tr>
<td>I industry/substitutes</td>
<td>CEO/Head of Marketing</td>
</tr>
<tr>
<td>C customer</td>
<td>Head of Customer Service</td>
</tr>
</tbody>
</table>
In Summary: Reinventing Strategic Planning to Strategic Management

After extensive research and review, the Haines Centre has formulated a Yearly Strategic Management System based on General Systems Theory and the 14 new concepts based on a 21st century Future Environmental Scan (Figure 3.3). We’ve discussed how these 14 concepts were formulated and how our Strategic Management Framework was established. Our Strategic Management System is a system with its fundamental foundation based firmly in Systems Thinking principles. So how is it really and truly different than Strategic Planning when we take a helicopter view of it all? It’s the difference between dial-up and digital.

Reinventing Strategic Planning to Strategic Management is Analytical Thinking vs. Systems Thinking, as outlined below and on the following pages.

<table>
<thead>
<tr>
<th>Traditional Strategic Planning</th>
<th>vs.</th>
<th>Strategic Management System</th>
</tr>
</thead>
<tbody>
<tr>
<td>“A Project”</td>
<td></td>
<td>“A New Way to Run the Business”</td>
</tr>
<tr>
<td>Project (beginning and ending)</td>
<td>vs.</td>
<td>Continuous/ongoing process with Yearly Strategic Management System and Cycle/review to stay on “track”</td>
</tr>
<tr>
<td>Staff written</td>
<td>vs.</td>
<td>CEO, line leadership driven/staff supported</td>
</tr>
<tr>
<td>Focus on today/extrapolation into the future</td>
<td>vs.</td>
<td>Start with Future Ideal and work backwards</td>
</tr>
<tr>
<td>“Motherhood/apple pie” words</td>
<td>vs.</td>
<td>Outcome measures and action plans set/accountability tracked</td>
</tr>
<tr>
<td>Big Strategic Planning document as end</td>
<td>vs.</td>
<td>Execution/change management/customer focus is the goal; single documents of one page each (KISS)</td>
</tr>
<tr>
<td>Senior leadership/planning department answers only (we/they)</td>
<td>vs.</td>
<td>Key stakeholder feedback/commitment also (Parallel Involvement Process) – people support what they help create</td>
</tr>
<tr>
<td>Weekend retreat</td>
<td>vs.</td>
<td>Strategic change in our roles/behaviors day to day</td>
</tr>
<tr>
<td>Strategic level only</td>
<td>vs.</td>
<td>Integrated into business units, annual and daily decision making levels, too, via the glue of core strategies/core values</td>
</tr>
</tbody>
</table>
Figure 3.3 Yearly Strategic Management Cycle.

Individual change projects (TQM, service, empowerment, value chain, etc.) vs. Customer-focused positioning and value-added delivery as the focus of all projects

Single event – one time only, every five years vs. Annual Strategic Review (and Update) each year

Environmental scan of today only – yearly vs. Future environmental scan/quarterly reviews quarterly

Analytical tools/analysis focus vs. Focus on strategy, commitment, and buy-in – Systems Solutions

Units/departments/silo mentality goals vs. Shared strategies as the glue and organizing forces for all departments

Hierarchy/controls vs. Customer-focused and values-driven environment

Organization structure remains the same vs. Strategic Business Redesign ("Watertight Integrity")
Eclectic Planning Process vs. Integrated, research based organizing framework for Strategic Thinking, Strategic Planning, and Strategic Change

As you can see, there is simply no comparison. Setting a Yearly Strategic Management System and Cycle in place is the difference between projects and processes. It is not something that you can accomplish in a short period of time, complete the project, and put it on the shelf. It is a way of strategically managing your business using Systems Thinking day to day, week to week, month to month, and year to year.


PART 2

Plan Differently

Chapter 4  Positioning and Customer Value (Phase A)
Chapter 5  Key Success Measures/Goals (KSMs) (Phase B)
Chapter 6  Strategic Business Design Assessment (Phase C)
How You Think

is

How You Plan

is

How You Act

and

That determines the results you get in life and work!
Positioning and Customer Value (Phase A)

Just like on the basketball court, where you position yourself in the marketplace is essential to creating sustained business excellence and superior results. It is the PhD of Strategy.

-Stephen Haines

In Part 1 of Enhancing Your Strategic IQ™ we have described the Haines Centre’s unique Strategic Thinking methods that redefine a new 21st century way to look at the field of Strategy. We have discussed the difference between Strategy and Core Strategies. We have provided a definition of General Systems Theory (GST) and the Haines Centre’s application of over 50 years of research-based inspiration in the field of systems thinking. We have also described our Strategic Management System which includes a Yearly Strategic Management Cycle utilizing the A-B-C-D-E model adapted from GST by the Haines Centre.

These previous chapters have helped you to start thinking differently because the way you think directly impacts the way you plan. Planning differently, in turn, directly impacts the way you act. Think – Plan – Act!

Planning differently starts with your customer. It is the customer and his/her satisfaction that is the reason for developing your Strategic IQ™. Creating customer focused positioning is your destination – your desired outcome in your marketplace. This is why we call it the PhD of the field of Strategy.

When you ask the final question for your enterprise, “What’s our positioning,” your answers should always begin and end with the customer in mind. This is where we start to Reinvent Strategic Planning to Deliver Customer Value (Figure 4.1).

Defining Positioning

It is the last twenty seconds of the fourth period and your favorite basketball team, who are undefeated all season, have scored two points to even up the game. Their opponents have the ball. Your team puts on a full court press and steals the inbound pass. As seconds tick off the clock, your team positions themselves on their opponents side of the court and call “timeout!” With just enough time to run the play, your team assumes their positions, the ball is put into motion, and your favorite player makes the dunk. Your team wins! It wasn't luck or perhaps even skill that won the game – it was position on the court. Your team took advantage of their court position when they called timeout and again when they made the inbound pass to win the game.
Figure 4.1 Reinventing Strategic Planning to Deliver Customer Value
Realtors call it “location.” Football coaches call it “victory.” In business, we call it “positioning.” Positioning is the act of carving out a unique, different, and better reputation in the marketplace that sets you apart from the competition, in the eyes of the customer, and that motivates these customers to do business with you. Just like on the basketball court, where you position yourself in the marketplace is essential to creating sustained business excellence and superior results.

*Positioning* is called many different things such as the driving force, the competitive advantage, strategic intent, reputation, Strategy, Mega Strategy, market leader, the grand strategy, the competitive edge, brand identity, the brand, value, identity, provider of choice, or providing value. Public relations people call it *image*. Marketing calls it the *value proposition*. Sales people call it the *unique selling proposition*. The organization might called it the *value-add*. Essentially, all of these terms describe the act of *positioning*.

*Positioning* defines the one thing that is unique, different, and better about your organization:

1. In the eyes of the customer,
2. Versus the competition,
3. In the marketplace you have chosen,
4. That causes customers to do business with you.

**Positioning is the Essence of Your Vision**

Depending on where your basketball team is on the court will determine how the coach will lay out the next play. In turn, your organization will choose a specific positioning depending on your marketplace and your customer’s needs. Your positioning will be the **single biggest factor** in determining your desired vision, mission, strategic direction, and enterprise-wide change.

Your organizational vision is your view and image of your ideal future. Positioning is the essence of this vision and its supporting mission statement. Positioning defines how you are driven as an organization. Like your vision, it must be clear, unique, and customer focused.

Clear and unique positioning

- is the central issue to which all other functions, directions, decisions, and criteria must be subordinated.
- is usually comprised of the *who* (who is our customer) or *what* (what products and services do we provide) from the mission statement.
- is the essence of your mission statement (*why* do we exist).
- is based on your organization’s core or distinctive delivery which makes it unique and better than your competition.
- will sustain a competitive edge over a period of years.
- cannot be easily duplicated.
- is either a current reality, or can become a reality, within the period of time for which the strategic plan and enterprise-wide change is executed.
Positioning For Your Competitive Advantage

The first part of developing your clear and unique positioning is to define your marketplace. Who are the customers that you desire? To which market segments do they belong? Defining the marketplace includes identifying customers based on age, geography, income, ethnicity, psychographics, etc.

Information is power and today’s customers have a lot of it because of that information superhighway we call the Internet. With Internet access, your customers can quickly find out the cost of products and services in the marketplace and determine why or why not to do business with you. Consumers now compare products and services, which results in decreased product and service loyalty. Once higher end products and services are now considered commodities, resulting in fierce price competition too.

To stay ahead of the game, your organization must continuously make major improvements to its positioning. Remember the days when GM had 60% market share? Today, they cannot even begin to imagine those numbers. Unfortunately, having attained a position of market leadership, they rested on their laurels, failing to modify their positioning and vehicles to match the needs of today’s current consumer-driven market. The rest is history.

AT&T, Westinghouse, American Express, and Kodak join GM in violating the central rule of market leadership – successful enterprises dominate their market by improving their products and services to sustain their positioning year after year. You dominate the marketplace by continuously defining and redefining your products and services and the consumers to which you wish to sell your products or services. Standing pat leads to decline and death.

Customer Value and “Star” Positioning

Once you have defined your marketplace, you can then set out to establish clear and unique positioning. Establishing clear and unique positioning is part of Enhancing Your Strategic IQ™. By applying the Systems Thinking processes mentioned previously in Part 1, you can create an energized and integrated organization that consistently uses the same goal of positioning (including terminology) in order to achieve sustained business excellence and systemic results.

Value-Added Star Positioning is the best practices, research-based model, developed over three years, and exclusively used by the Centre (Figure 4.2). This model fuses the concept of defining positioning with the Systems Thinking Approach.*

At the heart of the Star, the answer to this “value” concept that sets the best firms apart from the rest, is Creating Customer Value. Creating Customer Value requires the positioning answer and the execution to create your competitive business advantage. There are four steps to position your organization to Create Customer Value. These are:

Step #1 Focus:

Focus holistically and intensively on your customer’s wants and needs in your defined marketplace for receiving value from you, now and in the future.
Step #2 Define:

Define your unique positioning from the five points on the Star.

Step #3 Implement:

Implement the needed changes to capture and sustain your positioning with a passion for watertight or airtight integrity, to keep the airplane flying in the sky (i.e., to keep all the parts of the organization fitting together).

Step #4 Redesign/Realign:

Change or redesign/realign, radically and strategically, the entire spectrum of your organization structure, culture, business processes, and competencies to create and sustain this customer value, year after year.

A focus on your customer’s wants and needs for receiving value must be the vision and driving force for your whole organization. You must redesign the fundamental support and capacity-building components of your people, culture, and your collective leadership to create a better fit, integration, and attunement of the organization to this vision with this vision and positioning.
We have researched and identified five key factors that consumers look at when they make purchasing decisions. The exact factor definition varies from industry to industry and from company to company.

These potential positioning factors (the five points of the Star) are:

1. **Responsiveness/Convenience** – how an organization’s products or services make life easier for the consumer. Responsiveness may include fast delivery, simplicity, convenience, methods, timing, speed, distribution, flexibility, access, ease of doing business, support services, delivery channels, and/or cooperation. An example of this is FedEx.

2. **High Quality Products/Services** – is the customer perception that the product or service you offer is high-end. Features, authenticity, simplicity, accuracy, knowledge, performance, reliability, functionality, durability, consistency, stability, soundness, uniqueness, innovation, and/or experiences all fall into the High Quality category. An example is Toyota.

3. **Caring Customer Service** – results in consumers feeling acknowledged and valued. It may include personal service, values, feeling important, customer relationships, respect, caring, feelings, emotions, recovery strategy, integrity, empathy, sensitivity, familiarity or trust. An example of this is the Marriott Corporation in all their markets.

4. **Personal Choice** – involves the types of choices offered to consumers. Personal choice involves fashion, control, self, customization, tailored options, variety, individuality, my/me, comprehensive choices, and/or mass customization. An example of this is Harley-Davidson.

5. **Total Cost** – describes the idea of our earlier ratio – *What do I get for what I give?* It is not solely related to the price of a product or service but also includes what the consumer must give back in order to obtain the product or service. Total cost may include the negative psychological side to positioning – poor service, high price, bad reputation, high life cycle cost, risk, opportunity costs, waste, environment, working conditions, and/or product/service costs as perceived by the customer. See Walmart

An organization should not try to excel in all of these factors. For optimum positioning, your organization should excel (i.e., have a competitive advantage) in only one out of the five.

You must do very well, however, in the other four – that is competitive. In today’s demanding world, you usually are allowed no factors in which you are uncompetitive. The old good, fast, or cheap, choose 2 out of 3, is gone for good!

For example, imagine a high hurdler. The competitive hurdler running against her competition goes up against four standard size (competitive) hurdles. As she jumps, her competition matches her stride. Then she comes up to the fifth hurdle. This hurdle is much taller and is her competitive advantage as she is positioned for it. She jumps, clears the jump by a good two inches, and leaves her competition in the dust as the others fall attempting to jump the hurdle she just cleared.
Your unique positioning is the fifth hurdle. This is the one factor at which you excel. It is the factor that you have determined is the best customer value, based on your customer’s needs and wants.

If, however, you concentrate on your unique positioning while neglecting the other four factors in the Star Model, you might be uncompetitive in one of them. Successful positioning simply draws consumer attention to how the enterprise excels in one of the five factors. If your organization is not competitive in the other four points, it will quickly find itself at a competitive disadvantage.

It is easy to become uncompetitive if you neglect to redesign and realign your positioning year after year. After finishing the race, the high hurdler immediately begins training for the next competition, knowing that her competitors are right behind her waiting to match her hurdle height and take the next win away from her. She cannot afford only to train to be competitive at the fifth hurdle. She must consistently train to have a competitive advantage by raising the fifth bar at each race.

Like the hurdler, you must continue to raise the bar each year by aggressively redesigning, realigning, and improving your positioning in order to maintain a competitive advantage in one of the five factors. You can quickly become less competitive and even uncompetitive in today’s consumer-driven marketplace if you rest on your established laurels without an ongoing positioning game plan.

In sum, there are three levels of positioning on each of the five Star factors:

- Level 1: Competitive advantage – your number one positioning factor
- Level 2: Competitive – your other four factors
- Level 3: Uncompetitive – where you want none of your five factors to be

The confusing part of positioning is that, in your strategic plan, you always need both (1) a core strategy to achieve or maintain your Level 1 positioning as a competitive advantage and (2) additional core strategies on some or all of the other four factors to ensure they remain at least competitive.

**Creating and Sustaining Your Positioning**

To create sustained business excellence and superior results, you must continuously redefine, realign, and improve your unique positioning. Never forget that your competition is always improving too.

Positioning is difficult. It involves difficult trade-offs and tough choices. It requires focus and concentration. It is a conflict-ridden process that requires the best advocacy, inquiry, and facilitation skills of all involved.

Now is the time to put your Systems Thinking in motion by planning your positioning. You plan using the ten-step process based on well-researched, best practices, outlined below:

1. **Define primary-desired customers and market segments.** Who are the customers that you desire? To which market segments do they belong? Defining the marketplace includes identifying customers based on age, geography, income, ethnicity, psychographics, etc.
2. **Identify your customer needs.** Start by asking your customers what they want and need.

3. **Define your desired positioning and value proposition.** Which point of the Star Model do you want to focus on as your competitive advantage?

4. **Create goals and measures of success.** Measure on a multi-year basis on all five Star points. Remember, you cannot afford to be noncompetitive on any of the five Star points in today’s demanding customer world.

5. **Assess your current delivery.** Review your desired customers versus all five points of the Start Model. Make the assumption that your customers want it all and, by all means, ask your customers what they want and need.

6. **Conduct a competitive intelligence process.** You conduct this process to identify competitors/substitutes and their positioning, strategies, and strengths/weaknesses.

7. **Identify the “gaps.”** Identify the gaps that need closing.

8. **Identify your products, services, and other actions/initiatives.** Identify those products, services, and other actions/initiatives you will implement over the next 12 months.

9. **Implement.** Implement and execute using an enterprise-wide change process so every single person knows what your positioning is and what they can do to contribute to it, day after day. (For more information on Enterprise-Wide Change, see Chapter 8).

10. **Measure.** Measure, check, correct, and enhance your positioning over and over again. It never stops!

**In Summary**

You have the ability to think about Strategy differently. Now you have an understanding of the main way to plan differently.

Most organizations will say that they are all about the customer, but when it comes right down to it, their planning and organization do not position themselves to be competitive, in this regard.

The first part of planning differently is to have the knowledge of the Value-Added Star Model developed by the Haines Centre. By looking at the points on the Star, you can start to develop the Systems Thinking plan to position your organization in the marketplace. This planning will lead you to your ultimate level of excellence.
CHAPTER 5

Key Success Measures/Goals (KSMs) (Phase B)

Measuring is the first step that leads to control and eventually to improvement.

If you can’t measure something, you can’t understand it.
If you can’t understand it, you can’t control it.
If you can’t control it, you can’t improve it.

-Stephen Haines

To start planning, you must first understand that your customer is the ultimate focus of your strategies. He or she is the reason you are in business and the reason why you have picked up Enhancing Your Strategic IQ™ whether you realize it or not.

The second part of planning differently involves developing a method that can help you establish quantifiable outcome measures of success for your Strategy. For, if you don’t have measurements in place, how will you know you’ve achieved success?

One of the methods the Haines Centre uses for Reinventing Strategic Planning into Strategic Management is the utilization of Key Success Measures/Goals (KSMs). Phase B in the A-B-C-D-E model helps measure your organization’s results regarding your desired outcomes. After all, once you’ve defined your Positioning, the only way it can be meaningful, and the only way you’ll know if its on track, is through constant, steady outcome measures. It’s critical to remember here that any elements that are important – not just those that are easy or expedient – can and should be measured. It may take some creativity, but it can and must be done, especially with regards to customer satisfaction.

Defining KSMs/Goals

You need Key Success Measures/Goals (KSMs) to track your organization’s continual improvement of its Yearly Strategic Management System. By establishing concrete guidelines for measuring organizational progress, KSMs/Goals assist in developing a high-performance, customer-focused organization.

The best KSMs/Goals are those that meet all the criteria of the following definition: Key Success Measures (or Goals) are the quantifiable outcome measurements of your organization’s vision, mission, and values on a year-by-year basis, ensuring continual improvement of your Yearly Strategic Management System and Cycle.

While we believe that “Key Success Measures” is the proper term for this, we have also used the term “Goals,” against our better judgement. This is because too many organizations use this “Goals” term now, and we want this concept to be understandable to everyone.
Throughout the organizational literature, Key Success Measures/Goals go by many names. You'll hear them referred to as objectives, critical success indicators, corporate goals, balanced scorecard, etc. It doesn’t matter what they’re called, as long as everyone in your organization uses the same terminology and has the same clear idea of exactly what they are (i.e., outcome measures of success).

The real value of establishing KSMs/Goals for your organization, however, is that you can then use them to determine your successes, your vulnerabilities, and where necessary, appropriate corrective actions to get the organization back on track. Otherwise, you run the very real risk of becoming an unguided missile, with no mechanisms for feedback. If you’ve chosen measures based on the definition above, you can use your KSMs/Goals to answer these questions throughout the implementation of your strategic plan:

1. How do you know if you’re successful?
2. How do you know if you’re heading for trouble?
3. If you are off course (in trouble), what corrective actions do you need to take to get back on track?

In order to balance long- and short-run considerations, every organization must look at something we call the Quadruple Bottom Line (QBL). The QBL is a minimum of four key areas that must be measured and tracked in order to create an outcome-based measuring system:

1. Worker performance and attitude/learnings (employee satisfaction).
2. Customer satisfaction.
3. Profitability and/or retained earnings (organization’s financial viability).
   3a. There are also 1–3 key operational indicators that represent the leverage points in the organization.
4. Contribution to community/society (i.e., environment, ethics, safety, helping out, etc.)

Undoubtedly, you have heard of “The Balance Scorecard” concept. Its areas of measurement roughly match most of our first three areas. The difference is that we also recommend measuring #4 – contribution to community/society. Why is this so? It is because organizations are living systems with predictable outcomes: we both see the same thing. To understand how these four interrelate, see the Key Success Measures Circle (Figure 5.1) which we call the Quadruple Bottom Line.

Based on our experience and observations in both the public and private sectors, making contributions to society (i.e., having social responsibility/environmental responsiveness/safety/security – #4 of the QBL), has significant impact on the organization. Some clients choose to also include this factor as part of their corporate and social responsibility role.

Some elements, like organizational finances, are obvious and easy to measure. Though it is important and necessary to measure finances, it will not provide a complete, authentic organizational picture of success. Keep in mind, your Strategy has more outcomes in it than financial considerations alone. Other areas, such as
employee satisfaction and customer service, can be complex and intangible, and require more creativity in devising ways to measure them accurately.

**Measure What’s Important, Not What’s Easy**

It is imperative at this point in Reinventing Strategic Planning into Strategic Management to take the time to develop these measures. If organizations opt for limiting their measurements to the most easily recognized and concrete areas, they narrow their focus on the organization’s overall, desired outcomes. This ultimately limits their ability to “grow” and shape the organization.

We’ve all seen or experienced organizations that measure progress strictly by budgets and sales forecasts. It’s easier to measure the financial side of things than the “people side” of an organization. What invariably happens, however, is that the financial departments then become the driving force of the company, with customers, products, and employees often being a forgotten measure in the organization’s success equation.

Remember, it is only through customer satisfaction, innovative product strategies, and employee satisfaction – guided by professional management and leadership practices – that you sustain a competitive business advantage over time.
The Failure to Focus on Outcomes

Another consideration to keep in mind as you select your Key Success Measures/Goals is the contrast of “activities and means,” vs. “results and outcomes.” It is often easy to quantify and measure your various activities and ongoing efforts, such as attendance, number of widgets produced, etc. Your organizational activities only make sense, however, if they’re directly contributing to your desired outcome.

The outcomes are the reason for your existence, rather than the activities. Too often the activities become ends in and of themselves in bureaucracies of all types, particularly in the public sector. This is why it’s significantly more meaningful to stick to measuring results and outcomes.

Types of Measures

Though it’s simple to explain this concept, it’s difficult to do it well. The reason for the difficulty, as we mentioned earlier, is that some of your key areas aren’t easily measurable. Therefore, it is important to get creative about translating these vision concepts into specific and quantifiable measures. Two important measurements are:

1. Successful implementation process of a Strategic Management System and Yearly Cycle. Every organization needs to develop a way to measure how successfully the strategic plan is being implemented. This can be accomplished through consistent meetings of a strategic Change Leadership Team (CLT). Another measure would be to develop and track a yearly comprehensive map of implementation steps and outcomes. Also, a performance appraisal process can be developed (using strategies and values as tools) for regular evaluation of management and other employees. Organizations should also determine – on an ongoing basis – whether or not they are consistently implementing their leverage points for strategic change.

2. Yearly Strategic Management System annual strategic review and update is held. This is where you develop a follow-up step for your Strategic Management System. By committing to this critical annual review and update, you are in effect creating an automatic reminder process for regular evaluation of how the system is producing your desired results. This is the point where you evaluate the success of your organization-wide implementation process. It is also an opportunity to make necessary revisions, both to the organization’s strategies and its supporting budget.

   This is often referred to as a Strategic IQ Audit, just like a yearly financial audit. See the free article of the same name on our web site at www.haines-centre.com for more details on this as well as other topics.

   It is important to focus on a small number of the most important success areas, so keep your organization’s Key Success Measures/Goals at roughly ten or less. Therefore, a good question to start with would be “is the KSM a key one throughout
the organization?" One way to screen your KSMs for clarity and validity is to pose common sense questions such as these:

- Does it overlap or duplicate any other KSMs?
- Is it a key indicator of your organization's success?
- Is it a tangible KSM that you can easily measure?
- Is it an actual report card, measuring results vs. activities?
- Are you willing to commit to and be accountable for these KSMs, year after year?

The most effective way to determine if your measures of success (KSMs) meet the test is if you are able to measure them by either (1) quality, (2) quantity, (3) time, or (4) cost. These four categories apply to potential KSM areas for any organization.

1. **Measuring quality.** The Navy Public Works Center in San Diego, California views every other western regional Navy base that it serves as its customer. Periodically, it conducts surveys of all its customers, measuring the levels of customer satisfaction on a 10-point scale, then coming up with an average percentage of overall satisfaction. The Marriott Corp. requires managers to become "mystery diners" at all of its restaurants, thereby creating feedback on its services from the customer's perspective.

2. **Measuring quantity.** Quantity can be determined in any number of ways, such as internally monitoring the number of items produced with zero product defects. Other quantity KSMs could be the numbers of products produced within a certain time frame, or a ratio such as tracking plant safety (number of industrial accidents per quarter, with a target of zero).

