

3rd edition

# Strategic Thinking

A nine step approach  
to strategy and  
leadership for  
managers and  
marketers

Simon Wootton  
& Terry Horne

STRATEGIC THINKING

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*Strategic Thinking* takes you step by step through the questions to ask, in order to formulate strategies and write clear and concise strategic plans. Based on three core actions – creating knowledge, innovating ideas and implementing change – *Strategic Thinking* consists of hundreds of examples and advice on:

- how to gain a deeper understanding of your market
- how to develop a strategic vision
- how to think critically about proposals
- how to survive and thrive in a recession
- how to implement and manage strategic changes

With online material to support each step and strengthen your ability to predict future changes, a section covering key aspects of leadership and neuroscience; and prompt sheets, action plans and useful summaries, this fully updated third edition is an all in one strategy manual for marketers, leaders, managers and business students.

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# Strategic Thinking

A nine step approach to strategy and leadership for managers and marketers

Simon Wootton  
& Terry Horne

These 9 systematic steps will help you to:

ESCAPE FROM THE PAST

1. Gather strategic intelligence
2. Assess strategic capability
3. Create strategic knowledge

FOCUS ON THE PRESENT

4. Make strategic predictions
5. Develop strategic vision
6. Create strategic options

INVENT THE FUTURE

7. Take strategic decisions
8. Create and communicate market-led strategy
9. Plan and manage projects to implement the changes

Authors of the best-selling books on 'the brain' and the 'management of change'



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# Preface

- You can use this book to discern opportunities in chaos.
- You can learn to display contagious confidence, even in turbulent times.
- You need strategies for your supply line and your front line.
- You will need strategies for your back office as well as your front office.

Whether you lead a small marketing team, run your own SME, or manage a whole company, your people will look to you for reassurance and guidance when they face an uncertain future. Turbulence, especially, will test their trust in your ability.

When you think clearly and strategically, even in turbulent times, you will become their leader. Strategic thinking is not difficult when you use the 9S<sup>®</sup> Approach:

- The practical 9S<sup>®</sup> Approach can be used by market planners to find new customers and to specify what needs to be done to delight them.
- The practical 9S<sup>®</sup> Approach can be used by managers to work out how to resource and schedule the work that will need to be done to implement the plan.

Strategic thinking directs present action and improves future performance.

As a strategist you must not show fear of what you see coming. You must see it sooner than others and take opportunities, even in turbulent times.

# Acknowledgements

We are indebted to so many that it seems iniquitous to nominate so few.

We commend the work of Warren Bennis and Richard Greenfield, whose models of leadership seem to sidestep 'the darker sides of senior management', of which we have been critical (Horne and Doherty, 2003). We have for many years been grateful for the work of Professor Peter Checkland and Professor Susan Greenfield and the legion of neuroscientists who supported our work on the brain. We are indebted to Professor Ram Charan, for his cultural perspective and his advice on how to find direction in times of uncertainty. We have needed timely reminders from Tony Doherty and Charles Handy that strategic thinking involves ethical and moral reasoning. We are grateful to Routledge for permission to use material from *A Thoughtful Approach to the Practice of Management* (2003), and material from *Doing Good Business – Ethics at work* (forthcoming). We are grateful to Sally Turnbull, Corporate Strategy Manager at the University of Central Lancashire and to SME and corporate managers down the decades for their feedback on what works and what doesn't.

# Dedication

First, this book is dedicated to my wife, Gillian Wootton (my understanding 'book widow'), someone whose approach to life is honesty, open communication and the importance of the family to all that we do in today's world – vital components of the human soul. Secondly, this book is dedicated to my children, Ellis, James and Holly for their love and support and continued encouragement to write more books! When the first edition of this book was published, only Ellis was present in the Wootton family world, so James and Holly now ask their Dad to write more books with Terry, so as to catch up! It is only through such a supportive family network that ideas flow, time is allowed to dwell on them, and then given to write them.

The greatest waste in the world is the difference between what we are and what we could become. (Ben Herbster)

*Strategic Thinking* can end that difference.

# About this book

This book is an all-in-one-place handbook for those managers and members of the marketing team who need to collect and assess information, create and communicate market-led strategies, take strategic decisions, write strategic plans, and manage projects to implement change.

This book is not for creative entrepreneurs, born leaders, or those blessed with the gift of prophecy. It is for ordinary mortals who are asked to create and communicate strategies and implement change, even in difficult times.

The thinking skills required were identified during a seven-year study, which began in 1989, working with Roger Armstrong at the University of Central Lancashire. This book examines the results of applying these skills to the creation of strategic knowledge, the formulation of strategy, and to the implementation of change.

Strategic thinking involves the deployment of five basic, five combination, and three higher-order thinking skills. The five basic skills are memory, imagination, numeracy, empathy, and conversational thinking. In Part I we explain how these component thinking skills can be developed. In Part II we describe how these skills can be combined in a 9S<sup>®</sup> Approach, to formulate strategy and implement strategic change.

We have expanded Part I in three ways. First, reflecting the increased complexity of thinking globally and transculturally, especially in turbulent times, we have expanded it to include systems thinking. Secondly, we have expanded the section on ethical and moral reasoning. This will enable you to address issues of trust, credit-worthiness and the need to repair your corporate reputation. Thirdly, given the need for innovation, competitive advantage and creative initiative, we have built on Japanese research into the use of figurative language.

In Part II, the activities involved in developing a strategy have been divided into three areas: creating knowledge, formulating ideas, and implementing change. We describe things you can do in each of these areas that will help you to assess past information, direct present action and improve future performance. You will learn to use:

- Predictive Thinking – when you analyse the impact of changes in technology, economics, markets, politics, law, ethics and social trends.
- Critical Thinking – when you audit strategic capability.
- Reflective Thinking – when you assess threats and opportunities.
- Creative Thinking – when you overcome obstacles to innovation.
- Ethical Thinking – when you evaluate economics, efficiency, effectiveness, ecology, feasibility, sustainability and risk.
- Visual Thinking – when you present and sell your strategy.

Readers will learn about the theories behind strategy, leadership and strategic change management, by applying them in practice. You will get practice in using the 10 component thinking skills and the three advanced thinking tools. These are highly portable skills. Readers will learn to adapt their thinking quickly, as circumstances change. These are skills you will need not only as strategists and entrepreneurs, but as citizens and lifelong learners in a changing world.

This book has been highly rated by managers of SMEs, by managers and professionals in service organizations, and by managers of large multinational companies and international NGOs. It is popular with final-year undergraduates and MBA and Master's students of business, management and marketing. It is fully internationalized and rooted in contemporary thinking on emergent, critical and market-led approaches to strategy formulation. It has been adopted as a core text in strategic management in business schools in Asia, Eastern Europe and South America. It has been endorsed by AMBA – The Association of Masters of Business Administration, and by CIM – The Chartered Institute of Marketing. The book has been reprinted 10 times since its launch and it enjoys a five-star reader rating on the publisher's website.

When you learn to think strategically, you can become a leader with a leadership style that will work in certain and in uncertain times – a strategic leader. Strategic thinking develops a market-led conversational style of leadership that is particularly well suited to getting difficult things done in difficult times. You will keep your head when all around you are losing theirs (Kipling).

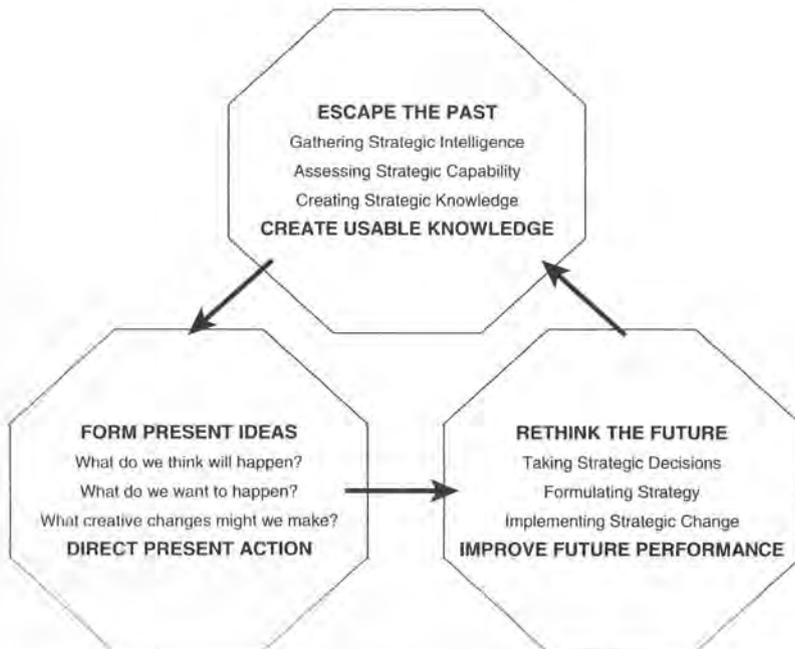


Figure 0.1 Strategic thinking

The 9S<sup>®</sup> Approach helps you to rethink the future.



**Figure 0.2** Strategic thinking – The Nine Steps

# Part I

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## Strategic leadership

## Section 1

# Strategic leadership

Some say our hope lies with one nation, some say it lies with one man. I believe that our hope lies with listening to those individuals whose everyday deeds negate the past and help us to rethink the future.

(Terry Horne – based on the last lecture given by Albert Camus)

In times of turbulence people turn to their leaders. In India, they were given strategic leadership by Gandhi; in South Africa by Mandela; in the deep south of the United States, by Martin Luther King. In 1989, we found it in Mikhail Gorbachev and Lech Walesa. In organizations, people need strategic leadership from their marketing team and strategic implementation from their managers (see Part II, Step 9). In a small owner-managed business, or in a small-to-medium sized enterprise (SME), the manager, the marketer and the entrepreneur may be one and the same person.

This book is concerned with how marketers and managers can learn to lead and think strategically. Part I focuses on strategic leadership and Part II on strategic thinking. This separation is for convenience of publication. In practice, strategic leadership and strategic thinking are mutually reinforcing.

Part II sets out a simple nine-step approach (the 9S<sup>®</sup> Approach) that helps you to create and present strategy, and to implement and manage strategic change. In the Case Study in Part I, we will look at styles of leadership and management that have proved effective in strategic leaders, even in turbulent times. In Part I, Section 2, we will look at the neuroscience that helps us to understand the way strategic leaders communicate. In Part I, Section 3, we will look at the thinking skills required. In Part I, Section 4, we will look at examples of effective action taken by strategic leaders at times of confusion, chaos and crisis. We start by looking at what we have discovered about the leadership styles of effective strategists.

# Strategic leadership and conversational style

## THE LEADERSHIP STYLES OF STRATEGISTS

We have researched and long favoured the leadership styles of Professor John Adair's action-centred managers: 'By their deeds that you shall know them.'

We discovered that you do not need to be a born leader; you only need to do what born leaders do (Horne and Doherty, 2003). When you think strategically and act with empathy, others see you as a 'born leader'. Strategic thinking involves thinking for yourself as yourself, but also as another. It involves thinking clearly and clearly expressing what you think. The things you need to do are not difficult to learn. So, 'heads in and hands on!' (Charan, 2009).

More than 20 years ago, Robert Greenleaf (1997) drew our attention to Leo. Leo is the servant in Herman Hesse's *Journey to the East*. Leo is a member of a group on a sponsored quest – a journey to the East. Leo does their chores. Leo sustains their spirits with his songs. The group was making good progress until, one day, Leo disappeared. Slowly the group fell into disarray. They no longer knew which way was East. They had lost their sense of direction. They were forced to give up their quest. Many years later, the group discovered that Leo was in fact the head of the order that had sponsored their quest. They realized that Leo had been their leader all the time that they had seen him as their servant. Leo's first and foremost desire was to serve others. In the end, those whom he had served bestowed on Leo the attributes of leadership. Greenleaf saw in Leo a metaphor for the way that strategic leadership is attributed to those who know which way we are meant to be going, ie who know the strategic direction, whatever their position in the hierarchy. Greenleaf's metaphor helps to explain how a member of a marketing team can often be the real strategic leader of an organization, rather than the chief executive.

Greenleaf's voice was prophetic. It was not until 2003, based on research with Tony Doherty, that we first expressed our concerns about the 'dark side of leadership' and the 'grandiosity of senior managers'. There are always prophetic voices in your midst and at every level in your organization. If you listen, you can profit from past practice by taking action today that will improve your performance tomorrow.

You can develop your own prophetic voice by learning to think strategically, and to clearly express what you think. Part II will help you do that. In the meantime, there will already be people, in your organization or in your community, whose power of prophecy you can harness by your preparedness to listen. When you listen to them and take action on the conclusions you have drawn, your prophets will grow in stature. It is the listening that creates the prophets, from whom

The novelist Richard Bach was a prophet. In *Illusions*, he tells the story of a colony of ancient crayfish that lived a leisurely life amongst the rocks at the bottom of a slow meandering river. Every day, there floated down the river more food than the crayfish could eat. One night, there was a terrible storm in the hills above the river. The storm raged for days, quickly turning the river into a raging torrent, filling it with mud and dangerous debris. Unable to see, let alone eat, most of the crayfish clung desperately to their rocks on the riverbed. Most of the crayfish were smashed to death against the rocks. There were a few, however, who realized that by letting go of their old rocks, they would be carried along by the new current. Eventually they would be swept into some new quieter pool, where they could perhaps tread water until they had regained their breath. Once they had had time to think, the crayfish who had risked letting go of their old rocks realized that all manner of new foods and new materials were being brought to them by the new current. Some had so much enjoyed the exhilaration of the fast ride in the current that they pushed off back into the current in search of new pools further downstream. Despite the risks, they thought there was more likely to be calmer water, wider rivers and even more food further downstream. When the alternative is to be battered to death on the rocks, even strategic decisions can be easy!

If we use the crayfish as a metaphor (see Section 3), we can see that it is sometimes unwise to cling fearfully to ideas from the past. That is not to say that such ideas should be abandoned without thought. There is no point, for instance, in waking each day to invent a wheel. But that does not stop one from looking for a wheel better suited to the needs of the day. There are nearly always people, somewhere, working on a better wheel. But if you do not listen, you may not hear them.

Those of us who can spend a lot of time with young people are very fortunate. Young people quickly become the future. They have now, the future ideas that we are paid to predict. Amongst the young there are many prophetic voices, if only we will listen. Currently young voices are challenging injustice. They are challenging restrictions on their freedom in Zimbabwe, Burma, Iran and North Korea. Many young people are angry because there is disparity between the quality of life of people in Africa, for instance, and the quality of life that advances in science, technology and economics have made possible for others. It is the young who have most reason to fear for the future of the planet, and for the future health of their children. Many young people are not impressed by coercion. It is important for politicians and managers to realize that young people today are less and less ready to recognize the authority of leaders to whom they do not freely give their allegiance. Young people are more likely to give allegiance to those whom they perceive to be helpful, than to those whom they perceive to have power – to those who think strategically, rather than to those who appear to be thoughtless.

A distinguishing characteristic of those who think strategically and lead strategically, is that they are better than others at creating and communicating intent and direction. They are better at pointing out the direction of a group's intent – whether that group is a team, an organization or a nation.

We turn next to brain-based strategic communication.

## Section 2

# Strategic leadership – brain-based communication

The strategic leadership of Mikhail Gorbachev and Lech Walesa, was not sufficient to bring down the Berlin Wall. A second ingredient was necessary; that second ingredient was brain-based communication. This brain-based strategic communication was provided by West German television.

Strategic leaders need to use emotional images and frequent repetition to communicate aim, purpose and direction. They need the patience to do so repeatedly, thereby creating memory and familiar neural pathways in our brains. By being prepared to repeat themselves frequently, they create a familiarity that reassures and restores lost confidence in times of confusion and chaos. To a strategic leader, the direction is always clear, even when the destination is not.

The destination may be a 'vision', the spreading of a belief, or the acceptance of a concept. The destination is out of reach and sometimes out of sight. The destination is something to move towards or become. The destination therefore excites the imagination or challenges the mind. People need to feel pride or excitement to be moving toward it. Because the destination is unseen, people need to have trust that it is worthwhile. To elicit this trust, strategic leaders need confidence not only in their own values but also in their own judgement. When you learn to think strategically in Part II, you will gain confidence in your own judgement.

Martin Luther King did not go to bed to create his 'dream'. Strategic 'dreams' develop through intensive listening to the people for whom those dreams have consequence. Even in turbulent times, it will be the natural behaviour of strategic leaders to ask questions, rather than issue orders:

- 'What is happening down here?' 'What is happening out there?'
- 'How is it affecting our customers?' 'How is it affecting you?'
- 'What would you like to see done?' 'How can I help?'

This questioning and listening will feed your strategic thinking (Part II). In the meantime, this questioning and listening will calm your people, validate their feelings, and restore their confidence. If you do not understand them, you will be misunderstood. Once you understand, you will need to communicate your understanding.

When communicating to a group of people, neuroscientists tell us to assume only a 20-minute attention span. The neuroscience of short-term memory tells us that many people, spoken to in a group, are unlikely to remember more than three things that we say. Strategic leaders choose with care how best to use these three precious units of attention and memory. Strategic leaders repeat the three important things they have to say in as many different ways as possible, using as many different images, stories, emotions and personal examples as they can fit into their precious

though they often attract criticism for doing so. When trying to communicate their understanding to their people, strategic leaders are always thinking, 'But what's in this for them?' Strategic leaders usually finish their communication with a final summary that repeats the three important things they came to say.

It is not sufficient that leaders communicate the right direction. They must get people pointing in that same right direction and motivate them to move in that direction. Strategic leaders know that motivation comes from belief, and neuroscientists have identified two necessary components of belief: a thought plus a feeling; involvement of the primitive reptilian brain, as well as the cerebral cortex. Strategic leaders deliberately associate each idea with an optimistic emotional image that is meaningful to their people.

The direction of their communication is always from the past (a story or an experience), via the present (an idea or an opinion), towards some future (plan or action). Mid the encircling gloom they must shine their leading light forwards, at least as far as the next signpost! Because the destination is in the future, and because no one can have knowledge of the future, leaders are always trying to sense the unknowable. Sensing the unknowable is fallible, so leaders need to tolerate the risk of being wrong. Numerical thinking helps leaders to make forecasts, quantify risk and back hunches.

