

Helping Clients to Control Their Future

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Futurists say they do not predict the future. They identify likely scenarios based on past trends and present forces. They then leave it to others to capitalize on the opportunities these trends present and to insulate themselves against the impact of negative forces. Here is a key role of the consultant:

To defeat future scenarios that could damage the health of our clients, and help them leverage internal strengths and external events to maximize their shareholder value.

The popular response to this role is to suggest a strategic planning engagement. It is prudent business sense for a client to have a strategic plan. We are often amazed to learn that individuals with sizeable or complex estates have written no will for the distribution of their assets. We ought to be just as amazed to learn that companies do not have a plan for the future. Yet just as some people are reluctant to face the future distribution of their personal estates, some executives seem to put off planning a future for their company.

Could the reason executives don't have an explicit strategic plan be that such plans have lost currency in a volatile political and economic climate? Do they think that developing a plan takes too much time and energy and that in only a few months it will be useless? If so, they've used the wrong approach, and we

consultants may be partially to blame. Here are three approaches in which strategic plans lack staying power:

■ The approach is wholly dependent on a knowledge and analysis of current conditions and technology, on the assumption that what the company is doing today is what it will do tomorrow, only better and more efficiently. We need to have our clients set aside what they know about yesterday and today and focus instead on what tomorrow could be like.

■ The approach is an academic exercise that deals with things of the head and not of the heart. People make the future happen, not plans. No matter how well a plan is conceived, developed, and executed, if people don't like it, the plan will fail. The corollary is, no matter how poorly the plan is conceived, developed, and executed, those who want it to work will find a way. As consultants, we need to understand the personal goals and anxieties of those who are affected by the plan.

■ The approach assumes that research and analysis establish facts upon which to base a strategy and that one best course of action exists. We need to remind our clients that there are no facts, only assumptions, and that assumptions change. As they change, the strategy must also change. Have we provided alternative scenarios with corresponding strategies?

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Do your clients know the pathway "back from the future"?

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What can we do to maximize shareholder value, to assure ourselves and our company of prosperity in times of opportunity, and healthy survival in times of adversity?

There is an approach that will help clients answer this question. It comes as much out of the hearts of the principals of the company as it comes from their heads. It accepts that we don't know what the future holds for our client, yet the resulting strategy can guide the company in the face of uncertain internal and external events. Here are ten steps to creating a strategic plan that will remain a useful guide for many years.

STEP #1

Develop the Larger Purpose of the Business

What is the company's reason for existence? We need to ask what it is in business to achieve, and what is the purpose of that? And the purpose of that? By asking such questions, we help our clients progress from smaller to larger purposes. Smaller purposes, those we start with, provide reduced value and yield a restricted solution space. Larger purposes expand the scope of the business, provide greater value, and deliver a larger solution space. As we build a hierarchy of larger and larger purposes, we make three important discoveries:

- The client and we begin to understand the real role of the business in commerce and society.
- The principals of the business reach (sometimes with surprise) an explicit vision of what the company could be.
- Internal conflicts about what direction the company should take, which are expressed at smaller purpose levels, are usually resolved at the larger purpose level.

A subsidiary of a company that mined an important additive to steel said it was in business to convert the ore to metal bars. When we asked them what the purpose was of the

Figure 1 SAMPLE CASE: THE EXPANSION OF A BUSINESS PURPOSE



metal bars, they told us it was to help customers add the special properties of the company's metal to their products. When we asked them to elaborate further and continued to search for larger and larger purposes, the company realized it was in business to provide technical solutions to thermal, corrosion, and wear problems (see Figure 1).

Up until that point, managers of the company were only custodians of a commodity waiting for the phone to ring. Business was flat. When they realized that providing technical solutions was the real purpose of the business, they saw opportunities to take their knowledge to other industries that hadn't used their specialty metal—and in fact, to add two more specialty metals with related properties to their portfolio.

Caution: If the purpose of the business is not customer focused, the business will eventually atrophy and fail. Although we want to help the client maximize shareholder value, the purpose of the business is not shareholder value. That is a result. No business can exist without a customer. It may have shareholders, a fine product, good management, strong financing, and location, location, location, but without customers it is not a business. We must be alert to not let clients trap us into pursuing a purpose to generate wealth for the

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company. The purpose must always be to generate value for *customers*, and if done correctly, that will generate wealth for the company.

STEP #2

Uncover the Personal Goals of the Principals

Notwithstanding what the owner and senior managers claim are the purpose and goals for the business, it is essential to discover what their own individual personal goals are. Are they doing what they want to do? Are they comfortable with their careers? Should they be in this business? Is there a disconnect between what they want for themselves and what they want for the company? Only by answering these questions candidly will the principals of the company take responsibility for any strategy you help them to develop. Without responsibility for the plan, it will be a hollow shell. Also, is there a conflict between the personal goals of the principals that would be detrimental to the company?