3. **Measuring time.** The element of time makes for a terrific KSM and organizational outcome. It forces you to examine and stay on top of the organizational processes involved in providing value to the customer. Federal Express uses its on-time delivery for overnight, two-day, and three-day deliveries as well as its 10:30 AM delivery guarantee as a way to be responsive to their customers and provide the value they want/need.

4. **Measuring cost.** Cost is another viable KSM; it is also an obvious one. Organizations can easily monitor budgets, the cost of product development, or staffing costs, to name just a few. It is easy and it can be a valid KSM; again, just remember that using cost as your only KSM is not enough.

We can't stress enough how critical KSMs/Goals are to every organization. It's very distressing to us to see that this skill of writing clear goals and committing to good outcomes is missing from many organizations.

Always keep in mind, the best KSMs are the ones that can be stated in simple, clear language. While there is no shortcut method for establishing these KSMs, once you've gotten the hang of it, it will save you enormous amounts of time and retraced steps later on in your implementation.
How to Develop Key Success Measures/Goals?

To begin developing the measures of success for your organization, two specific tasks will help you determine the general areas from which you will extract your measurement areas:

1. It is critical at this point to pull out the key words and phrases from your positioning and your vision, mission, and core values. To shape KSMs that will be recognizable throughout the organization, it’s necessary to identify those key phrases that best define your organization’s success.

2. It will also be important to agree on specifics for each of the four success areas defined in our Quadruple Bottom Line.

Once you’ve crystallized the key words and phrases that constitute success, the planning team must combine the answers for both of these tasks into a consolidated list. At this point, the team completes the development of the organizational KSMs by pruning them to no more than ten areas to be measured (more than ten areas makes it difficult to focus, and awkward to coordinate).

Now it’s nuts-and-bolts time. Once you’ve established your 10 (or fewer) critical KSM/Goal area “headers” – such as alliances, employee work satisfaction, strategic management system effectiveness, financial success, customer satisfaction, and decentralized site-based management – the next stage of development lies in defining the specific measures by which you will measure these headers. The alliance header, for example, could be measured by the number of partnerships in existence, and by a yearly evaluation of their effectiveness. The header of customer satisfaction can be measured by quarterly surveys, developing a “close to the customer” culture, or instituting a Mystery Shopper program.

Once you know how you’re going to measure your KSM/Goal areas, you need to set definitive target dates for reaching them. If you are strategic planning for the year 2020, for instance, you’ll have to establish specific targets for measuring individual KSMs/Goals each year, up to the final target year of 2020. The most direct way to do this is to contrast your current-year baseline data (i.e., the present status of the individual goal/KSM) against where you want it to be when you hit your target year.

A Word on Customer Satisfaction Measures

Becoming a cost-focused organization is not easy as most jobs/positions in any organization are internally focused. The highest performing organizations make every employee a sales person if possible and every department have high and specifically defined cost-service goals and measures.

Organizations that are not customer-focused do not know who their customers are. For those organizations who have defined their customer, many times they do not have the appropriate and necessary customer satisfaction measures in place to determine if they are achieving their desired outcomes.

For example, the United States Federal Aviation Administration (FAA) describes its vision as “improv[ing] the safety and efficiency of aviation, while being responsive to...customers and accountable to the public.” In all actuality, however, the
FAA’s actions speak louder than its stated vision statement. In fact, the FAA has wrongly identified its “customer” to be the corporations that sell airline tickets (airline companies) as opposed to its true customers – airline passengers (the general public).

The same holds true in education. Throughout the United States, schools, districts, states, and the Federal government have misidentified their customers to be parents and the community at-large. Instead, the real customer is the actual student attending.

How many times have airline passengers or students been surveyed with regards to their customer satisfaction? If you go on the FAA web site, you will find statistical information for the number of unruly passengers and general consumer reports, but no compilation of data from customer service surveys. In fact, the FAA web site indicates that the most recent data collected is from October 2005!

Have you ever heard of students being surveyed with regards to their satisfaction. Have you ever seen any survey where actual students describe the quality of their education or the aptitude of their instructors? No school, no district, no state, and, indeed, not even the U.S. government would want this data compiled because of what it might reveal regarding the state of education in the country – failure!

In order to be a customer-focused organization, you must have (1) a mission in place that defines who your customers are, and (2) you must have specific measures that measure the satisfaction of both your internal and external customers. Failure to do both inhibits your organization from reaching its desired outcomes.

Planning Differently Using KSMs/Goals

Establishing Key Success Measures/Goals is where your organization’s Strategy starts to take shape. They are the culmination, on paper, of all your previous work on your organization’s vision, mission, and values. As we reinvent Strategic Management for the 21st century, KSMs/Goals provide a unique tool for organizations to shift from using “soft” strategies to using “hard” strategies that will help get them to their overall Strategy – taking them to a higher level of business excellence.
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Questions Count Almost More Than Answers
Dan Simpson, retired diplomat

When trying to create great strategies, questions are more important than answers. Average answers to good questions, more often than not, yield a better strategy than wonderful answers to lousy questions. You can greatly influence a company’s cognitive processes and help create a learning organization by asking good questions and then turning people loose to try to answer them.

1. What distinguishes the winners from the losers in your market?
2. What fundamental benefits do you provide customers?
3. What have you learned since you prepared a plan five years ago?
4. What have you learned since the last time your strategic plan was presented?
5. What things that made you successful in the past do you need to forget in order to be successful now?
6. What beliefs do you hold that need to be challenged?
7. What conventional wisdom about your business or about your industry might be wrong in the future?
8. If you could question an accurate fortune teller who will answer three questions related to your business a decade from now, what information would you seek?
9. What are the most important unknowns?
10. If your business develops so badly in the next decade that there is only one chance in ten it could be worse, what would that future be like?
11. What external events and actions could lead to that dismal result?
12. Conversely, what if the future of your business develops so favorably the next decade that there is only one change in 10 it could be better. What could that lead to?
13. If you were made CEO of your competitor’s business tomorrow, what would you do to attack the business you worked on yesterday?
14. How do you define your served market?
15. What related markets are you now not serving and why?
16. What new types of benefits could you try to provide?
17. What competencies do you need to acquire in order to provide those benefits?
18. Other than provide more resources, what can senior management do to help move your business forward?
19. What obstacles can management help reduce or eliminate?

Source: Journal of Business Strategy, July/August 1997
Chapter 6

Strategic Business Design Assessment (Phase C)

A better way to do a Current State Assessment than the traditional SW of a SWOT analysis.

How do you design your business, leadership, organization, processes, and people practices to support your Ideal Future Positioning and core strategies? By using an integrated and holistic Strategic Business Design for your entire organization; maximizing its synergy to achieve your vision.

This last chapter in Part II integrates your new way of thinking with your new way of planning to develop a Strategic Business Design Assessment that will help your organization achieve business excellence. Thus, the Haines Centre uses the Business Excellence Architecture Model based on the Baldrige Award criteria – developed to help you create strategic consistency and operational flexibility within your organization.

Strategic Business Design Assessment includes the following components – literally every part of your organization’s functioning:

1. Shared visions/values and shared strategies
2. Shared values and strong culture
3. Strategies and tactics
4. Formal structure and formal design
5. Strategic consistency and operational flexibility
6. Centralization and decentralization
7. Job descriptions and roles/responsibilities
8. Policies and procedures and accountability
9. Functions and business processes
10. Compensation and rewards/recognition
11. Full-time employees and part-time/contract employees
12. Positioning/core competencies and outsourcing/strategic alliances
13. Product-based and customer-focused

A growing number of organizations today are analyzing one of the basic measures in their success: the system of jobs and the dynamics of operating relationships that constitutes the strategic business design of the organization. No matter what size your organization is, there are a number of dimensions that exist in all organizations that should support your positioning in the marketplace as detailed in Chapter 4. These include:

- Administrative components
- Integration/differentiation
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- Professionalization
- Span of control/structures
- Specialization
- People Practices
- Delivery Channels
- Technology/Internet
- Formalization
- Autonomy
- Centralization/decentralization
- Complexity
- Policies/procedures
- Delegation of authority
- Customer relationships
- Cross-functional teamwork

Traditional, hierarchical organizations are finding that the old motto of “That's just the way we do it around here” isn’t working anymore. Today, hierarchical organizations are moving away from the executive/staff/line structure to a more integrative and horizontal (or cross-functional) fit. They are recreating their strategic business design.

**Enterprise-Wide Assessment**

*Using the Business Excellence Architecture Model*

In order to move your organization from hierarchical to cross-functional teamwork to better serve the customer, you must begin to change the culture. Part of changing this culture includes developing your organization’s Strategic Thinking and determining its Strategic Direction (A in the A-B-C-D-E model). We’ve touched upon this in Part I.

The second way is to develop KSMs/Goals (B in the A-B-C-D-E model) that will help create customer value. The third way is to conduct an Enterprise-Wide Assessment that will enable you to review your organization in order to redesign it to fit in with your new structure, thus creating Enterprise-Wide Change™.

**A Brief History of the Business Excellence Architecture**

In 1999, three different organizations researched and worked in partnership for over two years to find a better and simpler way to describe an enterprise as a living system (Figure 6.1). They were (1) Carla Carter & Associates of Phoenix, Arizona using the Baldrige Quality Award Criteria for Performance Excellence; (2) TWOAI (The Coaches) of San Diego, California, and (3) the Haines Centre for Strategic Management.

As a group, they researched and built a comprehensive Enterprise-Wide Assessment as a Best Practices Organizational Map, or Framework. They also developed an associated Enterprise-Wide Assessment Tool to complement the framework based on a short Baldrige questionnaire offered by the National Institute of Standards and Technology (NIST). NIST is the headquarters of the Baldrige Award (www.quality.
You can download and use the NIST instrument free of charge to acquire an accurate assessment on your own.

**Business Excellence Architecture Model**

An Enterprise-Wide Assessment is conducted as part of any Strategic Business Design Assessment by using this Business Excellence Architecture Model. It provides an assessment of the enterprise as a living system (its current state of reality). It focuses on specific critical parts and “chunks” of the organization which need to fit, align, and be integrated in order to create customer value and superior results. It consists of eight modules (chunks) designed to simplify the parts of your organization into a clear, simple, yet comprehensive, mental map of your enterprise as a living system. These modules are a quick way to take your organization’s vital signs.

The eight modules include:

1. Building a Performance Culture
2. Reinventing Strategic Planning
3. Leading Enterprise-Wide Change
4. Creating the People Edge
5. Achieving Leadership Excellence
6. Becoming Customer Focused
7. Aligning Delivery and Distribution
8. Creating Customer Value

![THE ENTERPRISE AS A LIVING SYSTEM](image)
As you can see in Figure 6.2, the model incorporates the A-B-C-D-E framework into its design. Using this assessment will help you diagnose the inner workings of your organization as a doctor diagnoses ailments in the human body. The key to the Enterprise-Wide Assessment is the fit and linkage among the inner workings of each module, not the “best answer/technique” per department. Techniques are not new. Fit is the innovation. Excellence is a matter of doing 10,000 little things right and then linking them together.

**Hexagon Module #1: Building a Performance Culture**

A culture of performance excellence is a crucial pillar of business excellence. Culture is defined as the collective behavior in the organization. Hexagon Module #1 includes four key items:

1. A culture of innovation and creativity.
2. Language, thought processes, and practical tools of Systems Thinking.
3. Fact-based decision making with good information and analysis.
4. A set of core values that create this desired culture.


**Hexagon Module #2: Reinventing Strategic Planning (into Strategic Management)**

The essence of effective strategic thinking is to resolve the issue of positioning and build measurable KSMs/Goals. The resulting clarity of purpose must then become the core focus of the day to day Enterprise-Wide Change™ efforts within your organization.

The foundation of this Hexagon Module includes:

- Vision and positioning shared throughout the organization.
- KSMs/Goals and Core Strategies as the framework for department goals.
- Business plans for small business units, major program areas, and major functional areas.
- Strategic annual action priorities and work plans.
- Strategic budget and financial systems to allocate resources.
Figure 6.2  Business Excellence Architecture Model.
Hexagon Module #2 is essentially your Yearly Strategic Management System and Cycle. It is what Covey described as “beginning with the end in mind.” For further reading on this subject, see Reinventing Strategic Planning: The Systems Thinking Approach by Stephen Haines (San Diego, CA: Systems Thinking Press, 2006).

**Hexagon Module #3: Leading Enterprise-Wise Change**

Overall leadership and management of cultural transformation to create a more customer-focused organization is the essence of this Hexagon Module. This change is led by setting up specific change management structures that are the glue to keeping change tasks on track and preventing status quo behaviors from prevailing.

Components of this Hexagon Module include:

1. Setting up a menu of change structures and infrastructure.
2. Helping people manage and understand the “Rollercoaster of Change™.”
3. Managing staffing, budgeting, and resourcing change.
4. Developing communication, involvement, and teamwork.
5. Changing processes and projects.


**THINK DIFFERENTLY**

A few years ago, a large Midwest automotive company division started an Enterprise-Wide Change project to build self-directed work teams as the basic building blocks of the organization. It was patterned after the radical (at the time) Saturn automotive plant in Spring Hill, Tennessee.

Despite putting all of the new union employees through a two-week-long training program, however, there was no follow-up program after the first year (after the CEO was promoted and transferred).

Thus, two years later, the organization hired a consultant to fix the problems that continued to crop up on a daily basis. The cost to the company to get the project back on track was enormous – over $80,000 spent in one consulting check alone.

Holding regular reviews and keeping up with the ongoing hard work of implementation would have been a lot less costly in money, emotions, and problems than hiring the consultant and paying his/her fees...again.
**Hexagon Module #4: Creating the People Edge™**

A key component of Enterprise-Wide Change™ is to have people and support elements strategically in tune with each other, geared to achieving desired positioning. Strategic People Plans are, unfortunately, missing from most organizations. People Stewardship is a corporate-wide issue for senior management, not just an HR functional issue. Organizations need a strategic people plan as much as they need a strategic marketing or financing plan.

Key components of this People Edge Hexagon Module include:

- Strategic People/HR Plans
- Recruitment and retention
- Training and development
- Performance and rewards
- Best People Practices

Overall, strategic appreciation for human assets is the People Edge™. It typically includes attracting, hiring, motivating, developing, empowering, rewarding, and retaining all crucial staff. For further reading on this topic, see *Strategic Human Resource Planning* by Allan Bandt and Stephen Haines (San Diego, CA: Systems Thinking Press, 2001).

**Hexagon Module #5: Achieving Leadership Excellence**

Leadership is the foundation for everything else and is the #1 organization-wide core competency of successful organizations. Leadership development must be an initial and ongoing priority for the collective management team. This is especially true for the middle and senior executives of organizations, who most directly need many skills for success in the Enterprise-Wide Assessment process.

Critical aspects of this Hexagon Module are:

- Succession planning from the top down for senior management and key positions.
- A Leadership Development System for the entire organization (*cultural attunement*).
- 360˚ feedback development and individual development plans.
- Business acumen (*economic alignment*).
- Six Natural Levels of Leadership Competencies which include:
  1. Enhancing Self-Mastery
  2. Building Interpersonal Relationships
  3. Facilitating Empowered Teams
  4. Collaborating Across Functions
  5. Integrating Organizational Outcomes
  6. Creating Strategic Alliances

For further reading on this topic, see *50 One-Minute Tips for Leaders*, edited by Stephen Haines and written by Partners of the Haines Centre for Strategic Management (San Diego, CA: Systems Thinking Press, 2002).
Hexagon Module #6: Becoming Customer Focused

A customer focus includes being competitive in all five points on the Star Positioning Model (see Chapter 4). Being customer-focused is a basic truism in management.

Everybody buys into the idea of customer-focused. In reality, however, such a focus is often shockingly absent in the day to day operations of some enterprises.

Becoming customer-focused includes a number of key actions for the entire organization and all employees. These include:

- Strategic marketing, sales planning, and implementation.
- Choices and customization controlled by the customer.
- Quality products and services delivered through quality concepts (Deming, Juran, Crosby, Six Sigma, etc.).
- High quality customer service (legendary, raving fans, etc.).
- The total cost of doing business with you is what it costs the customer – keep it low.

How do you know whether an enterprise is customer-focused today?

1. Ask for specifics. Does the enterprise have mechanisms to gather regular and measurable customer feedback?
2. Does it have a clear, explicit, and written strategy for recovering from errors and mistakes made with customers?
3. When was the last time the CEO and ALL members of the senior management team spent a full day visiting customers in the field?

For many enterprises, answers to these questions can quickly help separate fiction from reality. For further reading, we recommend Positioning: The Battle for Your Mind (20th Anniversary Edition) by Al Ries and Jack Trout (New York: McGraw-Hill Books, 2001).

THINK DIFFERENTLY

One colleague has given over 80 CEO-level keynote talks to small-to-medium sized business leaders through The Executive Committee (TEC, now Vistage), an international organization of CEOs. He consistently finds that the answers to the three questions above are no, no, and rarely.
Hexagon Module #7: Aligning Delivery and Distribution

In order to create customer value, your organization must strategically realign its entire distribution and delivery system in order to provide this value every time.

Some of the key elements of a successful delivery system are:

- Clear supply-chain management/distribution channels
- Process improvements, simplicity, and waste
- Enterprise-wide technology
- Knowledge transfer
- Organizational redesign

Ultimately, successful creation of customer value comes from strategically realigning the entire delivery system to support your customer positioning. Hexagon Module #7 highlights key elements that require a strategic realignment toward this desired positioning.

For further reading on Supply Chain Management, see *Improving Your Competitive Positioning: A Project Management Approach* by Jim B. Ayers (Dearborn, MI: Society of Manufacturing Engineers, 1990).

THINK DIFFERENTLY

One of our colleagues was requested to assist an East Coast manufacturer in developing an Enterprise-Wide Change™ process. During the initial meetings and discussions, our colleague discovered that the manufacturer was spending millions on another consulting firm to manage a major supply-chain management project. In meeting with this consulting firm, it became clear they had their own mental map and framework which did not utilize the Systems Thinking Approach®, although the manufacturer called it by this name.

As a result, the consultant declined to assist the manufacturer and instead recommended they continue working solely with this other consulting firm. He also recommended the company and its executive spend time in dialogue with the other firm to develop a common understanding and mental map of their organization as a system.

Results: Star Model #8: Creating Customer Value – Measuring the Quadruple Bottom Line

Number eight is the results portion of the Business Excellence Architecture. Although customer value is the primary outcome, the other three Quadruple Bottom Line success measures are also important. These are employee satisfaction, financial/shareholder satisfaction, and contribution to society.
Enterprise-Wide Assessment and Vital Signs

Although this chapter describes the seven Hexagon Modules, it is not solely about the Business Excellence Architecture. It is written to show you that an organization is a living system with interconnected, interdependent, interacting parts.

Separate change projects based on each of the eight Hexagon Modules, even when successful, will still not have the power and impact of a comprehensive Enterprise-Wide Change™ effort from a total integrated Systems Thinking Approach®.

Creating customer value and superior results requires an approach that deals with the total efforts, processes, and people for the entire organization (as TQM does for a quality outcome alone). This requires that every organizational element be efficiently aligned and effectively attuned with people as one system, focused on achieving the same positioning for customer value.

Some executives and change consultants may approach the seven Hexagon Modules as nothing new, which misses the point. Understanding all the different issues but trying to improve each in turn as a separate change project is what many people do best. Unfortunately, it is an analytic approach to a systems problem. And, like in most piecemeal change projects, the unintended consequences come back to haunt us. Root causes become chronic issues.

The eight Hexagon Modules and Star Results of Enterprise-Wide Assessment are a valuable assessment, guide and resource for achieving business excellence and superior results. Failure to focus on and fully install strategies on any one of these Hexagon Modules generally results in poor vital signs and predictable failures (Figure 6.3).

Unintended Consequences and Side Effects

We frequently talk about unintended consequences and side effects as if they were a feature of reality. Not so. In reality, there are no unintended consequences or side effects. There are just effects and consequences.

When we take action, there are various effects:

- The effects we thought of in advance, or were beneficial, we call the main, or intended effects.

- The effects we didn’t anticipate, the effects that harm the system, are the ones we claim to be side effects (or unintended consequences).

Side effects are not a feature of reality but a sign that our understanding of the organization as a system is narrow and flawed.

To avoid resistance and side effects, and find high leverage points, requires us to expand the boundaries of our mental maps. We must become aware of and understand the implications of the side, or unintended, consequences created by the decisions we make. We must learn about the structure and dynamics of the increasingly complex systems in which we are embedded. Use the Enterprise-Wide Assessment to continuously check vital signs to ensure minimal side effects and unintended consequences.
The systematic application of this model can expertly guide you along the journey of Enterprise-Wide Change™ to create customer value. Start wherever you want and with whichever Hexagon Module you wish. The key, as always in Systems Thinking, is to focus not only on parts, but also on the relationships, fit, and integration of the model’s eight Hexagon Modules over time to achieve superior results (Star).

**Uses of the Enterprise-Wide Assessment Model**

The Enterprise-Wide Assessment Model and its underlying concept of the *Enterprise as a System* framework:

- Serves as a common tool to assess effectiveness in achieving *fit and integration* in both your marketplace positioning and your desired internal culture.
- Helps you structure the right questions to ask during Enterprise-Wide Change™ decision making.

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**Figure 6.3** Vital Signs of a Poorly Conducted Enterprise-Wide Assessment.
• Provides a common framework for thinking, communicating, and working together on Enterprise-Wide Change™.

• Heightens awareness, sensitivity, and understanding of how an organization works and how the parts fit together in support of customers.

• Offers the simplicity of one map to navigate through organizational complexity. It creates a road map to guide change leaders to success.

• Eliminates mental map biases and mismatches across the management team.

• Provides a great framework for developing your SW of SWOT (strengths and weaknesses) and is a much more detailed, robust, and rich way to assess your organization, essentially providing you with seven sets of strengths and weaknesses (eight hexagon modules) as opposed to the one limiting and narrowly focused SW of SWOT.

• Helps narrow and set priorities on areas needing improvement.

• Diagnoses root causes and solutions more effectively in organizations.

• Clarifies linkages where one part affects all others.

• Helps ensure enterprise-level strategies and actions are based on a systems diagnoses.

**IN SUMMARY**

The Business Excellence Architecture Model developed by the Haines Centre is a method for helping you conduct an Enterprise-Wide Assessment of your organization. Instead of just being limited to a one-sided SWOT model which assesses only general strengths and weaknesses, the BEA Model evaluates your organization on eight different topics, giving you a much deeper, more robust assessment. This type of in depth assessment is what gives you an edge in achieving your positioning.

Another way that you can develop your strategic business acumen is by developing your knowledge of what types of strategies other organizations use to achieve superior results and business excellence. The next section of Enhancing your Strategic IQ™ is dedicated to helping you develop this knowledge by presenting you with concisely organized strategies grouped by Hexagon that “close the gap” – building upon your foundation as a strategic thinker and planner.
Chapter 7  A-Z Strategies
A Compilation of 200 Strategies to help you
“Close the Gap”
Oriental Philosophy as Strategies
Selection of Strategies Overview

As we stated in Chapter 1, strategies close the gap between today and the Ideal Future. Putting a Yearly Strategic Management System in place plays a large part in actually closing this gap to achieve your desired outcomes/vision/positioning. However, you must first flush out the gap before you can select strategies to close it.

In order to flush out the gap, you must conduct a systems thinking analysis following the Systems Thinking Model outlined in the first chapter (the A-B-C-D-E framework). This analysis is comprised of the following phases we have just covered in this book up to this point:

**E** Future Environmental Scan

Consider the future environment and possible conditions favorable or adverse to the present vision out 3-5 years minimum. Use SKEPTIC format outlined in Chapter 4.

**A** Positioning and Ideal Future Vision

What is...
- Unique, different, and better about us (world-class),
- Than all the competition in our marketplace (relatively),
- In the "eyes" of the customer, client, or member (perception),
- That motivates the customer to do business with us (growth).

**B** Key Success Measures/Goals

Establish the key operating guidelines/success measures of management (ROA, ROE, earnings per share, market share, etc.) Identify the organization's concept of social responsibility and its obligations to shareholders, customers, employees, and government agencies.

**C** Current State Assessment

Identify the organization's specific strengths and weaknesses using the Business Excellence Architecture to conduct a robust Enterprise-Wide Assessment.

In Part 3, you will find a comprehensive menu of strategies from some of the best and brightest. Using the groundwork that has been laid for you in Chapters 1-6 and combining this foundation with the analysis just presented above, you will be able to select strategies that will propel your business toward success.

For ease of review, the strategies listed in the following pages have been grouped by letter and by Hexagon Module (1-7 only) as described previously in Chapter 6’s discussion of the Business Excellence Architecture. This coordination allows you to identify those strategies that might fulfill a particular need for your organization.