Because the way forward lies in the future and because no one can see into the future, leaders are trying to foresee the unforeseeable. This requires imagination and the ability to create a vision of the future. It also requires critical thinking, which is the ability to evaluate the desirability and the feasibility of turning visions into reality. When there is insufficient certain knowledge, visual thinking feeds prediction, empathy and ethical judgement.

Joining up the dots of the unknowable and the unforeseeable requires creative thinking, as well as critical judgement. Reflective thinking can temper those judgements with streetwise intelligence born of experience. In Section 3 we will explain how you can develop these different thinking skills. You will practise them, and become proficient in their use, as you work through the 9 Steps in Part II. The 9S<sup>®</sup> Approach give you the ability to create strategic knowledge, create strategic plans and to implement and manage strategic changes. These are key attributes of a strategic leader.

In difficult times, when strategic leaders shine their light on the problems caused by a credit crunch, or an organizational crisis, the focus of the light beam is naturally on the presenting problem. But the strategic leader's light also spreads sideways, illuminating the recent past and the near future. At the periphery, the strategic leader's focus is naturally less sharp, but this peripheral vision still informs the strategic leader's view of what needs to happen next. To examine the role of the marketing team and the managers in what happens next, turn to the case study at the end of Part I. It is a collection of effective strategic actions taken by marketers and managers during the credit crunch in 2008 and 2009.

# Section 3

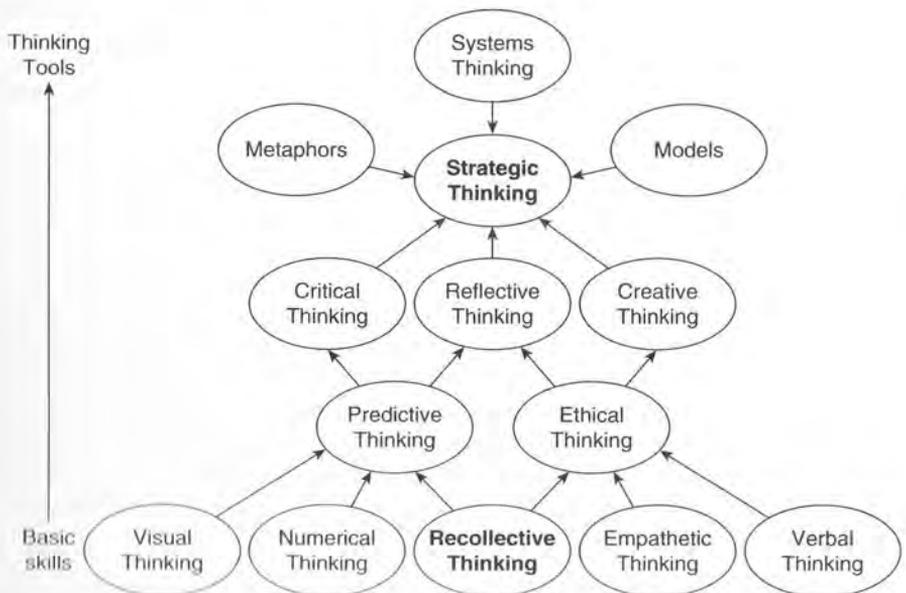
## Strategic leadership – the thinking skills required

### THE FIVE BASIC THINKING SKILLS

#### Basic Skill 1. Memory

*Miller's Rule and the rule of three*

Figure 1.1 emphasizes the central role played by your memory in enabling you to recollect, in an accurate and timely manner, information that can help you to formulate your strategy.



**Figure 1.1** *The components of strategic thinking (Wootton and Horne, 2009)*

If you wish your memory were better, there are many simple strategies you can use to improve it (see Wootton and Horne, 2009, *Training Your Brain*, and Wootton and Horne, 2010, *Keep Your Brain Sharp*). For example, use the three As – acronyms, acrostics or associations.

Acronyms are words whose letters each signal something you want to remember.

seven areas of change that strategists need to monitor (see Part II, Step 1). An acrostics is a sentence that can be used to recall the initial letters of a list of words needing to be remembered. Associations can be simple – the ‘g’ in stalagmite reminds you that it grows up from the ground, while the ‘c’ in stalactite reminds you that it comes down from the ceiling – the more bizarre the association, the more memorable it will be: ‘The horror of the moment’, the king went on, ‘I shall never, never forget’. ‘You will,’ the Queen said, ‘if you don’t make a memorandum of it’ (Lewis Carrol, *Alice Through the Looking Glass*).

Always make notes. Take a pad, or ask for a page from someone else when you need one. Map what is being said or read. Add matchstick people, or colours to your notes, to aid recall. Use three chunks of three. Most people can remember three new things, but rarely eight new things. This is Miller’s  $5 \pm 2$  rule, which has implications for how you communicate your strategy (see Part I, Section 2 and Part II, Step 8). You need to cluster or ‘chunk’ presentations or reports into groups of three, so that your audience can hold them in their short-term memory as they try to make sense of your thinking. If they can’t make sense of your thinking, they will blame you, not their memory! The fewer words you use, the lighter the load on the reader’s memory and the less likelihood of confusion. Read and re-read your drafts, striking out every word you can, until one more word struck out would change the meaning. There is no such thing as good writing – only good rewriting. Check a sample of writing for clarity. Count the number of your words that have more than three syllables and divide by the number of sentences. Aim to get that ratio (the Fog Index) to as near to one as possible.

### *Summary of the neuroscience on recollection and memory*

- Forgetting is normal and necessary. When you need to remember, you must take deliberate steps to counter your natural tendency to forget.
- Effective strategies for countering forgetfulness exist and can be learnt.
- Memorizing new things stimulates new neuron growth and forges new synaptic connections. Memorizing involves repetition, which strengthens myelination (see Haier, *White Matters*, in Thompson *et al*, 2009). Memorizing thereby develops intelligence and spare cognitive capacity (see Haier, *Grey Matters*, in Thompson *et al*, 2009). You can protect your ability to think, as well as to remember, should you contract a disease like Alzheimer’s, that might attack your brain cells (Wootton and Horne, 2010).

## **Basic Skill 2. Imagination**

Thinking visually is more important than knowledge. (Einstein)

The ability to conjure up visual images is useful in memory, creative thinking and ethical thinking. Visual thinking greatly helps prediction – a key activity for the strategic thinker. Visual thinking can simply be foresight, ie sensing what something might look like in the future. Many historical leaders appeared to have had foresight. In the Old Testament, Moses had a vision that he would lead his people out of bondage. Mahatma Gandhi foresaw the independence of India.

Martin Luther King had 'a dream'. The top 150 business leaders are reported to be good visualizers.

If you would like your visual thinking to be better, try to

- Close your eyes when you bring disparate information together.
- Sketch out the information that people give you as they talk. (Encourage them to add to your emerging picture.)
- Play solitaire or, better still, chess. Maybe join a chess club. If you don't like chess, try the game Go. Games involving other people are better because conversation encourages you to think aloud, which is much more developmental for your brain (see Basic Skill 5, on page 12).

### *Summary of the neuroscience on imagination and visual thinking*

- Visual thinking can help you to pattern or present information so that it is easier to remember.
- Visual thinking can help you to envisage what will happen if you do nothing, or if you implement your strategy.
- Visual thinking can help you to empathize with the intended beneficiaries (or the unintended victims) of your strategy, so that you can better evaluate any ethical issues.

## **Basic Skill 3. Empathy and emotion**

There is nothing either good or bad, 'cept thinking makes it so.  
(After William Shakespeare)

The need for you to consider what you and others might be feeling, as well as thinking, arises in a number of the nine strategic steps in Part II. When you need to think creatively, your emotions are an important source of the mental energy you need to generate a longer list of novel possibilities. An important part of thinking critically and ethically about an idea is the evaluation of its potential consequences for others. How will they feel? In general, good feelings and optimistic expectations correlate positively with the likelihood of successful outcomes on thinking tasks.

If you have had little practice in thinking about what you are feeling, you may have too little vocabulary to label your feelings. If so, try the thinking and feeling exercises in *Training Your Brain* (Wootton and Horne, 2009), and the activity in the box below.

### **A THINKING AND FEELING ACTIVITY**

Try the following experiment, either with a partner, or with pen and paper. Look around and write, 'I am noticing...' (write down what you are looking at or listening to) and, 'I am thinking...' (write down what you are thinking at that very moment) and, 'I am feeling...' (write down a single word describing the emotion). Keep this up for about 15 minutes. Review the results. Notice

how many times you can change what you are feeling, even in 15 minutes. Notice what kinds of observations and thoughts are followed by what kinds of feelings. Repeat, trying to increase the number of positive feelings you can experience in 15 minutes. Notice that you can choose what you notice – what you look at or what you listen to. This increases the chance that you can find something positive to think about and this in turn means you feel better. Try to complete the following sentences in succession. When you have completed number 3, go back to 1. Keep going around the loop for as much time as you can spare. When you can do it easily, do it as often as you can.

1. Right now I am noticing... (eg, a person, colour, sound, smell, taste, texture).
2. And right now I am thinking... (eg, an opinion, judgement, fragment of an internal dialogue).
3. And right now I am feeling... (eg, an emotion – a single word).

For increased mental suppleness, just keep going around the loop. For increased concentration span, increase the number of repetitions you do at one time. For increased mental agility and thinking speed, try to go around as quickly as you can without hesitation. You may notice that how you feel is changed by what you think and what you think is related to what you notice. Because you can control what you notice by where you choose to focus, you can exert increasing control over your thoughts and your emotions. If you can do this with a partner, notice all the thoughts you edit. Afterwards, ask yourself why you edited. This will help you to build openness and honesty and this will inspire trust from others.

Identifying and labelling the feelings you have is more productive than just expressing the feelings spontaneously or impulsively. This is because when you shout, or otherwise give vent to anger, for example, you leave a neural pathway between the amygdala and the brain's frontal lobes. This increases the ease with which subsequent stray feelings can disable your ability to think clearly, especially under pressure. Acute anxiety, or fear of failure, can obsess your mind to the point where you cannot sleep well. This will impair your ability to think clearly the next day (for ways to sleep well, see Wootton and Horne, 2009).

Worry, in moderation, is a sensible preparation and rehearsal for things that may go wrong. Worry enables you to prepare contingency plans. Contingency plans enable you to be more confident when presenting your strategy. Contingency plans help to reassure the people whose support you will need to implement your strategy.

When trying to get others to support your strategy, ask them to imagine, for a moment, that they had said 'yes' and to describe a good feeling they would have felt, having said 'yes'. Then ask them what reasons they could give to other people to convince them that they had made the right decision in supporting your strategy. People often feel the need to rehearse good reasons to give to others, even when

### *Summary of the neuroscience on empathy and emotional thinking*

- Explore what you are feeling before you try to think.
- Optimistic self-suggestion and expectation increase success.
- The pursuit of Body-based pleasures, Laughter, Involvement, Satisfaction and Sex (BLISS) will benefit the speed and accuracy of your thinking.

## **Basic Skill 4. Numeracy and numerical thinking**

### *Numbers at work – if you can't count it, it doesn't count*

In commerce, the need for numbers is self-evident. Profits, returns and cash are all numbers. The relevance of numeracy to workers in charitable organizations and public services may be less obvious. Yet the need to 'crunch the numbers' turns up quickly in service planning, quality control and project management, as well as the more obvious areas of grant applications, fund raising and budgeting. The ability to make reasonable estimates, and give good enough guesses, lies at the heart of strategic thinking. Doing the sums – the mental arithmetic – is a good exercise for your brain. Brain scans of people doing simple arithmetic show activity not only in the left parietal lobe, but also in the visual, auditory and motor areas of the brain.

As a member of a criminal jury, you would be asked to convict someone if you believed his or her guilt has been established 'beyond all reasonable doubt' and, in a civil case, 'on the balance of probabilities'. These are the kinds of judgements you will need to make as a strategist (see Step 7). These are examples of numerical thinking. As a strategic thinker, you estimate, quantify and compare the likelihood of one outcome with another, eg, is the chance greater than 50:50 or 70 per cent or eight out of ten times? The probability that you ascribe to the likelihood that a particular statement is true is, in a sense, a measure of the strength of your belief in that statement – and that measure involves you thinking numerically. The stronger your belief, the higher the number you would be prepared to ascribe to it.

If you lack confidence in your numeracy:

- play card games like bridge, whist or cribbage;
- play counting games like backgammon or omweso;
- play strategy games like Marienbad (Wootton and Horne, 2010).

### *Summary of the neuroscience on numeracy and numerical thinking*

- Scores on tests of numeracy and numerical IQ can be improved.
- Numerical thinking is at the root of logic, reasoning, argument and proof.
- Numerical brain training improves intelligence and creates spare cognitive capacity as insurance against the debilitations of disease.

## Basic Skill 5. Words at work – verbal thinking

To think is to talk, if only to yourself! (Simon Wootton, 2003)

Levelt discovered that you use three distinct areas of your brain when you talk to someone else. You connect many neural pathways even before you get to the content of what you want to say. As you search for the next word in your spoken sentence, your brain accesses the smells, colours and sounds that are associated with the word you are seeking. As you utter the word, you activate the parts of your brain that control your breathing, tongue and larynx, and also the parts of your brain that control your hearing, as you check that you have said the word you intended. The part that controls your eyes searches for non-verbal confirmation that you have been understood. Getting these multiple connections in place is very helpful when you are trying to think strategically. When you think aloud, especially with someone else, you get a better thought out strategy. Reading is a useful source of new information because your brain must struggle to map, connect and cross-check the information and then integrate it with information already in your memory. But reading is not as good at developing your brain as talking and listening. Thoughtful conversations about old and new information involve much more of your brain than just reading. This is why thoughtful conversations increase your general cognitive capacity as well as helping you to consolidate new information in your memory.

If you are not as fluent, or verbally self-confident, as you would like to be, try playing The Association Game; The Adverb Game or The Dictionary Game (details in Wootton and Horne, 2010).

Developing strategy through thoughtful conversation with others makes use of what Garner, Goleman and others have called 'social intelligence'. Strategic thinking involves turning thoughts into actions. In the case of the socially intelligent, these actions will not only be economically effective, they will be empathetic, altruistic, compassionate and socially concerned. Given the problems of poverty, climate change, terrorism, nuclear proliferation and financial meltdown that we now face, as a result of raw economic thinking in the 20th century, strategic thinking may need to be more socially intelligent in the 21st century.

### *Summary of the neuroscience on internal dialogue and verbal thinking*

- Your ability to talk to yourself in your head – to check your ideas for sense – is limited by the range and precision of your vocabulary.
- You can improve your vocabulary by reading about a wide range of subjects and by talking to as many experts as possible.
- You can improve your verbal fluency and hence your ability to think quickly by taking opportunities to talk to others.

While it is clear that thinking aloud, with or without others present, exercises much of the brain, it is less clear that all thought necessarily involves the use of language. With or without language, the brain can manipulate more complex symbols than words. Images and metaphors, schema and systems maps can all be manipulated to aid complex thinking. This more complex thinking requires combinations of the five

## FIVE COMBINATION SKILLS

### Combination 1. Forecasting the future

The ability to predict is one of the defining characteristics of humans. It contributes strongly to our ability to control things. Prediction helps us to manage the risks associated with change.

There is a fine line between making a prediction about what will happen in the future and envisaging a picture of what the future might look like. The ability to have a 'dream' or a 'vision' has been the mark of leaders down the centuries. In the Bible, Marketing Director Joseph had a dream about a future shortage in the supply of food and his Chief Executive, the Pharaoh of Egypt, took action and built warehouses for grain. Between them, they saved their people from starvation.

Predictions can be made by using numbers and statistics, by using the logic of critical thinking, by using hunch or emotional intelligence, by using memory and visual thinking to recall past patterns, or by using reflective thinking to create street-wise intelligence.

Things will not necessarily increase in the future simply because they did so in the past. The past is not a sound basis for prediction unless you can be sure that past conditions will persist into the future. Simple projection of past trends can be treacherous. For example, past figures for increases in electricity consumption are a misleading basis for predicting next year's consumption unless the effects of such things as the economy, global warming and the popularity of televised sport can be taken into account. An understanding of the forces at work can make it safer to extrapolate an observed trend. Such an understanding can come from saturation in the situation, rather than from scientific techniques. In this respect, prediction is similar to other generalizations from the known to the unknown, ie prediction benefits from age, greater knowledge and wider experience. If you are not confident in your ability to think about the future, you might usefully try three things:

1. Asking experts or older people. Being 'saturated' with knowledge of the field aids prediction. This favours the use of experts or older people to inform predictions.
2. Asking young or younger people. The people who will be opinion makers in 15–20 years' time are teenagers now. If you want to predict the way society's values and interests will change over the next 15 years, talk to young people. Volunteer to help at a local youth club, or help to get one started.
3. Asking a group. Form as heterogeneous a group as possible. Let all people speak once before anyone speaks twice, then ask each person to write down their predictions anonymously. Feed all the anonymous predictions back to the group. Repeat the process until the overall group prediction is stable.

No one can know the future, but you can make a more informed guess or a better educated guess than your competitors. If you are lucky, you will get more guesses right than wrong. You need to get the important ones right. Luck will favour your prepared mind. Your brain often predicts events unconsciously. If you train

and feeling, your predictive thinking will be better informed and your predictions will be more accurate.

Naisbitt was able to make 20-year predictions about society, technology, economies, institutions, democracy, hierarchies and ways of thinking that have largely proved to be accurate. This was because he had knowledge about changes that had already taken place at the time he made his predictions. He simply extrapolated from what he knew had already happened.

### *Summary of the neuroscience on prediction and predictive thinking*

- Prediction is a combination of other more basic thinking skills, all of which can be developed separately.
- Prediction can be improved by talking to younger and older people and experts in the field.
- Prediction based on intuition benefits from broad general knowledge and information. Luck favours the prepared mind.

## **Combination 2. Ethical thinking**

When I do good things, I feel good.

When I do bad things, I feel bad.