A president of a company called in consultants to help him develop his business into a miniconglomerate. He was ready to buy up companies, and the consultants were ready to help him. Yet when they asked the president what his personal goals were, he confided he wanted to build up the company, sell it, and get on to another career. And he wanted to do that sooner rather than later. When the consultants understood the president's personal goals, they explained to him that he should create a strategy to improve the sale value of his existing company by developing the base of what he had, rather than taking on the additional problems and debt inherent with acquisitions.

STEP #3

Focus on Ways to Achieve the Larger Purpose of the Business

Without analyzing past performance and present conditions and problems, develop future scenarios that would enable the company to achieve its larger purpose. Focus on the future,

not on the past. Focus on solutions, not on problems. If there were no restrictions, how could the company achieve its larger purpose? What strategy would it take to make that happen?

This is a creative process. Starting with SWOT—strengths, weakness, opportunities, and threats—is the wrong way to begin working with your client. That will come later during a validation phase. If we base our strategies on strengths the company perceives it has or on its perception of weaknesses, opportunities, and threats, we limit our solution. Companies have strengths they don't know they have. They will be presented with opportunities no one can predict. We have to begin with a future vision of the company, what it wants to become, where it wants

to go, and who wants it to go there. Analyzing the current situation restricts creative solution-finding by keeping our thoughts bounded by today's reality. We want to be free to think outside the perimeters of our current knowledge of the way things function. Otherwise our solution is not likely to break new ground.

A decade ago, a high-tech company needed a new strategy for delivering software to key clients. A new system was needed to dock with a new order-processing system. A project had already been in development for two years and was six months away from launch. Trying to solve the delivery problem using knowledge of how the company operated and what it had the capacity and technology to do just raked over old ground.

When developing a purpose hierarchy for the delivery system, one larger purpose identified was "to have the product in place the instant their customers wanted it, where they wanted it." How could the company know when its customers wanted the new software, we asked? One person facetiously suggested mental telepathy. That led to suggesting we embed chips in customers' heads. That in turn

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led to the realization that the software company already had detailed knowledge of how their major customers used software, what their operating needs were, and what their purchase patterns were. That was almost as good as having a chip in the head of the decision maker.

The resulting concept was a delivery system that installed new software on key clients' computers during the night. An icon on clients' screens introduced the software and started a trial period. When the customer used the software after the trial, the delivery system triggered an invoice. If the client did not want the software, it was removed. Although this concept forms the basis of software updates and upgrades today, it was a surprising solution at the time, particularly to the order-processing team that was developing something more complicated. The paradigm, *you order and then we deliver* was switched to *we deliver and then you order*. This wouldn't have happened by starting with SWOT.

STEP #4

Develop Strategies to Make It Happen

Once we have a vision of what the future would look like, the inclination is to develop strategies to get from where the company is today to where it wants to be tomorrow. However, by starting with the present as a base and trying to build up to a future concept, we encounter assumed barriers that prolong the process and may even kill the concept. Instead we should fix the desired future as our base and work backward to the present state. It's like reverse-engineering a vision of the future to find out ways to build it.

A customer-satisfaction strategy developed for a distributor of perishable goods resulted in a predictable recommendation to install automated warehouse-handling equipment at 23 locations across the United States. The task force built its solution to increase customer satisfaction and shareholder value, starting with the current condition as a base. It was only natural they looked to upgrade what they had always done, and automation was a logi-

cal answer. Because the capital cost of the strategy would be significant, another task force was called in for a second opinion. This team started instead with the future vision of customer satisfaction, with the result that 21 warehouses were phased out in favor of two larger centralized distribution centers.

STEP #5

Deal with Objections After Developing the Core Solution

An international accounting firm wanted to change the way in which audits were conducted to provide greater value to their clients and increase their own realizations. The vision they came up with was one of preventing problems rather than reporting problems. The concept was to shift from auditing history to auditing the controls and processes that determined the reliability of future transactions. As they worked to develop a process to accomplish this, several partners were unconvinced. They raised red flags and other objections to demonstrate the concept was flawed.

When coming up against the wall of reasons why the strategy wouldn't work, the strategy task force agreed that the issues were potential problems, recorded them on a follow-up list, and then asked the members to assume for the moment that the issues didn't exist. After they developed the core strategy, they turned to the follow-up list of issues. They found that most of the objections had either vaporized or could be solved easily. Some were merely red herrings. Others fell away as part of a strategy to address something else. A few threatened to be deal-breakers. The group focused on ways to work around these issues—in one case adding a new control step to the audit and in another deferring one aspect of the future solution to a later time.

STEP #6

Identify and Validate the Assumptions Embedded in These Strategies

There is nothing certain in strategy deployment. We all understand that we don't know what the future will bring to the equation. Yet our clients don't realize—and we consultants don't always tell them—that *everything* is an assumption, including the market, the product, the organization, the people, the financial condition, and even the management. We need to identify and validate those assumptions that are critical to the success of the strategy. Where we can't validate them, we need to develop strategies to deal with the replacement assumptions.