The pages that include strategies that support Hexagon Module #1 *Building a Performance Culture*, for example, are tabbed and identified by Hexagon 1. A review of the Hexagon Modules is provided for you on the next page.

After you have perused through the listing of strategies that can help you “close the gap,” we will end this section by offering you some concrete steps that you can use to help select strategies that will help your organization achieve sustained business excellence and superior results.
A-Z Strategies
following the Business Excellence Architecture

1. Building a Performance Culture
2. Reinventing Strategic Planning
3. Leading Enterprise-Wide Change
4. Creating the People Edge
5. Achieving Leadership Excellence
6. Becoming Customer-Focused
7. Aligning Delivery and Distribution
A: Innovation Strategies

An enterprise, whether a business or any other institution, that does not innovate and does not engage in entrepreneurship will not long survive.

-Peter Drucker, 1998

#1 Continuous Improvement

Creativity, innovation, and business process improvement/reengineering are related, yet different. Do you know the differences? All of them are necessary to the massive organizational problem of waste, elimination, and bureaucracy. GE’s Workout (or the Haines Centre’s “Blowout Bureaucracy”) are key strategies to attack this vigorously. Differentiate your value added chain from the waste in the chain.

FYI – creativity is new ideas and innovation is its application. Creativity is important, but innovation is key. Therefore, business process improvement/reengineering can be either an innovation or just ongoing continuous improvement; but both are innovative.

#2 Managing Innovation and Risk

Risk = Life = Change

1. Life has risks
2. Life has changes
3. Risk = change
4. Bigger risk = no change (since the world is dynamic and ever changing)

What’s the biggest risk you can take as an individual? as a team? as an organization?
#3 Creativity and Systems Thinking

Think outside the box (of your self and team/organization) through:

1. Environmental Scanning of the future.
2. Defining multiple outcomes you want.
3. Developing regular feedback from the environment on issues important to you.
4. Examining higher level superordinate goals.
5. Doing visioning of your own Ideal Future.
7. Conducting “benchmarking” of leading edge practitioners.
8. Going outside your normal environment/comfort zone – community, country, language, industry, profession, etc.
9. Take time for reflection of your life in a beautiful outdoor location.
10. Listing the boundaries of your life and letting go of many of them for a few moments of brainstorming.

#4 Innovation as a Strategy

There is hardly an area where espoused theory differs so markedly from theory in use as in the management and encouragement of innovation and creativity in organizations. Just like everybody wants to go to Heaven but nobody wants to die, so everybody wants creativity and innovation but nobody wants creative and innovative people around in organizations. They are a nuisance. They are hard to manage. They don’t follow procedures. They have little respect for existing practices.

- John Peters  
  director of the consulting firm Livingstone Bell & Associates

In the November/December 1997 issue, the Journal of Business Strategy suggests that you can use innovation as strategy by:

- Looking at better performing companies and then at your own best practices.
- Benchmark by tasking parts of your organization to compare themselves with their counterparts at other better performing companies.
- Encourage people to be innovative and creative.
- Get people active in the search for change by scheduling change meetings and being open to brainstorming sessions.
- Question whether your systems, processes, and procedures encourage or hinder change.
- Ensure skeptics are my best friends is encouraged.
- Create items for Future Environmental Scanning for each letter of the scanning framework of SKEPTIC.
#5 Why Companies Don’t Learn About Innovation

In a study of how organizations handle the innovation journey, Andrew H. Van de Ven, 3M Professor of Human Systems Management at the University of Minnesota, found that very few companies adequately optimize the innovation projects. Particularly, during a three to seven year period from the initial funding and project start up time, he found that very little learning occurred. After the innovation met the market acid test, however, he found that substantial learning occurred.

Van de Ven found three main reasons why learning was stunted during the development period:

1. Innovation projects were developed for the purpose of obtaining funding (experimentation) without developing realistic plans for testing them in the market.
2. At the corporate level, individuals who invest in the process are not vested enough to review the projects and answer pertinent questions.
3. Innovation leaders are often part time employees who are inexperienced and leave for greener pastures. Therefore, the learning process is stunted.

According to the ForeSight Intrapreneur (as adapted), there are several ways to optimize learning during the innovation process including:

- Ensure clarity of desired outcomes up front.
- Test ideas in the marketplace as quickly as possible.
- Involve management more deeply in the innovation process.
- Bring potential customers into the review process as early as possible.
- Successful innovation is fast and trial and error learning is efficient.
- Keep innovation teams intact.

#6 Innovation and Mission

Mission and innovation go hand and hand. According to Brook Manville in the March 2000 issue of Fast Company, if the person that runs the company is in favor and champions innovation, then it happens. If the person who runs the company isn’t in favor of innovation – doesn’t encourage, support, or reward it – then it doesn’t happen.

In this same regard, if the people in the organization can sum up its mission (its who-what-why), then they are confident and focused enough to try new things that fit within their company’s central purpose.

He concludes that although you may have a leader who believes in innovation without a mission and vice versa, when you have both a leader who champions innovation and an organization propelled by innovation, grounded in the company mission, the organization will move forward at lightening speed.
#7 Nonlinear Innovation

Gary Hamel, founder and chairman of Strategos and a Thomas S. Murphy Distinguished Research Fellow at Harvard University Graduate School of Business Administration states that “in the age of revolution, it is not knowledge that will produce new wealth but insight – insight into opportunities for discontinuous innovation. This is nonlinear innovation.

Nonlinear innovation requires a company to escape the shackles of precedent and imagine entirely novel solutions to customer needs or even new customers altogether.

#8 Perpetual Adapters

Perpetual adapters make fundamental choices in the way their organizations work along five critical dimensions:

1. **Relationship with customers.** How the organization chooses to interact with customers and their level of importance in setting and implementing strategy.

2. **Executive grasp of technology and business.** How well corporate executives grasp both the technology that drives competition in their markets and the strategic, operational, and financial details that lead to business success.

3. **Mission and vision.** How managers choose to define and communicate the fundamental purpose of the organization to employees and other communities.

4. **Empowerment and information.** The way the organization distributes power, responsibility, and the information needed to make decisions and evaluate performance.

5. **Climate.** Individual responsibility, personal commitment, and reward and recognition systems.

Perpetual adapters approach these key strategy elements in a very different way than do traditional companies.

Perpetual adapters will take over the business world in the next 10 years because they are so much better at adapting to changing technologies, customer needs, and competitor strategies. The perpetually adaptive organization will be unstoppable.

The fundamental issue for managers is not whether but when they will transform themselves into perpetual adapters – before they lose their market leadership or when they are acquired by a perpetual adapter who has taken it away.
According to Stephen Haines, there are different levels of innovation. Each one has a different purpose. These are:

1. New to the world
2. New to your industry
3. New to your organization
4. New to your department/team/branch
5. New to you and your job

Innovation is not really innovation unless it is part of your core values and organizational culture. Some of the core values that a company can adopt that will help create a culture of innovation are:

- Acceptance and even encouragement of risk taking (within the parameters of the company’s vision and strategic direction).
- Open communications and information sharing at all levels.
- Transparency and integrity (no poaching of ideas or taking credit for subordinates’ work).

**Survival and Adaptability**

Darwin didn’t prove that survival is of the fittest. He really proved that survival is of the most adaptable.

-Jack Linkletter

**NOTE:** The “sleeper” in this entire book is that the Systems Thinking Approach® to Strategic Management is the ultimate development of an innovative culture and set of Core Strategies as “the gap” between today (Phase C) and your Ideal Future Vision (Phase A) that “closing the gap” requires innovation, not M.O.S (more of the same).
B: Simplicity Strategies

Any idiot can simplify by ignoring the complications.
But it takes real genius to simplify by including the complications.

- John E. Johnson

#10 Simplicity – Your Ultimate Strategy

Simplicity includes some key strategies, such as

- A common and unique focus/positioning/goals
- Clear and concise strategies
- Information readily available to all employees
- Sufficient training tools and direction for each person to do their job
- All activities linked to strategies linked to customer needs
- Tangible and measurable outcomes – you can condense your top 10 measurements into a maximum of three, according to Jim Collins, as your BHAG (Big, Hairy, Audacious Goals)

Something to Think About...

- All the literature that has ever been written in the modern English language consists of patterns of only 26 letters.
- All the paintings ever made are patterns of only 3 primary colors.
- All the music ever written consists of patterns of no more than 12 notes.
- All the arithmetical expressions we know consist of only 10 digits.
- And for the vast computations of digital computers, everything is made of patterns of only 2 components – bites and bytes.

Simplicity is the natural way the world works. Whenever we talk about something as being “new,” we are really talking about ordinal patterns of already existing natural laws.

According to the March/April 1997 publication of Strategy & Leadership, the more change increases in volume, intensity, and speed, the more your ability to structure simplicity into work becomes a core competency.

Simplicity is power! Top performers focus on simplifying how they manage performance, communication, and training as an integrated whole in order to accelerate change and build leadership talent. The hard work of leadership is to design and drive organizational simplicity faster than the rate of change.

Simplicity lowers costs, improves morale, and better satisfies customers – it is a win-win-win!
#11 Make It Simple in Acquisition

During acquisitions, keep it simple. This could be your unique strategy during this process. Simplify:

- merged structures,
- technology systems,
- management systems, and
- cultures

into a single, integrated whole. This is the hard work that rarely gets done.

#12 A Life of Simplicity

Keep It Simple Sam (KISS) is also the Rule of Three:

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<td>Supply Chain: Supplier</td>
<td>Company</td>
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<td>#1 Strategic Planning</td>
<td>#2 Implement</td>
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*I wouldn’t give a fig for the simplicity this side of complexity but I’d give my life for the simplicity on the far side of complexity.*

-Justice Oliver Wendell Holmes
#13 Leaders Are Simple – and Keep it Simple

Most great leaders I’ve met are simple men. People like Sam Walton and General Schwarzkopf – they’re far from stupid, but they are basically very simple. I include myself in that category. I hate complexity. I think the world is already complex enough as it is, without me making it more so. The principles of management and leadership are simple. The hard part is doing them, living up to them day after day, not making lots of excuses for ourselves. You know all those complex management theories? They’re just an excuse for not facing up to how hard it is to live by some very basic principles.

from a conversation with H. Ross Perot, INC, January 1992
Founder of Electronic Data Systems, Inc., and Perot Data Systems

#14 Create Simplicity From Complexity

According to Bill Jensen in the March/April 1997 publication of Strategy & Leadership, order is created by leaders in complex systems “...by focusing on the information exchange process. For continuous improvements in efficiency and effectiveness, the workforce needs simpler ways to get the information required to make decisions. Intranets and knowledge databases should be organized according to the business plan as well as general knowledge categories.”

We live in a complex world today. Simplicity wins the game every time!

“Everything is simple
You see, but
You just have to see it.

Simplicity Is: 1. One piece of paper summaries
2. The rule of three (not a list of 4-5-etc)
3. The three minute rule (must explain in three minutes or less)

-Stephen Haines

#15 Complexity From the Worker’s Point of View

In a 1997 Complexity Study referred to by Bill Jensen in the March/April 1997 issue of Strategy & Leadership, there are two common concerns shared by both leadership and the workforce: speed and amount of change and doing more with less.

There were seven areas identified as sources of complexity. These included:
The Sources of Complexity

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<td>Integration of change</td>
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<td>Clear goals &amp; objectives</td>
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<td>How we communicate</td>
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<td>How info/knowledge is organized</td>
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<td>Competition &amp; market force</td>
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<td>Customer needs</td>
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<td>How we work as teams</td>
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When asked how their work would change if it was structured for simplicity:

- The #1 outcome cited was increased and enhanced customer focus.
- Over 75 percent said they could do a day’s work in 1 to 3 hours less if their work were structured for simplicity. *That’s roughly the same as reducing head count costs by 25 percent without losing a single employee.*
- Over 80 percent said the results of their work would be above or far exceed their manager’s/company’s expectations.

#16 Marketing: Keep it Simple Sam

We live in a complex, ever-changing world. Customers want everything, now. They have no loyalty and they will roam the world to get what they want. Therefore, the key to marketing effectively is to Keep It Simple Sam (KISS).

**Customers have short attention spans and no tolerance for inconsistency.** They don’t want complexity, they want simplicity. Therefore, keep your marketing message simple. Think McDonalds: “I’m Lovin’ It.” Think Yahoo: “Yahoooooo!” Think Capital One: “What’s in your wallet?”

Determine your organization’s core message and its uniqueness in the marketplace. Then, develop a simple marketing message that projects your clear, unique identity.

Package your identity well through a simple word or set of words that will stick in the minds of your customers and prospects.
#17 Make It Simple – Organization-Wide – Be Clear!

Failing to integrate change and a lack of communicated clear goals and objectives are the reasons for complexity in today’s organizations. Structure simplicity organization-wide by capitalizing on a worker’s ability to adapt to change if managed effectively.

By creating the right connections, you’ll get more people to change. This begins with organizing, communicating, and sharing information effectively.

Research has shown that integrating employee empowerment, risk-taking, innovation, process improvement, quality, and leadership’s “walking the talk” has a great impact on employee behaviors and their ability to change. Therefore,

- communicate by providing clear, concise goals with tangible, measurable outcomes,
- provide sufficient training and direction to meet objectives, and
- make information easily accessible.

#18 The Systems Thinking Approach® is Simplicity

According to the Haines Centre for Strategic Management, integrate simplicity into your organization in four ways:

1. **Daily Simplicity.** Articulate clear goals and objectives. Be extremely clear about what you want your employees to accomplish. You will be amazed at the changes in morale, productivity, and innovation.

2. **Monthly Simplicity.** Build change navigation tools. Organize and deliver information in a way that your entire workforce can navigate through change for themselves, resulting in new decisions about how they work. Some examples include:
   - All employees having access to a monthly scoreboard that reports financial results as well as process and productivity measures, progress on initiatives, customer and employee satisfaction measures.
   - Organizing intranets/knowledge databases according to the business plans/strategies as well as general knowledge categories.

3. **Systems Thinking Approach® is Simplicity.** Using this approach will help you reduce and simplify your world view.

4. **Forever Simplicity.** Integrate. Integrate. Integrate. Organize and deliver information so that employees can figure out how the company’s strategy relates to market forces, which relate to customer’s needs, which relate to reengineering, which relates to their training, which relates to...and so forth.

These methods can help you simplify performance management, communication, and training – helping your organization accelerate change and build leadership talent to move it forward. **Clarity and simplicity win the game every time!**
**C: Public Sector Strategies**

Most persons engaged in the business of managing our cities know full well that knowledge, skill, and resources exist which should enable us to solve many vexing and troublesome urban problems. Despite this technical capability, these problems are not being solved – indeed, may never be solved – because people have not developed agreement and commitment to the solutions. It is also generally accepted that for many of the problems we face there are a whole range of viable options available for their solution. Any of these solutions might lead to a more desirable state than that which presently exists because we are fiddling while the city deteriorates.

-Neely Gardner

**#19 Renaissance in Government**

Government strategies can adapt to the 21st century by rethinking current modes of operation. A new operational methodology should include:

1. Steer, not row (facilitate vs. do it yourself).
2. Empower communities and customers to solve their own problems rather than simply deliver services.
3. Encourage competition rather than monopolies.
4. Be driven by missions, not rules.
5. Be results-oriented by funding outcomes rather than inputs.
6. Meet the needs of the customer, not the bureaucracy.
7. Concentrate on earning and making money rather than spending it.
8. Stop subsidizing everyone. “User-pay” through charging user fees.
10. Decentralize authority.
11. Solve problems by influencing market forces rather than creating public programs.
12. Reduce regulations; cut out bureaucracy and low risk taking.
13. Privatization (except for essentials not provided elsewhere)

Adapted from *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* by David Osborne and Ted Gaebler, Addison-Wesley, 1992; *Governing*, October 1992 (with a rebuttal by H. George Frederickson).
D: Educational System Strategies

#20 Most Important Paradigm: Changes Needed for Schools

Strategies for positive change that can revolutionize schools include:

1. Class size/organization of learning
   - cooperative learning vs. teaching
   - radical reduction of class size or one room technological school house

2. Teaching vs. learning role/career paths available
   - teacher/learning specialist
   - design, facilitate, teach
   - pay policies and assistants

3. Leadership is integration/cooperation/partnerships vs. responsibility of educators only – i.e.,
   - parents
   - community
   - educators
   - students as students/teachers of self/others

4. Full/holistic learning areas focus (KSAs) vs. Knowledge only:
   - cognitive – Knowledge
   - affective – Attitude
   - behaviors – Skills

5. Facilities use/staff contracts
   - nine months vs. year round (ROI)
   - developmental time needed

6. All/each student learning vs. assembly line mentality – no choice of school

7. Technology/Internet/web sites
   - to aid learning
   - to access information
   - for distance learning
   - for web-based learning

8. Reading Skills (the lever for all other learning)
   - in English/multilingual (even better at early age)
   - 3rd grade level reading skills in 3rd grade is key
9. Life Planning/Sense of Purpose
   • gives life meaning/direction
   • can change frequently – so what?
   • imaging/visibility of different professions

10. And the Biggie:
    • Alignment and articulation of curriculum and instruction with standards of performance/rigor vs. “social promotion”

#21 DOE – Strategic Plan

Although you may disagree with its effectiveness, the U.S. Department of Education’s strategic plan lays out six goals:

1. Create a culture of achievement an overall attitude toward implementing the “No Child Left Behind Act.”

2. Improve student achievement by putting “Reading First,” expanding mathematics and science teaching, reforming high schools, and boosting teacher and principal quality.

3. Develop safe schools and strong character. Improve drug-free education environments.

4. Make education more evidence-based. Strengthen the quality of education research.

5. Improve post-secondary and adult education by increasing opportunities for students and effectiveness of institutions.

6. Establish management excellence by creating a culture of accountability within the Department of Education.
Reinventing Strategic Planning

E: The Basics of Strategy

Focus – focus – focus. Don’t be all things to all people.
There are too many opportunities today. Prioritize and make choices.

-Stephen Haines

#22 Less is More

Focus your strengths against your competitors’ weaknesses. Don’t mimic the leader; find the weakness in his or her strengths. Be a “contrarian.” In strategy, less is more.

#23 Building and Cutting Strategies Needed

You need both building and cutting strategies. Building strategies help you to craft and achieve your future vision. Cutting strategies spur change and efficiencies.

Some building strategies include:
- Customer-focused, value-added, “Star” model strategies
- TQM/TQL
- Service quality
- Delivery/speed/response

Some cutting strategies include:
- Cost cutting
- Reorganization/layoffs/selloffs
- Business process reengineering (waste)

#24 Economy of Speed and Flexibility

Lower your hierarchy and bureaucracy. Economy of scale has been replaced by the economy of speed/time, convenience, and flexibility.
#25 Only Three Proven Strategies

The only three strategies proven to always increase profitability are:

1. Leadership development (increasing your range and depth of leadership practices).
2. Process improvement (eliminating non-value added tasks/waste).
3. Strategic planning and successful deployment used together.

#26 The Primary “Failure” Strategy – MOS

Don’t rely on “more of the same” (MOS) while everything around you changes and playing fields are redefined. There are new challenges and strategic opportunities available due to restructuring in all areas – cost, industry, products, technology, customer dynamics, etc.

#27 Don’t Neglect Your Core Business

Don’t neglect strategies related to your core business as you pursue new and sexier opportunities. Cross selling products and retaining customers is the easiest way to increase volume and profits.

#28 Micro-Smart but Macro-Dumb

Watch out for “portfolio creep” of your products and/or lines of business. Being micro-smart about each one but macro-dumb about the entire portfolio’s fit and integration is too commonplace to ignore.

#29 Industry Boundaries Blurred

Industry boundaries are constantly obliterated, redrawn, and redefined through technology, integration, and the systems view.

#30 Fundamental Restructuring

Today, fundamental restructuring is taking place throughout all types of organizations and industries. Are you keeping abreast of these trends in your organization? How can you do this? Ask very fundamental questions about the nature of your business. Challenge the obvious.
#31 Core Competencies

Grow from your core competencies. Know them and build on them. Don’t let them atrophy.

#32 “Z” Model

The “Z” Model predicts success of new products and markets. In essence, the more expansion into new areas, the less likely you are to succeed. It is arrogant to think your organization is so good that it can just move into a new area and displace whomever is there.

The Product/Market Certainty Matrix below represents the effectiveness of introducing new products and services into the current market.

### PRODUCT/MARKET CERTAINTY INDEX (“Z Model”)

<table>
<thead>
<tr>
<th>Markets (Customer Segments)</th>
<th>Products (or Product Lines)</th>
<th>Existing</th>
<th>New, but Related</th>
<th>New and Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
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<td>90%</td>
<td>60%</td>
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<td>New, but Related</td>
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<td>20%</td>
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<tr>
<td>New and Unrelated</td>
<td></td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Adapted from Hayden and A.T. Kearney

1. New products/same customers = 60% success rate.
F: Strategy Formulation

Companies fail by extending what was instead of creating what could be.

-Mark Affleck

#33 Strategies Change Over Time

Strategies should change over time depending on your life cycle stage (i.e., emergent, growth, maturity, decline, recovery, extensions/global, new development). Do yours? If not, it is called failure of success.

#34 Look for Emergent Strategies

Look for emergent strategies all the time. Like everything in this world, strategies and competitive edge are fleeting concepts.

#35 Growth as a Universal Strategy

Growth is a universal strategy. Cumulative high growth over a number of years, however, can grow a company into oblivion. Fast and continuous growth may place stress on an organization’s people, systems, and infrastructure. Be careful what you wish for.

#36 Strategies as a Stretch

Are your strategies really new or a stretch or are they business as usual? The world is changing and your strategies better be changing as well.

#37 Outcome Measures of Success Linked with Strategies

Are your strategies and measurements financial only? Have a bread basket of outcome measures of success, including employees, customers, and competition (as a minimum). Have Strategies to achieve each measure.
#38 Initiative/Proactive

Are you proactive versus reactive? Does your organization create its own future? This is Stephen Covey’s #1 Habit in his book, *The Seven Habits of Highly Effective People* (Free Press, 1990). The world is changing and there are no more guarantees. Ask General Motors!

#39 Strategy Formulation is a Process of Learning and Repetition

Strategy formulation is a process of learning and repetition that deepens over time. Providing consistent and timely information to create informed employees can contribute to the learning and reinforce key concepts.

#40 Strategy Formulation is an Art – Look Around

Although compiling and interpreting data enables organizations to formulate strategy, it is not the only tool. Strategy formulation is an art, not an exact science. Therefore, you must get creative; look at what organizations in other industries are doing successfully.

#41 Strategic Planning is Strategic Thinking

It is this dialogue, dissent, and discovery process that leads to good choices. Openness and promoting skeptics are my best friends will allow much more richness of dialogue.

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**An Asian Perspective – The Power of Strategic Vision**

In 1963, serving as an unpaid volunteer chairman of the Housing and Development Board, the late Mr. Lim Kim San took on the task of building new dwellings for residents after witnessing firsthand the inhumane living conditions in Chinatown, where it was not uncommon to have more than 200 people squeezing into a single three-story shophouse (with every available corner tenanted, including cubbyholes under staircases). To solve this chronic problem, Mr. Lim envisioned an accelerated building program that would construct 10,000 flats. Skeptics immediately formed a committee which concluded that building 10,000 units was impossible. By the time the committee drafted its report, however, Mr. Lim and his HDB team had already done the impossible: 10,000 homes had been constructed. By mid-1964, 44,345 flats had been built, with another 11,760 under construction.
G: Price/Profit Strategies

#42 Tie Your Pricing to Your Image/Reputation

Tie your pricing to your image/reputation and to the rest of your core strategies and competitor analysis. What are you after – volume and growth, large gross margin, lowest priced products, brand identity? Focus-focus-focus.

#43 Price Alone is Not Usually a Competitive Edge

Others can match it even at the cost of unprofitable operations. While the customer wins, the industry loses. Only the deepest pockets firm wins this long term. Over the long term, when good pricing disappears, it leaves behind a competitive disadvantage. In addition, some consumers equate low price with poor quality and service. If you can do it, however, you could be the next Wal Mart or “Two Buck Chuck” Winery (Charles Shaw).

#44 Four Ways to Increase Profits

1. Increase volume
2. Increase price
3. Reduce cost of resources
4. Reduce resources applied/used

Four Ways to Increase Profitability

- Increase Volume → Increase Revenues → Increase Price
- Increase Productivity → Increase Net Income (Viability) → Increase Mark-up Ratio
- Reduce Resources Applied → Reduce Expenses → Reduce Cost of Resources
#45 Price Points are Key

Price points in your industry are key to limit overpricing or not lose money. Do you know your customers’ price points? Is it $20 (the ATM dispenses)?