That is my religion. (Abraham Lincoln)

Decisions and actions are based on beliefs, which have at least two components: 'a feeling' and 'a thought'. Neuroscientists have discovered that chemical activity in the dendrite gaps between your neurones chemically constructs your thoughts and your feelings. This chemical construction drives your decisions and your actions. Your decision making can be overwhelmed by the chemicals associated with certain kinds of feelings, like lust, greed, jealousy and fear, and these feelings may be present when thinking strategically. This is not surprising, given that many of the models used by strategists are military in origin. Unless you learn to mobilize the 'thought' component of your belief very quickly, your decisions may sometimes by-pass the reasoning of your cerebral cortex and lead to consequences you may later regret.

Baggini has pointed out that there was nothing wrong with Abraham Lincoln's ethical thinking, ie it is ok to feel good when you do good. Altruism need not involve self-sacrifice. The Chinese character for thinking includes the character for 'heart', as well as the character for 'head'. The heart character reminds you to re-think the issue 'empathetically' from the point of view of the intended beneficiaries, or any unintended victims. If strategists do not explicitly introduce an ethical thinking component into their strategic thinking process, they will be biased toward conclusions that serve their own interests. In 2003, we wrote that adults not trained in moral reasoning can only be prevented from acting in their own interests by legal or regulatory restraint. We warned that high principles were not compatible with high bonuses. Sadly, our concerns proved prophetic. Strategists must use ethical thinking and moral reasoning deliberately and explicitly. As a strategist, you are unlikely to behave reasonably if you cannot reason, or if you do not value intellectual virtues.

If you wish your moral reasoning were stronger you could try to:

- Discuss with yourself, or preferably with one other person, moral dilemmas. This will help you to realize what your personal values are, and which of them are more important to you than others.
- By repeatedly doing brain training exercises that involve moral dilemmas, a ranking of personal values can emerge. Particular rankings of personal values may then become your moral principles.
- You can use these moral principles to take ethical decisions quickly, before you are swept along by your emotions.

### *Summary of the neuroscience of ethics and moral reasoning*

- Ethical thinking and moral reasoning can be strengthened by practice.
- Ethical thinking and moral evaluation should be used as an explicit and deliberate step in strategic thinking, especially when deciding which of a number of strategic options to implement.
- Ethical thinking relies on the development of skills in verbal thinking, visual thinking, recollection and empathy. These can be deployed in sequence to help you decide what is right (as well as what is efficient, economical and effective). The sequence is shown in Figure 1.2.

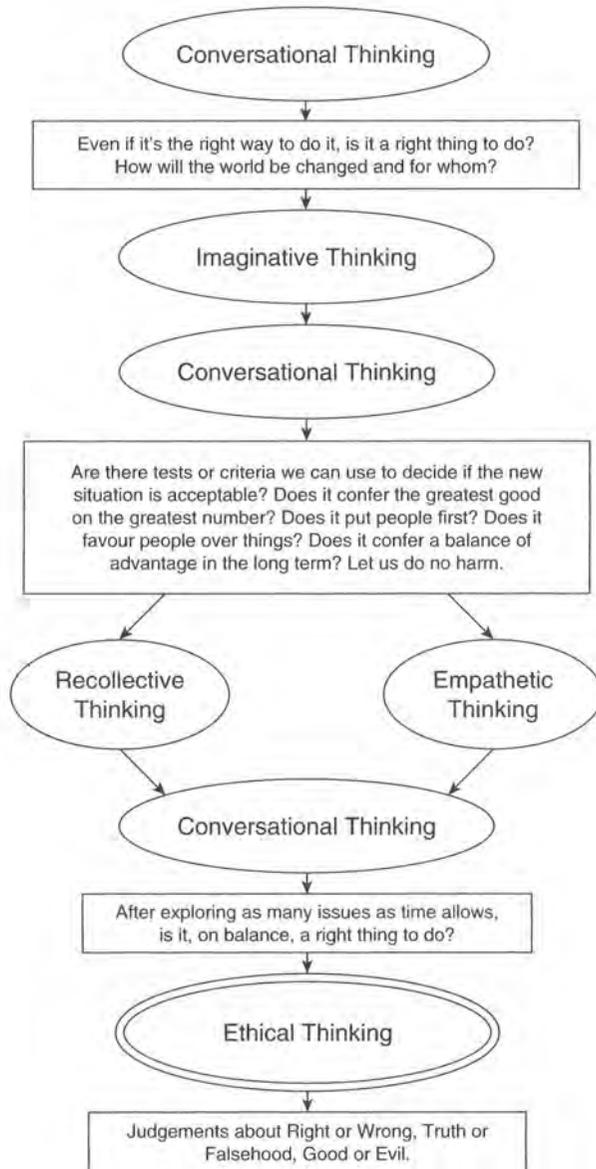
## **Combination 3. Critical thinking – what do you believe?**

You are what you habitually do. (Aristotle)

When you habitually ask the questions in the box below, you will have become a critical thinker.

### **TEN QUESTIONS CRITICAL THINKERS ASK WHEN PEOPLE GIVE THEM INFORMATION**

1. Could you elaborate a little?
2. Can you give me an example?
3. How could we check that out?
4. How are those two things connected?
5. How does that follow from what you said earlier?
6. Why do you think that is important or significant?
7. How does that information help us to make progress?
8. Can you think of a different way to explain that to me?
9. Can you be more precise? How much, how many, how often?
10. What do you think X would say in reply to that? (Where X can, for example, belong to another race, culture, gender or socio-economic group.)



**Figure 1.2** *Ethical Thinking* (from *Training Your Brain*, Wootton and Horne, 2009)

When reading reports from staff, consultants or other experts, strategic thinkers ask:

- Why do I think the writer wrote this?
- What question is the writer trying to answer?
- Are there any clues to the writer's intentions?
- What kind of information is being brought forward here?
- Why am I expected to believe that this information is true?

- What assumptions are being made explicitly, and also implicitly?
- What principle or conclusion does the writer want me to accept?
- Are the inferences reasonable and supported by valid reasons?
- If I accept these conclusions, what actions are implied?
- What would be the consequence for others, if these actions were taken?

Commercial news is produced to make money for its producers. The owners of the media generally receive money from advertisers and so they seek as large an audience or readership as possible. In general, viewers, listeners and readers will not repeatedly watch, listen to, or read things that make them feel bad. For this reason, the presentation of information in the media is usually biased towards making their audience feel good about themselves. Even if there is some truth in what is presented, it may not be 'the whole truth and nothing but the truth'.

When sifting through press reports or commercial trade magazines ask:

- Which stories have been 'buried'?
- Which stories have been promoted to the front page and why?
- Who stands to gain from this promotion or from this demotion?
- Whose interests are being served? Whose agenda is being furthered?
- Whose opinions or political beliefs are being given priority over others?
- Whose points of view are belittled or go unreported?
- What counter-arguments, or counter examples, can be found elsewhere?

If you wish you were more logical, you could try doing Sudoku, playing chess or tackling brain teasers and brain puzzles.

### *Summary of the neuroscience on critical thinking and evaluation*

- Critical thinking uses deductive and inductive logic to assess the believability of information, the reasonableness of inferences and the practicality of actions.
- Critical thinking develops personal characteristics like courage, intellectual independence and social self-reliance.
- Critical thinking skills can empower people who would otherwise be easily impressed or oppressed by people in positions of power.

There is more to critical thinking than its role in assessing whether information is justifiably believable, and in assessing whether inferences are deductively or inductively reasonable. It also has a practical role in evaluating proposals for action. You will also need to deploy creative and reflective thinking when looking at the implications of your proposed action.

## **Combination 4. Creative thinking and innovation**

Great wits are sure to madness near allied. (John Dryden)

It is not necessary either to be born a genius or to drive yourself 'mad' in order to think creatively. Professor Martindale studied the brain scans of people writing

creatively and, in *Psychology*, in August 2007, he reported that the most creative writing was done by people who could deliberately shift their brain activity from their rear brain parietal sensory cortex to the front brain lobes of their cerebral cortex. Although it was true that the right-hand sides of their brains were involved, so were the left-hand sides of their brains. The idea that creative people are those who are naturally 'right brained' is mistaken. You can train your brain to shift from back to front and from left to right. While creativity includes the ability to think unusual and original thoughts, for strategic thinkers those thoughts have to be useful. For strategic thinkers, creative inferences need to imply practical actions.

Creative thinking makes its greatest contribution to strategic thinking during Steps 5, 6, 8 and 9 in Part II. Creative thinking involves a lot of Is! You will need to *immerse* yourself in a lot of *information* and then *incubate* it while you wait for *inspiration*. You need a long list of *ideas*. Do not worry if your ideas seem wild at this stage. You will use your critical and ethical thinking skills to weed out and then select only a few ideas for *implementation*. Only those that meet your criteria for economy, efficiency, effectiveness and ethics will make your shortlist. Issues of practicality, feasibility, timing and resistance to change will need to be discussed with key people (see Step 5) before your implementation strategy can be finalized. If you think that your ability to think creatively is limiting your strategic thinking, read Chapter 9 in Wootton and Horne (2009). Here are 10 quick ways to remove blocks to creative thinking. If the block is:

- |                     |  |
|---------------------|--|
| 1. Habit            | Do one different thing every day.  |
| 2. Firm beliefs     | Ask, 'If I didn't believe this, what might happen?'  |
| 3. Familiarity      | Ask, 'How will I feel when I have solved this problem?'  |
| 4. Adult behaviour  | Indulge in one piece of 'child-like' behaviour each day.   |
| 5. Lack of language | Mix with creative people. Join an art or drama group.  |
| 6. Not my area      | Most breakthroughs come from non-specialists.  |
| 7. Fear of mistakes | Ask, 'What's the worst thing that should happen?'  |
| 8. Existing models  | Ask, 'What if you had arrived from Mars?'  |
| 9. Lack of time     | Accept that you have all the time there is.  |
| 10. I'm too old     | Creative thinking brings together knowledge and experience. The older you are the more you have. |

### *Summary of neuroscience on creative thinking and innovation*

- Creative thinking can be developed in most people.
- In creative thinking, increased quantity leads to better quality.
- There are easy to learn techniques that can switch brain activity to the parts of the brain more likely to produce creative ideas.

## **Combination 5. Reflective thinking**

Your future can profit from your past when you use reflective thinking. This involves thinking about past experiences, yours and those of other people, in such a way that you can come to a present conclusion that strongly implies a future change. Reflective thinking pulls you out of the past, through the present and connects you into the future. The way that reflective thinking relies on combinations

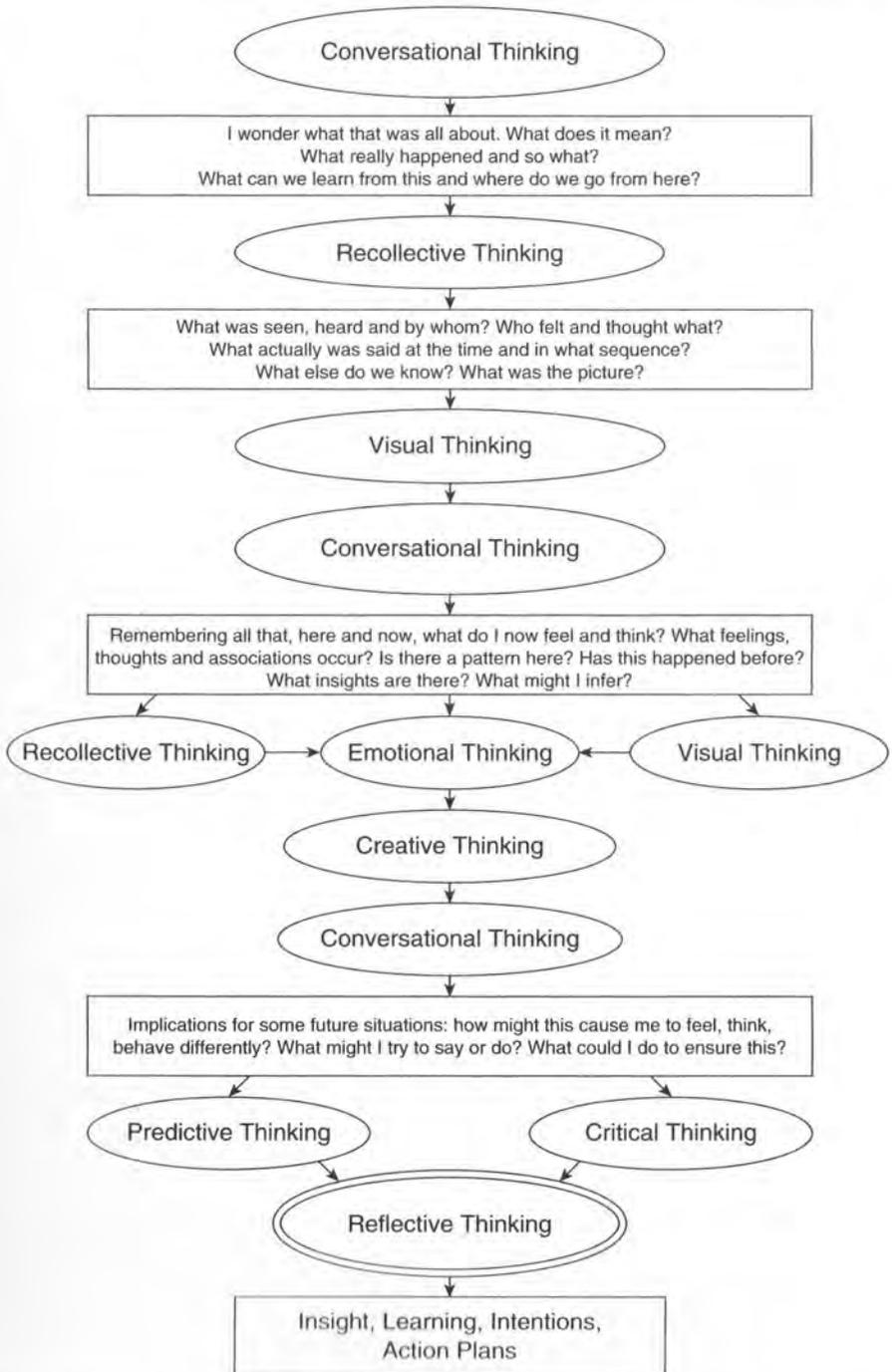


Figure 1.3 Reflective Thinking (from Training Your Brain, Wootton and Horne, 2009)

This combination of basic thinking skills (verbal thinking, visual thinking, memory and empathy), helps you to escape from past patterns – your own and those of your competitors – to focus on the present problems or confusion and then rethink the future so that you are distinctive and therefore have competitive advantage. The contributory thinking skills you need can be developed with practice. If you find reflection difficult, think of an incident in which something went very wrong (or very right). Recollecting what happened, ask:

- Why did I act as I did?
- What were the key issues?
- What was I trying to achieve?
- How did other people feel about it?
- How do I know how they felt about it?
- What influenced my decision making and actions?
- What were the consequences of my action for others?
- How did I feel at different points during this experience?

Thinking about it now, ask: How do I feel about it now? What other choices might I have had? Looking forward to similar situations in the future, ask: What might I do differently as a result of what I think now? (Source: Horne and Doherty, 2003).

#### *Summary of the neuroscience on reflective thinking*

- Reflective thinking helps infer learning from experience.
- Reflective learning can imply behaviour changes when future scenarios are predicted that have elements in common with experience.
- Many models of experiential learning are seriously flawed. Most assume that everyone can think reflectively. This is simply not true. Reflective thinking involves a combination of basic thinking skills. These must be developed and practised before you can think reflectively.

## **THREE ADVANCED THINKING TOOLS FOR STRATEGIC MANAGERS**

### **Metaphors, models and systems thinking**

Writing in the *Harvard Business Review*, Professor Ikyiyero Nonaka explains the way that the comparatively diminutive Honda strategically outflanked the might of its competitors in the US automotive industry. Canon moved on from cameras and dominated the world market for office equipment by strategically out-manoeuvring the mighty Xerox Corporation. According to Professor Nonaka, managers and market strategists in Honda and Canon had developed a figurative language that enabled them to think about complex concepts in a way that everyone in their organizations could understand. Nonaka's subsequent research found that similar high-level metaphorical languages lay behind the strategic successes of companies like Matsushita,

Strategic thinking involves turning information about the past into present knowledge on which changes in future action can profitably be based. But sometimes that knowledge is tacit not explicit, vague not clear, voluminous and not precise. In such situations, companies may be at an advantage if they operate in countries where it is natural to think metaphorically, as well as scientifically. Even in the West, great scientific discoveries like the structure of benzene, or the genome, or the theory of relativity, owed as much to metaphor as they did to science or mathematics. By using a lager can as a metaphor for the aluminium drum in a photocopier, Canon was able to make a disposable copier drum and so was born the office equipment division of Canon. Within five years, that division accounted for 74 per cent of Canon's total turnover.

### *Sometimes metaphorical thinking inspires new ideas or new models*

Sometimes metaphorical thinking suggests enduring principles that can be applied in new situations. These principles can sometimes be represented as a model. There are models, for example, for thinking about product development, organizational design, strategic change and project management. One model that is especially useful for strategists is a systems thinking model.

Most problems do not exist in isolation and so are best not solved in isolation. In 1996, Aronson illustrated this by looking at the problem of an insect 'A', that was damaging crops. When insects are attacking a crop, the conventional response would be to spray the crop with a pesticide that kills the insect 'A'. However, that can turn out not to solve the problem. What can happen is that the crop damage gets worse! Insect 'A' may be controlling the population of another insect 'B' by competing with it. When spraying depletes the population of insect 'A', the population of insect 'B' may rise dramatically. The total insect population may be greater and so the crop damage may be greater than before you used the spray. 'Systems thinking' came up with a better idea. The systems thinking idea was to introduce another insect that would compete with insect 'A'. 'Normal' thinking would not normally come up with the idea of introducing extra insects as a way of solving the problem of insect damage.

In 1994, Richmond expressed frustration that models of systems thinking were more written about than used, despite the fact that models of system thinking had obvious advantages when facing complex problems. In fact, a great deal of practical work had been done using systems thinking since the early 1980s, by Professor Peter Checkland (1981). Checkland and his co-workers had developed a methodology whereby systems thinking could be applied to practical problem solving. From 1995 to 1999, Horne and Docherty built on Checkland's work, developing a 'conversational systems model'. This model is based on a metaphor. The model rests on the assumption that the universe can usefully be viewed as though it were a hierarchy of systems.