For those readers who are impatiently waiting to find out where to get started on an assessment of the company, its market, and other forces, this is the place. However, instead of analyzing everything we can get our hands on, we need to validate our major assumptions by assessing only very specific items. For instance, some of the assumptions that need to be validated are:

■ *Management is committed to the plan.*

Will management stand behind the strategy? If not, what makes anyone think the strategy will succeed? Have key players been involved and given their commitment to the plan? Will the key players even be around to see the strategy through? (Remember their personal goals in step 2?) If key players leave the company, what is the backup strategy?

■ *Management and staff are capable of implementing the plan.*

Is the human potential of the company adequate to carry out the plan? Phrased another way, is the plan too complex, too sophisticated for employees to understand and deploy? Does the plan expect too much too fast? What should be done to prepare management and staff to support the plan?

■ *The company has the financial resources to see the plan to its conclusion.*

How leveraged is the company? How does the company's financial structure achieve its business purpose? Develop a financial profile/analysis including pro forma projections. What are the options if any one of a dozen or more assumptions in the projections turns out to be wrong?

■ *The technology will be there when it's needed.*

If the plan requires leading-edge technology, is it available? One client devised an aggressive strategy that depended upon technology that was not known to be available. We surmised, however, that if we could think of a plausible use of technology, someone else had probably already developed it. We sent the client out to test the assumption that such technology either existed or could be developed by the time it would be needed. The answer was good and bad: The exact technology was already under test in the company's laboratory, and its chief competitor was already using it in the field. Our clients don't know how little they know.

■ *The plan addresses the critical issues of the company.*

A regional service firm to the south of a large metropolitan area was about to enter into the final phase of merger agreements with a similar firm to the north of the same city. As we challenged the assumptions upon which they had based their expansion strategy, they realized that their strategy should really be to diversify, not merely to expand into a larger market area. The northern firm was similar to the southern firm except for cultural differences. It offered no product or service diversification. The merger talks were called off before a serious mistake was made.

■ *The plan addresses the needs of the market.*

What is the market potential in this industry? Is the industry new or emerging? What is the position of the company in its market? Does the market need new or modified products or services contemplated in the plan? What are

the options if the assumptions turn out to be wrong?

STEP #7

Develop Responses to Changes in Assumptions

The plan must be flexible. It must adapt to change. We should not keep strategy in a straitjacket. This is key to keeping a strategy alive and functional. Consider what the company would need to do if key assumptions turned out to be wrong. What should be the response to a worst-case scenario? What about a best-case scenario? We can help clients hedge their bets by identifying responses that would achieve the desired objectives in one or more scenarios and yet would not have a negative impact on any other scenarios. Understanding different future scenarios and having alternative plans allows the client to take those quantum leaps when opportunities appear. It saves the company from crushing blows when circumstances threaten. It also allows consultants to maintain a relationship with clients by monitoring changes in assumptions and reminding clients of their options.

STEP #8

Develop an Action Plan

Strategies without actions are reports without value. A strategy must be implemented, and implementation means action. What are the tasks that must be completed to implement the plan? Who are the owners of these tasks, and when must their tasks be completed? The consultant may be asked to assume ownership for some tasks where the client is unable to provide the resources or the expertise. But in any event, every task must be assigned to someone, and that someone must agree to a deadline.

STEP #9

Achieve Buy-In

Throughout this process it is important to involve the people who will be affected by the changes represented by the plan. It is shortsighted not to. In the first place, people at all levels have insights not always apparent to management and can make substantial contributions to the plan. In the end, we need to have their commitment and support, their buy-in. Although the client may not want to consider that there is internal conflict or resistance to change, it may be necessary at this point in the process to develop a separate action plan to achieve buy-in by management and staff. This requires conflict resolution and transition-management processes. Agreeing on a larger purpose will remove conflicts at the smaller purpose level. Understanding what people are afraid of losing as a result of change suggests what new must be given in return. Celebrating endings is as important (perhaps more) than glorifying new beginnings in order to preserve the dignity of past efforts.

STEP #10

Follow Up

Whether or not the consultant has been asked to remain on retainer, a key factor in the success of the plan—and the consultant's credibility—is responsible follow-up. The consultant should check in periodically to gently probe the implementation of the plan and to stimulate action or suggest changes as needed.

Helping clients to control the future of their companies means more than creating a vision, checking out SWOT, and establishing strategies to achieve long-term goals. It means more than creating a strategy. It means creating a future. To do that you must help the client to expand its vision of the larger purpose the company serves, and to understand the personal agendas of the principals who must take the company into the future. To create a future, we must think future and work

backwards. We must recognize that everything is merely assumed and consider how to respond to alternative scenarios when these assumptions change. A strategic plan designed to create the future must be flexible, proactive, and vibrant. It is not a snapshot of what the company wants to be. It is a motion picture with unexpected events, resilient lead characters, and a satisfying conclusion. ■

Resources

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