#46 Balance Risk and Return

The expected return compensates for the risks of failure and shortfall which have been realistically estimated. What risk are you willing to take? High risk = High reward.

Note: Iceland pursued high growth strategies with huge borrowings (high risk) to fund it. In the 2008 financial meltdown, Iceland collapsed from the most advanced country with the highest GDP to a basically bankrupt country needing IMF (or was it world bank?) funding.

#47 Take the Risk “X” Test

Take the X Test to see where/how you are taking your strategic risks. What part of your business and mission are you changing (who, what, why) or are you changing the way (how) you do business?

“X” – TEST FOR RISK

* If a new SBU, product/service, or customer produces a change in more than one axis, the probability of failure is very high.

** If the change is in the driving force(s)/positioning, it is especially risky.
#48 The Five Pillars of Pricing Strategy

Reprinted from TEC Leadership Notes, November 2005.

According to pricing expert, Eric Mitchell, profit is a function of price, margin, and cost. He believes that, of the three, pricing is the most difficult to get right. Notes Mitchell, part of the problem is that many CEOs approach pricing as a tactical activity, something you do just before taking a product or service to market. In reality, pricing is a strategic function that encompasses far more than just the cost of making and delivering the product.

Before developing a pricing strategy, Mitchell recommends giving serious thought to five critical factors:

1. **Competition.** Who is your competition, what is their cost structure, and how do they price? This information is especially important if your business submits bids or responds to requests for proposal in order to make a sale.

2. **Customers.** According to Mitchell, no two customers buy for the same reasons. Plus, they often perceive different value from your product or service. In today’s world, more and more companies are implementing different pricing structures for different categories of customers.

3. **Financials.** What are your gross margins? What do they need to be? Does your cost structure allow you to achieve those margins? The higher your margins and the lower your costs, the more flexibility you can have in your pricing strategies.

4. **Perceived value.** Do your customers consider you a value-added provider or a commodity? Do they see you as different from your competitors? If so, are they willing to pay for the difference(s) you offer?

5. **Marketing objectives.** Is your goal to increase market share? Drive out competitors? Introduce a new product? Open a new market? Boost profits? Most important, what does the ideal customer for your business look like, and are you putting together a pricing package to attract that kind of customer?

To support this process, Mitchell recommends conducting an annual (or now, quarterly) profit=price review which involves a half-day meeting with your CFO or controller and other management team members to review your overall pricing strategy and accomplish three specific goals:

1. Review the costs embedded in your structure.
2. Review your volume discounts.
3. Conduct a bottom ten review of your lowest profitable customers and products.

Mitchell also suggests identifying a “captain of pricing.” This individual’s main focus is to track the effectiveness of your pricing strategies in the short and long term.
H: Cost Strategies

#49 Cutting Strategies

Cutting strategies related to financial management are necessary, but not sufficient for success. Once you have made the cuts and downsized, what’s next? It should be building strategies. Cut-cut-cut leads to liquidation – ask GM and Ford.

#50 Common Components/Simplification (Commonization)

Commonization is now in much wider use in Japan. They use the same common components for multiple, existing, and different products/models to cut design time and expense. Honda started it, now Tokyo does also. GM is learning this, too.

#51 Capital Leverage

Growth through the capital leverage of others (i.e., Marriott, Disney) is a way to expand faster and faster. Use other peoples’ money.

#52 Improving or Outsourcing Your Business Processes

This is a successful strategy if it starts with and is based on customer needs and the process cuts across two or more functional departments. Be sure this is not done just to cut costs. The language and accent barrier can decrease customer value.

#53 Typical Processes to Improve/Reengineer

Lowers costs intelligently. Ensure your business process improvement is value-added (all based on customers’ needs/wants), not just cost cutting. This was a painful lesson for Hammer and Champy (of reengineering fame).

For the external customer, these are some typical processes:

- Customer focused product development – customers’ wants/needs to target/design to prototype; includes focus groups, surveys, market research, analysis, segmentation, brainstorming, design purchasing, engineering, prototype manufacturing.
- Customer acquisition – target to proposal to order/sale; includes marketing, segmentation, research, advertising, promotion, prospecting, sales, closing.
• Order fulfillment/manufacturing – order to payment/distribution; includes credit, order entry, assembly, setup, suppliers, procurement, packaging, shipping.

• Customer service – receipt/inquiry to resolution; includes receipt of product/service, complaints, repairs, customer treatment, speed and response time, etc.

• Product life-cycle ending – from product use ending with disposition; including reduce reuse, recycle, reclaim, dispose, etc.

For internal customers, here are some to possibly reengineer:

• Financial management – credits/debits to profit/loss; includes taxes, governments, cash management inventory, investments, profit/loss, balance sheet, capital requirements.

• People management – recruiting to terminating; includes recruiting, hiring, orienting, developing, rewarding, motivating, promoting, retaining, terminating.

• Public and investor relations – reality to image/reputation; includes PR, contributions, communications, reports, relationships, stockholders, media, community.

#54 Value Engineering Supply Chain

By taking a scalpel to waste at the design stage, you will reduce costs, simplify steps, and shave time from production. You must align buyers, supplies, and customers into a seamless value chain to reduce cost, improve quality, and speed order fulfillment in order to gain a competitive business advantage.
I: Socially Responsible Strategies

#55 Environmental Responsibility

Environmental responsibility is good business today. Not only does it enhance your reputation, it also lowers your costs as you eliminate waste and increase recycling. It is a win-win with customers, employees, society, community, and stakeholders due to global warming. Go Green!

#56 Management/Business Ethics

The strategy of management/business ethics is an interesting one. It is hard to build, but easy to lose by a single mistake or wrong action. In today’s complex world, however, it is one way to differentiate your organization from the competition.

#57 Focused Social Responsiveness

Being socially responsive, contributing to society and community solutions, is good business. Do it in a focused way – not by nickels and dimes to various charities. Pick corporate and regional/community priorities, focus on them, and get employees involved in them, too.

#58 Workers’ Rights and Coalitions

As a good corporate citizen, respecting the rights and dignity of workers, especially in foreign countries, is crucial. You may feel that exploiting low wages and poor workers/migrants helps your business in the short run, but it leaves a stain on your reputation in the long run. Not to mention how it hurts quality, increases turnover, and affects competent workers.

#59 Sustainable Development

According to the Brundtland Commission, sustainable development is “development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.” This deceptively simple definition hints at five underlying core principles:

1. Respect for ecological integrity.
2. Efficient use of natural, manufactured, and social capital.
3. Promotion of equity.
4. Participation of stakeholders.
5. Environmental stewardship by all levels of decision makers.

#60 Renaissance in Government

Developing and implementing good strategies in the public sector requires dealing with a unique set of issues. These include:

- Mandate versus mission
- Lack of profit motive
- Politicians as “board of directors”
- Lack of customer focus
- Missing outcome measurements of success
- Parallel process = Public consultation
- Low-risk leadership styles
- Perceived resource constraints
- Lack of staff support for strategic management
- Ineffective change management
- Confusing inputs vs. outputs – focus on outputs
- Lack of accountability and perceived inability to fire anyone

An Asian Perspective – What’s In It For Me

As China’s modernization drive gained momentum in the late 1980s, many Chinese delegations visited Singapore eager to learn modern management methods. In 1992, the idea of developing a modern industrial township with Singapore was broached when, during his tour of southern China that year, China’s late paramount leader Deng Xiaoping said, “Singapore enjoys good social order and is well managed. We should tap on their experience, and learn how to manage better than them.”

After rounds of discussions and site surveys, both governments decided to join hands in developing a modern industrial park in the east of Suzhou. The China-Singapore Suzhou Industrial Park (CS-SIP) was thus born on Feb. 26, 1994 when Chinese Vice Premier Li Lanqing and Singapore Senior Minister Lee Kuan Yew signed the Agreement on the Joint Development of Suzhou Industrial Park in Beijing.

Although both had a stake in the partnership, there were problems. While it would be simplistic to attribute some of these early problems to cultural issues forming a major part of the debate on “what went wrong,” it cannot be denied that official attitude of the Suzhou local government and the tangible turnaround of fortunes of the project pivoted on the transfer of majority ownership from the Singapore side to the China side.
J: Systems Integration Strategies

#61 Cultural Change

Cultural change is one of the hardest strategies to achieve. To even have a chance, you must attack it directly and relentlessly, taking no prisoners, just like a war. It is a war; the old versus new culture, and the new culture is outweighed and outgunned. You need a specific game plan to attach this, too!

#62 Strategies All Aligned

Are your corporate and business unit strategies all aligned, especially when it comes to your positioning, image, and reputation in the marketplace as the driving force for the entire organization?

#63 When Strategy and Culture Collide

Are you aware just how much change is required to make a core strategy become a reality? Use “from-to” statements to clarify this gap. However, when strategy and culture collide, culture wins almost every time.

#64 Rigorous and Ruthless Strategy Implementation/Execution

Rigorous and ruthless strategy implementation with watertight integrity is key, especially if it includes cross-functional teamwork that is needed. This is a highly successful strategy in its own right.
#65 Providing Employee/Family Benefits

Providing employee/family benefits, such as Employee Assistance resources, allows employees to focus on work. Additionally, part-time employees are often more productive than full-timers as they are allowed to handle personal matters off site. Benefits can be a strategy if you are creative and ask people what they want and need.

#66 Complex Firms Need to Divest

Complex firms with many business units rarely perform as well as focused ones. Divestitures (i.e., spinoffs, LBOs) is the better strategy to get back to a focus.

#67 Your Infrastructure Needs Attention

Grow through careful strategic planning and attention to your infrastructure. Don’t follow your plan blindly, however, because it is a living, breathing document which continually needs to be scanned (future environmental scanning) and updated.

#68 Centralization or Decentralization?

Strategic consistency and operational flexibility is a must in today’s complex world. The key is to define and adhere to which is which. This “either/or” of centralization versus decentralization is obsolete.

#69 Corporate Strategies and Competitive Strategies are Different

Most corporate portfolio strategies are dismal. Competitive strategies, however, at the level of business unit operations are what positioning is all about.

#70 A Yearly Strategic Management System

A Strategic Management System includes a:

1. Strategic plan,
2. Successful implementation and change management, and
3. Sustained high performance over the multi-year long term.

This is where the real competitive edge lies – it is a synergistic and holistic Systems Thinking Approach® to success. It is a commitment to managing and leading
your team in both the short and long term. Making this into a Yearly Strategic Management System and Cycle is key to long-term success in any organization.

#71 Strategic Consistency

Strategic consistency with operational empowerment/flexibility is crucial to getting everyone going in the same direction. Key in strategic consistency is shared vision and values as well as a third – shared core strategies that are more specific than just the shared vision.

An Asian Perspective

The Johns Hopkins University presence in Singapore began in 1998 with the goals of providing clinical service, education, and research as part of Singapore's national effort to turn the country into an international front-runner in the biomedical field. Johns Hopkins presence in Singapore was a collaboration between Singapore's Agency for Science Technology and Research (A*STAR). In 1999, however, Johns Hopkins Singapore (JHS) was found to have significant problems in the progress of its research and education programs and a restructuring of the collaboration was then effected.

Unfortunately, problems persisted. A*STAR had to negotiate a significant restructuring of JHS in 2003 which led to the establishment of the Division of Johns Hopkins in Singapore (DJHS), an academic department reporting to the Dean of Medicine at JHU. A*STAR put in place, with the agreement of JHU, stringent oversight criteria and the requirement for a mid-cycle review. The Agreement specified clear key performance indicators (KPIs) that would provide mutually agreed metrics for success.

The mid-cycle review was carried out by two committees in late 2005 and in early 2006. Separate reports were submitted by the independent Scientific Advisory Committee appointed by DJHS itself, and by the A*STAR Grant Review Committee. The findings revealed that DJHS was still lacking in senior scientific leadership and had failed to achieve several KPIs.

All in all, DJHS failed to meet eight out of 13 KPIs for scientific capability development specified in the Agreement. For seven of these KPIs, DJHS was unable to even meet the 1st year targets by the end of the 2nd year.

As a result, DJHS and A*STAR terminated their collaboration, and DJHS is in the process of winding down operations in Singapore.

The key point here is that there were no clear KPIs from the start. The collaboration moved along with no clear understanding of the expectations of both parties in the form of clear KPIs; only broad goals were stated. It was only with the second restructuring in 2003 in which 13 specific KPIs were agreed upon. It is arguable that the lack of agreed upon KPIs for the first five years of the collaboration contributed to the failure of the collaboration.
K: Global Strategies

#72 Global Expansion

Global expansion is a needed and popular strategy today. Do it carefully and plan fully with a local partner if you go outside your home country. Customer needs assessments and preferences are crucial here. Tailor your products/services to these answers. It might be helpful for you to determine whether you are an export, multinational, or global organization?

- **Export companies** run operations from a central office in the home market.
- **International companies** replicate their business systems through the creation of autonomous regional operations with decentralized manufacturing, marketing, and sales. Key decisions, however, are still made at the head office in the home region.
- **Global companies** are ones in which there is no defined primary base. R&D, sourcing, and manufacturing are situated in the most suitable locations anywhere in the world.

#73 Expanding Internationally Through Exports

Expanding internationally through exports is often the first step in a global strategy, but it does take time. Have patience and perseverance at this. No quick fixes. Just long-term relationships are needed.

#74 Operating Globally – A Systems Thinking Approach®

Operating globally has a whole set of unique strategies in its own right. With a Systems Thinking Approach® you help every aspect of your organization’s functioning by assessing and realigning to fit its global reach.

#75 Using a Flat World to Your Advantage

Global corporations aren’t just operating factories overseas anymore. They are relocating a greater variety of business functions, taking advantage of low-cost locations and global time zones to significantly increase efficiency.
#76 Checklists for Going Global


Strategy checklist:

1. Know the fundamentals that really drive your business. If you do, then you’ll know when it is time to go global.
2. Forget about in what country “headquarters” is located.
3. Bring foreign nationals onto the board of directors.
4. Use the same language (probably English) for all top-level communication, but use the native language, too.
5. Foreign postings should be required for advancement.
6. Much of the value-added lies in tightly coordinating company operations.
7. Don’t expect global alliances to succeed based on a friendship between two CEOs.
8. Don’t impose value-neutral headquarters functions on line operations abroad.
9. Don’t assume you can globalize without substantial time and investment.

Areas of corporate culture that can be globalized include:

- Organizational identity, image, and mission
- Organizational space and scope
- Organizational myths, attitudes, and beliefs
- Organizational values and norms
- Organizational communication and language
- Organizational processess and learning
- Organizational personnel – recognition and rewards
- Organizational rites and rituals
- Organizational relationships
- Organizational look, style, and reputation
L: GROWTH AND MERGER AND ACQUISITION STRATEGIES

#77 Is Your Industry Ripe for a Roll-Up?

Consolidation plays, or “roll-ups,” were the hottest deal trend to emerge since the LBO bubble burst in the late 1980s. Roll-ups allow new owners to cut costs, attract better management, and boost revenue growth.

In a roll-up, consolidation may occur at the same time as the initial public offering (IPO). Roll-ups are complex so it is important to use experienced advisors, be prepared, and know the players.

Note: Because roll-ups pull together so many difficult cultures, their probability of success is low.

#78 The M & A Way – 70% Failure Rate

Most mergers seem to earn failing marks – seven out of ten acquisitions do not work out. Many acquiring companies, over time, lose market share in the products acquired. Today, corporations seem to be following a more focused, niche-oriented strategy. Those who prefer small acquisitions in related businesses tend to have a higher success rate.

#79 Operational Due Diligence Categories

Planning for a merger includes:

- Establishing a realistic time frame
- Selecting the functions/constituencies to include
- Organizing for due diligence
- Using outside resources
- Ensuring the security of the process
- Setting priorities
- Monitoring the data flow
- Budgeting for due diligence

Implementation of a merger has issues that include:

**Getting Started**

- What to tell employees and what not to reveal
- Identifying key priorities
- Addressing control, security, and confidentiality
• Scheduling progress meetings
• Delivering adverse information

**Reporting Findings**

• What reports you need to prepare
• Complying with SEC, banking, regulatory rules
• Internal reports to generate
• Identifying constituency needs in advance

**Using the product of due diligence**

• How to structure the process to ease transition
• Using the data for planning
• Integrating operations after the deal

#80 Mergers and Acquisitions Fail – Should You Even Do It?

Why is it that in mergers and acquisitions, the acquired company’s stock usually goes up with the announcement and the acquiring company’s stock price goes down? Could it be that most mergers and acquisitions never reach their supposed potential and are doomed from the start?

#81 Acquisitions and Mergers are a Growth Strategy

Acquisitions and mergers are a growth strategy but also need careful planning, integration, and fit, especially with your culture and core values and business strategies (see above). If it is a “strategic merger,” then its probability of success is high.

#82 Mergers and Acquisitions Need Complete Integration

To make mergers and acquisitions work over the long term, either complete integration should occur, or as a minimum, sharing resources and values, as well as transferring numerous people between organizations, should occur.

Utilizing the Business Excellence Architecture in this book, here are some key integration areas – there are many:

• Integrating two cultures into one shared culture and core values
• Developing shared strategic/annual direction and priority actions
• Installing an Enterprise-Wide Change™ structure and process to guide the process
• Solving people-related issues
• Installing succession and leadership development systems/programs
• Organizing marketing and sales force efforts and results
• Remaining customer-focused throughout
• Integrating and rationalizing the delivery system
• Reducing bureaucracy and simplifying your processes, procedures, and cost savings
• Integrating all your information technology into one compatible system
• Rationalizing all the various products and services

#83 Mergers and Acquisitions are a Turnaround

Mergers and acquisitions should usually be viewed as a “turnaround” with quick, decisive decisions and directions. Do it and get it done.

#84 Managing Acquisitions and Alliances Post-Merger

In today’s rapidly moving environment, where acquisition follows acquisition, as industry boundaries shift and networks of alliances are reshaped on an ongoing basis, the ability to effectively handle acquisitions and alliances is becoming essential.

It is the ability to flexibly manage post-acquisition – the way information is codified and routinized, the development of integration teams, and the design of the transition process – that creates success.

#85 Growth Options

There are generally seven (7) ways to grow. These are:

1. Increase volume
2. Expand geographically
3. Vertically integrate
4. Diversify products/services
5. Develop alliances
6. Do a merger or acquisition
7. Horizontal integration

Be careful not to try too many of these at once!

#86 Organizational Life Cycle

When determining growth and merger options, the key is to think situationally. At what stage are you within the organizational life cycle? Are you in an emerging stage, a growth stage, a maturity stage, a decline stage, or a renewal stage?

The figure on the next page can provide a starting point regarding what actions you might take at any given stage based on your objectives.
Organizational Life Cycle Matrix

1. Where are we?
   a. Dominant
   b. Leading
   c. Important
   d. Tenable
   e. Weak

2. What are its implications?

<table>
<thead>
<tr>
<th>Sales Volume</th>
<th>Emerging Stage</th>
<th>Growth Stage</th>
<th>Maturity Stage</th>
<th>Decline Stage</th>
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<td>Decrease</td>
<td>N/A</td>
<td>Hold Harvest Retrench</td>
<td>Harvest Retrench</td>
</tr>
</tbody>
</table>

#87 Competitive Positioning (in the Life Cycle)

The strange part of today’s world is that almost all senior leaders have two jobs:

1. Competing in today’s global economy, and
2. Building for the future to retain and even extend their positioning.

Therefore, you need to be working on number two (the future) even though you may be in a high growth stage of number one (today). If you are sequential and wait on number two, you will usually be in maturity or even decline before you act on the future. This is too late!
M: Crisis Management

#88 Crisis Management Defined

Crisis management is coping with problems as they arise rather than anticipating problems and setting proactive strategies and steps to mitigate its impact. When a crisis occurs:

- Log crises. Develop contingency plans for serious ones.
- Set objectives, priorities, and deadlines. Get regular progress reports.
- Don’t over schedule. Leave 20% of day open for unexpected emergencies.
- Don’t switch priorities needlessly.
- Don’t overreact. Ignore transitory problems, delegate, and respond to those crises that you can handle.

#89 Four Crisis Elements

Managers must examine each of the crisis types and determine where the company is vulnerable. In those areas in which the company is most vulnerable, executives should assess the four crisis elements: dimension, control, time, and options.

Dimension

If a crisis does occur, what is the degree of the impact on the organization? Will the organization be devastated or will it only hiccup?

Control

To what degree can the company influence events once a crisis is underway? If a company is vulnerable in an area over which it has little or no control – watch out.

Time

How much time is available? Will decisions have to be made immediately with no time for analysis, or will management enjoy the luxury of lengthy strategy sessions?

Options

What options are available? In chess, the term “sugzwang” means that one player has no options and his every move is dictated by the player in command of the board.
#90 Nine Types of Crises

Effective crisis management requires preparation. Managers should perform a susceptibility audit that evaluates a company in terms of nine crisis types and determines what kinds of crises the organization is likely to face. The audit also assesses management’s ability to respond by examining the time available for action, the dimension of potential disruption, management’s degree of control, and available options.

The nine types of crises are:

1. Public perception
2. Product failure
3. Hostile takeover
4. Sudden market shift
5. Adverse international event
6. Labor relations
7. Cash
8. Regulatory
9. Management succession

#91 Turnarounds (Crisis Management Techniques)

Five great techniques for turning around crisis situations are:

1. **Establish a mission bigger than just surviving.** Identify a larger goal so that people can believe in this goal while the crisis is taking place.

2. **Communicate constantly and creatively.** Talk about everything to everyone. No matter how isolated you think bad news is, it affects everyone.

3. **Get control of your cash flow personally or through your CFO.** For a short time, suspend the right to spend money for anyone but yourself or one or two people near you (CFO). Stop paying bills for a day or two and build up a little working capital. Manage your business so your working capital never gets to zero again.

4. **Determine what kind of turnaround you have.** In an early turnaround, decide what major activity will stabilize the business and provide a platform for growth and profit.

5. **Choose as few priorities as possible.** Select a few priorities and stick with them. Remember the 80/20 rule.
Empowerment of people is a wonderful social goal and is even a good strategy if certain criteria are met (especially management’s buy-in). The key is rights and responsibilities. You must be specific regarding the rights and responsibilities of the people you empower.

Empowerment criteria for each person includes:

1. Need to understand/agree with the organization’s vision, mission, values, and strategies.
2. Need to be proactive within set guidelines, but then allow decision-making ability within those guidelines.
3. Need to still be a team player.
4. Need a willingness to be held accountable for your actions/self initiative.
5. Need to be provided with the training and tools to be successful.
6. Need management’s willingness to:
   - give up some decision making power/vetos
   - allow some mistakes
   - provide positive reinforcement/recognition for good empowerment initiatives
   - allow others to come up with “how to” solutions that are different from the ones you would make (as long as the goal is the same).

Empower individuals (not groups of individuals) when:

- they are personally ready and committed (both staff and management)
- the situation dictates empowerment will work
#93 Empowerment Preconditions

Empowerment is successful only once numerous preconditions are met, including clear strategic direction, core values agreement, willingness and ability, sharing of management power, and management’s skills of trainer-coach-facilitator.

#94 Management Turnover

Too much executive and management turnover will doom any strategy. Be sure you have consensus with any new executives on these strategies. Watch for lip service. Ask new executives to be “Royal Skeptics” as “skeptics are your best friends.”

#95 “Learning” and Fear

Learning by individuals, teams (especially cross-functional) and organizations can theoretically become an organizational competitive edge. However, its “press” is far ahead of its reality. Fear and learning don’t coexist. Driving out fear is one of Deming’s 14 TQM points. For an example of how adults learn, see the figure below.
#96 Intellectual Capacity

According to Charles Handy in *Rethinking the Future* (Brealy Publishing Ltd., 1998), in the age of intellectual capital, the capital is owned by the workers in the company. It is the assets who own the assets, not the stakeholders or management. It is key that you have back-ups and cross training in place.

#97 An Organization’s Capability to Innovate, Change, and Adapt

An organization’s capability to innovate, change, and adapt is a key source of a sustainable competitive edge. Use audits and surveys to assess your levels of capability. This is important, no matter what your core positioning.

#98 Developing the “People Edge”

Developing the “People Edge” is often talked about and rarely achieved. It requires a Systems Thinking Approach®, including synergy of all HR practices tied to your Strategic Plan, as well as treating everyone with the dignity and respect they deserve as human beings. Gallup Poll’s “engagement” questions later in the book are a good place to start.

#99 “Genetic Diversity” – Not Inbred

The need for “genetic diversity” in the management and leadership of organizations is key. Inbred management breeds decay and lack of creativity and innovation. This is why many great organizations die – see General Motors, for example.

#100 Reward Systems Tied to Plans

Reward systems (including non-financial recognition programs) tied to your strategies are a strategy in their own right – and absolutely essential to success, especially at the individual and team levels of rewards.