The 'conversational systems model' has 16 stages. When you follow these 16 stages, you can think clearly and precisely about complex and turbulent situations in which many of the variables are interconnected and where some are unknown. You can learn to think clearly and precisely even when some information is murky or vague. You learn to be 'precisely vague' (Checkland, 1981). The 16 'precise' stages when you think systemically, taken from Horne and Doherty (2003), are shown

## SIXTEEN STAGES FOR THINKING CLEARLY ABOUT COMPLEX TURBULENT SITUATIONS

1. Assume that any problem or decision can usefully be viewed as though it were situated in a system that is part of a wider system and is, itself, composed of subsystems.
2. Try drawing a 'map' on one side of A4 that shows all the areas relevant to the decision. Create 'bubbles' by drawing a boundary around each of the areas on your map. Imagine that each area within a boundary can be thought of as a system. Insert arrows to show which systems interconnect and affect each other. Give each 'system' a label that contains an action word describing what the system does, or what its output is (for example a 'knowing' system, a 'finding-out' system, a 'checking-the-cash' system).
3. Along the arrows, write a label for the output that is leaving each system. Each output will become the input to another system, or it will be an output into the system's environment. List the people who are affected by the outputs into the environment. These are your clients, customers, victims or stakeholders.
4. Inside your systems bubbles, draw matchstick people to represent the key players – the key actors who play an essential part in getting the system's 'work' done. (You have crystallized this 'work' in the label you have given to the system.) Key actors include often experienced or technically knowledgeable people; maybe you could give these stick people spectacles. Find out who 'owns' the whole system or particular parts of it. Draw them with a big hat. Who are the people who are responsible for checking what comes out of each system? You could draw a magnifying glass in their hands. Who sets the measures of performance (MOPs) and compares them with what actually happens? Draw them with a clipboard. Write the name of each key actor next to your 'stick' person. Draw in a feedback loop to show how this information is used to modify what happens.
5. By now your A4 sheet should be quite messy. If it is, re-draw your systems map to minimize the number of arrows that cross each other. This is a good chance to make your labels more succinct and to expand the size of the bubbles that represent the systems on which you have most information. Check you have all the names of your owners, key actors and the key decision makers. (These are people who could turn out to be 'assistors' or 'resisters' during your strategic implementation in Part II, Step 9. They will also help you to formulate your strategic vision in Part II, Step 5.) For each system, find out what the resources are – financial, technological and material. Include people with knowledge, experience and expertise as resources. Sketch in little pictures to represent the resources.
6. For each system, consider the impact on the system of things that are changing in the systems environment. Show each impact on the system as an incoming dotted arrow and label the arrows. Consider changes in technology, economics, markets, politics, law, ethics and society.
7. Take your emerging systems map around with you. Show it to those people whose names are starting to appear on it. Ask them for feedback. Let them draw on your map. Ask what would threaten the system's survival? What changes would they like to see and why?

8. Ask what information they need to receive, from whom, and by when, in order to do their job. How frequently does it need to be updated and how detailed does it really need to be?
9. Ask each person who else you should talk to.
10. You should then find a quiet spot. On a separate sheet, for each system, make a 'systems action list' of all the things someone needs to do if the system is to carry out its work. The label you have given to the system should reflect the work the system needs to do. By now, each system's 'work' or 'purpose' should be clearer. If a system's purpose is not clear enough, talk to the people whose names you have on your map. The CATSWORLD Checklist may help you to identify key actors who you may have missed (see Step 5, Part II, page 67).
11. Take your 'systems action list' for each system, and talk to the people whose names appear on your systems map. For each action on your 'systems action list' ask, 'Is anyone doing this? If so, who?' Try to establish how well the activity is being carried out. Ask if any of the essential activities on your 'systems action lists' are missing.
12. Retire to a quiet place with your list of 'systems actions' and consider the activities that no one appears to be carrying out satisfactorily. For each activity that is not being carried out satisfactorily, ask yourself 'How important is this activity to the system?' If the activity is essential for the system's purpose, give it an 'A'. If it is inconsequential, give it a 'C'. Otherwise rate it 'B'. Next consider how easy it would be to rectify the deficiency. If it would appear to be easy, give it an 'A'. If difficult, give it a 'C'. Otherwise give it a 'B'. Next consider the risks associated with intervening to try and rectify the deficiency. If there is a low chance of a small adverse consequence, give it an 'A'. If there is a big chance of a serious adverse consequence, give it a 'C'. Otherwise give it a 'B'.
13. Take the list of possible changes, which you have now rated A, B or C, for desirability, feasibility or risk, and ask the key actors or stakeholders whether or not they agree with your ratings. Get them to help you choose a triple 'A' change that would make a good starting point. Get their help with planning how to implement it.
14. Implement the selected triple 'A' change and collect reactions to the change from your emerging list of key actors.
15. Revise your systems map in the light of new information.
16. If you need to design a new organization, the same systems thinking can be used. The main difference will be that when you come to compare your 'systems action list' with the existing situation, there won't be any existing activities. Create the new organization by introducing triple 'A' activities first.

### *Summary of the neuroscience on systems models and systems thinking*

- It is possible to think systematically about complex or turbulent situations even when almost all information changes when you make even a small change to a small part of it.
- It is possible to foresee the consequences of decisions that you make or intend

- It is possible to decide what changes would improve the performance of an existing product, organization, team, group, society or social group.

A conversational systems model is represented in Figure 1.4.

Systems thinking is fundamentally different from traditional forms of analysis. Systems thinking focuses on the whole situation; it does not focus on individual pieces of information. The situation is described using a map of the interconnected systems. Systems thinking is concerned with how change in any one system affects all the other systems. Viewing the universe as if it were a hierarchy of systems is an example of metaphorical thinking. Not all metaphors need to be turned into models before they are useful. A metaphor alone can aid your thinking.

## Metaphorical thinking and practice

Metaphors as a source of learning have a long history. Over time, they have been used by teachers to explain ideas they thought would be too abstract for their disciples (Williams, 1983). Metaphors can help to make abstract ideas more concrete. Using metaphors is good for your brain because it involves thinking about one thing in terms of another. This helps to build up the creative connections in your brain.

Metaphors make it possible to think about things that you cannot see or touch. For example, we cannot see or touch 'cheering-up-ness' as a quality of a person. But we can talk about a friend as 'a ray of sunshine'. When we sing, 'You are my sunshine, my only sunshine', we are conveying the idea that they have a quality like sunshine – that makes us 'happy when skies are grey'. Because we are using this idea metaphorically, we can discover other meanings. Do we, for example, find them warm, or warming? Do we like to know that they are always shining somewhere in the world? Metaphors help us to understand not only 'how' we feel, but 'why' we feel the way we do. Metaphors can also point to possible ways of improving matters in the future, but their practical usefulness must be tested by critical thinking.

## Metaphors as aids to memory and recollection

Because metaphors can generate visual images that have emotional associations, they are easy to recall. New information is more easily connected to images that are already familiar, like birds, animals or sports players (Buzan, 1993). The new information is easier to recall. The new information can be 'parked' – as in a Microsoft or Mac 'window' – while you explore links, connections and associations. Associated thought paths can be followed without fear of losing the new information, because the new information is 'parked' in the working space created by your metaphor. Metaphors expand your short-term memory.

Metaphors work like icons on a computer screen. By clicking on your metaphorical 'icon', you can recover not only the associated information and feelings, but also the starting points for all the mental pathways you have explored already. If a particular pathway turns into a 'dead end', you can easily retrace your steps and go back to your original metaphor and from there set off again to explore a new path.



## Using metaphors to integrate higher order thinking

The metaphor not only helps you to remember and recall things, it enables you to integrate higher-order thinking skills, like critical, creative and reflective thinking. The metaphor creates links in the neurone pathways that make it easier to 'see the big picture' and to retrieve the new ideas by following the links around your internal neurone net. This is particularly useful to those of us, male or female, who have a stereotypical male brain structure in which different parts of our brain will be up to 30 per cent less well interconnected than in a stereotypical female brain. Treffinger (1986) defined creative thinking as 'the making and expressing of meaningful connections', and Cornelius and Casler (1991) described imagination as 'forming mental images of what is not actually present and combining them with previously unrelated ideas'. This suggests that using metaphors will also help you to develop your creativity and imagination.

## Transferable skills

Because metaphorical thinking involves finding important commonalities between situations that on the surface appear quite different, metaphorical thinking enables you to practise 'transferring knowledge' from one situation to another. In making the transfer, what is required is a 'mental leap', like a spark that 'jumps across a gap' (Holyoak and Thagard, 1995). Good metaphors 'spark off' good ideas that can leap across 'mental gaps' in your thinking. Koestler (1970) considered this sparking to be central to humour and creative thinking. The ability to link appropriately to a new context is sometimes called 'transferable learning'. Transferable learning is highly valued in turbulent situations where you need to adapt rapidly to a new situation (or to a new world order).

## Mental 'maps'

For Buzan (1993), the metaphor of the 'map' has been central to his idea of how the mind works. His books on recollective thinking skills are organized around the metaphor of 'mapping'. Mental maps display the mental links between ideas, thereby helping you to make patterns and to organize knowledge. They help you to recollect and visualize. If shared with others, they can help you to think aloud in a thoughtful conversation.

## Synectics

According to Perkins (1988), synectics is another sub-set of metaphorical thinking. In synectics, people are encouraged to use objects (for example, computer icons or chairs), to represent what they think is happening, or might happen, in a situation about which they wish to think. As their ideas progress and develop, they are encouraged to change the arrangement and juxtaposition of the objects. Computers can be used to simulate similar processes. The computers create 'objects' that can then be moved around on the screen. War gaming and scenario forecasting are examples. 'Helicopter thinking' metaphors can be used to overview the situation.

without using physical objects. It is possible to use words to create mental images of objects and then manipulate these mental images in our heads (Cheng, 1993).

## Put on your thinking cap

A good example of metaphorical thinking is the way De Bono (1986) used six different coloured thinking hats to unscramble the thinking process. Using the 'thinking caps' metaphor, you can use six different ways of thinking, separately and deliberately, one at a time. You are invited to think as though you were wearing one particular thinking hat (we have used actual coloured paper hats with children to great effect). The essence of the different coloured 'thinking hats' is:

- Blue hat thinking – blue eyes, cool, unflustered and controlling. This is thinking calmly about what kind of thinking is needed next.
- White hat thinking – pure white, virgin white, uncontaminated. Just give me the 'facts' or crunch the 'numbers'.
- Red hat thinking – seeing red, emotions and feelings, hunch and intuition. Paying attention to emotion.
- Black hat thinking – playing the devil's advocate, looking on the black side. It will never work. Wear your black executioner's hat and try to kill the idea. Black hat thinking gives permission to forgo the benefits of positive thinking.
- Yellow hat thinking – yellow sunshine, brightness, optimism. Yellow submarine – 'our friends are all on board'. Thinking with a 'sunny' disposition.
- Green hat thinking – fertile green fields with green shoots springing from the seeds of ideas. This thinking symbolizes new growth and creativity.

If you think you need to improve your ability to think metaphorically, try these ideas:

- Writing down the name of an animal that resembles an organization with which you are familiar. Write down, as quickly as possible, as many words as you can that describe the animal. Think about why you chose that animal. Now repeat the exercise, using an animal that you wish the organization was more like. Finally, think of five changes – three essential and two desirable – that you would like to see in the organization. Small practical changes often have the most impact.
- Making comparisons with things like sport, DIY, hobbies, politics or child rearing. Remind people of metaphors you have used before.
- Using De Bono's metaphor of the thinking cap. Start by putting on a white cap. This means that, until a different coloured cap is chosen, you try to think only about what you factually know to be true first hand. Disregard hearsay or speculation. What do you know? Do not consider opinions or feelings, just facts and figures. Jot them down. They can be supplemented later. Try your red cap next. Get any strong feelings off your chest. Keep repeating how you feel until you get calmer. Label the feelings. Feelings are single words – not sentences or speeches. Now it's time to don your green cap. What opportunities are there?

What genuine questions occur? What possibilities are there here for growth, exploitation or development? Create a 'green' ideas sheet next to your 'white' sheet. Now don your black cap. Listen carefully to all your fears about things that have gone wrong already and could go wrong again. Create a 'black' list and put it alongside the 'white' sheet and the 'green' sheet. Before you get overwhelmed and demotivated by the 'black' list, put on your yellow thinking cap. What is the best thing that could happen? If you had three wishes about this situation, what would they be? If you had a magic wand, what would you want to happen? What vision of the future would inspire you or excite you? Make a 'yellow' list before you put your black cap back on again. What's wrong with these ideals? What constraints are we overlooking? Green cap again – what opportunities might there be amongst these problems on the 'black' list? Where are the silver linings? Yellow cap again – what ideas remain possible? What about a purple cap now? Purple is traditionally a religious colour, the cardinal's hat or the robe of a Trappist monk. Whether or not we can make these green and yellow ideas work, are they 'in right ordering'. Are they moral, ethical or truly 'good'? Would we want to tell our children or our grandparents that we were doing things like this? Back to yellow – what could you support that seems a feasible improvement? What action is required? White cap on – let's write up the action plan. Who needs to do what by when, and how will we know when they've done it? This metaphorical thinking can be done alone or with a 'thinking' companion. Having a thinking companion helps you to think aloud.

#### *Summary of neuroscience on metaphorical thinking and analogy*

- Metaphorical thinking can help you to develop creativity.
- Metaphorical thinking develops the ability to transfer knowledge.
- Metaphorical thinking enables the results of your thinking to be 'parked' in a way that you can easily retrieve.

## Case Study

# Marketing leadership and management action

This is a practical case study of strategic action that needs to be taken by marketers and managers during turbulent times.

### INTRODUCTION

When faced with immediate or looming difficulties, many managers become paralysed by stress and anxiety, or depressed by head-in-the-sand fear and denial. They do not realize the effect this has on their brain chemistry. They deprive their organization of strategic thinking at a time when their organization needs it most.

In tough times, lack of good strategic thinking is often fatal – as it was for Woolworths in the UK in 2008. In tough times, employees look to their managers for clear answers to the questions on their minds, and for clear directions in which to expend their efforts. Without a clear head and clear thinking, managers provide neither. During the Great Depression of the 1930s, Roosevelt warned managers about ‘unreasoning fear...which paralyses the efforts needed to convert retreat into advance’. If you don’t reason as a strategic thinker, your fears will remain ‘unreasoning’, and your organization will be unable to ‘convert retreat into advance’.

To be reassuring to shareholders, as well as employees, even as you spell out realistically the difficulties you have analysed, you must paint a positive picture of the future beyond the present crisis. You must paint very specific stepping stones and point out the pathways. In Part II, Step 8, we explain how your clear strategic thinking can be clearly communicated, not just in writing but orally. This is because an important part of maintaining morale in difficult times is to communicate face-to-face. You will need to get out of your office and walk your patch (or several patches). This will have the added benefit of enabling you to cross-check the frontline intelligence that feeds your strategic thinking process. It will enable you to listen specifically to customers, partners, distributors and suppliers. An important response to difficult trading conditions, or a shortage of credit or cash, is to trim the operation. It is essential that decisions about which products to phase out; which customers to let go; and which research and development to suspend, are based on market-led strategy.

## MARKETING AND MANAGEMENT IN TURBULENT TIMES

At times of organizational crisis, people look to their leaders and their managers for strategies that will enable them to survive and thrive. These strategies must be market-led. Market-led strategies must be informed by intelligence gathered from those who are closest to customers, clients, competitors and suppliers.

It is the marketing team who must specify what needs to be done; it is for executive managers to decide how best to do it. The marketing team must specify what to do because they are closest to what is changing in the world of customers, clients, competitors and suppliers. Executive managers must then decide when and with what resources the marketing strategy is best implemented. Executive managers have their hands on the operational levers, people, money and resources. When times are tight, the CEO must personally mind the money (Part II, Step 2) and personally manage the implementation of the market-led strategy (Part II, Step 9). In turbulent times, market-led strategists must not fear what they see coming, for this will impair the quality of their strategic thinking (Part I, Section 3). Rather, they must see it coming before the competition does, and urge the CEO to move faster. There are always opportunities in chaos (Part II, Steps 3, 6 and 8). The trick is to spot which opportunities are in a strategic direction that will take advantage of what you think will happen after the crisis recedes. Luck favours the prepared mind and the best preparation in turbulent times is strategic thinking.

## FORETELLING THE FUTURE IN UNCERTAIN TIMES

No one can know the future, even in normal times. Because the work of marketers is always about the future, marketers are more used to having to guess. Because the focus of marketers is outward – on the outside changing world – the guesswork of marketers is likely to be better informed than the guesswork of managers whose focus is internal.

Thinking metaphorically, a marketer is like the cox in a rowing boat. The CEO is the leading oar. The leading oar knows the limitations of his or her crew, can set a sustainable pace and be seen to be leading by example. But the marketing cox is the only member of the crew who can see where the boat is heading, even though he or she must peer through the mist and the spray. Only the marketing cox can read the surface ripples and guess from the line of the river bank what might lie around the bend. The marketing cox can position the boat so as to avoid obvious rocks and the worst of the white water. The marketing cox can make a quick detour to collect low-hanging fruit from the bushes on the river bank, taking care not to get stranded on the mud by a rapidly turning tide.

## COMPETING IN CHAOS

should not be informed by what you think might happen tomorrow. As a marketer, you do not need to call the future perfectly. Even in calmer times you were never able to do that. You need to get more calls right than your competitors. In turbulent times, that is not as difficult as it sounds, because in turbulent times your competitors are likely to make mistakes. In Formula One, the main opportunities you get to overtake are when there is a crash or a sudden storm. Thinking by analogy, there will always be crashes – in credit, in economies, in times of war. In the shorter term, the US Dollar and the UK Pound will likely crash against the currencies of China, India and the Middle East, and maybe later against the currencies of Russia and Brazil. International money markets may become nervous about lending to Greece, Spain, Portugal, Ireland, the UK and even the US, heralding problems for the Euro, the Pound and the Dollar. Inflation may loom. This will bring opportunities to export, but threats to supply. Commodity prices, energy prices and prices of metals will rise. Weather changes will cause shortages in sugar and rice. Industries allied to aid will prosper. Amid this encircling gloom, only the strategic light of a marketer can call the best way forward.

## MINDING THE MONEY

The most critical metric in business is cash.

