

NOT ANOTHER STRATEGIC RETREAT

By Neville Lake

It is coming up to that time of the year again. The time when senior people go away for a couple of days to decide the 'strategy' that will guide them to outrageous fortune. You might be thinking about an event of this kind for your business. You may be wondering if a retreat like this can make - or break - your business. It can.

There are two kinds of strategic events. The 'beauty parade' and the 'think tank'.

The beauty parade is the most common. This is where a number of people develop their plans in isolation, and then present them to everyone else. The unwritten rule is, "*I suffered through yours ... so now you have to sit through mine*". While this parade of different managers is usually informative, if truth were told it is usually the dinner that sticks in people's minds more than anything else. The larger or more geographically spread a business becomes, the more likely it is that this kind of 'strategic retreat' will be inflicted on the participants. It may have the word 'strategy' in its name - but it doesn't have a lot to do with strategic planning.

The 'think tank' kind of event is designed to take advantage of the collective wisdom of your senior people in a way that truly allows your business to take a step forward. Use these simple questions to test if your business needs this kind of retreat:

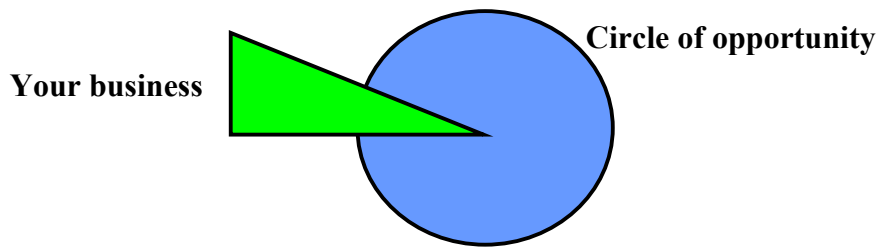
- Is your business doing as well as it possibly could?
- Could your profits be higher, and your costs lower?
- Are there key markets and customers that you should be doing business with – but you are not?
- If you continue on doing what you are doing now, will you become the best business that you could possibly be?

If your answers to these questions tell you that that all is well - now and into the future - then you do not need to read the rest of this article. You are also a very rare business indeed.

If you are still with me then the chances are that you need the answers to some really tricky questions, such as:

- What customers/ markets offer you the best opportunity to make the most money with the least investment of effort?
- Which of your products/ services are going to take you into the future, and which represent a sentimental attachment to the past?
- What makes you unique – and how do you get the most out of this?
- What do you have to do to become the kind of business that you could be – and should be?

If this is what is on your mind then you are already worrying about your 'circle of opportunity' - and your place in it. You see, just about every business has an unlimited set of options - the circle of opportunity - but fixed quantities of people and resources.



The trick is to focus your dollars and days on those opportunities that will give you the best return in the short, medium and long term. Now, that is what strategy is all about.

The way to find your place in your circle is through asking some really good questions. The time to ask these is at the strategic retreat. The ingredients that make up this retreat are as follows:

- Facts, facts and more facts
- Frameworks for turning facts into insights
- Decision-making techniques that convert insights into actions

Facts, facts and more facts

Consider a game of chess. How many possible moves do you think there are during the course of a single game? Tens of thousands, hundreds of thousands, millions perhaps? Let me tell you, there are 10^{108} possible moves. That is 10, with 108 zeros after it – now that is a big number.

Now, consider your business. How much more complex is it than a game of chess? The chances are that you understand less than you believe, and your perception of where value is created probably does not fully coincide with reality. Try this simple test. Find a key process, and draw a flow chart to describe how you think it works. Ask your front-line people to draw a similar chart. The chances are there will be significant differences. If that process is more than two years old, then the chances are that your chart and theirs will be more than 20% different.

This gap in your understanding will be replicated in every part of your business, so before you plan the future, you need to be sure about what is really happening in the present. This means collecting information about key areas of your business before you go to the retreat, including:

- Customer information – which customers give you the most profit today, which could generate the most in the future
- Markets – which are still developing, which are in decline
- Products – where do you make your money, and what is wasting your resources
- Processes – which are sleek, and which are bloated by unnecessary steps
- People – who is really making your business work, and who is not able to make their best contribution.