Effective rewards are:

- Timely – not just yearly
- Significant – size matters
- Personally meaningful – what people want, not just money
- Competing against oneself only – so everyone can improve
- Multiple winners – not the old *employee of the month* (singular)
Keep in mind that the top three employee needs, consistently expressed through survey time and again, are 1) recognition for doing good work; 2) freedom for independent thought and action; and 3) opportunity for personal growth.

#101 Training and Development – Leadership Development First

If you have limited funds to provide training and development and learning experiences, focus first on strategies to create a Leadership Development System with Individual Development Plans (IDPs) for each executive.

Leadership is the only sustainable competitive edge over the long term. Focus here before the rank and file.

#102 Hiring and Promoting the Right People

Hiring and promoting the right people up front is a competitive edge. You win the game on hiring and succession planning, not on development. Thus, an excellent recruiter is key to success, especially in small, fast growing organizations. Also, don’t put off succession planning for the top two management levels in any organization.

#103 HR Self-Service

According to Tony Maravola, principal of the Platte Group, a Gurnee, Illinois firm specializing in HR redesign and self-service, many companies decide to make two important changes at the same time: setting up an employee self-service (ESS) system and reengineering of HR processes. While those changes can be made simultaneously, they will be effective only if HR professionals and other top managers make sure each effort will be visible on its own.

States Maravola, “Technology can add efficiency to a process, but it cannot add effectiveness. Applying technology to a bad process only gives you a bad process that works faster.”

Be careful here. It is HR staff that are most likely to resist this.

#104 Employee Benefits as a Competitive Business Advantage

Employee benefits can be a competitive business advantage. According to an article published in Fast Company (January 1999), and growing ever more creatively since then, benefits may include almost anything, including:

- 35-hour work week
- live piano music in the cafeteria
• unlimited soda, coffee, tea, and juice
• one extra week of paid vacation between Christmas and New Year's
• on-site gym, daycare, and/or health clinic
• zero-cost employee health insurance, benefits extended to partners, etc.
• laundry service on site
• casual dress days
• elder-care and financial planning advice/referral
• on-site massages
• unlimited sick days as long as the job still gets done (for “at-will” employees)
• vacation time increased/sabbaticals

#105 Core Values about Valuing People

People are an organization's most valuable asset. This is a BFO (Blinding Flash of the Obvious). Machines/equipment don't do anything of and by themselves. Money doesn't move on its own. People do everything in an organization – and energized and motivated people do more thinking, do more work, care more, achieve more, and stay more often.

Living our core values about valuing people unleashes our creativity, learnings, quality, energy, and motivation as a unique advantage. People can be an organization's competitive strategic advantage if you let them be. Do you audit to find out who your cancerous poor people managers are? Do you tolerate them? Jack Welch at General Electric did not.

#106 Best People Practices

According to the Haines Centre for Strategic Management, the Systems Thinking Approach* to Creating the People Edge is rarely used to create people as your competitive advantage in organizations.

There are six levels of People Edge Best Practices. These are:

I. The Six Levels of People Edge Best Practices

Level 1: Acquiring the Desired Workforce (the Individual)

1. Individual capability requirements
2. Alternative workforce arrangements
3. Workforce, succession, and retirement planning
4. Career development plans for everyone
5. Recruiting methods to hire the desired employees

Level 2: Engaging the Workforce (Interpersonal)

6. Performance management systems
7. Compensation systems that motivate
8. Recognition systems that reward progress
9. Flexible benefit programs
10. Dealing with poor performance

Level 3: Organizing High Performance Teams (Team)
11. Developing teams-goals-rules-procedures-relationships
12. Developing small unit team leaders
13. Empowering work teams
14. Participative management skills developed for all management
15. Rewarding and reinforcing teamwork

Level 4: Creating a Learning Organization (Interdepartmental)
16. Spreading learning and intellectual capital – tacit knowledge
17. Institutionalizing Systems Thinking tools, skills, framework
18. Measuring Human Resources status across collective management
20. Encouraging creative thinking – teach managers “how-to” do this

Level 5: Facilitating Cultural Change (Organization)
21. Desired organization culture identified and game plan in place to achieve it
22. Developing the collective management skills on a regular “52 week” bite-sized approach
23. Aligning and streamlining all Human Resource processes
24. Organizing change structures to support your direction, especially on “Employee Development” board
25. Developing strategic change experts

Level 6: Collaborating with Stakeholders (Organization-Environment)
26. Operating in a global environment
27. Maintaining strategic alliances
28. Positive people environment – recognition programs/“thank you” cards
29. Focusing on customers
30. Balancing value contribution

II. More Inputs: Leadership Roles and Six Leadership Development Competencies
31. Defining roles in creating the People Edge – line/staff/HR
32. Developing Leadership Competencies clearly
33. HR partnering with management
34. Adding Human Resource department as value-added
35. Articulating the strategic direction down through all employees (vision, values, and core strategies)

III. The Fundamental Core Input: Strategic Human Resource Planning
36. Developing a Human Resource Strategic Plan

IV. The Outer Circle: Outcomes and Results
37. Alignment with the corporate Strategic Plan
38. Attunement with People’s Hearts and Minds
39. Number one core competency – our strategic leadership competency
#107 The HR Value and Strategy Proposition

In an article published by the Harvard Business School Press in 2005, Dave Ulrich and Wayne Brockbank cited five factors for the HR Value Proposition. They were:

1. Knowing external business realities (technology, economics, globalization, and demographics).
2. Serving external and internal stakeholders (customer, investors, managers, and employees).
3. Crafting HR practices (people, performance, information, and work).
4. Building HR resources (HR organization and strategy).
5. Assuring HR professionalism (HR roles and competencies).

#108 Strategic People Edge (HR) Plan

People strategies need a comprehensive People Edge (HR) Strategic Plan, like the Haines Centre’s plan as shown below:
O: GALLUP-BASED STRATEGIES

based on the book Now, Discover Your Strengths by Marcus Buckingham

#109 The Strengths Revolution

Speaking about the “strengths revolution” in his book, Now, Discover Your Strengths (Free Press, 2001), Marcus Buckingham says that “every great organization must not only accommodate the fact that each employee is different, but it must capitalize on these differences.” This is the simple decree that underlies Buckingham’s revolution.

The following excerpt from the book reinforces the notion that great companies must harness and leverage employee talents:

“[An organization] must watch for clues to each employee’s natural talents and then position and develop each employee so that his or her talents are transformed into bona fide strengths. By changing the way it selects, measures, develops, and channels the careers of its people, this revolutionary organization must build its entire enterprise around the strengths of each person.

In his introduction, Buckingham goes on to cite an analysis of a poll conducted by the Gallup Organization which asked 198,000 employees working in 7,939 business units within 36 companies the million-dollar question: At work, do you have the opportunity to do what you do best every day? Buckingham found the following correlations:

1. Employees who answered “strongly agree” were
   - 50% more likely to work in business units with low employee turnover,
   - 38% more likely to work in more productive business units, and
   - 44% more likely to work in business units with higher customer satisfaction scores.

2. Over time, the business units of the “strongly agree” employees saw comparable increases in productivity, customer loyalty, and employee retention.

Additionally, Buckingham found that only 20% of employees working in large organizations felt that their strengths were capitalized each day.

Thus, part of this Gallup-based strategy is to maximize the tremendous opportunities available by increasing the number of employees who feel they use their strengths every day. According to Buckingham, “sixty percent of employees saying ‘strongly agree’ isn’t too aggressive a goal for the greatest organizations.”

He indicates that there are two assumptions that guide the world’s best managers: 1) each person’s talents are enduring and unique; and 2) each person’s greatest room for growth is in the areas of his or her greatest strength and provides the following “attitude adjustments” for facilitating employee talent:
1. Measure what really matters
2. Stop trying to change people. Start trying to help them become more of who they already are.
3. You’re not the most important person in the company (believe it or not, your middle managers are).
4. Stop looking to the outside for help. The solutions to your problems exist inside your company.
5. Don’t assume that everyone wants your job – or that great people want to be promoted out of what they do best.

#110 Think Big, Act Small – Local Control

Buckingham references a Gallup study which measured engagement for employees at small and large companies for three quarters. Their key findings included:

1. Engagement, the feeling of being fully involved in one’s job, was highest (33%) at companies with fewer than 50 workers.
2. Engagement is lowest (22%) at companies with 1,000 to 5,000 employees.
3. At companies with 1,000 to 5,000 employees, 19% felt actively disengaged or fundamentally disconnected from their work vs. 12% at companies with fewer than 50 workers.

According to Buckingham, “Gallup researchers traced the higher engagement of small-company employees to their greater sense of local control, the feeling of connection to, and accountability for, company output. But at large companies, hierarchy and bureaucracy can make employees feel their contributions don’t matter.”

He also states that in smaller work units of fewer than ten people, managers affect employee engagement. If the manager is incompetent, engagement is affected negatively and, conversely, if the manager is able to communicate and motivate effectively, employee engagement soars.

#111 Breaking the Rules

According to Buckingham, business results improve when a manager successfully engages his or her employees. He states that “rather than building on strengths, management has come to operate from two ‘weakness-prevention’ assumptions:

1. Each person can learn to be competent at virtually anything.
2. Each person has the greatest room for growth in his or her areas of greatest weakness.”

To improve business results, this strategy encourages you to “break the rules.”
#112 74% of Employees Not Engaged

A survey conducted by Gallup involving over 100,000,000 employees in the U.S. found that

- 26% of employees in the U.S. are engaged
- 55% of employees in the U.S. are not engaged
- 19% of employees in the U.S. are actively disengaged.

Over 74% of employees in the U.S. are not engaged! Thus, moving employees from “not engaged” to “engaged” can create new cash flow. This is called the Gallup Path, as shown below. For more information, see www.gallup.com.

According to Gallup, the single best predictor of sustainable growth over 12 quarters of performance is the way customers rate their relationship with the organization on a 1 to 5 scale. The metric that best predicts a growth in this rating is the total percentage of positive, enthusiastic employees (engaged) at all levels.

Consequently, the number of engaged employees is driven by the quality and talent of managers and supervisors. These managers effectively use the talent they have.
According to Gallup, there are twelve dimensions of a great workplace. These are:

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor, or someone at work, seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions count.
8. The mission or purpose of my company makes me feel my job is important.
9. My fellow employees are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

Increasing employee engagement in your organization can be an effective strategy, increasing morale, enthusiasm, and, ultimately, cash flow.

### #113 58% of Customers Not Engaged

Increasing customer engagement is essential to increasing the bottom line. Part of the equation is to increase employee engagement, as previously described.

In a survey conducted by Gallup of six key industries, they found that

- 21% of U.S. customers were fully engaged
- 21% of U.S. customers were engaged
- 30% of U.S. customers were not engaged
- 28% of U.S. customers were actively disengaged.

Like employees, increasing the percentage of engaged customers translates into increased business opportunities. Specifically, Gallup asked 11 questions that provide unique insight into the minds of customers, thus helping to identify ways to encourage engagement. These questions are:

1. Overall how satisfied are you with (brand)?
2. How likely are you to continue to choose/repurchase (brand)?
3. How likely are you to recommend (brand) to a friend or associate?
4. (Brand) is a name that I can always trust.
5. (Brand) always delivers on what they promise.
6. (Brand) always treats me fairly.
7. If a problem arises, I can always count on (brand) to reach a fair and satisfactory resolution.
8. I feel proud to be a (brand) customer.
9. (Brand) always treats me with respect.
10. (Brand) is the perfect (company/product) for people like me.
11. I can’t imagine a world without (brand).

According to Gallup, passionate connections are enduring and profitable. For more information, refer to www.gallup.com.
A Leadership Development System is a must for organizations to grow and succeed over the long term. If you don't develop this system, you will be applying an analytic approach to a systems problem. An A-B-C-D-E model for this is shown on the next page.

According to the Haines Centre for Strategic Management, your Leadership Development System must include the following:

I. Strategic Linkages:

1. Is your system tied to the organization’s future direction?
2. Is your system tied to a clear statement of values and beliefs?
3. Is your system tied to workforce planning?
4. Is your system tied to succession planning (top-down first, CEOs job, all management, and other key jobs)?
5. Is your system tied to promotions at all levels?
6. Are promotions, at all levels, tied to your performance management (appraisal) program?
7. Is your system tied to management hiring and orientation?
8. Is there an employee development board, comprised of senior management (including CEO), to guide the entire Leadership Development System (with HR support)?
A System of Leadership Development
II. Enterprise-Wide Clarity:

9. Does your senior management recognize the need for a Leadership Development System for the organization to  
   a. create your future leaders and  
   b. create leadership as a strong core competency for today’s organization?  
10. Does your Leadership Development System have a clearly written and agreed-upon vision of leadership in your organization?  
11. Does your system encourage learning from both 1) acknowledged leadership masters, and 2) proven “Best Practices” in leadership development?  
12. Does your Leadership Development System include everyone at all levels of supervision and management positions?  
13. Does your Leadership Development System include prospective and current team leaders among the workforce?  
14. Does your system have a clear set of measurable success goals on a year-to-year basis?  
15. Does your organization have a clear understanding of the current state of your Leadership Development System’s functioning (or non-functioning)?  
16. Does your Leadership Development System have a clear, written, and agreed-upon set of core strategies as the main way to achieve your leadership vision?  

III. Levels of Learning:

17. Does your system thoroughly include the development of the three “basic” natural levels of leadership competencies (self, 1-1, team levels)?  
18. Does your system also include three “advanced” development levels at the fourth, fifth, and sixth natural and strategic levels of leadership competencies (cross-functional organizational and organization-environment)? For more information on this topic, please visit www.systemsthinkingpress.com.  
19. Do your development programs and processes foster a major stretch in each participant’s knowledge and awareness?  
20. Do your development programs and processes foster a major stretch in each participant’s skills?  
21. Do your development programs and processes foster a major stretch in each participant’s attitudes and emotions?  
22. Does energy exist in your organization to guide continuous improvement in leadership development and learning?  

IV. Immersion and Intensive Change:

23. Are residential, multi-day “immersion” and development experiences integral in this system?
24. Does each participant have yearlong “intensive” developmental opportunities with regular feedback on current performance, and career goals?

25. Has regular time for “reflective observation and change” in all programs been provided?

26. Are all members of senior management teaching the collective management team on the leadership vision, values, practices, knowledge, attitudes, and skills desired?

27. Are senior and middle management teaching each other these same leadership vision, values, practices, knowledge, attitudes, and skills on a regular basis in staff meetings, retreats, etc.?

28. Is there an organized process to capture and retrieve leadership success and failure experiences, stories, knowledge, and learnings, and a means to transfer it to the collective management team?

V. Program Components and Accountability:

29. Does each member of management have his or her own Individual Development Plan (IDP)?

30. Is a clear personal accountability process in place to ensure each person’s leadership self-development success?

31. Is a clear method of senior management accountability and follow-up in place to ensure success in their responsibility to develop other leaders?

32. Is a reinforcement program in place for daily, weekly, monthly, and yearly follow-up, support, and internalization?

33. Does your system start with the CEO and senior management, and cascade downward to middle and first-line management?

34. Is your leadership development system tied to a broader “executive development” plan that reflects your overall vision of “business acumen” (i.e., technical and functional skills)?

35. Is there a 360° assessment process established to assist with performance enhancement?

36. Is there a formal coaching process established to assist with performance enhancement?

37. Are their extensive and intensive practice sessions provided, with videotape feedback, for specific participant skills such as coaching and facilitating?

38. Is there a formal mentoring process in place to assist career development?

39. Is there a provision for “non-classroom” stretch development activities, such as task forces, job rotation, and outside volunteerism, education or training, to promote increasing growth in performance and knowledge?

40. Is a tracking and evaluation process in place to track progress in achieving your leadership development system’s goals?
#116 The Four Keys of Great Managers – High Impact

According to the Gallup Organization, High Impact Management is based on four key concepts:

- Outstanding managers are not all alike. Each possesses an individual set of talents.
- Successful managers build on their strengths, while managing their weaknesses.
- Managers need both instructive and constructive feedback on which to base their growth (360° feedback).
- Great managers use materials and tools to identify the talent and to increase the contribution of their direct reports.

In addition, they found that the very best supervisors in any field talk and act differently from their counterparts. Specifically, they

- Have beliefs that are anchor points for behaviors and viewpoints.
- Set goals and stick to them until accomplished.
- Have a strong, positive self-definition.
- Have self-discipline in daily life and activities, characterized by routine and habit.
- Turn ideas into action and make things happen.
- Have high charisma – others just want to be around them.
- Are positive, seeing the good while possessing a future orientation.
- Create peace and harmony in relationships.
- Have a tendency toward completeness with regards to the organization, accuracy, and work performance.

In their book, *First Break all the Rules*, Marcus Buckingham and Curtis W. Coffman state that great managers are catalysts for helping release the potential energy of people. They propose that “you can’t build a great team simply by selecting people based on their experience, intelligence, and determination.” Instead, good managers:

1. Select for talent
2. Define right outcomes
3. Focus on strengths
4. Find the right fit

These are the Four Keys of great managers.
#117 Leadership Competencies – 360° Feedback

According to the Haines Centre for Strategic Management, there are Six Natural Levels of Leadership Competencies that are the natural way the world works – and we are ignoring them and their specific situations. They are outlined nowhere else but here in the Haines Centre literature. You can use these competencies as 1) an organizational analysis, or 2) a 180° (supervisor-subordinate only) or a 360° assessment by self, supervisor, or others. These competencies can either be used to assess ideal job importance and/or current job performance.

The Six Natural Levels are shown in the figure below.
An effective leadership strategy is to develop an Olympic Recognition Program that provides multiple rewards at three levels: Bronze, Silver, and Gold. There is not just one winner, but several levels of success.

To develop an Olympic Recognition Program,

1. Select 1-2 key outcomes, based on your Strategic Plan, such as lower costs, improved customer service, etc. **Reward results and achievement**, not ideas or suggestions.

2. Allow anyone to nominate anyone else or any team, including themselves (nominations are for anyone or any team that has actually achieved an outcome desired above).

3. Publicize the program widely. Set up a simple one-page form on colored paper to fill out. Make the form widely distributed and available.

4. Set up a Peer Review Committee to review submissions for documented outcomes. Keep the results a secret until the meeting.

5. Hold large group meetings on a regular basis with everyone eligible in attendance. If the organization is spread out, hold regional meetings and possibly one big annual meeting. It is best to make this meeting a quarterly business meeting with the recognition of winners as the main attraction.

6. Only award actual results, not ideas or proposals.

7. Cultivate as many winners as possible. Don’t create a contest of winners and losers. Individuals should compete against themselves, not others.

8. Award Gold to the top 3-5 outcomes, Silver to the top 10 semi-annual winners, and Bronze to all quarterly winners.
Q: Succession Management Strategies

#119 Succession Planning Defined

Succession Planning goes by many names including succession management, human capital management, and talent management (talent pools).

Succession Planning is a systemically planned and well-executed process of identifying current and key future positions with internal (and sometimes external) candidates for these positions. This list includes “emergency replacements,” historically called a “truck list” (i.e., if someone was hit by a truck).

These internal candidates are then given feedback and helped to develop IDPs (Individual Development Plans) that provide them with timely development (OJT, career advice, and training and development) based on the clear criteria for their potential position.

Management’s role is to assist and guide the development of each person. It is the responsibility of each person, however, to develop him or herself.

The main goal of Succession Planning is to have all key positions with the right people, in the right place, and the right job, at the right time, with the right knowledge, skills, and attitude on an ongoing basis. Professional positions that require highly skilled and experienced staff, as well as senior management positions and other key management and supervisory positions, should have a Succession and Development Plan in place.

This Goal is often expressed as:

People Waiting for Jobs Rather Than
Jobs Waiting for People

The main objectives of Succession Planning are:

- Having fully qualified candidates available for each position in the firm.
- Having people ready to be promoted before they actually are promoted.
- Having the ability to move people cross-functionally in order to grow their broader skills and understanding of the entire organization as one living yet complex system.

The sister function of Succession Planning is Workforce Planning, which involves a much more extensive planning of the entire workforce in a collective and forecasted statistical fashion. It includes items such as the net number of new supervisors and key professional positions needed over what time frame, based on growth, turnover, promotions, retirement, and the like.

This, in turn, leads to many and varied actions to ensure that the entire workforce itself has the right people, in the right jobs, at the right time, with the knowledge, skills, and attitudes to succeed.
#120 Five Levels and Types of Executives

According to Jack Walsh, Level 5 leaders are the future. The five levels of and types of executives include:

**Level 5: Executive**

Builds enduring greatness through paradoxical blend of personal humility and professional will.

**Level 4: Effective Leader**

Catalyzes commitment to vigorous pursuit of a clear, compelling vision; stimulation of higher performance.

**Level 3: Competent Manager**

Organizes people and resources toward effective and efficient pursuit of predetermined objectives.

**Level 2: Contributing Team Member**

Contributes individual capabilities to achieve group objectives; works effectively with others.

**Level 1: Highly Capable Individual**

Makes productive contributions through talent, knowledge, skills, and good work habits.

#121 Talent and Succession Management System

The key to long-term future success in any organization is an outstanding system of succession management that answers the following questions:

1. What are our immediate and long-term leadership, management, and staff needs and vision?

2. What are our measurable goals for qualified people?

3. Where do we stand on identifying and developing qualified talent?

4. What processes do we need in place to develop a talent pool of/for key positions?

5. What is changing in the workforce dynamics that will affect our potential pool of talent?

See our more detailed Talent and Succession Management System model using the Systems Thinking Approach* on the following page.
TALENT & SUCCESSION MANAGEMENT
The Systems Thinking Approach®

Do you have openings waiting for qualified people...

– or –

Qualified people waiting for openings?

Executive Development Board
Step #1

Step #2

Step #3

Step #4

Step #5

Step #6

1. PLAN-TO-PPLAN

C. INPUTS

D. THROUGHPUTS

B. FEEDBACK

E. FUTURE ENVIRONMENT

"THE TALENT SYSTEM" (AND COMPONENTS)

- Talent Pools - Ladder of Success
- Succession Reviews
- Career Development and IDPs
- Training and Development Experiences
- Coaching and Mentoring
- Recruitment and Retention
- Rewards, Recognition and Incentives
- Assessment and Selection
- HRIS Tracking System
- Performance Management System
- High Performance Culture

A. OUTPUTS

Bite-Sized Approach Top-Down

IDEAL FUTURE VISION

CURRENT STATE ASSESSMENT

KEY SUCCESS MEASURES & GOALS

Talent and Succession Management Model
R: Customer Value and Positioning

#122 Creating Customer Value through Our STAR Research Results Model

Creating customer value through our STAR research results model is the customer/market focus and orientation that leads to success. (For more information on positioning and the Haines Centre’s STAR Model, please review Chapter 4).

#123 Find One Distinctive Competitive Edge

Long-term success comes from defining your positioning versus the competition with one distinctive competitive edge (and all other Customer-Value STAR Results at least “in the ballpark”).

A sustainable competitive business advantage requires the organization to build and deliver a capability that others cannot duplicate easily or quickly.

#124 Positioning is Clear and Agreed Upon

Once your positioning is clear and agreed upon, everything in the entire organization should revolve around it. Focus the entire organization with passion and energy toward achieving this dominant, number one grand, driving force Strategy (or positioning).

#125 “Mature” and “Declining” Industries

Concepts like “mature” and “declining” industries are in the prison of executive’s minds. It forecloses lots of creativity, innovation, and opportunities. Where is the renewal Game Plan for GM?
#126 SBU Portfolio (Strategic Business Unit)

Review your Strategic Business Units (SBUs). Make sure that you understand the reasoning behind having these SBUs and whether they exist because of strategic reasons or for other, more personal, reasons.

#127 Concentration/Niches

This strategy provides for the concentration and the resources to win in a very small or unique area where there are not a lot of other competitors.

#128 Trade-Offs

This strategy concedes that in order to achieve great success in some areas, there must be sacrifices in others. “Less is more” in good strategies.

#129 Surprise

This strategy contains actions which will be particularly effective if they are not anticipated by outsiders. This is difficult to achieve for very long in today’s Internet society.

#130 Providing Value-Added Products and Services

Consumers are trained to search for more value for the money. Don’t just focus on price or you become a commodity.

#131 “Unique Customer-Value” Questions

A complete “unique customer-value” understanding includes answering the following five questions:

1. How do you define and size your market?
2. Who is your primary customer segment?
3. How do they define “value?” (See our STAR results model)
4. What factors most affect the profitability of your products and services?
5. How does your product portfolio fit with the other four questions?
#132 Positioning Specifics: Five Unique Factors

Based on five years of extensive research, the Haines Centre for Strategic Management has determined that there are five key factors that consumers look at when they buy. They are:

1. Responsiveness/Convenience
2. High Quality
3. Caring Customer Service
4. Personal Choice
5. Total Cost

Part of any organizational strategy should be to determine how to position to deliver to these customer wants. A successful organization should try to excel in only one out of the five factors, but compete effectively in the other four.