Whether times are turbulent or not, you need technology that gives you your cash position in real time. Cash comes from reducing stocks and debtors and selling assets. In a credit crunch, all three should be monitored daily by the CEO. (The CEO needs to delegate strategic thinking to the marketing team while he or she manages the money.) Short-term cash needs to be prioritized over margins. In Part II, Step 4, you will forecast your worst case scenario. Strategic leaders should always be conservative when forecasting the cash flow (Part II, Step 2). Marketers need to lower cash breakeven points by pruning sales growth in cash-hungry product lines or costly distribution channels. The quickest and most cash efficient way to prune cash-hungry products is by increasing their prices. Cash growth is more important than sales growth. Cash will enable you later to buy up the order books or brands of less cautious competitors. For the CEO, cutting back creates opportunities to de-layer administration and to produce leaner, flatter structures that move more people into direct face-to-face or voice-to-voice contact with customers. Many of your customers will prefer this to the screen-to-screen contact offered by your competitors. You will emerge stronger than your competitors. You will be more flexible and quicker to respond to the re-emerging needs and wants of the markets to which you have stayed close. You will be in a better position than your competitors. Not perfect, but better – and that is what counts.

## CREATING KNOWLEDGE IN CONFUSING TIMES

This requires deep immersion in the broadest possible range of information that is relevant to your customers and relevant to the drivers of change in your customer's

information into usable strategic knowledge, on which profitable action can be based today, and on which profitable change can be based tomorrow. It matters crucially that you use a wide variety of triangulated sources of information to feed the 9S<sup>®</sup> Approach to strategy in Part II. Do not spend all day, every day, in your office. Be seen to be interested in everything that might affect your customers or your competitors. (Step 1 of the 9S<sup>®</sup> will tell you where to look and what to watch.) Listen to your sales staff. Discount their optimism (or their pessimism) and think what the things they say might mean. What might this information mean for the business today, and in the future?

## **WATCHING THE BOTTOM LINE AND THE SUPPLY LINE**

Strategic leaders need to think about the bottom line today. They need to do so in the light of the product line and the supply line of tomorrow. Listen to your suppliers – not only to secure good service levels for your customers, but to gain intelligence about cash, liquidity and competitive activity. Returning to our metaphor of boats in stormy waters, in order to make ‘headway’ against unfavourable ‘head’ winds, you may need to tack. (Tacking is what sailors do to still make progress when the prevailing wind is not in their favour.) You may need to ship oars, or tread water, while you lighten your load. Volatility may shorten the CEO’s strategic focus, but marketers must not lose sight of which way is ‘upstream’.

Do not trust numbers alone – dig into them to discern their meaning. Use verbal, empathetic and visual thinking, besides numerical thinking (Part I, Section 3). Your constant enquiry, interest and questioning will convey to your people that urgency is required to ‘head’ off the crisis.

## **DEVELOPING VISION**

As a strategic leader – whether in the backseat or the driver’s seat – it is of course your job to look ahead. But that is no reason to ignore what you can see in your wing mirrors or your rear-view mirror. Even in good times, the horizon is usually hazy and seeing beyond it is impossible. This is what makes radar and GPS invaluable! Pursuing our ‘driving’ metaphor, even when driving conditions are difficult, you should not abandon your forward focus. Your forward focus helps you to decide which way to swerve to avoid obstacles on the road ahead.

## **DOWNSIZING IN A DOWNTURN**

A strategic leader’s view of the future must inform today’s decisions about who stays, and who goes. It is important to keep people who enjoy change. There may be more than you think. According to our research (Horne and Doherty, 2003), about

one in four people enjoy change. It should be a marketers' view of the future, rather than the possibility of local grants, that should determine which factory or office the CEO decides to keep open and which to close or to mothball. Any possibility to sell factories or offices for cash must be considered, even if you are offered a price well below the figure in the balance sheet. No point in going bankrupt with a strong balance sheet. (In any case, you cannot borrow against even a strong balance sheet when no one is lending!)

## TAKING DECISIONS IN DIFFICULT TIMES

Taking decisions in difficult times helps to rally the morale of the people. Leave the decision as late as you reasonably can – then decide, don't dither. They will despair if you dither. Honesty, openness and transparency – sharing the thinking behind your decisions – will build your credibility and their confidence. That is why it is important to think strategically. You cannot be open and honest when answering questions to which you have not given prior thought. Time on the front line helps you to keep abreast of your people's concerns, and to anticipate the questions they are likely to ask. Answer as straightforwardly as you can – as clearly and concisely as you can. If you don't know the answer, say so immediately. Do not conceal impending storms for fear of spreading alarm. There are straws in every wind. Fears of the unknown meaning of straws in the wind will be much worse than their fears once they know the worst. In the meantime, news of what threatens will create much needed urgency to implement strategic changes informed by your 9S<sup>®</sup> Approach (Part II).

## THE BOARD ABOVE BOARD

Even in an industry sector as short-termist as banking and finance, some board-level managers are more strategic than others. Jamie Dimon seems to have seen what was coming and steered J P Morgan Chase out of harm's way, and John Thain managed to find a home for Merrill Lynch at a share price about 10 times higher than he might have achieved only a few days later. The same strategic information was available to Richard S Fuld of Lehman Brothers, Daniel Mudd of Fannie May, Richard Syron of Freddie Mae and Fred Goodwin of the Royal Bank of Scotland, but they failed to think about the same information with enough strategic skill, and their companies paid the price. In Section 3, we looked at the kind of thinking skills that strategic thinkers need and you can consider which of these were lacking. In Step 7 we look specifically at how, as 'strategic thinkers', these people could have assessed the risks they were taking. The deployment of the skills and techniques set out in Step 7 might have averted many of the strategic disasters that befell banks, insurance companies and investment funds in the period 2007–8. (A deeper analysis can be found in Horne and Doherty, 2003, Chapter 15.)

## RECRUITING IN A RECESSION

When assessing your staff and top team, invest in the highest quality marketing staff. It is the judgement of marketing staff that must determine your market-led strategic direction (Part II, steps 5, 6, 7 and 8). Advertise for top marketing people, despite any trading difficulties. In times of turbulence, all manner of unexpected talent will respond to recruitment publicity. Such publicity will be good for internal morale and for your industry standing. Some applicants will be all too ready to give you information on competitive activity; this will be an invaluable feed into Step 1. You need the best marketers because it is marketers who need to tell the managers what to do and where to do it. The strategic thinking of marketers will be customer-led and market-led, and that is what the organization needs most, before its managers can quickly work out how and where to implement the strategic changes required. In difficult times, marketers need to determine implementation milestones that are close together, and managers need to monitor progress against them every day.

## SELLING WHEN TIMES ARE TIGHT

Although we have said that sales people are vital sources of frontline intelligence to feed into strategic thinking, the significance of sales intelligence must be assessed by the marketing team. This is in part because sales people are frequently over-optimistic and sometimes overly pessimistic, and in part because it is marketers who must take the lead in explaining the strategic intent that needs to inform every decision taken by managers.

Threats of economic downshift or business recession are particularly disconcerting to sales people. Sales people are hunters who tend to operate best in a world where targets (and rewards) always increase: all the more reason in recessionary times for their sales intelligence to be carefully assessed by their marketing colleagues. In the last 10 years most sales people have managed to increase sales revenue (and their own commissions) by skilful offers of volume discounts, and by persuading customers to accept imported substitutes. In times of tighter credit, some high volumes of low-margin business may need to be pruned as part of a strategic move to lower the organization's cash breakeven point. Giving up customers and sales, especially high-volume sales, does not come naturally to sales staff.

Besides providing strong strategic leadership to managers, senior marketers will need to provide strong operational leadership to the sales and marketing team. The number of sales staff may need to be reduced and this will affect morale. Structures, staffing and key performance indicators will need to be realigned as part of the implementation of the strategic changes required by the market-led strategy (Part II, Steps 8 and 9).

## TRAINING IN TIGHT TIMES

Improved morale, sharper focus and increased performance should repay the cost

and frequent review. During times of economic difficulty, your customers will also have problems. Retrain your people to listen to the customers' problems and to help find solutions to the customers' problems, rather than dwelling on their own. Empathetic, reflective and creative thinking and a good memory will be highly valued (see Part I, Section 3).

Train sales people and front line staff to act as intelligence agents. They can be the human ears and eyes of the organization. In a credit crunch, train them to make hard-headed assessments of the survival prospects of their key accounts. Which will survive? Which will thrive? In which customers should your market-led strategy invest? Who will pay their bills? Who will pay them on time? If strategic divestment of some customers is required, do not leave the customers in the lurch. Work with them. Help them to re-source. A manager in a divested company may turn up later in one of your key accounts; it does not pay to make enemies. Train sales and support staff to be business consultants. Can they find ways to improve the prosperity of their customers? Improve the customers' business and share in their prosperity. Shift the focus away from helping to reduce your customer's costs through lower prices and higher discounts. Focus instead on increasing your customers earnings.

## **PRODUCT PRICING IN A PINCH**

In an economic downturn, raw material costs, commodity costs and even some energy costs may dip in the short term. Your customers may expect your prices to track any fall in your input costs. Beware. Volume decline may have left you with increased overhead costs per unit. You may also have a declining cash flow from which to meet your current liabilities and with which to service your pre-existing debt. You may actually need to increase prices. If you do, target first those areas of business that tie up most of your cash for longest. Marketers can contribute to lower cash breakeven points by cutting, or deferring, spending on promotion. For example, they may contract out to agencies that are so desperate for work that cash-friendly deals can be done. Some savings can be reinvested in customers, products or markets that are likely to recover soonest.

## **RESEARCHING IN RECESSION – DEVELOPING IN A DOWNTURN**

Any decisions about the R&D budget must be strategic and that strategy must be market-led (Part II, Step 8). Assign some of your most entrepreneurial marketers to leadership roles in the R&D department. As present crises become past problems, research and development may hold the key to reinventing the future. That is why R&D must be directed by strategic leaders. That is not to say that R&D expenditure should be immune from the rigours of cash management and liquidity control. On the contrary, in good times, R&D departments tend to spawn pet projects and rosy corners full of blue sky thinkers. In contracting economies, these cannot be

be used to hasten the development of those projects that are most likely to yield cash.

In tighter times, focus your R&D on making the same things simpler, smaller or cheaper. Consumers will be more interested in inexpensive functionality than in paying for product features that they rarely use or may not even understand. Put a high value on obtaining strategic intelligence about the R&D projects that your competitors are working on. Monitor their trade recruitment and target your own recruitment at their specialist staff. You will be surprised how much job applicants will tell you at a recruitment interview. Sometimes the expertise of just one R&D recruit can shorten your time-to-market by several years, thereby saving you cash and advancing your cash flow. Remember you don't need to be fast-to-market, just faster than the competition.

In troubled times, your competitors may handicap their R&D teams by making arbitrary across-the-board cuts in research and 'risk' capital. If your competitors are handicapped, it should not be too difficult to overtake them.

## **BUILDING BUSINESSES IN BAD TIMES**

Think about creating small business development units (BDU) of the sort we pioneered at BTR Industries in the 1970s. Each BDU was under the leadership of an entrepreneurial member of the marketing team. Total immersion encouraged a rapid growth of market and technical expertise and this favoured commercially patentable innovation (Step 6 of The 9S® Approach). Bureaucracy and administrative costs were decimated.

Once split into smaller units, R&D can more easily be dispersed closer to emerging markets like Brazil or Russia, or to take advantage of less expensive brain power such as programmers and chemists in India, production engineers in China or product designers in Japan. Avoid joint ventures in countries where there is poor protection for intellectual property.

The UK is a good place to find expertise in biotechnology or nanotechnology, in automotive design, neuromarketing or the disposal of nuclear waste.

The most important decisions of the strategic leader will be where to focus market and product development. Where to increase? Where to cut? Like good tailors, strategic thinkers think twice and cut once. In turbulent times, cutting may be necessary and the impact of those cuts will depend on the quality of the market-led strategic thinking undertaken by the marketing team.

## **SECURING YOUR SUPPLY-LINE**

Developing your own products and intellectual capital through R&D can bring high rewards, especially through subsequent licensing or franchise deals. In turbulent times you may not be able to wait for these longer-term earnings. There is often quicker cash to be made by buying in someone else's products, especially if your supplier's costs are significantly lower than yours. Again, your marketing

and how much they are prepared to pay for it. So marketers should play the leading role in finding suppliers and in monitoring a supply chain that will deliver high levels of satisfaction to their customers at prices that are competitive and profitable. In turbulent times, there should be buying bargains to be had. Where purchases are made from countries with strong currency reserves, like China, it should be possible to source on credit terms that will help your domestic cash management. That said, careful strategic thought must be given to likely changes in politics and shipping economics, and to policies on climate change, poverty alleviation, health and human rights, any of which could destabilize exchange rates or the reliability of your supply. Check how robust the legal restraints are that would prevent your supplier moving down line and supplying your market directly.

Is this product a strategic rising star? In which case, it must be protected from predatory suppliers. These are the kinds of strategic questions on which marketers are the best qualified to lead. Marketers may need to lead their senior managers to seek security of supply through merger or acquisition. For example, an economic collapse in export volumes may tempt an overseas supplier to part with equity on reasonable terms. A win-win deal might secure them a foothold in your market, and you a share of their margins, while giving you more control over your supply lines. You may then be strategically well placed to survive a slump and to emerge strongly to take advantage of any recovery in world trade. In the meantime, management swaps and internships will pay dividends in creative areas of strategic thinking that profit from a different world view (Part I, Section 3, and Part II, Step 6).

Strategic leaders need to be first and foremost thought leaders – commercially in the market place, and strategically within their own organizations.

In Part II, you can follow The 9S<sup>®</sup> Approach to thinking strategically. The nine steps will enable you to create and present market-led strategies and to implement and manage strategic change.

## **Part II**

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# **Strategic thinking – The 9S<sup>©</sup> Approach**



What is changing in the areas of:	What is the likely impact on your organization in the...			
	Medium term?		Long term?	
	<i>Problem</i>	<i>Opportunity</i>	<i>Problem</i>	<i>Opportunity</i>
Technology				
Economy				
Markets				
Politics				
Law				
Ethics				
Society				

### Prompt 1.1: Changes in Technology

- How will improvements in communication methods change the way you work with your customers, suppliers and employees?
- How will you be affected by high speed broadband?
- How will you be affected by nanotechnology?
- How will you be affected by virtual reality?
- How will you use intelligent machines (as opposed to machine intelligence)?
- How will you be affected when equipment is obsolete in two years?
- How will you be affected as selling and persuasion become brain-based?
- How will changes in transport affect you, eg:
  - Travel tariffs?
  - Congested roads?
  - Increased marine piracy?
  - Concerns about carbon emissions?
- How soon before your products are upgraded rather than replaced?
- How will recycling, emission controls and landfill restrictions, affect you?
- Are you taking advantage of advances in brain science and brain training?

- Within the foreseeable future could you, your employees, your customers and your suppliers all work from home?
- What would be the implications of home working for your business, or the value of your property assets, especially if these are needed as security?
- What will be the impact of the spread of nuclear technology, eg, in Korea or Iran?

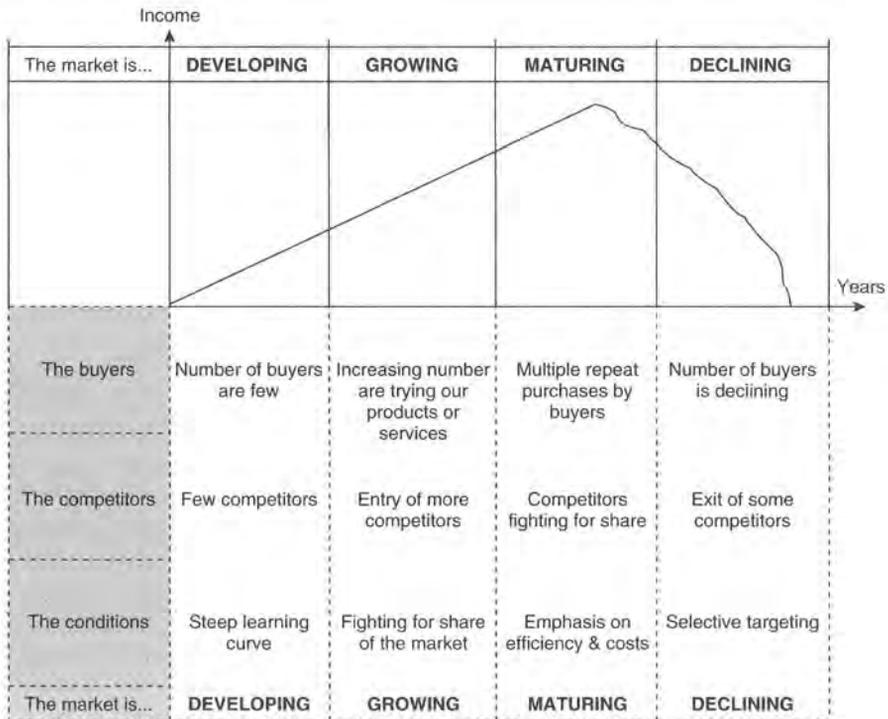
### **Prompt 1.2: Changes in Economics**

- How would movements in key economic indicators affect you, eg, rising unemployment, falling inflation, increasing imports, double-dip recession, low interest rates, limited credit and more graduates seeking work?
- Currency exchange rates – how will they affect you or your customers?
- What will be the impact of economic growth in China, India, Russia and Brazil?
- Is your growth restricted by a shortage of thinking skills?
- Who has spending power? Older people? Younger people? Government?
- Which government departments have rising or falling spending plans? How will these affect you? Will they be altered by political change?
- How do your employee costs and productivity compare with South America, Africa, China and the Pacific Rim?
- Do you understand the concept of Fairtrade? Does ethical trading have implications for your own marketing or purchasing policies?
- Do you understand why Equitrade will more rapidly end world poverty? What are the implications for you as Equitrade replaces Fairtrade?