Put your data on a simple table, as follows:

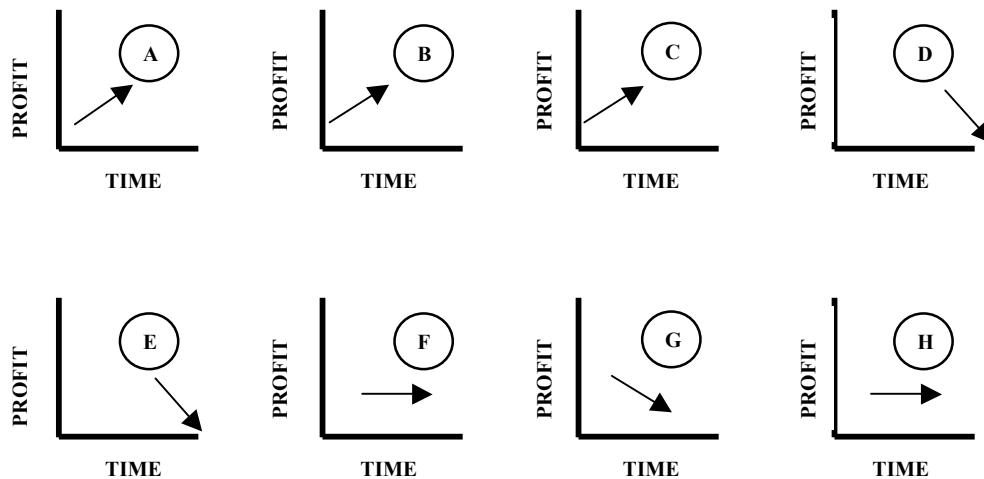
Item being considered (Customer, Market, etc)	Current costs	Current income generated	Likely future costs	Likely future income	Action: (a) Invest, (b) Get out, (c) Stay the same

This table forces you to understand what is really happening in your business. Rank order your table by ‘current income’ to get a picture of where your money is coming from today. Then rank order it by ‘likely future income’ to see where your business is going in the future. Factor in the costs to see where the profits are being made. I’ll bet you are looking at some surprises.

Frameworks for turning facts into insights

The ‘think tank’ strategic retreat compels your senior managers to analyse your data from different perspectives. There are many different frameworks that you could use such as: the “Lifecycle” analysis; “SWOT” analysis; “Portfolio” analysis; and so on. These are all great, and if you are familiar with them I suggest that you use several. However, if you want a single straightforward technique, then create charts that show profit vs. time – using all the data in the tables that you have developed already. You can then work with the senior managers in your business to group those charts that go together, and stick them on the wall, like this:

KEY GROUPINGS



In this example A is a market, B & C products, D, E, F, and G specific customers, and H is a process. This shows that the market has potential, but the key customers are all in decline. It is these customers who are being offered the most attractive products – so, there is little chance that these products will fulfil their promise. In this case the business needs to find other customers for their products, and better customers within this market.

Decision-making techniques that convert insights into actions

You now have a lot to do. Probably too much. The ‘invest’ and ‘get out’ projects could probably take all the time available - but you have a business to run as well. One of the biggest mistakes at this point is to try and do everything. This is where you need to apply some decision-making techniques.

The most straightforward of these is an A, B, C. ranking. This is as simple as it sounds. Simply rank order the possible projects that you have into three categories (A=high priority, B=medium priority, C=low priority). Make sure that there are no more than 5 – 7 projects in the A category (you will only have the time and resources to progress these).

If this ranking does not happen easily then you will need to create some criteria, such as:

- Dollar impact – the total dollars available per annum
- Profit available – the dollar amount profit per annum
- Speed of gaining the benefits – how quickly the investment will be returned
- Investment required – total dollars per annum
- Likelihood of success – on a scale of 1 – 5 (1=high)

These can then be inserted into a table, like this:

Possible project	Dollar impact	Profit available	Speed	Investment required	Likelihood of success

This kind of table will quickly show which projects deserve to be in the ‘A’ category.

So, that is a ‘think tank’ kind of retreat. Using this approach your senior people will increase their awareness about what the business needs to do to be successful in the future – and they will do so together. They will make profound decisions effortlessly, and they will be excited about putting the action plans into practice. You have now found a way to identify your place in your circle of opportunity.



Neville Lake is the author of six books including "The Strategic Planning Workbook," which is an international bestseller and part of The Sunday Times series of management books. He has developed an intensely practical approach to strategy and strategic planning and his methodology has been used by thousands of businesses around the world. Neville has visited over 100 world best practice organisations, advised over 150 businesses and has been applauded by over 500,000 people around the world.

Contact Neville on nlake@lakegroup.com.au