#133 Brighten Your Brand

According to Karen Post in the March 2006 edition of NSA Magazine, “a brand is the sum of what an entity does in any given marketplace.” She indicates that there are four components to any brand and that all organizations should keep these components in mind as they attempt to build sustainable brand equity and business.

These components are:

1. **Brand purpose.** You should be able to recite your brand purpose in 10 seconds or less.
2. **Brand points of difference.** No two brands are alike. Identify the brand's differentiating potential and reality.
3. **Brand personality.** You should be able to identify the top 10 words (or less) that describe your brand.
4. **Brand promise.** This is your promise to provide to your market and customers. It is emotionally-driven and then confirmed through logic.

#134 Five Steps to Total Brand Integration

Your brand must support and reinforce your desired positioning. According to TotalBrand Integration, Inc., you can do this by:

1. Defining your brand strategy by conducting a brand audit to ensure your brand is on-target and understood by the organization.
2. Determining the DNA of your best performers vs. the brand to make sure that you keep and hire the ones who can live up to the brand promise.
3. Define and research your prospective employees just as you do your customers.
4. Communicate and align the strategies/standards and core values throughout and down the entire organization.
5. Align your hiring decisions to meet the standards of your brand and the DNA requirements that you have established.

#135 Value Map

The way you compete in the marketplace is your “value map.” You can provide a total “experience” or compete in terms of your

- Core commodity (cost only)
- Brand (tangible)
- Total product/service (intangible)
- Total service management

A total package perspective is shown below in the Value Map. Where do you compete?
#136 Modeling Your Business for Greater Profits

In an article written by Paul M. Berg, developing a comprehensive business model is a strategy that can propel an organization toward creating customer value. Specifically, Berg cites four key areas that make up this solid business model. They are:

1. **Value Proposition** (i.e. Positioning) – The value proposition links individuals and organizations to the products/services offered. It answers the questions, “Who are your buyers? What will they buy? and Why will they buy it?”

2. **Production System** – This is the way you deliver your company’s unique positioning and value to your customers.

3. **Distribution Channels/System** – This is the part of your system that identifies potential buyers and helps them buy your product/service. This might be sales or marketing departments in your organization.

4. **Profit Formula** – This is how the organization is going to make money. Profit should be a “cost” of doing business, not a result.

If each of these elements work well on their own, you’ll make money. If any part of the model does not work, however, you’ll go broke. The first step is to describe your business model. Then, clearly describe each major component and choose to work on one component to start.
#137 Key Commandments of a Customer Focused Organization

Becoming a customer focused organization is a core strategy. The Key Commandments of a Customer Focused Organization are outlined below:

1. Close to the customer, especially senior executives (i.e., see, touch, feel, meet, and dialogue with them face-to-face on a regular basis out in the marketplace).

2. Executives – include the customers in their decisions, focus groups, meetings, planning, and deliberations.

3. Know and anticipate the customers’ needs, wants, and desires – continually, as they change.

4. Surpassing customer needs is the driving force of the entire organization.

5. Survey the customer’s satisfaction with our products and services on a regular basis.

6. Have a clear “positioning” in the marketplace versus the competition in the eyes of the customer.

7. Focus on Creating Customer Value (i.e., valued-added benefits to the customer through the STAR results model).

8. Set quality customer-service standards – expectations that are specific and measurable to each department.

9. Customer service standards are based on customer input and focus groups.

10. Require everyone in the organization to experience moments of truth by meeting and serving the customer directly...at least one day every year.

11. Focus and reengineer the business processes based on the customer needs and perceptions...and do it across all functions.

12. Focus the organization structure based on the marketplace.

13. Reward customer focused behaviors (especially cross-functional teams that work together to serve the customer).

14. Have a clear policy...and the heavy use of recovery strategies to surpass customer expectations.

15. Hire and promote “customer friendly” people.
#138 Customer Recovery Strategies (CRS)

Every organization says that they provide *unsurpassed* service or that they *exceed* customer expectations. It is difficult, however, to meet customer expectations, let alone exceed them.

In order to truly offer unsurpassed service, you must make sure that you can effectively mediate a customer’s concerns when he or she presents them. To do this effectively,

- Focus 5-10 year ROI of the customer.
- Focus on your long-term image and reputation. Remember, unhappy people tell 11 others; happy customers tell 4 others.
- Empower your representatives to be creative and innovative at the “moment of truth,” when a customer expects his or her needs to be met, in order to solve concerns and problems.
- Provide expenditure authority to do the above.
- Ensure accountability and responsibility at the 1st line.
- Focus recovery on future business. Provide 50% off this time, free next time, for example.
- Speed up the recovery.
- Develop a *Customer Guarantee* and live up to it/surpass it.
- Ensure your Customer Service Representative deals with the problem quickly and knowledgeably, with empathy and sensitivity.

There are four levels of recovery strategy mastery when dealing with customers’ needs. These are:

1. Deny it’s our problem. (I just work here).
2. Fight their concern but eventually give in to them. (They won).
3. Meet their expectations. (Customer is always right).
4. Meet their expectations and then do something else beyond it that they don’t expect (including an apology).

#139 Anticipate Your Customers’ Needs

Anticipate your customers’ needs through foresight and curiosity. They often don’t know what they want until you show them. Foundations of foresight come from a

- Willingness to speculate
- A restlessness with status quo
- A deep and boundless curiosity
• A willingness to speculate
• A childlike innocence
• An inherent eclecticism
• A capacity for abstraction
• A bias toward contrarianism
• A liberal use of metaphor and analogy
• A genuine empathy with human needs

#140 Customer Loyalty is Difficult

It takes a lot to keep your customer’s loyal. The key factor to customer loyalty is your Customer Service Representative. Focus your attention on them and your Customer Recovery Strategies.

#141 People Today Want An Experience in their Lives

Develop an “experience” for your customers. How can you position your products and services to accomplish this experience as unique?

#142 Unsurpassed Customer Reputation = 1%

Having an unsurpassed customer reputation (i.e., Nordstrom) is the purview of only the top 1% of firms. Are you a maniac with a mission to become this 1%?

#143 Strategy is Not About Outsmarting the Competition

Strategy is not about outsmarting the competition. It is about painstakingly attending to the needs of your customers. **Compete with yourself first.**

Five points to keep in mind about customers:

1. Any organization owes its existence to its customers. If they don’t want us, we will cease to exist.
2. Our customers will increase if their needs are met. Conversely, they will decrease if their needs are not met.
3. All organization operations, processes, and procedures must be geared to meeting customer needs and satisfying them.
4. Customers’ needs change, therefore, organizations must continually introduce and improve on new products, services, and systems.
5. Never forget, customers pay our salaries when they buy our products and services.
# 144 Ten Commandments of Customer Service

1. **Bring ‘em back alive.** Ask customers what they want and give it to them again and again.

2. **Systems, not smiles.** Saying please and thank you doesn’t ensure you’ll do the job right the first time, every time. Only systems guarantee you that.

3. **Underpromise, overdeliver.** Customers expect you to keep your word. Exceed it.

4. **When the customer asks, the answer is always yes.** Period.

5. **Fire your inspectors and consumer relations department.** Every employee who deals with clients must have the authority to handle complaints.

6. **No complaints? Something’s wrong.** Encourage your customers to tell you what you’re doing wrong.

7. **Measure everything.** Baseball teams do it. Football and soccer teams do it. You should too.

8. **Salaries are unfair.** Pay people like partners.

9. **Your mother was right.** Show people respect. Be polite. It works.

10. **Puttin’ on the Ritz (Ritz Carlton).** Learn how the best really do it. Make their systems your own, then improve them.

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**The Customer is the Only Boss**

There is only one boss: the customer. And he can fire everybody in the company, from the chairman on down, simply by spending his money somewhere else.

-Sam Walton, Founder, Wal Mart
**T: Market Strategies**

#145 Market Share Equals Success

Market share is a big predicator of financial success. Emulate GE’s #1 or #2 or get out.

Question: How should you grow your “top line” market share?

#146 Customer Service on the Web

Acquisition of niche markets is key in today’s complex, diverse world, including ecommerce products/customer and geographic niches.

In an article published by Net Company, Kelly Mooney indicates that there are five basic do’s and don’ts regarding customer service on the Web. They are:

1. **Don’t just do it.** According to Mooney, the worst thing a retailer can do is to throw its catalog on the Web and call that an online-retailing strategy.

2. **Don’t let your seams show.** Mooney states that real customer service is about reaching and satisfying customers in every retail environment – not only online but in the brick-and-mortar world. Retailers have to figure out how to guide their customer’s needs through various retailing experiences on the Web.

3. **Own the customer experience.** There’s a big difference between owning a lot of data about customers and owning the customer experience, says Mooney. One of the main responsibilities of an online retailer is to make its web site easy, intuitive, and accessible. Simplicity wins the game every time!

4. **Avoid barriers to entry.** According to Mooney, along with the most common barriers to success online (security, privacy, and trust), there are many less-obvious but easily avoidable barriers such as lack of clear connection paths, graphic-rich but painfully slow online experiences, poor systems of user names and passwords, information-rich but poorly organized pages, impersonal or nonexistent email responses, vague or complex self-help features, and surprise shipping fees.

5. **Trust is a must.** Lastly, Mooney concludes that customers must reveal themselves at their own pace so that they learn to trust you and so that you can serve them one at a time.
#147 Strategic Market Research

Your strategies should be based on sound market research data and information about:

a. customers needs/wants and their perceptions (which are their reality),
b. your competitors and substitutes, and
c. your own product and customer sales and profitability/gross margin (see the 80/20 rule below).

#148 Marketing and Sales Success: 80/20 Rule

Remember the 80/20 rule...focus 80% of your efforts on your sweet spot and focus 20% of your efforts on new growth/learning to expand your sweet spot.

#149 Declining Markets: Do Something!

In declining markets, either get out, sell, or consolidate/acquire to gain top market share. Don’t be a defender of decline – act, don’t react!
#150 Being a Contrarian

Being a contrarian in your industry can often lead to successful niches in your industry if you are not the leader. Mimicking the leader is a sure way to stay locked in place behind the leader. Be an industry revolutionary. Use the leaders size against them.

#151 Marketing, Sales, and Advertising

Marketing, sales, and advertising are different functions requiring different, yet coordinated strategies. What are the differences between them? What are your strategies for each?

#152 Individual Choice – Data-Based Marketing

Individual choice and single individual market niches (including mass customization using technology) is the wave today. Each customer is different and unique; market one-to-one.

According to John Naisbitt, “a well-designed marketing strategy can enable a company to determine which products sold best and during which month or season, which categories of products sold better than others, which clients and vendors were more profitable, and which geographic areas its customers are located.”

#153 Profiting from Proliferation of Opportunities

Marketers are struggling to keep up with an explosion of new customer opportunities, segments, sales and service channels, media, marketing approaches, products, and brands.

Many have responded to fragmenting opportunities by bolting on new brands, channels, and marketing programs. Doing so, however, increases costs and complexity while reducing organizational agility.

To deal with proliferation, companies must instead become more sophisticated at prioritizing opportunities and allocating resources while increasing the consistency and coordination of their marketing execution.

The need for profound changes in marketing strategy and execution also calls for new roles, responsibilities, processes, and capabilities inside the marketing organization.
U: Sales Strategies

#154 Sales Funnel

According to the Haines Centre, there are five ways to move “free” sales (loss leaders) down the value chain from simple to more complex sales, as the example below shows:
#155 Simple Transactional Sales

When a sales person leaps over the simple sales right to the very complex, they are rarely successful. Relationships take time to build.

#156 Sales Force Motivation and Results in a No Growth Environment

According to Gallup, “when world-class organizations struggled to find solutions to no-growth situations, the answer that will bring real growth usually lies within the value and the investments we make in our sales force. Developing each individual's talents and strengths and improving the engagement of every sales team, combined with the best metrics and education, are proven ways for a company to grow.”

#157 World-Class Sales Practices: Gallup Results

Gallup conducted a 30-year study of sales forces by interviewing more than 250,000 sales representatives and sales managers across many industries and over 100 professional sales forces. They found certain key best practices that led them to pose the following questions:

- How good is your sales force, and how do you know?
- What are today’s sales force economics and myths?
- What is the value in knowing the best sales role and fit for every individual?
- Why does working with the right manager make a difference?
- How engaged is your sales force, and why is this critical to know?
- What are the talents and strengths of top performers, and why are they important?
- What are the best ways to develop and retain top talent?
- Customer satisfaction vs. customer engagement – what matters most?
- How do you best recruit and select top sales force talent?
#158 What the Best Salespeople Sell

According to Barbara Rapp, ordinary salespeople sell

1. Price first
2. Their service or product
3. Themselves
4. Their company

The best salespeople, on the other hand, sell

1. Themselves
2. Their company
3. Their service or product/its benefits
4. Price

We at the Centre believe it should be

1. Their service or product benefits
2. Themselves
3. Their company
4. Price

#159 Just the Facts, M’am


FACT: 82% of salespeople fail to differentiate themselves from their competition.
RESULT: They lose the business, fail to sell value, or don’t get their price.

FACT: 86% of salespeople ask the wrong questions.
RESULT: They miss selling opportunities and end up wasting time while appearing unprofessional.

FACT: Only 18% of salespeople close without discounting price.
RESULT: Discounting becomes a habit and profit margins are eroded.

FACT: 95% of customers say salespeople talk too much.
RESULT: Customers are bored and feel salespeople don’t care about understanding their problems.

FACT: 62% of salespeople do not earn the right to ask questions.
RESULT: They fail to position the sale properly and don’t gain commitment.

FACT: 85% of salespeople use a selling process that is extremely ineffective, compared to the buyer’s system.
RESULT: They close less than 50% of the business that they should close with disastrous effects on their companies’ sales and their personal incomes.
According to Dunn, you may be *wringing it* if you find yourself relating to any of the following:

- chasing prospects who don't return calls;
- hearing “think it over” all too often when you ask for the business;
- cutting price in an effort to obtain or keep business;
- spending most of your time in front of people who are not decision makers.

**#160 Common Sense Selling**

The new common sense sales process includes four steps. They include:

1. **Opening Meeting Agreement (OMA).** The opening meeting should determine what the customer wants to accomplish, how much time you have for the meeting, and next steps.

2. **Investigate/Qualify.** In this step, you ask pointed pain/fear/interest questions that help you dig down. This step also includes asking questions about financial issues (i.e., budget, money availability) and the decision/approval process.

3. **Closing Meeting Agreement (CMA).** In the closing meeting, you ask to present solutions and determine if the customer feels you can help.

4. **Present Solutions.** This last step is where you prioritize and summarize the issues for the decision maker. You also ask for next steps.

**#161 Professional Services Selling Strategies**

As outlined by Bill Blades in *Training,* “if you are in the professional services business, selling is a crucial skill that’s missing.” Some specific selling strategies outlined by Blades include:

- Contact a motivational speaker by the name of “you.”
- Do you have the ambition to be (fill in the blank) when you grow up?
- If you have the ambition, set goals that will stretch you.
- Think of time as your bank account.
- Stay away from negative people.
- Be child-like.
- Being successful means you have brought value to other people and not just to clients.
V: PRODUCT STRATEGIES

#162 Research and Development

Research and development spending doesn’t correlate with business results. It is the focus, speed, rigor, and applications that have a great impact.

#163 Watch Out For “Substitutes”

Potential “substitutes” are crucial to monitor in today’s rapidly changing environment. The next generation of products rarely comes from within the industry.

#164 Value Analysis = Continuous Improvement

Value analysis is eking out savings in products already being produced, as long as it doesn’t hurt quality. This is another variation of the Japanese “continuous improvement” (or Kaizen).

#165 Horizontally Integrated (Not Vertical)

Related products/by-products (i.e., Arco’s AM/PM Mini Marts or ethanol plants) is a successful horizontal product strategy.

#166 Speed of Product Development

Speed of product development is often a competitive advantage. The market doesn’t stand still, but being first without quality and reliability can lead to a tarnished reputation. Speed wins!

#167 New Uses of Current Products

Look for new uses for current products and services. They say that “necessity is the mother of invention,” but in the 21st century innovation may very well be the mother of product strategy. Review your current products and determine whether you may be able to sell them in different markets or apply them differently, especially in the new “green” economy.
Reinvent your own products and services before the competition does. According to their article published in the San Diego Union Tribune, Robert M. McMath and Thom Forbes state that products destined for success in the future will be in some combination:

- Convenient
- Environmentally sensitive
- Ethnically appealing
- Fun
- Nutritious
- Packaged attractively
- Aimed at the youth market

According to Time Magazine, “today’s buzz word is ‘commonization,’ or sharing parts among old and new models.” Japanese auto makers make great use of this strategy by sharing components in order to reduce parts orders and standardize equipment.

This commonization strategy has resulted in lower costs for auto makers which, ultimately, results in lower prices for consumers.

Design is the new differentiator, not technology. Design methods get managers close to their customers, design research helps top execs visualize the future, and design strategies help companies innovate.

In a review of product design winners in the early part of the 21st century, all created products that had personality, tactical advantages (i.e., used design research to identify new product categories and aligned design with advertising, marketing, packaging, and service), creative destruction (i.e., altered traditional brand categories), and image enhancers (i.e., reinterpreted existing brand categories and opened up new market spaces).
#171 Do You Want It Good, Fast, or Cheap?

Pick two of the three was the past axiom. Just not all at once. Conversely, the bitter-sweet taste of poor quality remains long after the glow of low cost has faded.

#172 High Perceived Quality

High perceived quality leads to a much better profit margin than a low cost strategy. Volume, however, is a different issue. Low cost may equal high volume.

#173 Massive P.I.M.S. Research

In massive P.I.M.S. research, the competitive business advantage of firms were:

- a. 52% – customer orientation
- b. 29% – product quality
- c. 11% – innovation (and growing rapidly in the 21st century)
- d. 9% – all the rest

#174 Total Quality Management

The word \textit{total} in TQM means a company-wide “system” of installing \textit{quality} as the driving force/positioning and competitive edge of any firm. For example, using the ABCs of Strategic Management Systems Model, \textit{total quality} might show up in a firm as described on the next page:
TQM as Your Driving Force/Positioning

Step #1: Environmental Scanning

Outputs: A

Step #2: Vision and Mission
1. Who: customer focus
2. What: quality, service, response, environmental, cost, profitability
3. Why: stockholders, stakeholders, customers, society

Step #2: Core Values
4. Self-directed work teams
5. Employee empowerment/creativity
6. Continuous improvement
7. GE’s Workout (blowout bureaucracy); reinvent government
8. Communications effectiveness; drive out fear

Feedback: B

Step #3: Key Success Measures
9. Benchmarking/measurement systems (world class comparison)
10. Employee and customer satisfaction surveys
11. Market research
12. Executive compensation and other rewards practices

Inputs: C

Step #4: Current State Assessment
13. SWOT
14. TQM

Step #5: Core Strategies
15. TQM/TQ (some of Deming’s 14 points)
16. Service management/quality service
17. Speed and response time
18. Business process improvement/reengineering
19. Improved sales and market-driven culture
20. Cost efficiencies, reductions, and productivity improvements
21. De-layering
22. People as our competitive business advantage
23. Culture change
24. Organization structure design

Throughputs: D

Steps #6-10
25. Annual/operations/tactical planning
26. Annual budgeting
27. Performance management/evaluation system
28. Strategic Change Leadership Steering Committee/transition management
29. Annual strategic review and updates, management meetings
#175 Learning – Cross-Functional Teamwork

Organizations are usually organized vertically and functionally with specialities. Yet, work in organizations that serve the customer gets done horizontally across functions (or cross-functionally). That is the basis for Six Sigma, TQM, Reengineering, and Process Improvement strategies.

See the figure on page 173 for a more indepth description of the *Horizontal Organization*.

#176 The Systems Way to Six Sigma

According to Frank R. Brletich, Six Sigma is “a strategic approach to increase customer satisfaction and profitability that uses statistical tools and measurements to dramatically improve products, services, and processes.” He states that if Six Sigma is used within the context of a Systems Thinking Approach®, it can become one of the most powerful strategy tools for an organization.

When used as a stand alone, “savior” strategy, Six Sigma will probably not be effective. As Brletich states, “Six Sigma must be implemented as a system that focuses all of the efforts of all of an organization’s departments on attaining a shared vision of customer satisfaction and profitability.

Thinking in terms of systems, there are five steps in the Six Sigma DMAIC methodology (Define-Measure-Analyze-Improve-Control). They are

1. **Define the Project (Phase A)**
   - Define the project’s purpose and scope.
   - Collect background information on the process and your customers’ needs and requirements (Phase E).

2. **Measure the current situation (Phase B)**
   - Gather information on the current situation to provide a clearer focus for your improvement effort.

3. **Analyze to identify causes (Phase C)**
   - Identify the root causes of defects
   - Confirm them with data

4. **Improve (Phase D)**
   - Develop, try out, and implement solutions that address the root causes.
   - Use data to evaluate results for the solutions and the plans used to carry them out.

5. **Control (Phase D)**
   - Maintain the gains that you have achieved by standardizing your work methods or processes.
   - Anticipate future improvements and make plans to preserve the lessons learned from this improvement effort.
LEVEL OF TEAMWORK IN ANY ORGANIZATION
(CROSS-FUNCTIONAL TEAMWORK AND HORIZONTAL ORGANIZATIONS)

Cross-Functional Teamwork – The Horizontal Organization.
#177 Technology – A Competitive Edge

Technology, especially central data bases, ERPs, and networked software, has now become a competitive edge or disadvantage between (and within) organizations. Information technology is a strategic weapon. It can give you an advantage in every aspect of your organization including marketing, sales, finance, manufacturing, and engineering.

In an article in *Strategy & Leadership*, Mary Chung, Alistair Davidson, and Harvey Gellman outline twelve (12) principles of good information management. They include

1. Strategy must drive the investment of information technology.
2. The role of IT departments and business units must be carefully defined.
3. Business units must be able to choose their own projects and technologies with the help of IT.
4. The evaluation of information management projects should distinguish clearly between (1) investment in basic infrastructure without which no advances can be made and (2) investment in a particular business project that includes an investment in information technology.
5. Any information system needs care and feeding and will evolve as business needs change.
6. Managing the development of information projects means making sure that the participants understand the size, scope, and novelty of the project.
7. Information projects today need the involvement of line managers and end users.
8. Open systems are built, not bought. This is a tough issue to decide, however.
9. The future is a world where information and information systems are everywhere.
10. Apparently obscure issues such as employee training, planning for emergencies, and eliminating redundant data entry are increasingly important to the business manager.
11. Buying more capability often saves a huge amount of money because most managers cannot anticipate the evolution of information technology until they use it.
12. Good technology can be ten times less expensive than bad technology.
**#178 Two Biggest Failures**

Futurist Andy Hines states that “the two biggest failures in technology strategies are (1) overestimating the speed of its initial deployment, and (2) understanding the eventual magnitude of its impact.”

Other failures include:

- Believing that IT can’t make that much difference
- Always use “hard-nosed” criteria to evaluate IT proposals
- Fervently believe that being a follower is safe
- Permit IT managers to resist change
- Believe that IT is more complex to manage than other areas
- Let the “techies” decide
- Settle for mediocre systems leadership if they are good technicians
- Manage IT solely as a technical rather than a complex organizational change

**#179 Enabling Technologies – Flash Points**

Enabling technologies – Flash Points – are the basics that lead to many other uses/applications. Flash Points occur when new technology becomes widely utilized. It happens quickly, worldwide, because costs become reasonable, the technology is convenient, and the benefits to consumers are clear and positive. It is necessary, but not sufficient, for the technology to be proven first to work.

**#180 Technology is Driving the World Toward Commodities**

Technology drives change, period! As technology drives the world toward a commodities way of thinking, how can you establish/retain your competitive edge? What is your niche?

**#181 The Internet – eCommerce Society – Distribution Channel**

The Internet has changed everything about the way we do business. Suppliers, customers, and distribution channels have changed dramatically. Costs can be substantially lowered by not having brick-and-mortar overhead costs or through more effective ways of advertising (no more direct mailings?).

The Internet is a complimentary alternative preferred by many customers and most retailers have an online presence that compliments their brick-and-mortar storefront. The key is to use the Internet as a complimentary strategy and distribution channel.
#182 Transform Your Culture: Nine Digital Challenges

If we are on the verge of a transformation to a digital era, then the people working today are a bridge generation, caught between old and new ways of doing business. They are grappling, knowingly or unknowingly, with how to create a corporate culture that matches new dot-com business strategies of a click-and-mortar world.