### **Prompt 1.3: Changes in the Market**

- How large is your market? How many competitors are there?
- Where are your competitors? In South America? Eastern Europe? Africa? Asia?
- Is your profitability linked to the scale of your operation? Do larger businesses make more profit in this market than the smaller ones?
- Is a great deal of capital required to enter this market? How easy would it be for a new entrant to find the initial capital?
- Does your business need particular channels of distribution? If so, are they vulnerable to control by a competitor?
- Does your organization provide services or goods that are unique? Could your customers obtain benefits they get from your product in another way?
- How easily could someone copy what you do?
- Do you have patents, copyright or licensing agreements that will expire within the period of this plan? Do you have plans to manufacture or distribute in countries where there is poor protection of intellectual property rights?
- Are you dependent on only a few suppliers?
- How easy would it be for you to switch to other suppliers?
- Where are the nearest alternative sources of supply?
- How easily could your major customers find better prices, performance or designs, or just a better promoted competitor?
- How many organizations supply your product? What is their size range?
- Is most of the business done by only a few organizations?

- To what degree are your services or products 'substitutable'?
- Are your competitors growing or contracting?
- How do your competitors set about getting business?
- Is the main strength of your competitors the dependability of their service? How easy do they make life for customers?
- Do your competitors provide a range of goods or services that totally meet their customers' needs, wants and expectations? Or do their customers have areas of unmet need or dissatisfaction?
- Are your competitors quick to respond to your customers' changing needs?
- What are your competitors' attitudes towards risk? Are they more prepared than you to be the first with something new?
- What are your competitors best at and worst at?
- Which word – developing, growing, maturing or declining – would best describe the kind of market in which your organization is competing? Use the following model to visualize the position of your organization in your market.



### Prompt 1.4: Changes in Politics

- What political decisions are likely from existing or new governments worldwide?
- Is your organization taking advantage of current taxation policies?

- How could political changes in overseas countries have implications for your customers or for your suppliers, eg:
  - former communist countries retreating from market-based economies;
  - increases in the number and scale of armed conflicts;
  - increased use of trade sanctions and embargoes to exert international pressure over human rights or other issues such as nuclear proliferation;
  - the rise in religious militancy, or the rejection of western cultural values?
- How could you be affected by a collapse of good governance in one of your markets, eg, collapse of law and order? Terrorist or other insurgency? Withdrawal of international aid? Travel restrictions or trading sanctions?

### Prompt 1.5: Changes in the Law

- What new or proposed legislation or regulation might affect you?
- How will you be affected by changes in:
  - employment law?
  - climate change regulations?
  - health and safety legislation?
  - compulsory competitive tendering?
  - laws on monopolies or anti-competitive behaviour?
- Will regulatory bodies or pressure groups develop policies that affect you?
- What is your local authority trying to change, through its planning department, enterprise grants, or community development schemes?
- Are you affected by European Union regulations?
- Does existing legislation protect you from competition? Does it assist you against competitors? Do you see any changes that would make your position less secure?
- Are you dependent on favourable tariffs that may not be renewed?
- Are there any new non-tariff barriers on the horizon?

### Prompt 1.6: Changes in Ethics

- Are your major competitors promoting a 'green' image?
- How will 'green' issues affect your organization?
- Are you recycling where possible?
- Do you look after your people's health and welfare?
- Are you considering altering your sources of raw materials?
- What pressure groups might become interested in your activities?
- Are you family-friendly? Do you promote fair treatment for all irrespective of colour, culture, religion, race, gender, sexuality or age?
- Do you have a stress management policy?
- Are your employees involved in discussions about flexible patterns of work?
- Have you removed compulsory retirement on grounds of age?
- Do you understand the impact of sources and uses of energy and fuels?
- Will increasing concern over carbon dioxide emissions, solvent use, the quality of air, water and food, and fears about climatic change, have any impact on your

- Will you be affected by pressure groups advocating fair trading and human rights issues? When will you move to Equitrade?
- How will agreements on Fairtrade, or Equitrade and on human rights issues affect your organization, your customers, or your suppliers?
- For knowledge workers and brain workers, have you constructed a brain-friendly space to think?

### **Prompt 1.7: Changes in Society**

- Do you involve employees and customers in decisions that affect them?
- Do your people, or your customers, expect an improving quality of life at work, at home and in the general environment?
- Is concern over burglary, car crime, vandalism, homelessness, terrorism, or economic migration likely to affect your employees or your customers?
- What will be the impact of changing patterns of family life (eg, one-parent or one-child families, or where both partners are employed)?
- Will part-time working, short-term contracts and subcontracting increase?
- Will changes in leisure, holidays and lifestyles affect you?
- Are there implications of the rapid rise in the average age of customers or workforce?
- What are the implications now that mental illness has become the world's number one cause of premature death or disability?
- What is the impact of new threats to health and wellbeing?

#### **GATHER STRATEGIC INTELLIGENCE – STEP 1 SUMMARY**

Step 1 will have helped you to:

- Find out what has changed (past)
- Find out what is changing (present)
- Find out what will change (future)

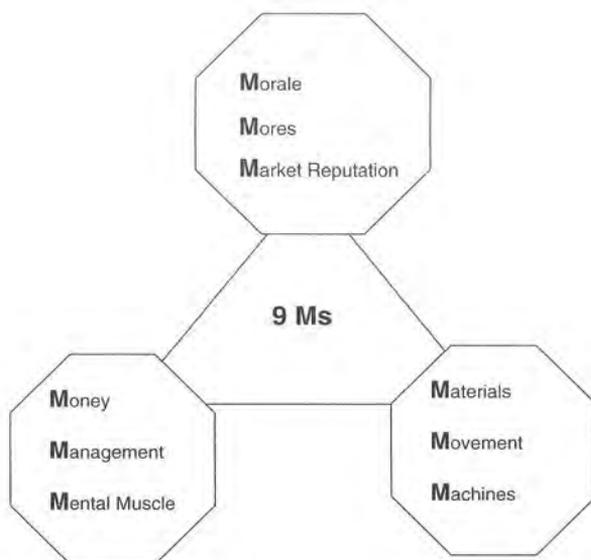
## Step 2

# Assess strategic capability

Will help you to:

- Highlight strong or weak features of products or services
- Highlight advantages you have over competitors
- Identify benefits to customers

## DOING AN AUDIT – NINE AREAS TO CONSIDER



If you would find it helpful to do some prior thinking about these areas, you could turn to the prompt sheets on pages 48–62 before completing the following table.

What is changing in the areas of:	What is the likely impact on your organization in the...			
	Medium term?		Long term?	
	<i>Problem</i>	<i>Opportunity</i>	<i>Problem</i>	<i>Opportunity</i>
Market				
Morale				
Mores				
Mental muscle				
Management				
Money				
Movement				
Machines				
Materials				

### Prompt 2.1: Product Features

Features could include such things as:

Cost	Image
Speed	Weight
Quality	Quantity
Shelf life	Reliability
Availability	Battery life
Reputation	Desirability

Delivery times	Power needed
Product support	Available on line
Cost of upgrade	Ease of payment
Ease of upgrade	Space it takes up
Green credentials	Servicing required

From the table on page 50, fill in the following information:

The main features of your product or service are... (see prompt sheet for some ideas)	In what way do you consider these to be superior or inferior to competitors?	Which are important to your customers?	Why?

## Prompt 2.2: Customers

The best way to get a 'feel' for your customers is to talk to them. Ask them about

- What are the characteristics of people likely to buy your goods or use your services?
- What features of your products or services do your customers like most?
- Where do you operate, provide services or sell products?
- How many potential customers are there?
- How many customers do you have?
- Why do they do business with you?
- How do your customers think your service could be improved?
- Could your products be sold in other sectors or elsewhere in the world?

Fill in the following table.

In which features, that are important to your customers, do you think you have an advantage over your competitors?	How do these features benefit customers? How do they help customers feel better? (see prompt sheet on customers)

### **Prompt 2.3: Morale**

- Do your employees actively participate in your organization?

- Do they come up with suggestions or new ideas?
- How do you reward staff for ideas?
- Do you reward cost-saving ideas?
- Do you act on them?
- How do you obtain grassroots feelings?
- Are employees involved in the choice of equipment they use, or the decor?
- Do senior managers regularly walk through the places where employees work?
- Are all notice boards clean, up-to-date and free from graffiti?
- Are walkways and fire escape routes clear at all times?
- Do employees automatically remove any litter they see?
- Do employees support the organization's social events?
- Do employees enter teams in external competitions?
- Do employees meet outside the work environment?
- Do employees work flexibly to cover for each other and are they mutually supportive?
- Are dress codes and standards of personal appearance high?
- Are employees proactive in approaching customers and seeking new work?

### **Prompt 2.4: Mores**

- Are managers more likely to say: 'don't rock the boat', 'roll with the punches', 'plan ahead', or 'full dream ahead'? What is their dominant disposition?
- What is your organization's focus: is it internal or external?
- What is more likely to trigger change in your organization: a crisis, an unsatisfactory performance, or an unexpected problem?
- How does your organization cope with risk? Does it reject it, accept it, or seek it?
- Is your organization more likely to seek: status quo, minimal disturbance, improvement on past performance or to be the best?
- Does your organization solve problems through: trial and error, diagnosis, anticipation or creative footwork?
- Where is the power in your organization? Is it in production, marketing, R&D, multi-disciplinary teamwork, or in general management?
- Do you manage your future by policies and procedures, capital budgeting, long-range forecasts or strategic thinking?
- Are your management information systems informal, or formal? Based on past performance or on future potential?
- How is decision making carried out? Is it top-down, bottom-up, or devolved?
- How does your culture affect selection and promotion? Give an example.
- Do senior managers pay regular visits to customers and suppliers?
- Does the management system create an atmosphere of working together, or does it generate competitiveness and fragmentation?

### **Prompt 2.5: Mental Muscle**

- Do employees have problem-solving skills that they use proactively?
- Are employees prepared to take decisions after appropriate consultation?
- Do employees produce creative ideas and innovative plans on their own

- Do you encourage your employees to express their ideas, orally and in writing?
- Do you rely on one or two people for ideas and problem solving?
- Are your employees' ideas practical, or are they 'pie in the sky'?
- How does research and development interact with the rest of your organization?
- Does your organization copy other people's products?
- Are your employees encouraged to be organizational antennae, feeding back 'intelligence' on customers, competitors and the changing world?
- Are your employees trained to notice and report discord?
- Are your employees encouraged to visualize future situations by using pictures, drawings, sketches and flipcharts?
- Are your employees introduced to different ways of thinking about things and trained routinely to test views from different perspectives?
- Are your employees encouraged to quantify what they are saying or thinking?
- Are they aware of the impact of mood on mental efficiency and of the importance of an optimistic disposition? (See Chapter 2, Wootton and Horne, 2010.)
- Are your employees aware of the optimum physical conditions needed for mental work, eg, ventilation, exercise and posture?
- Are your employees aware of the positive and negative effects on mental efficiency of nicotine? Alcohol? Caffeine? Drugs?
- Have they been given information on the effects of diet and vitamins and minerals on mental agility? (See Chapter 1, Wootton and Horne, 2010.)
- Are you aware of the impact on mental agility of:
  - smells;
  - music;
  - stress;
  - diet;
  - colours;
  - sleep;
  - air quality;
  - photocopiers;
  - lighting;
  - computers;
  - the clothes staff wear?
- Do you have people who can think creatively as well as critically? Can they predict and learn from experience?
- Do you have people who can do the numbers and people who can empathize?
- Do you have people who are good with words and have long memories?
- Do you have brain-training programmes and activities to keep people sharp?
- Do you encourage your staff to study a wide range of subjects?
- Do you provide water stations and the best possible conditions for brain work?
- Do you know how to recruit, assess and retain bright people?
- Is your staff turnover high? Are your brightest people stretched? Do they leave out of boredom?
- Do all your staff have personal development plans that include paired action learning and creative thinking, as well as intellectual development and general

## Prompt 2.6: Management

- Can your managers cope with changing markets, suppliers, products and technology?
- Do you have a sufficient number of managers or too many?
- Is your organization flat and lean with a wide span of control?
- If you took over another organization, would you use your existing managers?
- Does your organization have strong and quick financial management?
- Does your organization have the necessary training and learning resources?
- Do your managers use brain-based communication?
- Have your managers been trained to develop thinking skills?
- Do your managers, between them, have a wide enough range of thinking skills?
- Do managers know how to help employees think, especially in group situations?
- Do your managers walk the job and listen?
- Do they try to understand, before making themselves understood?
- Do they know how to vary their approach to individual differences in people?
- Do they identify key result determinants and monitor daily? Weekly? Monthly?
- Do you avoid using the same universal metrics in all your departments?
- Have some of your proxy measures become ends in themselves, thereby missing their original point?
- Do you monitor 'negatively' (to identify performance below plan) or do you monitor 'positively' or both? (Different strokes for different folks?)
- Are your monitoring systems discussed with staff and altered after discussion?
- Does your organization cope well with customer complaints? How do you know?
- How do you reward your employees: by bonuses, performance appraisal, or by a personal development plan?
- How do you reward your suppliers?
- How do you reward and delight your customers?
- What drives your organization: the CEO, the marketing team, or both?
- Do you know the hobbies, interests and strongly-held beliefs of your people?
- Do you know, for each employee, the reasons why they work for you?
- Accepting that the need to earn money may be the prime motivator for many, what thereafter is the relative importance of:
  - social contact;
  - belonging to a group;
  - feeling valued and needed;
  - obtaining recognition, admiration, achievement and applause?
- Are your employees able to create:
  - their own ideas, products, or schemes;
  - their own working spaces – spaces to think?

## Prompt 2.7: Money

### a. Your organization's financial performance

Get your accountant to complete the table below for your organization, or do it yourself, using the organization's accounts for the last three years. You may find the

Ratio	Calculation	Ratio for year:		
		20..	20..	20..
Return on net assets (%)	$\frac{\text{Profit (before interest and tax)}}{\text{Total capital employed in business}} \times 100$			
Profit margin (%)	$\frac{\text{Profit (before interest and tax)}}{\text{Sales or income}} \times 100$			
Net asset turnover	$\frac{\text{Sales or income}}{\text{Total net assets employed in business}}$			
Debt ratio (%)	$\frac{\text{Long-term loans}}{\text{Total capital employed}} \times 100$			
Interest cover	$\frac{\text{Profit (before interest and tax)}}{\text{Interest on long-term loans}}$			
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$			
Liquidity ratio	$\frac{\text{Liquid assets}}{\text{Current liabilities}}$			

## b. Your organization's cash flow

Complete a cash flow forecast using the table on the following two pages and:

- Under 'cash balance', enter overall overdraft or cash held at the end of the previous period.
- Make a note of any receipts or income that you expect to receive.
- Make a note of payments that you expect to make; a checklist of likely items is shown.
- The receipts less payments for the month will give you the net cash flow (F) for the month, ie  $(F = R - P)$ . If you add the cash balance  $(C = B + F)$ , this will indicate how much cash is left in the organization at the end of that month. The figure 'C' becomes the opening balance for month 2, and the process is repeated.

## Cash Flow Forecast

Month	1	2	3	4	5	6
<b>Cash balance (B)</b>						
<i>Expected receipts in:</i>						
Owners' investment						
Loans (from...)						
Cash payments						
Earlier sales						
Selling of assets						
Interest received						
Grants						
Other income						
<b>Total receipts in (R)</b>						
<i>Expected payments out:</i>						
Premium on lease						
Purchase of property						
Purchase of fittings						
Raw materials						
Payment for goods						
Employees' net wages						
Income tax and NI						
Training expenses						
Rent and rates						
Fuel (gas and electricity)						
Telephone						
Postage						
Printing and stationery						
Subscriptions & periodicals						
Advertising						
Repairs and maintenance						
Vehicle and travel costs						
Insurances						
Professional fees						
Loan repayments						
Bank charges						
Bank interest						
Value Added Tax						
Corporation Tax						
Other cash going out						
<b>Total payments out (P)</b>						
Receipts in less payments out = cash flow (F) = R - P						
Cash remaining in the business						

Month	7	8	9	10	11	12
<b>Cash balance (B)</b>						
<i>Expected receipts in:</i>						
Owners' investment						
Loans (from...)						
Cash payments						
Earlier sales						
Selling of assets						
Interest received						
Grants						
Other income						
<b>Total receipts in (R)</b>						
<i>Expected payments out:</i>						
Premium on lease						
Purchase of property						
Purchase of fittings						
Raw materials						
Payment for goods						
Employees' net wages						
Income tax and NI						
Training expenses						
Rent and rates						
Fuel (gas and electricity)						
Telephone						
Postage						
Printing and stationery						
Subscriptions & periodicals						
Advertising						
Repairs and maintenance						
Vehicle and travel costs						
Insurances						
Professional fees						
Loan repayments						
Bank charges						
Bank interest						
Value Added Tax						
Corporation Tax						
Other cash going out						
<b>Total payments out (P)</b>						
Receipts in less payments out = cash flow (F) = R - P						
Cash remaining in the business (C) = B + F						



To review your cash flow forecast, look at the bottom line in each period. Are any of these figures negative? If so, when that period is reached, the organization will be unable to pay its bills. You will need to increase your sources of funding, reduce your outgoings, or both. If the bottom line is always positive, you should plan to invest the surplus in some way. Now go back over the table and consider your worst case cash breakeven. This is important because, in turbulent times, your worst case scenario may become your reality. What is the effect if you reduce sales by say, one third, prices by say, one fifth, and delay receipts of cash by say, three months. Look especially closely at big ticket items of expenditure or receipts expected from sales of assets, and at funds expected from renewed credit facilities. Suppose they are not renewed? You can be more sophisticated and multiply your discounts by your estimates of the chances that these things could happen. But, in turbulent times, this probability can rise to 80–90 per cent, so you may as well assume 100 per cent likelihood to get a safe cash breakeven level.

Your cash flow has implications for your choice of strategy. For example, if a particular strategy involves extra staff training, you will have to check whether you have sufficient cash.

### c. Understand profit and loss account and balance sheet

The following table will help you understand how a profit and loss account is constructed.

#### Constructing a profit and loss account

##### Sales/income

less: The cost of producing the product actually sold	=	<i>the gross profit</i>
less: Depreciation, selling costs, administration costs and fixed overhead costs	=	<i>profit before interest and tax (often called 'net profit')</i>
less: Any interest on loans (if applicable)	=	<i>the profit before tax</i>
less: Any tax due	=	<i>the profit after tax</i>
less: Any dividends declared	=	<i>the retained profits (sometimes called 'retained earnings')</i>

The following table will help you understand how a balance sheet is constructed.