According to Harvey Schachter in *How Corporations Can Build a Dot-Com Culture* (Globe and Mail, October 2000), there are nine crucial challenges of which to be aware. They include:

1. **Making the jump to warp speed.** Companies must learn to launch quickly and then improve their product/service in an era when speed can determine success. This requires a risk-taking culture with a high degree of trust. For most companies this means simplifying committee structures and slashing the number of approvals or sign offs required to take action.

2. **Building a corporate culture in a virtual organization.** As employees increasingly work in scattered locations without regularly seeing their colleagues, companies must give considerable attention to creating a strong corporate culture that provides community and cohesion. That starts with hiring – determining whether people have the capacity to work alone – and carries through to developing shared values that are communicated through stories and role models.

3. **Living with parallel cultures during the transition to ebusiness.** Companies must decide how best to handle the two different cultures that will be present as they keep the old business going while bringing the new ebusiness enterprise up to speed. They must also plan from the start on how to eventually integrate those two cultures.

4. **A new breed of teams in a dot-com culture.** The traditional slow process of building teams changes in a world of short-lived groups. Employees need the ability to create loyalties quickly and to handle the emotional disappointments when teams wind down.

5. **Communication belongs to everyone in a dot-com culture.** The landscape of communications and distribution of power changes in a wired company, where employees at all levels are better informed about operations, strategy, and finances. They have access to tools that allow them to communicate with each other instantly and they are more willing to second guess leadership decisions and company directions than ever before. Companies must find ways to maximize the potential problems of communicating in an open book corporation.

6. **Knowledge management is managing peoples’ brain power.** Companies must uncover and leverage employees’ knowledge more quickly than before.
7. **The new corporate IQ and getting smart.** Organizations must build an intense focus on learning into their culture. The corporate IQ that fuels the organization is the sum of the intellectual, creative, and emotional capacities of all employees and their ability to learn rapidly from each other. Every member of the organization is responsible for learning, and the organization must provide tools, time, and resources to enhance learning.

8. **Links and relations outside the organization.** Companies must learn to build alliances, a cultural challenge for those that don't have the high degree of trust and cooperation required.

9. **Leading the journey to the wired world.** In a dot-com culture, informal leadership from all ranks of the company takes on a greater significance and management must move away from the command and control approach in order to gain the speed and innovation required.

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### #183 Web 2.0

Web 2.0 is the term used originally for the next generation of the Internet but is now used to describe online social networks, collective intelligence, blogging and podcasting, and “participation” in general. Overall, it denotes change and the next big idea.

Why is this important as a strategy? It is important because ecommerce and knowledge management are driving changes in business. It will force organizations to come up with their own business version of Web 2.0 in terms of how they will restructure themselves for the future; continuing to be competitive in a changing world. This is different than internet speed. (G3 = 3rd Generation)

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### #184 Every Aspect/Function of Your Business Must be Digital

Every aspect/function of your business must be digital. To start, you must have a CIO (Chief Information Officer) engaged as a separate member of top management. (not part of Finance).

According to Adrian Slywotzky (Fast Company), there are four areas that can produce a cost advantage of ten times that of your competitor (the 4th area is covered in Strategy #185). They are:

1. **Finance.** Digital companies lead in finance because they let their customers finance their growth – and multiply their stock price. Digital finance lets you shrink asset intensity without any loss of control or quality, resulting in lower operating costs, higher asset utilization, and fewer assets required for every dollar of sales.
2. **People.** Digitized companies are transferring the responsibility and the cost of recruiting to the candidates themselves by utilizing software that automates the recruiting process.

3. **Customer segmentation.** E-segmentation is a “sense-and-respond” mode, not a make-and-sell system. Now, customers provide the information, allowing companies to deliver cheaply and effortlessly through online tracking systems and/or feedback systems.

4. See next strategy.

#185 Are You on Digital Time?

An organization that eliminates wasted time in manufacturing, services, new product development, and sales and distribution will cut costs, serve customers better, reduce inventories, and enhance innovation.

This is what Adrian Slywotzky referred to as speed, his fourth cost-producing digital area. There are several principles for competing with digital speed which include:

- Digital speed is a supercharger. Once customers experience digital speed, they cannot tolerate anything less.

- Digital speed appeals to a company’s most profitable customers first. If you don’t make the leap, you end up with a customer base that spends less and costs the most to service.

- Digital speed is infectious. Once a customer knows that they can have something tomorrow, they want it tomorrow.

- Digital speed simplifies complexity. Digital speeds shrinks the distance between the information and the decision.

- Digital speed resegments segmentation. Templates used to organize consumer behavior are no longer working. As consumers buy things faster and assume more control over the buying experience, they will start displaying new and different behaviors.

- Digital speed is about de-averaging competitive advantage. As digital speed fractures markets, customer groups, and distribution channels, averages give you an increasingly inaccurate picture of your business performance. You need to de-average everything: the market, competitors, technology, and costs. In any industry, a company that can harness the output of digital information to speed up its operations is going to outperform competitors, create new standards, and make a lot of money.
#186 Information and Telecommunication Enterprise Systems

Information and telecommunications enterprise systems, such as SAP, Oracle, and PeopleSoft, are a competitive edge in the marketplace if they are “enterprise” systems that tie the entire organization together (not just a general ledger/personnel payroll system). When information is inputted once and right where it is generated, and it is available for the entire company in real time, tremendous efficiencies are achieved and improved organizational effectiveness and market-based decision making is dramatically enhanced.

#187 The Promise of Enterprise Systems: High Failure Rate

In an article titled *Mission Critical* (Harvard Business School Press), Thomas H. Davenport states that enterprise systems have great potential to transform the way companies do business.

He believes that successful implementation depends on changing business processes and strategies while the new information system is being put in place.

Enterprise systems enable the seamless flow of information which can be a competitive advantage, albeit an expensive one to initiate.

However, the failure rate in a recent report was 87% failed to reach their goals on time, on budget, or on quality.

#188 The Top 10 Steps for Installing Software and Upgrades Safely

According to Meredith L. Keller, author of *Ten Easy Steps for Preventing Business Disasters*, the top 10 steps for installing software and upgrades safely include:

1. Backup your current system completely.
2. Install new software when you are rested and mentally refreshed.
3. At work, install software, upgrades and/or operating systems first thing in the morning.
4. Make certain your system meets minimum requirements.
5. Practice installation on a spare, standby, or test computer.
6. Make sure your backup program is compatible with the new software.
7. Contact a qualified technician if you are uncomfortable installing software.
8. Understand how your older programs will function with the new software.
9. Train ALL operators on the proper use of a new software.
10. Start backing up your new software immediately!
#189 Two Little-Known Laws of IT Staffing

There are two little-known laws of IT staffing. The first law comes from Frederick P. Brooks, a former IBM systems software development project manager who states, “adding manpower to a late software project makes it later.”

The article outlines the following points:

- It is safer to recruit sufficient IT staff early than to add them later.
- Any new staff members added late must be team players willing to work within the process, rather than those who will try to reinvent it.
- Revision of project schedules should be considered before adding staff.

The second little-known law of IT staffing is that good programmers are exponentially better than average programmers. Therefore, hiring smarter and fewer is the way to go, but you might have to pay more for great talent.

#190 Mobility and Connectivity – Internet and Linkages

The Internet and WiFi are the embodiment of the most important realities in the computing industry – mobility and connectivity.

Connectivity creates a single point of access to all of the information that workers need to get their jobs done. It does what computers have always done best – deliver work to the worker.

Intranets do more by delivering both the work and the tools to the worker. WiFi makes it mobile (your office is wherever you are 24/7).

Has your business made a complete and comprehensive contract to install technology in all you do – from products/services to each employee?

#191 Multiple Distribution Channels

Multiple distribution channels are needed to match up to the needs of different customers and market segments, especially customer ages. These are tough choices with big dollars included, along with long-term consequences – both good and bad.

Have you analyzed your business back from each customer age group? Should you?
Lean Electronics includes four major components. They are:

1. Enterprise Resource Planning – brings the organization together under one platform.
2. Strategic Sourcing – reduces total cost of operations and focuses on your business and core competencies.
3. Core Process Optimization – redesigning processes to be very simple, practical, less bureaucratic, and to deliver greatest value to your customers and greatest margins to you.
Y: Speed Strategies

#193 Winning Customers with Speed

Speed is a winning strategy is everything from sports to business. In a recent survey of 50 major U.S. companies, practically all put time-based strategy at the top of their priority lists. **Speed kills the competition. Time wastes money.**

General Electric used to take three weeks from order to delivery for an industrial circuit box. Now it takes three days. AT&T used to need two years to design a new phone. Now, it can do the job in one week.

In order to maximize speed, you should:

- Start from scratch
- Wipe out unnecessary approvals
- Worship the schedule
- Utilize trained teams
- Ensure accountability
- Use process analysis
- Put simplicity in the culture
- Put speed in the culture

According to Robert B. Tucker, author of *Managing the Future* and featured in *The Foresight Intrapreneur*, there are several ways to use speed as a key advantage. For example,

1. **Challenge your organization’s underlying assumptions about the time actually needed to fulfill customer’s needs.** Growing your organization increasingly means reducing the time between purchase and delivery.

2. **Take an inventory of all the areas in your organization that impact what Tucker calls the “request-through-fulfillment cycle” experienced by your customers.** Pick some of the most time-consuming areas, then get your people involved in creatively cutting the time these procedures consume. On the airline, on time arrival is the goal, but what about our luggage delivery time?

3. **Ask your customers where and how delays in your organization affect their level of satisfaction.** They could provide you with some very helpful answers, but don’t expect them to gift wrap solutions for you. Don’t be reluctant to use your instincts in developing breakthrough time-shavers.

4. **Regularly measure the time between a customer’s request and his satisfaction.** Remember, *things that get measured, get done.* This is likely to make
you and your associates far more sensitive to the time issue, while stimulating your people to experiment with speed innovations.

5. **Reward your people for speed.** Federal Express founder Fred Smith experimented for years trying to instill a speed-based culture in his organization. Then he got a blinding flash of the obvious. He discovered the compensation system for his part-time employees actually rewarded delays. Employees simply made more money if they worked more hours. Smith altered the system to reward speed and his company began experiencing remarkable improvements in 45 days.

6. **Offering time guarantees can be yet another powerful step.** It sends a powerful signal to both your people and your customers. We live in an era of time famine. Yet it is within your power to use the money value of time to build sustainable competitive advantage.
**Z: ALLIANCE STRATEGIES**

**#194 Creating and Managing Alliances**

Creating and managing alliances and partnerships while sticking to your core competencies is a key success strategy (versus vertical integration). Build on your core competencies (i.e., what you are good at and known for), but consider alliances and partnerships for the rest of your business/operation. Some key alliance strategies include:

- Market agreements/dual marketing
- Joint ventures
- Franchising
- Private label
- Buyer-seller
- Consortia
- Common standards
- Research alliances
- Technology/market access
- Outsourcing

Which are you doing? Which should you be doing?

**#195 Logistical/Distribution Alliances**

Logistical/distribution alliances can be very strategic and healthy to all partners if they are properly set up and managed. Doing this requires careful partner selection (just like hiring a top executive). This is especially true if partners are at distant locations which are difficult to manage. In that case, shared visions, values, and shared core strategies are crucial to success.

**#196 Partnering with Suppliers and Customers**

Partnering with suppliers and customers is in vogue today. According to an article in the *Nation’s Business*, the Warren Company, an alliance consulting firm in Providence, Rhode Island, outlines several ingredients for successful partnering. These include:

- **Critical driving forces.** There must be essential strategic forces that push the alliance partners together. Without these forces, there is no reason for an alliance.
• **Strategic synergy.** Always look for complimentary strengths in a potential partner. For the alliance to succeed, the two partners should have more strength when combined than they would have independently. Mathematically stated, it must be a 1+1=3 relationship. If it isn’t, walk away.

• **Great chemistry.** Your company must have the managerial ability to cooperate efficiently with another company, which in turn must have an equally cooperative spirit. There must be a high level of trust so executives can resolve difficulties.

• **Win-Win.** All members of the alliance must see that the structure, operations, risks, and rewards are fairly apportioned among the members. Fair apportionment prevents corrosive internal dissension.

• **Operational integration.** Beyond a good strategic fit, there must be careful coordination at the operational level where plans and projects are implemented.

• **Growth opportunity.** Is there an excellent opportunity to place your company in a leadership position – to sell a new product or service or to secure access to technology or raw materials? Does one partner have the know-how and reputation to take advantage of that opportunity?

• **Sharp focus.** There is a strong correlation between success of a venture and clear overall purpose – specific, concrete objectives, timetables, lines of responsibility, and measurable results.

• **Commitment and support.** Unless top and middle management are highly committed to the success of the venture, there is little chance of success.

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### #197 Key Alliance Strategies – 57% Failure Rate

According to the *Economist,* key alliances and partnerships can be central to your successful growth. “They can help you enter new markets, achieve scale, pace and competitiveness, gain new skills and technologies – even renew your business. But, they are risky. A ten-year U.S. study found that 57% of alliances fail.

Successful alliances share similar characteristics. They link budget with resources and strategic priorities. They anticipate key business risks and conduct realistic feasibility studies of their market and competitors. They also couple investment with performance factors, have strong strategic planning, and create strong working and reporting relationships.

### #198 Six Core Commitments to Great Partnerships

According to Chip R. Bell and Heather Shea in *Executive Excellence* (March 1999), “great partnerships succeed because they have soul and allegiance to protocols that direct the rhythm of the relationship, ensuring the longevity of the liaison.” They
believe that great partnerships require six core commitments or protocols which include:

1. **Expect the best.** Great partnerships begin their relationship by expecting the best. This standard not only serves as a criterion for achievement, it provides a noticeable self-fulfilling optimism.

2. **Be all there.** Great partnerships bring a perpetual energy and intensity to every encounter. They place emphasis on having passionate connections – on being all there. They bring all they have to every encounter. They are never lazy, disinterested, or indifferent. In conversations, they are attentive and curious when they listen and animated when they contribute. They care enough to bring their very best.

3. **Assert the truth.** Partners diligently assert the truth and honor agreements to build trust and commitment. This proactive gesture keeps integrity at the forefront of all dealings. The absence of candor reflects the decline of trust and deterioration of the relationship.

4. **Honor your partner.** Honor is made of admiration, respect, and esteem. When we honor someone, we admire who they are and what they do. It involves seeking ways to bring accolades and praise to the relationship with deep respect and admiration; the partners achieve more without wasting energy on suspicion.

5. **Keep your promises.** Reliability is the foundation of trust; trust is the glue of partnerships. Keeping promises is about protecting the sacredness of commitments, caring enough to remember. Partnerships live or die by promises kept.

6. **Stay...on purpose.** Partnerships require resoluteness and tenacity. They entail the “hang in there” commitment. The “stay” part is a mixture of optimism and a determination to give the partnership an opportunity to unfold, despite initial bumps.

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**#199 Organizational Core Competencies Defined**

Core competencies is the collective ability in an organization. It is made up of 1) core technologies, 2) the capacity to coordinate diverse production, 3) as well as core human skills and abilities, and 4) the capacity to integrate streams of technologies.

Core technologies are the focused, technical strengths of the equipment, facilities, systems, and controls the organization possesses.

Core skills and abilities (capabilities) are the knowledge, skills, and proven abilities of key individuals and collective teams of individuals. This is crucial but not core organizational competencies alone – just your human capabilities.
It is important to have an understanding of these concepts because it will help you create a competitive advantage, assist you in maintaining and enhancing your organization, and help you know what to utilize in terms of looking for new and different applications (products and services) based on your core competencies. What are your 2-4 core competencies?

There are six strategies for increasing and improving the core competencies within your organization. These include:

1. **Buy** – the talent, equipment, and technology you need through aggressive and targeted recruitment initiatives.
2. **Build** – through focused training, development, construction, and research initiatives.
3. **Strategic Alliances** – through the use of external partners, alliances, suppliers, or outsourcing what you don’t do well.
4. **Bounce** – by confronting poor performers and terminating those not willing to work at acquiring the needed skills to build the core competencies.
5. **Retain** – by retaining the best and the brightest of your staff, through the provision of superior benefits and compensation, as well as building a superior employee working environment.
6. **Scanning** – by continuously scanning the environment, best practices, and benchmarking to draw into the organization the core competencies of other organizations, especially technology and people components.

### #200 Subcontracting/Outsourcing

Think about subcontracting or outsourcing those activities that are not core competencies to improving your basic service or product. According to Tom Peters, however, “you must know what you are doing.” He suggests the “very thoughtful pursuit of a partner, carefully chosen for reasons that go far beyond mere efficiency.”

Outsourcing to other countries may be cheaper, but is it more effective in providing customer service?

### #201 What Else?

Tell us what is missing from this Strategy Section. Strategies are constantly evolving and changing. We welcome your comments.
Oriental Philosophies as Strategies

The use of broad strategies is nothing new to the Chinese. Besides the now well-known *Art of War* by Sun Tzu, numerous works espousing the use of broad strategies were written over the centuries. Among these, some stand out in that they have been continuously used by Chinese businessmen even until today. They include Sun Tzu’s *Art of War*, Zhuge Liang’s *Art of Management*, Thirty-Six Chinese Classical Strategies, and Tao Zhugong’s Business Principles.

An outline of these broad strategies include:

**Sun Tzu’s Art of War:**

- Chapter 1 Planning – Proper planning of strategy
- Chapter 2 Waging War – Avoidance of protracted campaign
- Chapter 3 Strategy – Subdual of enemy without fighting
- Chapter 4 Depositions – Grasp enemy’s vulnerabilities
- Chapter 5 Forces – Exploitation of situation
- Chapter 6 Opportunism – Unpredictability of strategy
- Chapter 7 Manoeuvres – Relief of enemy’s vigilance
- Chapter 8 Variations – Adaptability of strategy
- Chapter 9 Marches – Exploration of enemy’s situation
- Chapter 10 Terrain – Diligence in command
- Chapter 11 Battleground – Motivation of people
- Chapter 12 Incendiarism – Caution in completing task
- Chapter 13 Espionage – Use of human intelligence

**Zhuge Liang’s Art of Management** (16 Strategies)

1. Governing a country
2. Relationship between rule and subjects
3. View and listen
4. Acceptance of advice
5. Being perceptive
6. Managing people
7. Selection of people
8. Performance evaluation
9. Administration
10. Rewards and punishment
11. Emotions
12. Controlling chaos
13. Education and directions (orders)
14. Dealing with difficulties
15. Looking ahead
16. Observation of people and environment.
36 Chinese Classical Strategies

When in an advantaged position

Strategies when in a superior position
1. Cross the sea under camouflage
2. Besiege Wei to rescue Zhao
3. Kill with a borrowed knife
4. Wait at ease for the fatigued enemy
5. Loot a burning house
6. Make a feint to the east while attacking to the west

Strategies for confrontation
7. Create something out of nothing
8. Advance to Chencang by a hidden path
9. Watch the fire burning across the river
10. Conceal a dagger in a smile
11. Sacrifice the plum for the peach
12. Lead the goat away in passing

Strategies for attack
13. Beat the grass to startle the snake
14. Raise the corpse from the dead
15. Lure the tiger out of the mountain
16. Let the enemy off in order to snare him
17. Cast a brick to attack a gem
18. To catch rebels, nab their leader first

When in an advantaged position

Strategies for confused situations
19. Remove firewood from under the cauldron
20. Fish in troubled waters
21. The circadian sheds its skin
22. Bolt the door to seize the thief
23. Befriend a distance state while attacking a neighbor
24. Borrow a route to conquer Guo

Strategies for gaining ground
25. Steal the beams and change the pillars
26. Point at the mulberry only to abuse the locust
27. Feign folly instead of madness
28. Remove the ladder after the ascent
29. Put fake blossoms on the tree
30. Reverse the position of host and guest
Strategies for desperate situations

31. Beauty trap
32. Empty city ploy
33. Sow discord in the enemy’s camp
34. Inflicting injury on oneself to win the enemy’s trust
35. Interlocking strategies
36. When retreat is the best option

Tao Zhugong’s Business Principles

12 Golden Standards
1. Be a good judge of character
2. Be customer oriented
3. Be single-minded
4. Be captivating in your sales promotion
5. Be quick to respond
6. Be vigilant in credit control
7. Be selective to recruit only the best
8. Be bold in marketing your product
9. Be smart in product acquisition
10. Be adept in analyzing marketing opportunities
11. Be a corporate model
12. Be farsighted in developing a total business plan

12 Golden Safeguards
1. Don’t be penny-pinching
2. Don’t be wishy-washy
3. Don’t be ostentatious
4. Don’t be dishonest
5. Don’t be slow in debt collection
6. Don’t slash prices arbitrarily
7. Don’t give in to herd instinct
8. Don’t work against the business cycle
9. Don’t be a stick in the mud
10. Don’t overbuy on credit
11. Don’t under-save; keep reserves strong
12. Don’t blindly endorse a product

Deng Ziaoping Philosophy

The best metaphor for espousing the principle of “strategic consistency, operational flexibility” is the phrase used by Deng Xiaoping, regarded as the primary architect of modern China and its dramatic economic reform. Deng Xiaoping’s philosophy was based on pragmatism and embodied his dictum to parse truth from facts. The criteria for success, he believed, was determined by common sense and flexibility rather than by ideology. He dramatized this philosophy by insisting, “No matter if it is a white cat or a black cat; as long as it can catch mice, it is a good cat.”

It is clear that Deng Xiaoping’s vision of common sense economics produced today’s economic miracle in China. Since the adoption of his ideology, China pursued a pragmatic path towards a market-driven economy. The results have been nothing short of astounding. His vision of common sense economics lifted more people out of poverty than did the efforts of any other world leader, anytime, anywhere. China is today the world’s fastest-growing large economy. The country has grown around nine percent a year for more than 25 years, the fastest growth rate for a major
economy in recorded history. In that same period, it has moved 300 million people out of poverty and quadrupled the average Chinese personal income.

**Japanese Strategies**

Not to be outdone, the Japanese have their own version of classic strategies in Miyamoto Musahi’s *Book of Five Rings*. They are:

1. Do not think dishonestly
2. The way is in training
3. Become acquainted with every art
4. Know the ways of all professions
5. Distinguish between gain and loss in worldly matters
6. Develop intuitive judgement and understanding for everything
7. Perceive those things that cannot be seen
8. Pay attention even to trifles
9. Do nothing which is of no use

**The Five Principles**

Pancasila is the philosophical basis of the Indonesian state. Pancasila consists of two Sanskrit words, “panca” meaning five, and “sila” meaning principle. It comprises five principles held to be inseparable and interrelated, and is to some extent modeled on the original Pancasila, a Buddhist code of ethics. It was the inspiration for a similar statement of principles in neighbouring Malaysia, the Rukunegara. These five principles are:

1. **Belief in the one and only God (Ketuhanan yang Maha Esa)**
   
   This principle reaffirms the Indonesian people’s belief that God does exist. It also implies that the Indonesian people believe in life after death. It emphasizes that the pursuit of sacred values will lead the people to a better life in the hereafter. The principle is embodied in the 1945 Constitution and reads: “The state shall be based on the belief in the one and only God”. In this statement, the word for “God” in the Indonesian language was chosen to be “Tuhan” (Lord), used most commonly by Christians, rather than “Allah”, the Arabic word for God. It was a conscious attempt to placate Muslims who desired a religious-based state, and Christians and other minorities who feared being left out in the cold by an Islamic model state system.

2. **Just and civilized humanity (Kemanusiaan yang Adil dan Beradab)**
   
   This principle requires that human beings be treated with due regard to their dignity as God’s creatures. It emphasizes that the Indonesian people do not
tolerate physical or spiritual oppression of human beings by their own people or by any other nation.

3. **The unity of Indonesia (Persatuan Indonesia)**

This principle embodies the concept of nationalism, of love for one’s nation and motherland. It envisages the need to always foster national unity and integrity. Pancasila nationalism demands that Indonesians avoid feelings of superiority on the grounds of ethnicity, for reasons of ancestry and skin color. In 1928, Indonesian youth pledged to have one country, one nation and one language, while the Indonesian coat of arms enshrines the symbol of “Bhinneka Tunggal Ika” which means “unity in diversity.”

4. **Democracy guided by the inner wisdom in the unanimity arising out of deliberation amongst representatives (Kerakyatan yank Dipimpin oleh Hikmat Kebijaksanaan dalam Permusyawaratan/Perwakilan)**

Pancasila democracy calls for decision-making through deliberations, or musyawarah, to reach a consensus, or mufakat. It is democracy that lives up to the principles of Pancasila. This implies that democratic right must always be exercised with a deep sense of responsibility to God according to one’s own conviction and religious belief, with respect for humanitarian values of man’s dignity and integrity, and with a view to preserving and strengthening national unity and the pursuit of social justice.