#### Constructing a balance sheet

	<i>Fixed assets</i>	(original cost of land, property, buildings, plant and equipment, less depreciation)
plus:	<i>Current assets</i>	(current value of stock, debtors, cash and investments)
less:	<i>Current liabilities</i>	(current debts plus any money you owe that must be paid within one year)
	<i>Capital</i>	<i>Fixed assets</i>
	<i>Long term loans</i>	(money you owe that need not be repaid in less than one year)

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plus:	<i>Shareholders' funds</i>	(money put in by you or shareholders plus accumulated retained profits)
equals	<i>Total capital employed</i>	(this should equal the net assets figure above) If so, your books balance!

---

For the purpose of strategic planning in your organization, you should concentrate on two aspects: financial performance and financial health.

*Financial performance:* is your organization trading successfully? Is your organization making good use of your money? Would you be better off selling up and putting the money in a building society? Would you get a better return? Less hassle? Less risk?

*Financial health:* is your organization financially healthy? Is there going to be enough cash to pay the bills even in the worst possible case in turbulent times?

### Performance

The return on net assets (or the return on capital employed) is a measure of how well the organization is performing as a trading concern. It is an effective yardstick by which your organization's financial performance can be assessed. This ratio is particularly useful when it is examined in the light of the two ratios that comprise it: the net profit margin, which is the proportion of sales or income represented by the profits (before interest and tax); and the turnover of the capital employed (or the turnover of net assets), which tells you whether or not you are making enough use of the money tied up in the business.

---

## Performance ratios

---

### A. Three financial performance ratios

#### Calculation

1. For each £100 of your money, how much are you getting?

$$\frac{\text{Profit (before interest and tax)}}{\text{Total capital employed in the business}} \times 100$$

(called 'return on net assets' – RONA, or 'return on capital employed' – ROCE)

2. For each £100 of income coming in, how much is profit?

$$\frac{\text{Profit (before interest and tax)}}{\text{Sales or income}} \times 100$$

(often called 'net profit margin', %)

3. How many times in one year does the money get used?

$$\frac{\text{Sales or income}}{\text{Total money employed in the business}} \times 100$$

If you decide that you want to improve your return on the money that you have tied up in the business, there are two possible implications for your strategic planning. Either profitability must be increased, or capital employed must be reduced. By looking at how these two ratios have been changing during the last few years, you can adopt a strategic approach that better meets your organization's needs for the future.

### Health

The financial health tests are of two kinds: tests for solvency (what will happen when the loans are called in?) and tests for liquidity (will you be able to pay your bills and salaries on time?)

<b>Tests for solvency</b>		
The debt ratio	equals	$\frac{\text{Long-term loans}}{\text{Total capital employed}}$
The interest cover ratio	equals	$\frac{\text{Profit (before interest and tax)}}{\text{Interest on long-term loans}}$

The debt ratio is sometimes called 'gearing'. It shows how much of your business is being funded by the owners (sometimes called 'equity capital' or 'shareholders' funds') and how much of the business is being funded by borrowed money. Loans generally have fixed interest payments that must be paid regardless of your profit levels, whereas owners or shareholders expect to get a higher return (or 'dividend') when profits go up and may have to accept a lower dividend at times when profits are not so good.

The interest cover shows by how many times the interest payments are covered by profits, so it is a measure of your safety margin. If profits are 10 times your interest payments, then you can survive your profits dropping to one tenth of their present level without getting into trouble with the bank.

<b>Tests for liquidity</b>		
The current ratio	equals	$\frac{\text{Current assets}}{\text{Current liabilities}}$
The liquidity ratio	equals	$\frac{\text{Liquid assets}}{\text{Current liabilities}}$

The current ratio shows the relationship between current assets and current liabilities. If the ratio is high, this means that there is a high level of current assets to liabilities and that there should be little difficulty in meeting the organization's debts as they become due. It is important to look at how the figure has changed when compared

previous year's figures would be a warning sign. It is also worth noting that while a high current ratio denotes strong financial stability, it may also indicate poor asset usage! It may also be due to an overoptimistic view of what price your assets would fetch – especially in a forced sale at times of turbulence, when there may be few willing buyers for your assets.

The liquidity ratio shows the proportion of funds that can easily be turned into cash to pay the bills. A shortage of cash may push the organization towards increased borrowings, and this in turn increases the interest payments. Beyond a certain point, the requests for increased borrowings will be refused and bankruptcy looms. Stocks of finished goods, normally relied on as quick realizable assets, maybe at a discount, may not sell at all when times are tight. No one may have the cash to take your stock off your hands, no matter how much you discount the price.

### Prompt 2.8: Movement

- Do you own your own transport?
- If hired or leased, is it in your house style or livery?
- Would you be better buying in a 24-hour delivery service?
- Do you promote your delivery service in your literature?
- Do you always collect faulty items from customers?
- How will you be affected by:
  - road tariffs;
  - congestion;
  - virtual reality;
  - carbon pricing;
  - the price of oil;
  - emerging markets;
  - virtual warehousing;
  - congestion charging;
  - currency fluctuations;
  - virtual shopping malls;
  - controls on emissions;
  - restrictions on air cargo;
  - hologram presentations;
  - new high speed rail links;
  - diversifying global markets;
  - high speed broadband links;
  - diversifying sources of supply;
  - international video conferencing?

### Prompt 2.9: Machines

- What effect will health and safety laws have on use of machinery?
- Can you obtain replacement parts easily and quickly?
- Are there newer and better machines available to do the job?
- How soon will your machines or technology need replacing or upgrading?
- Do you have a routine maintenance schedule?

- Do any machines cause quality control problems?
- Are all telephone calls diverted so that callers always get an answer?
- Is e-mail acknowledged quickly, with information about who will respond?
- Do e-mail and message machines give numbers for out-of-hours backup?
- Do your phones tell you when you have a customer waiting?
- Do your phones or computers have conferencing for multi-person conversations?
- Does your communications equipment monitor the frequency with which your customers get 'engaged' and how long they have to wait for a response?

### **Prompt 2:10 Materials**

- Are you reliant on someone else to do product or service testing for you?
- Do you do your own packaging? Does it look professional? Does it protect the product and promote your service and your brand?
- Are there several suppliers of your raw materials?
- Are there alternative sources for raw materials?
- Are you tied to one supplier?
- Are the prices of your materials affected by exchange rates?
- Could you work with other organizations to achieve a group discount?
- Do you receive generous credit terms from your suppliers?
- Do you have patents and copyrights on your products?
- Do you control your stock levels effectively and efficiently?
- Are your suppliers supplying you just in time?
- Do you return faulty deliveries quickly and hold invoices till credit is received?
- Do you have a long lead-up time to producing new goods or services?
- Do you operate a policy of favouring Fairtrade or, better, Equitrade suppliers?
- Are you aware of the implications of Fairtrading and Equitrading?
- Could you benefit from working more closely with suppliers – especially those who supply your most innovative competitors?

#### **ASSESS STRATEGIC CAPABILITY – STEP 2 SUMMARY**

Step 2 will have helped you to:

- Highlight strong or weak features of products or services
- Highlight the advantages you have over competitors
- Identify benefits to customers

# Step 3

## Create strategic knowledge

Will help you to:

- Summarize strategic intelligence
- Summarize strategic capability
- Create strategic knowledge

### CREATE STRATEGIC KNOWLEDGE

Bring together the results of your strategic intelligence gathering in Step 1, and the results of your strategic capability assessment sheet (9Ms) in Step 2, and enter them in this table:

Creating Strategic Knowledge		
	Problems	Opportunities
Step 1: Strategic Intelligence 'TEMPLES'		
Step 2: Strategic Capability Assessment '9 M'		

#### CREATE STRATEGIC KNOWLEDGE – STEP 3 SUMMARY

Step 3 will have helped you to:

- Summarize strategic intelligence
- Summarize strategic capability
- Create strategic knowledge

## Step 4

# Make strategic predictions

Will help you to:

- Predict what will happen if you make no changes
- Consider the impact of your prediction on customers, competitors, employees, stakeholders, funders and suppliers
- Envisage your worst case scenario

### MAKE STRATEGIC PREDICTIONS

A 'change nothing scenario' helps to forecast where you will be if you change nothing:

No	Area	If you change nothing...	Yes √	No √
1.	Problems	Does your organization's current course of action overcome the problems identified in Step 3?		
2.	Market position	a) Does your organization's current course of action exploit the opportunities in Step 3?		
		b) Will you be able to maintain your market?		
3.	Human resources	Will your current marketing, managerial and thinking skills be adequate in 10 years (Step 2)?		
4.	Finance	a) Will your organization's current course lead to satisfactory financial ratios, especially for cash?		
		b) Can the current course of action be self-funded?		
		c) Will the cash risks (eg, liquidity ratio) change for the better over the next five years (Step 2)?		

No	Area	If you change nothing...	Yes √	No √
		d) Will your organization's current course of action improve your organization's ratio of debt to equity over the next 10 years (Step 2)?		
		e) Will you become independent of external funding over the next five to 10 years (Step 2)?		
5.	Competitors	Will your competition decline (Steps 2/3)?		
6.	Customers	a) Is your organization capable of responding to increased customer expectations (Steps 2/3)?		
		b) Will you be able to maintain closer relationships with new customers over the next five to 10 years (Steps 2/3)?		
		c) Will your organization's current direction improve the quality of your services or products over the next five years (Step 2)?		
7.	Culture	Does the current direction of the organization reflect the culture of the organization (Step 2)?		
8.	Technology	Will your technology allow you to compete over the next five to 10 years (Steps 2/3)?		
9.	Supplies	Will you be able to build closer relationships with new suppliers over the next 10 years?		

### Prompt 4.1: Worst Case Scenario

Look back at the 10 sets of questions in the 'change nothing scenario', and for each question you answered 'No', complete the following:



## Step 5

# Develop strategic vision

Will help you to:

- Create an optimistic view of the future
- Determine a hopeful strategic direction
- Set motivating milestones, markers and review points

### DEVELOP STRATEGIC VISION

Using Professor Susan Greenfield's chemical model of the brain, we have been able to establish what chemical conditions will favour success on complex thinking tasks like generating strategy and implementing strategic change. Many of the neurochemicals that favour innovation, insight, invention, imagination and creative thinking – like serotonin, oxytocin, dopamine and phenyl ethyl amine – are associated with optimism, high expectations and hope. Similarly, chemicals that inhibit clear thinking and risk assessment – like high levels of testosterone, adrenaline and various cortisol derivatives – are associated with feelings of anxiety, fear, pessimism and despair. We have examples of poor decision making, when brains had excessive level of testosterone and cortisol derivatives, that lead for example, to the finance bubble and crash of 2008.

An organization with a shared vision that is positive and hopeful is more likely to have people with the thinking skills needed to turn that vision into reality. Your best hope must be realistic. Failure to achieve early milestones produces disillusion and depression – a cocktail of neurochemicals that will so impair thinking as to make feared failure more likely (Part I, Sections 2 and 3).

Japanese research has pointed to the power of figurative language and the use of metaphor in releasing the creative potential of people in organizations. When creative exuberance is kept on a loose rein, by the systematic use of concepts that derive from systems thinking, then inspirational ideas can be harvested that are still practical, plausible and within feasible limits of what is possible.

Without a great dream, nothing great will be achieved. But great dreams are not sufficient. There must be the means of delivery – key resources, key skills and key actors to deploy them. The 16 systems steps set out in Part I, Section 3, will keep you on a realistic and practical path. Our systems map suggests using a CATSWORLD checklist.

## UNPACKING THE 'CATSWORLD' CHECKLIST

### C is for customers/clients

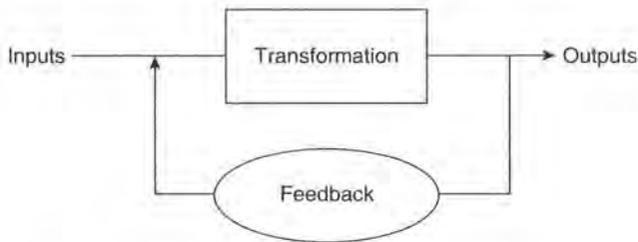
Consider the impact on your organization of, for example, customers, clients, users, intermediaries, agents, local politicians, medical services, law enforcement officers and members of the public. This creates a 'rich' picture of the influences to which you might be subject (or of the audience you might wish to impress).

### A is for actors

Key people in your organization. They may be technical patent holders, key investors, or founding fathers. Not all will be current employees. Many will be.

### T is for transformation

What does your organization take in as inputs, eg, enquiries, orders, money, raw materials, trust, energy, consultancy ideas, and to what does your organization transform them (outputs), eg, products, services, taxes, pollution, waste, dividends, reputation, salaries? How does your organization transform these inputs into these outputs? How could it do so more quickly, using fewer resources, producing less waste, and in a way that is different from competitive systems?



### S is for sub-systems and wider systems

What important sub-systems is it useful to identify – how central are they to the performance of the organizational system and how could their health be improved eg, finance systems, marketing systems, people systems, research and development systems, training systems, information and communication systems, and operational systems like production, warehousing and distribution? Each of these systems will in turn have sub-systems. Drill down until you can no longer see how improvements in lower sub-systems could significantly affect the future performance of your organization.

Then consider the wider systems within which your organization operates. What changes in these wider systems could affect your organization? Consider the local community and local regulations, the national government and corporate taxation, the international system and its impact on tariffs, trade and exchange rates – and so on. Consider how you might be able to influence events in wider systems to create

## **W is for the way we do things around here**

What are the beliefs, values, stories, myths, rites and rituals that give your organization character and distinctiveness? What kinds of things would run against the grain? What kind of changes, in which direction, would win immediate support and backing? What is it that employees like about working here? What are they proud of? What would make them ashamed?

## **O is for owners**

It is very important to work out who really owns the company. Owners are rarely the managers and often not the directors. Who would need to sign the deeds for disposal of a major asset? Who would need to approve a major change in its financial structures, such as debts or shareholdings? Failure to have 'best hopes' that are within the owners' expectations might cause your journey to falter unexpectedly, if the owners do not like the direction in which the organization appears to be moving. Owners are amongst the many key people to whom you must listen intently as you collect information on which to base your 'best hope' for your organization.

## **R is for resources**

Your 'best hope' for the future had better not assume the continued availability of resources whose planetary supply is limited – as such resources will become expensive, or sporadic in supply, or the object of green campaigns for a more sustainable 'best hope'. As economies move from production-intensive to knowledge-based, and then increasingly to brain-based, a key resource will be thinking power. Creative thinking will become a key resource for delivering competitive advantage. Creative thinking is essential for innovation, invention and intellectual property.

One benefit of introducing strategic thinking into your organization is the development it produces in the thinking skills of the people who work in your organization. It may be helpful to run workshops specifically designed to develop the thinking skills and brainpower of your people. Managers need to balance inner world thinking and outer world action. Thoughtless, all-action decision making does not confer competitive advantage. Even rapid responses need to be informed by prepared minds. Minds can be prepared by thinking strategically.

## **L is for limitations (often legal)**

The 'way we do things here' sets internal limitations on our 'best hopes', and laws and impending legislation set external limits on what is possible. Impending laws are nearly always known well ahead – 10 to 15 years ahead is not uncommon for international laws; 5 to 10 is usual in the European Union. Intended national laws are usually trailed in manifestos. Commercial or employment regulations are usually subject to consultations. Even final legislation is usually phased.

## **D is for decisions and the way they get taken**

The way we take decisions indicates strongly the way we do things around here. Styles of decision making reflect styles of leadership (see Part I, Section 1). Leadership style and decision making both benefit from strategic thinking (see Part I, Section 1 and Part II, Step 7). Strategic leaders are able to engender higher morale, more motivation and greater followership. This in turn enables much more ambitious 'best hopes' to be dared, and more effective strategic changes to be implemented.

## **Visions and Revisions – Setting Markers and Milestones**

As the CATSWORLD checklist directs more conversation with more key people, tentative 'best hopes' can be formulated and tested in another round of conversations – 'visions and revisions' (T. S. Elliot). The idea is to hold onto hopes that are inspirational but which most key actors consider realistic, ie demanding but achievable. In the next round of visions and revisions, gather suggestions for markers, milestones and review points. These will be important because attempts to make even small changes will yield a wealth of new information – especially about any resistance to change.

According to research we did with Tony Doherty:  
about ...

- 25 per cent of people will initially be very resistant to change;
- 50 per cent will likely be anxious;
- 25 per cent may in fact be very willing agents of strategic change.

It will be important to spot and recruit the change agents ('assisters'). If each converts one 'resister', the job is done! Record your 'best hopes' in the following table, prompted by our 6S checklist:

<b>A 6S checklist for checking best hopes</b>	
<i>Areas to consider</i>	<i>Targets, milestones, markers and review points</i>
<b>1. Size</b> <ul style="list-style-type: none"> <li>■ Grow cash reserves</li> <li>■ Grow profits</li> <li>■ Grow or reduce sales</li> <li>■ Market share</li> <li>■ Product range</li> <li>■ Acquisitions</li> </ul>	
<b>2. Stability</b> <ul style="list-style-type: none"> <li>■ Utilization levels</li> <li>■ Sale of surplus capacity</li> <li>■ Buy or make?</li> </ul>	
<b>3. Skills</b> <ul style="list-style-type: none"> <li>■ Thinking skills</li> <li>■ R &amp; D</li> <li>■ Educational breadth</li> </ul>	
<b>4. Social reputation</b>	
<b>5. Status of employees</b>	
<b>6. Security of employees</b>	

### **DEVELOP STRATEGIC VISION – STEP 5 SUMMARY**

Step 5 will have helped you to:

- Create an optimistic view of the future
- Determine a hopeful strategic direction
- Set motivating milestones, markers and review points

## Step 6

# Create strategic options

Will help you to:

- Identify obstacles
- Analyse existing options for removing obstacles
- Think creatively about ideas, innovations and inventing more options

### CREATE STRATEGIC OPTIONS

Complete the Obstacle Analysis and Obstacle Removal tables.

For each obstacle in the first table, get key actors, preferably working in pairs, to brainstorm a long list of possible changes that might remove the obstacles. Visit and re-visit your key actors, showing them your cumulating list of options for change. Do not encourage criticisms or evaluation of the ideas of others. (This will happen later, in Step 7). Simply thank them for any additional options that occur to them and add them to your list.