5. **Social justice for the whole of the people of Indonesia (Keadilan Sosial bagi Seluruh Rakyat Indonesia)**

This principle calls for the equitable spread of welfare to the entire population, not in a static but in a dynamic and progressive way. This means that all of the country’s natural resources and the national potentials should be utilized for the greatest possible good and happiness of the people. Social justice implies protection of the weak. But protection should not deny them work. On the contrary, they should work according to their abilities and fields of activity. Protection should prevent willful treatment by the strong and ensure the rule of justice.
PART 4

Act Differently

Chapter 8    Execution and Enterprise Wide Change™
Chapter 9    Getting Started: Strategic IQ™ Assessment
Execution and Enterprise-Wide Change™

*He who only sees the obvious, wins his battles with difficulty.*
*He who sees below the surface of things, wins his battles with ease.*

-Sun Tzu

**SPEARHEADING ENTERPRISE-WIDE CHANGE™**

In Chapter 6, we talked about the Enterprise-Wide Assessment using the Business Excellence Architecture model as part of your overall Strategic Business Design. As we stated previously, this Enterprise-Wide framework is the foundation for your Strategic Design, your KSMs/Goals, and your Core Values. It is also the backbone of how you should implement Enterprise-Wide Change™ within your organization to achieve business excellence and superior results.

Implementing Enterprise-Wide Change™ requires serious action. Throughout the rest of this chapter and continuing on into Chapter 9, we will outline the Haines Centre’s plan of action, what we call our Strategic IQ™ Assessment, and the necessary steps you can take in order to begin implementing Enterprise-Wide Change™ throughout your organization. Before you begin, however, it is important to understand what might hinder your change efforts and how these efforts can be sunk as soon as your ship hits the water. It is something that we have termed the Iceberg Theory of Change.

**Obstacles to Change**

Before you even begin making change, your actions can be cut short. What sinks change efforts are the same things that sink ships – the stuff below the waterline that is not readily visible.

Eighty-seven percent of an iceberg lies below the waterline. Like the iceberg, within organizations, it is the lack of focus on the underlying processes and structures needed for effective change that will sink your change efforts.

Figure 8.1 describes how the capacity to achieve business excellence is directly tied to making sure you focus on those change processes and structures below the waterline. It also is tied to the culture and commitment of your organization. To achieve business excellence, you must have *attunement with people’s hearts and minds* and a firmly rooted understanding of the Systems Thinking Approach®. Effective change is dependent on focusing on these change processes and structures.
People seem to assume that everyone understands change and is naturally “for it.” The research on change, however, is quite clear – there are many normal reasons for people to logically resist change. In fact, an estimated 75% of all major change efforts fail. (See collected research in Enterprise Wide Change™, McKinley, Haines, Aller-Stead, 2005, Pfeiffer).

As part of our ongoing research as translators and interpreters of Best Practices, we have identified the Top 10 reasons why organizational change fails (we have 33 in total so far). The Top 10 reasons why change efforts fail include:

1. Underestimate the system’s complexity.
2. Management change knowledge/skills missing.
3. Lack of accountability.
4. Management resistance/time pressure.
5. Change structures missing.
6. Participative management skills lacking.
7. Fatal assumption made – that it is easy/normal.
8. Lack of senior management modeling.
10. Lack of follow-through reinforcement.
Overall, failure happens because organizations:

- Take an analytic, piecemeal approach to a system-wide problem (with multiple conflicting frameworks and mindsets).
- Focus primarily on the economic alignment of delivery (an artificial “either/or” mindset) – or the reverse:
- Focus primarily on cultural attunement and people issues (the other artificial “either/or” mindset).

Unfortunately, much more change is talked about than is ever successfully achieved. In a lot of ways, successful Enterprise Wide Change™ is the triumph of the human spirit over all obstacles. It can be drilled down to an individual’s success at “riding the rollercoaster” without getting sick or getting off. Previously mentioned in Chapter 2 when we defined a “system,” the Rollercoaster of Change™ is a term used by the Haines Centre for what naturally occurs when an organization experiences change (Figure 8.2).

It is a myth that there is “organizational change.” Change is an individual, emotional, and psychological matter for each of us. The bigger the organization, the more difficult it is apt to be to get everyone to change and re-focus on the customer.

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**Figure 8.2** Rollercoster of Change™."
The question is not “if” each employee will go through the Rollercoaster, but when, how deep, for how long, and whether they will successfully reach the other side. Executives are trained in the skill of telling others what to do. In the Rollercoaster, however, “telling” is only the skill of inducing shock, denial, and depression in your employees.

It is a given that each of us will go through stages two and three of the Rollercoaster (shock and depression). Going through stages four, five, and six (hang in, hope, and rebuilding), however, is optional and depends on one’s own skills and/or someone leading the change process effectively. Letting people experience firsthand the executive’s presence and rationale for the change is also crucial.

The only way through the stages and up the right (and optional) side of the Rollercoaster is through both leadership and self-initiative. You must be Drucker’s “monomaniac with a mission” – having persistence in implementing, correcting, and improving the changes as you go. Involving people in the change is essential for the hope of going through the stages. The key is involvement in the “how to,” not the decision on “what.” The “what” should usually already have been decided in a participative fashion using our copyrighted Parallel Involvement Process (for more information on this process, see the author’s book, Reinventing Strategic Planning (Systems Thinking Press, 2007).

**Building a Foundation for Change**

Once you have a clear understanding of why change efforts fail, you can begin to start introducing Enterprise-Wide Change™ within your organization. When thinking about organizational change, most organizations conduct a SWOT analysis and then jump in the water. It’s no wonder why change efforts fail. There is no planning involved with this method. There is no assessment of where the organization is now or a game plan for moving forward.

Part of developing a game plan is to understand first that there are three main goals of any Strategic Change. These are:

1. Define Strategic Direction/Achieve Clarity of Purpose
2. Ensure Successful Implementation/Execution/Build Simplicity
3. Sustain High Performance (over the long term)

It’s important to talk about these further in order to understand what you are really trying to accomplish when you introduce a change effort to your organization.

**Define Strategic Direction**

Defining Strategic Direction is what this entire book is about. Whether or not you have a full Strategic Plan using our comprehensive A-B-C-D-E Systems model, you definitely need both a shared vision and values for the outcomes of your desired changes. You also need a tactical game plan of the tasks and content your organization will need to achieve to get there.
This includes the need for operational (or annual) plans. Once a Strategic Plan with a shared vision (and values) is developed, then annual department plans and strategic budgets tied to the annual priorities must be set within the context of core strategies to achieve the vision. To set separate department objectives is a big mistake as the objectives of each department in every organization should be to support the main “how to” (or core) strategies to achieve the overall organizational vision.

**Ensure Successful Implementation/Execution**

Once you have developed the vision and the game plan to support them in a shared and participative way, then being ruthless in this second goal is key. The legitimate use of positional power and the *watertight integrity* to the agreed upon vision, values, and core strategies are essential.

**Sustaining High Performance (over the long term)**

Inputting the necessary energy to keep the plan adjusting and moving forward is crucial since there are mainly three broad goals and steps for leading and mastering Enterprise-Wide Change™. Even good Strategic Plans go bad after one year, however, because there is no Annual Strategic Review and Update as detailed later in this chapter.

**Engineering Success Up Front**

Our Enterprise-Wide Change™ process is unique because it *engineers success up front*. Enterprise-Wide Change™ is fundamentally different from other traditional change processes by virtue of Step #8 in our A-B-C-D-E model called Smart Start (a Plan-to-Implement Day) before you run off trying to deal with change. It deals with many issues, including:

- **Major structural/fundamental impact** – EWC has a major structural and fundamental impact on the entire organization or business unit which change is to occur.
- **Strategic in scope** – the change to be effected is strategic in nature. It links to the business’ unique positioning in the marketplace, even the public sector marketplace.
- **Complex, chaotic, and/or radical** – the change is complex and chaotic in nature, or will constitute a radical departure from the current state. The change is so complex, to the point that desired outcomes and approaches to achieve them may be unclear.
- **Large-scale and transformational** – the scale of desired change is large and will result in a significantly different enterprise.
- **Long timeframe** – the desired change will require years, with multiple phases and stages of major changes.
Enhancing Your Strategic IQ™

Cultural change – the rules of the game change: the norms, guideposts, values, and guides to behavior.

Part of guiding such long-term, cultural, and transformational change is to make sure that you have key people in place to facilitate the change. These Players of Change are crucial (Figure 8.3). There are four key players and roles in the Smart Start: Plan-to-Implement process. They are:

1. **Change Leaders** – senior management must take a *proactive leadership role on change along with running the day to day operations*. Success requires that change leaders think differently and have a deep understanding of Enterprise-Wide Change™ and Systems Thinking. They need the discipline and courage to require tight integrity and focus of the entire enterprise to their strategic marketplace positioning – time after time. They also require persistence and energy over the long term to ensure superior results.

2. **Change Consultants and Subject Matter Experts (SMEs)** – the CEO and line executives need a combination of internal and external cadre of competent support staff and Subject Matter Experts in HR, finance, planning, communications, training, OD, and the like to support them.

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**Figure 8.3** Players of Change.
3. **All Affected Employees** – Participation and involvement are key to the buy-in and stay-in of employees to the desired changes (*people support what they help create*). Some excellent participation practices include the Whole Systems Approach, Search Conferences, Public Consultation, and the Centre’s Parallel Involvement Process.

People today want to have input and involvement in the process of decision-making on matters that affect them – before the final decision is made. Better decisions are the result as is ownership for implementation.

4. **Program Management Office (PMO)** – a Program Management Office is needed and it should be led by a credible senior executive from the enterprise. It is co-led by an external master-level Systems Consultant and supported by internal staff and SMEs. The PMO needs to be a full-time coordinator in direct support of the CEO leadership. Someone must be guiding the systemic nature of the change effort on a daily, full-time basis. Managing the many separate, yet parallel, change projects is a systems problem. Thus, it requires an integrated, coordinated, total systems solution to be successful.

Introducing change is a process that takes planning. You must first set aside a day to plan your change implementation. This is what we have referred to as the Smart Start: Plan-to-Implement Day. It is the first step in the Enterprise-Wide Change™ process.

**SMART START: PLAN-TO-IMPLEMENT DAY**

In order to successfully implement a change effort, you must build a foundation for change. As we said, the Haines Centre accomplishes this by conducting a Smart Start: Plan-to-Implement Day that is the first step in implementing Enterprise-Wide Change™ (EWC). This step is designed to “bridge the gap” between visioning/values and/or Strategic Planning, operational and department planning, and the difficult implementation process.

It is an *educating, assessing, organizing, and tailoring day* for the change effort.

It *educates* by:

- Helping executives understand these principles of change
- Helping them understand the difference between content, process, structure, and the importance of each to success.
- Helping develop the needed leadership skills and competencies of the collective management team to have the long-term capacity to create and sustain the change.

It *assesses* by:

- Analyzing the waves of change as they apply to all levels of your entire enterprise. This analysis will usually result in a host of issues and action
plans required to cascade the waves of change desired to all levels and units in the enterprise.

- Assessing and refining your Performance Accountability and Management System. Tying in rewards to support this EWC process with a special focus on frequent recognition.

It tailors by:

- Clarifying your Ideal Future Vision of what business excellence and superior results means to your specific Enterprise-Wide Change™ desired outcomes.
- Selecting from a range of Change Structures, and establishing those that are required. The #1 criterion for success is the change leaders forming a Change Leadership Team to meet monthly and focus only on the changes.
- Establishing the Program Management Office (PMO) and selecting the Master Systems Consultant and Senior Executive to jointly run it is the #2 criterion for success.
- Tailoring the EWC process to your specific needs.
- Using the Rollercoaster of Change™ concept and its many uses on the process of how to ensure strategic and systemic change.

It organizes by:

- Building a Communications Plan with regular communications, follow-up, and booster shots to develop a critical mass in support of the change.
- Having all executives develop Personal Leadership Plans on what they are going to personally do to lead this change.
- Building a Yearly Map of Implementation, including the key Annual Strategic Change Review (and Update) sessions each year.
- Resourcing and budgeting for this extensive change process adequately (money, people, time, information, technology, equipment, spaces, etc.).

The end product is a second game plan, a game plan for the processes and structures of change itself. Key is the installation of numerous structures and processes such as a strategic Change Leadership Team, a yearly Comprehensive Map of the implementation process, and the use of cross-functional Strategic Project Teams.

The Smart Start: Plan-to-Implement step is usually done through a one-day off-site meeting. The morning is an educational briefing about Strategic Change. It is organized around the Iceberg Theory of Change and the “top ten reasons why change efforts fail,” previously outlined.
The Plan-to-Implement (Smart Start™) process culminates in an actual EWC game plan that is organized into five elements:

1. Content of the Change (Clarity of Purpose)
2. Structures and Roles to Guide the Change Effort
3. Processes for the Change (the Flow and Sequence)
4. Capacity for Change (Competencies, Commitments, and Resources)
5. Yearly Map of Implementation (to tie it all together)

This five-point organization is drilled down in the following checklist:

### Plan-To-Implement Day

**Smart Start™ Checklist**

1. Educational Briefing about Strategic Change
2. Review this Year #1 Strategic Change Process Checklist, including:
   - Finalize a Strategic Plan or major change with a rollout plan.
   - Align the budget to annual priorities and fund the change.
   - Build all department/division/unit annual plans around the organization-wide annual priorities/strategies.
   - Set up a monthly and quarterly strategic Change Leadership Team to manage the change process.
   - Establish Key Success Measures and a tracking system.
   - Revise the performance management and rewards system.
   - Examine your organizational structure as well as staff/succession planning to support the desired vision.
   - Set up staff development to build your own internal cadre of expertise with skills to achieve your vision and core values.
   - Build a game plan to ensure a critical mass for change.
   - Set Strategic Project Teams in place for each core strategy/initiative.
   - Set up the Annual Strategic Review dates, including new assessments and a large group annual plan review meeting.
   - Ensure your focus includes cultural change levers.
3. Develop a yearly Comprehensive Map of Implementation processes to summarize your first year's game plan for change.
In Summary

The Smart Start: Plan-to-Implement Day is the method the Haines Centre uses to help organizations plan for change. You wouldn’t build a house without planning and building the proper foundation! Why would you roll-out a massive change effort without careful planning and preparation?

Conducting a Plan-to-Implement Day is what will separate you apart from other organizations. Taking the time to understand why change is so difficult, planning ways for individuals in the organization to take charge of the change effort, and putting processes in place to assess the organization are the methods by which you act differently when it comes to strategy. It is how you develop your Strategic IQ™.

In the next chapter, the last chapter of our exploration on how to become a true Strategic Thinker, we will take you through one of our most successful methods for helping an organization change and implement a successful change effort, our Strategic IQ™ Assessment.

The Strategic IQ™ Assessment and its corresponding Strategic IQ Audit™ will help you and your organization achieve the superior results and business excellence that probably was the main motivator for you picking up this book in the first place.

* For more information on Enterprise-Wide Change™, see Enterprise-Wide Change by Stephen Haines, Gail Aller-Stead, and James McKinlay, available through Systems Thinking Press.
Getting Started: Strategic IQ™ Assessment

*If you never establish quantifiable outcome measures of success for your vision, how will you know you’ve achieved it?*

When you picked up this book and started reading some chapters ago, you did so because you wanted to Enhance your Strategic IQ™. Perhaps that is what drew you to this book in the first place – wanting to expand your knowledge of Strategies and create something *different* for your organization. We are sure that what you have now discovered is something tremendously different but exciting and, perhaps, even something that, although not necessarily a mainstream way of looking at Strategies, has become a very natural way for you to look at this topic.

In Part 1 and 2, we have helped you learn to think and plan differently in order to achieve this business excellence. In Part 3, you took some time to look over the various strategies used by organizations. All of this information has led you to this point; the point where you act. The point where you actively make change – Enterprise-Wide Change™!

Your goal is surely to create business excellence within your organization. That is what propels you toward change. The term business excellence means a variety of things to different people, so let us first get on the same page.

**Defining Business Excellence**

According to Robert Sternberg, author of *Successful Intelligence*, if you want *mediocrity*, you focus on:

- Self-esteem
- Comfort
- Self-pity
- Ease
- Appearance
- Abilities
- Expediency
- Ends

If you want *excellence*, however, you focus on:
There are many different levels of business excellence. Figure 9.1 describes where organizations lie on the five levels: incompetence, product/technical, management, leadership, and visionary leadership excellence. As you can see, most lie soundly on Levels 2 and 3. Are you shooting for Level 5 business excellence? Do you want to dominate your industry? Are you recognized as outstanding by your competitors? Does your organization have a customer-focused reputation? This is what we mean by achieving business excellence.

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**Figure 9.1** Levels of Business Excellence.
Building A Strong Initial Foundation: Through the Strategic IQ™ Assessment

Plans are nothing. Planning is everything.

-General Dwight D. Eisenhower, U.S. Army
Former U.S. President

Building a strong foundation is key to developing business excellence. When a craftsman designs a piece of furniture, he first sits down and designs the object and its purpose, detailing its every curve and nuance. He then utilizes the best tools and the finest woods to make his conception reality.

As a leader of planning and change, you are a craftsman/craftswoman of your organization. Your tools are thoughts, plans, people, money, and strategy. What kind of organization do you want to design? What does it look like? What does it do? Like the craftsman, you must start with the framework. This is the power of a Smart Start: Plan-to-Plan Day.

Part of the structure of the Plan-to-Plan day is a beginning assessment piece. This is a way to build a clarity of key issues that eventually becomes a touchstone to ensure that Strategic Planning deals with real issues. It helps

- Develop a critical issues list – what is critical for the organization now and in the future?
- Defines issues and context – what other plans and processes must the organization relate or link to?
- Provides the beginning of Future Environmental Scanning – how much and what kind of data does the organization need to feed and stimulate the process?
- Highlights potential obstacles and solutions – overcoming what might hold the organization back.

Usually conducted before the initial meeting with senior management, the Strategic IQ™ Assessment consists of two parts: an Strategic IQ Audit™ and an assessment of your strategic results and direction.

Part I of the Strategic IQ Audit™ includes a forty-question survey titled Strategic Management: It’s Simple that is broken down into four integrated strategic audit categories:
1. **Shared Direction and Clarity of Purpose**
   a. Assesses strategic plan development
   b. Assesses buy-in and stay-in to the plan

2. **Shared Core Strategies**
   a. Assesses strategic business assessment and redesign
   b. Assesses how department work plans, budgets, and accountability cascade down

3. **Successfully Roll Out and Implement Enterprise-Wide Change™**
   a. Assesses how the leader knows and performs his/her role
   b. Assesses what follow-up structures and processes are in place

4. **Sustaining Capacity and Simplicity**
   a. Assesses the capacity for sustaining Enterprise-Wide Change™
   b. Assesses whether leadership has achieved elegant simplicity and clarity of focus

Upon completion of the survey, a total score is produced that indicates the level of strategic management performance within the organization, from Survival, which indicates the organization needs to be overhauled quickly, to Outstanding, which indicates that the organization is performing at the true strategic level.

Completion and scoring of the instrument leads to a priority action plan that focuses on key strategic action items and defines success measures that will increase the bottom line.

Part II of the Strategic IQ Audit™ is an assessment of the organization’s strategic results and direction. It includes a more external assessment of your environment (Phase E), including:

- Your marketplace and brand positioning versus the competition in the eyes of the customer (Phase A).
- Your five key success measures/goal areas (Phase B).
- Your status of completion of your annual organization-wide top priorities and yearly action items (identified at the beginning of Phase D).

Working within the framework for the Smart Start: Plan-to-Plan, results of the Strategic IQ Audit™ are shared with the CEO and key decision-makers, usually in the second half of day two of a two-day planning session, and a specific road map and recommendations are outlined.*

The Strategic IQ Audit™ can be conducted using other auditing options including:

* For more information on the Plan-to-Plan Day, see Reinventing Strategic Planning by Stephen Haines with James McKinlay available through Systems Thinking Press.
• Have two Senior Executive Master Consultants from the Haines Centre come in-house and use this assessment to conduct a neutral third party diagnosis and assessment.

• Have the Haines Centre jointly assess you with a specifically trained subgroup within your organization.

• Conduct it as part of any Strategic Planning or EWC project.

• Make it part of the yearly “annual strategic review” and update of your strategic plan.

• Conduct it to begin a Strategic Planning or EWC management project.

The Strategic IQ Audit™ is a valuable tool in assessing your organization. Combined with the intensity of a Smart Start: Plan-to-Plan Day, the Strategic IQ Audit™ can help you get started with developing a Yearly Strategic Management System and Cycle and help you Enhance Your Strategic IQ™.

GETTING STARTED

Now it’s time to get started! After reading Enhancing Your Strategic IQ™, you have developed ways in which you can think differently, plan differently, and act differently. You have learned about how to think as a Systems and Strategic Thinker.

Before you close this book and start to plan your next steps, here are a few suggestions for moving forward.

I. Conduct a Smart Start: Plan-to-Plan

1. Complete a Smart Start: Plan-to-Plan and set up the Strategic Planning and Strategic Management process system with an internal support cadre.

2. Conduct an initial series of “Blow-Out Bureaucracy” workshops to quickly improve these processes.

II. Do Environmental Scanning First and Then a Full Strategic Planning

1. Do Environmental Scanning and then Strategic Planning first, with a focus on clarity of customer needs and of your positioning compared to your competition.

2. During Strategic Planning be sure to turn it into creating your Yearly Strategic Management System and Cycle by completing Phases A-B-C-D-E.
3. Set up some strategies as the primary means to the customer value vision (ends) – use the Centre’s alignment and attunement framework as a guide.

III. MAKE DEFINING YOUR POSITIONING A SPECIFIC PROJECT

1. Make “creating customer value” a major change project. Clarify your vision, values, and positioning around this.
2. Conduct market research, customer focus groups, etc., to clarify your customers’ wants and needs versus the Centre’s “STAR Results Model” referenced earlier in the book.
3. Select and map your customer-processes based on the results of this market research.

IV. CONDUCT GOAL SETTING FOR YOUR ORGANIZATION

1. Set up quantifiable measures of outcome success for the next three years.

V. HAVE THE HAINES CENTRE CONDUCT A PLAN-TO-IMPLEMENT (SMART START”) DAY TO BEGIN YOUR ENTERPRISE-WIDE CHANGE”

1. Set up the Change Leadership Team to meet monthly, led by the CEO.
2. Set up Strategy Sponsorship Teams comprised of executives/managers with a passion for each strategy.

You have a lot of work ahead of you, but isn’t that why you became a leader in the first place? Now, you are on your way to becoming an extraordinary leader – an extraordinary thinker – an extraordinary strategist that will redefine your organization and Enhance Your Strategic IQ.”
References

Classic References on Strategic Management and Systems Thinking


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H.7 Cross-Functional Teamwork - The Horizontal Organization
Understanding the difference between means (strategies) and ends (results) is the key to Enhancing Your Strategic IQ™. In fact, this is the key to the Systems Thinking Approach®, and it's 50 years of scientific research.

"Steve Haines and the Haines Centre represent the cutting edge of thought regarding strategy, strategic planning, and strategic management. Steve's research-based Systems Thinking Approach to strategy and strategic management has been one of the fundamental components of Sudoku's journey from good to great."

Richard Combs, Chief Administrative Officer—Sandhill Construction

"Following their ABCs of strategic management with an intense focus on measuring what's important, not what's easy to measure, will take your company to new plateaus and sustainability. Selecting from the complete range of Core Strategies (From A to Z) to focus your ways to achieve your vision is much easier with the complete strategies listed in this book—it is a reference bible—keep it handy."

Dave Myers, Former Chairman and CEO-JAP

"It's been said if you don't know where you're headed, chances are you won't get there. Not only has Steve Haines again focused on creating a vision leading to effective end results, but has given us the ABC's and the Strategies: From A-Z to get there. As a school district superintendent for 26 years I utilized this approach and Key Strategies in this book in building a nationally recognized K-12 school district with over 30,000 students that was one of the first to focus on student learning as our main mission."

Robert L. Reeves, Ed.D., Ph.D., Former School Superintendent, Author and Consultant

The purpose of this book is to provide progressive leaders and executives of all types and business-government/nonprofit profit sectors with a better and more practical understanding of Strategy — from a day-to-day decision making basis. It is a compilation of lessons learned from the Best Practices on Strategy and Positioning in today's most successful organizations, no matter what their industry or sector, public or private. This book is a proactive attempt to help executives understand and learn strategies a Best Practice Level in order to help them lead their organizations successfully in today's dynamic and changing global economy and environment.

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