<b>Obstacle analysis</b> <b>Obstacles to removing 'worst fears' and achieving 'best hopes'</b>			
<i>Worst fears (Step 4)</i>	<i>Obstacles to removing</i>	<i>Best hopes (Step 5)</i>	<i>Obstacles to achieving</i>

<b>Obstacles removal</b>	
<i>List of obstacles</i>	<i>Long list of options for removing obstacles (accumulate your long list by talking to key actors – see Step 5)</i>

Using the second table as your starting point, you need to add more options.

The odds are that your competitors have done a similar analysis and, if 20 competitors all do the same thing in the same market, you may each get 5 per cent of the market. But if your individual plans each depended on getting 10 per cent of the market, you will each go bankrupt! You will need distinctiveness in order to have competitive advantage. To be distinctive, you need to come up with some options that your competitors will not have thought of, ie you will need to think creatively in order to innovate and invent your own distinctive view of the future, and of the intentions and actions necessary to change it.

## **Creative thinking**

It is not necessary to be born a genius to think creatively. Professor Martindale studied the brain scans of people writing creatively and, in *Psychology*, in August 2007, he reported that the most creative writing was done by people who could deliberately shift their brain activity from their rear brain parietal sensory cortex to the front brain lobes of their cerebral cortex. Although it was true that the right-hand sides of their brains were involved, so were the left-hand sides of their brains. The myth that creative people are those who are naturally 'right-brained' is mistaken. You can

## Common blocks to creative thinking

- Aversion to risk.
- Inability to relax.
- Obsessive tidiness.
- Prevalent pessimism.
- A tendency to be cynical.
- A preoccupation with control.
- A tendency to be judgemental.
- Fear of reverie or daydreaming.
- Excessive need for quick success.
- A fear of failure or of making mistakes.
- A limited capacity for delayed gratification.
- An inability to tolerate uncertainty or ambiguity.
- A strong preference for reality rather than fantasy.
- Unwillingness to deal with hypothesis or conjecture.
- A propensity to be 'laid back' and unexcited by challenge.

### Prompt 6.1: Removing Blocks to Creativity

No.	If the block is....	Then try to...
1	Habit	Do one different thing every day.
2	Firm beliefs	Ask, 'If I didn't believe this, what might happen?'
3	Familiarity	Ask, 'How will I feel when I have solved this problem?'
4	Adult behaviour	Indulge in one piece of 'child-like' behaviour each day.
5	Lack of language	Mix with creative people. Join an art or drama group.
6	Not my area	Say, 'Most breakthroughs come from non-specialists.'
7	Fear of mistakes	Ask, 'What's the worst thing that could happen?'
8	Existing models	Ask, 'What if I had arrived from Mars?'
9	I'm too old	Realize that creative thinking involves bringing lots of knowledge and experience together and that the older you are the more knowledge and experience you have.
10	Lack of time	Accept that you have all the time there is. (Deadlines aid creativity, if you are not over-anxious.)

### Prompt 6.2: 20 Ways to Develop Your Creativity

#### 1. Don't forget

Keep a pocket Dictaphone, or a pad and pen, at your desk, by your phone, in your

## 2. *A move with a view*

Periodically, move your chair, your desk, your room, your house or your country – anything to gain a new perspective.

## 3. *Make a date*

Julia Cameron suggests that you make a 'date' with your creative self, once a week. Take time out to meet your creative self, for at least a couple of hours, at a bookshop, art shop, or fabric shop, at a gallery, café or just a coffee bar where the two of you can be alone with a notepad.

## 4. *Catch the worm (before it turns)*

The early bird can catch the creative worm. If it's fiction you want to write, start straight out of bed – some writers do not even turn on the light. Write in long hand, double-line spaced. Edit and re-edit until it is no longer decipherable. Write it out again. Keep going for your allotted time – 30 minutes, or an hour at most. Then stop and clean your teeth. Surprisingly, fixed deadlines seem to aid creativity in the morning. Perhaps they raise anxiety just enough to sharpen your waking mind.

If you are writing non-fiction, or designing a product or campaign, your routine will be different. You need lots of light to switch off your pineal gland (see Chapter 1, Wootton and Horne, 2009). Clean your teeth using minty toothpaste and the hand you do not normally use. Do the head-in-hand, and eye switch exercises, and finish with the 60-second hand rub. You will then be well oxygenated for a dawn raid on your neurons!

## 5. *Signal your creative intent*

Creative thinking requires a deliberate shift. Sometimes it helps to signal your creative intent to others (and to yourself). Victor Hugo signalled his creative intent by taking off all his clothes. Alexandre Dumas ate an apple under the Arc de Triomphe every day at 7 am, then wrote for an hour at a street-side café. Mark Twain lay on the floor. Hemingway sharpened pencils. Huxley wrote with his nose.

## 6. *The long march*

Like William Wordsworth, before you work, go for a walk!, Professor Clayton recommends a walk of at least 20 minutes every day. Down the long march of history, aborigines have gone 'walkabout', Native Americans have gone on 'vision quests', Christians on pilgrimages, Muslims on the Hajj. All were seeking inspiration.

## 7. *Become a private eye*

In your total immersion phase, you may need to become a private investigator. What style of undercover detective will you become? Hercule Poirot collects all the 'facts' and then sits down and thinks about them. Miss Marple often just sits behind her net curtain and watches the world; she has a great eye for detail – she doesn't miss a thing. Columbo acts dumb but asks good questions. Sherlock Holmes thinks

### 8. *Time's up*

Surprisingly, tight deadlines often produce creative solutions, especially in the last 10 minutes. Set and stick to deadlines.

### 9. *Bin the best*

The exhortation to 'bin the best' recognizes the blocking effect on your creativity when you become so attached to the good bits of your work that you are reluctant to surrender space to new ideas.

### 10. *First the good news*

Know your creative style before you invite others to comment on your work (there is a test in Wootton and Horne, 2010). Problems arise, especially if your creative style is predominantly 'N' for needy. You need approval, admiration, attention and applause, so always say 'Ok, give me the good news first,' and ask, 'What do you like about my work?' Next, 'What do you find interesting about my work?', 'What are its potential growth points?', 'What would you like to see less of?' (steal yourself) and finally, 'What would you like to see more of?', 'What is the best thing you liked about my work?' Start and finish with good news.

### 11. *Girls and boys come out to play*

On an 'I-need-to-be-creative' day, think of life as a game (even if you don't know the rules). Adopt a playful disposition in meetings and encourage it in others. Ignore put-downs like 'Don't be facetious,' or, 'Don't be childish.' (As a child, you probably had no difficulty in thinking creatively.)

### 12. *Get a brain wave*

Before a task that requires creative thinking, do relaxation exercises (see Chapters 1 and 5, Wootton and Horne, 2009). These exercises slow down the electrical activity in your brain and literally produce bigger brainwaves. Favour deep breathing exercises that involve visualizing objects, colours, stories or good memories.

### 13. *Pass it on*

To get up to 80 ideas from eight people, give them each a blank sheet of paper and ask them to write down three ideas, working alone. Then they pass their sheets to the right. Each person reads the ideas on the sheet in front of them and adds one more and again passes the sheet to the person on their right.

### 14. *Love me, love my dog*

If you get stuck, try using analogies or metaphors to help you become unstuck (see Part I, Section 3). Ask yourself what connection this situation has with the problems facing a particular animal such as a dog, an owl, an elephant, etc. Compare the situation with using a photocopier, learning to drive, or cooking a meal.

### 15. *Travel is in the telling*

*Discussion, rehearsal and talking are proactive (unlike television, which is passive).*

variety of subjects you talk about, the better. Never miss a chance to talk to anyone who is an expert on anything. Try to take holidays in a different culture.

### 16. *Surprise, surprise!*

If you are looking for inspiration from a group of people, do something surprising. Meet them at a theme park, a zoo or on a beach, and then give them the situation about which you want them to think creatively. Then play rounders, five-a-side football or go bowling. Collect and record as many ideas as possible as you mingle with individuals but do not comment, even positively, on any of the ideas. Quantity of ideas is more important than the quality of ideas at this stage.

### 17. *Make piles*

Make piles not files. If you file information away in filing cabinets or, even worse, in boxes, you will rapidly forget it exists and so you will not be able to combine that information with any other information, such as that in a nearby pile! By making piles, preferably on a horizontal surface like a large table, you are creating a three-dimensional map of information that might be relevant to your next creative project. Extract all the creative tension and creative connections you can from the information in competing piles, and then move to a large empty table somewhere else to do your writing, painting, building or designing. Immersion profits from piles, but insight and inspiration will more likely pop into an empty space Aha!

### 18. *Talk to yourself – put on your thinking cap*

The more perspectives you can get on a situation the better. It is also the safest way to check that your implementation plans make sense. If people won't listen to you, let alone talk to you, you can always talk to yourself. Edward de Bono has some good ways of orchestrating an internal dialogue between different aspects of yourself. Try, in turn, being an:

- optimist ('What's good about this is...')
- grower ('We could extend this by...')
- cardinal ('Ethically, we need to be concerned that...')
- pessimist ('The problem might be...')
- logician ('Let's just check if this necessarily follows that...')
- factual ('What do we know and how can we find...')
- emotional ('This is... exciting, passionate, frightening...')

### 19. *Do it to music*

If you can think with music playing, try to find out which music most favours creative thinking (see Chapter 5, Woolton and Horne, 2010).

### 20. *Madness in the method*

Creative solutions can sometimes be found by borrowing acting techniques. List the key roles or objects. Take it in turn to be each of the key roles or objects. In each role, imagine what you would feel and what you would think. Record it. If you have a partner you can work with, ask him or her to interview you about your experience

## Creativity – the role of humour

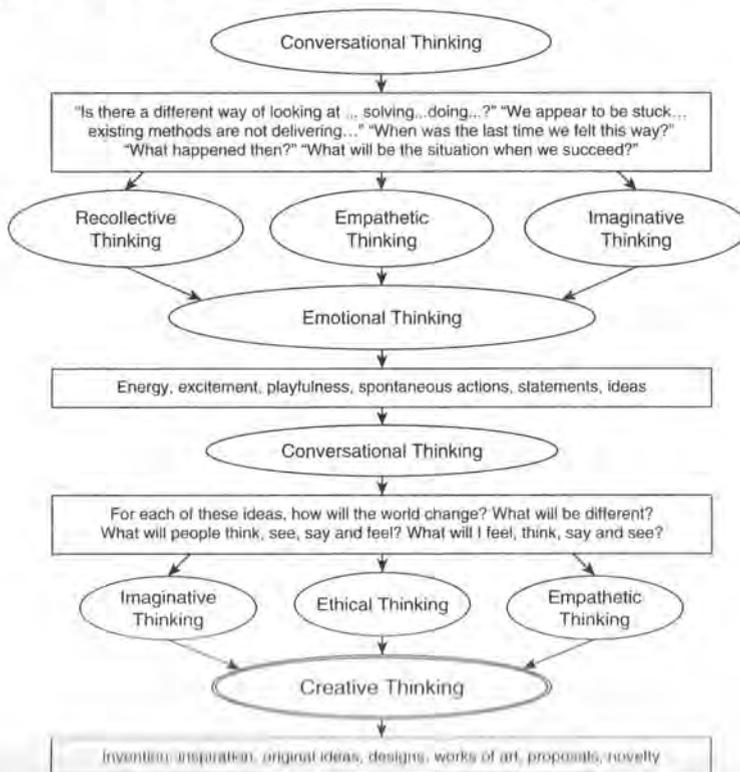
Creating humour, or enjoying humour, predisposes your brain to be open to sudden mental shifts, to the sudden 'Aha!' as you see things from a new and unexpected perspective. It raises your tolerance for surprises. The side-effects of the laughter – relaxation and distraction – help to change your brainwave pattern from high frequency, shorter beta waves, to the slower, longer alpha waves that Bagely has strongly correlated with creative thinking and invention.

Not everyone is a natural humorist, but you can choose to mix with people who are. They will raise your mental energy and maybe your creativity. Children are great. On average children laugh 450 times a day (15 times a day for adults)!

## Creative places: somewhere a place for me

Winnicott discovered that creative thinking was more likely to occur in places where questioning authority and challenging received wisdom were welcome, where people were encouraged to joke and be playful. Kanter argued for the creation of autonomous 'play areas'. She recognized the close relationship between playfulness, humour and creativity. Hurst reported that people were more likely to produce new ideas when they laughed, felt comfortable and trusted the people around them.

## Prompt 6.3: A Model for Creative Thinking



## Prompt 6.4: Techniques to Aid Creativity

Everyone can learn to think creatively. Rapid change forces a need for creativity and innovation. Certain conditions favour this.

### Weird ideas at work – three creative conditions

1. Provide copious materials for writing, drawing and display. Unrecorded ideas get lost.
2. In turbulent times, lose administrators, not creative people.
3. Set tight time limits. Deadlines help to prevent over-elaboration and discourage premature evaluation.

### Three techniques to try

#### 1. Attribute listing

This is a very simple method and it is used to develop spin-offs from existing products or services:

- a. Identify and pick out the major attributes of a product or service.
- b. Suggest as many variations of each attribute as possible. Each combination of variation creates a potential new product or service.
- c. List all the combinations. Evaluate them later.

As an example, consider you have been employed as a consultant by a Christmas novelty company to come up with new ideas for balloons. After discussions with the company, you decide that the major attributes for the novelty balloons are colour, size, shape, price and durability. Using the above a, b, c approach:

- a. Major attributes: we could have size, shape, price, durability.
- b. Possible variations; we could have:
  - colours: red, purple, polka-dot, etc;
  - size: 1 cm, 1 metre, 3 metres;
  - shape: banana, star;
  - price: 10p each, £1 each, £25 each;
  - durability: five minutes, one year, 10-year guarantee.
- c. Possible combinations: we could have a 3-metre polka-dot banana, £25, 10-year guarantee balloon.

#### 2. Brainstorming

This is useful in tackling 'how to do' problems, where a new idea or direction is needed. The process involves presenting the problem or the opportunity and then generating as many ideas as possible, in a limited time, preferably using a large (six to 16) group of people.

Every possible idea is recorded in a way that everyone can see. Flipcharts are commonly used. Someone usually keeps a note of all suggestions and feeds them

tank' of ideas, so as to keep the flow of ideas going. Zany ideas are encouraged, as is humour. Such ideas may be 'planted' in the audience to create a permissive atmosphere. Negativism, realism, scepticism and, in particular, cynicism, are not allowed and must be quickly squashed by the person facilitating the brainstorming sessions. Pauses are filled by reading back the ideas already recorded on the flipcharts. The flipcharts should be torn off and displayed around the room. Ideas can be shortlisted and evaluated later, using some of the techniques described in Step 7. Brainstorming is much better than doing nothing, but it is not as good as a leader talking to individuals and then leaving them to work in pairs, returning later to share with them the ideas of other pairs (see Part I, Section 1).

### **3. Forced relationships**

This is based on the establishment of new relationships between normally unrelated objects or ideas. New applications are sought for existing products or services. One object is fixed; the other is chosen at random.

You then have to find as many ways as possible to relate the fixed object to the one chosen at random. As an example, consider you are a manager of a doctors' surgery with, say, six doctors. The declining number of patients on your surgery list has placed the future of your practice in jeopardy. Your workforce is highly skilled and flexible. You have been asked to think up new ideas for diversifying the service. First you brainstorm list A – a list of all the things your staff can do, for example:

#### **A. Possible services**

- A1. Medical diagnosis
- A2. Minor surgery
- A3. Health education
- A4. Blood tests
- A5. Bed baths, etc.

Tear the lists into strips and put them in a hat. Next you brainstorm list B – a list of possible areas in which you could provide services, for example:

#### **B. Possible areas**

- B1. Schools
- B2. Houses
- B3. Insurance companies
- B4. Football clubs
- B5. Supermarkets
- B6. Chemists
- B7. Charities.

Again, tear the list into strips and put them in a separate hat. Next you draw one strip from each hat and in five minutes you have to write down as many uses as possible for the service chosen from list A, eg, medical diagnosis, in the area chosen from list B.

## Prompt 6.5: Some Specific Options to Consider

Options	What might you gain from this option?	What are the problems with this option?	Examples of this option?
Concentration and focus			
Product development			
Market development			
Horizontal integration			
Vertical integration			
Retrenchment			
Turnaround			
Divestment			
Liquidation			

## Prompt 6.6: Strategic Options

### Concentration and focus

Resources can be focused on the continued and profitable growth of a 'single' product or service in a 'single' market. This can be achieved by attracting new customers or by increasing their usage rate or, where feasible, by attracting customers away from competitors. The advantage of this approach is that it uses the current skills in the organization. Growth is not likely to be dramatic. If you conserve cash, in turbulent times you may be able to buy up the order books of competitors from their administrators!

### Product development

An organization can think about what modified products or services it could offer to its existing customers. This is generally less risky than trying to find new customers.

## **Market development**

An organization can build on its existing strengths, skills and capabilities to market its present products or services to new customers. This often involves a new approach to advertising, promotion and selling.

## **Horizontal integration**

This is when an organization acquires or merges with a major competitor. Market share should increase and the organization should be looking for situations in which the pooled skills and resources are synergistic (see Step 8). In turbulent times, acquisitions can be cheap, if you conserve your cash.

## **Vertical integration**

This is when an organization acquires one of its suppliers or one of its customers. In this case, the benefit looked for is not primarily market share. Efficiency gains are sought through either better prices or more reliable delivery of components, or through a better planned pattern of demand. In turbulent times, this option can help to maintain volume and cash flow.

## **Retrenchment**

This may be required when an organization experiences declining profits as a result of economic recession, or through the activities of competitors who are innovating faster. In these circumstances, the organization will need to concentrate only on activities in which it has distinctive competencies. The aim is to concentrate on cash-rich activities in which the organization has advantages over its competitors (see Step 8).

### **CREATE STRATEGIC OPTIONS – STEP 6 SUMMARY**

Step 6 will have helped you to:

- Identify obstacles
- Analyse existing options for removing obstacles
- Think creatively about ideas, innovations and inventing more options

# Step 7

## Take strategic decisions

Step 7 will help you to:

- Assess the competitiveness, controllability, compatibility, feasibility, impact and risk of each of your options for change
- Select a short list of options for change to discuss with your people
- Consider the role of intuition in making your final selection

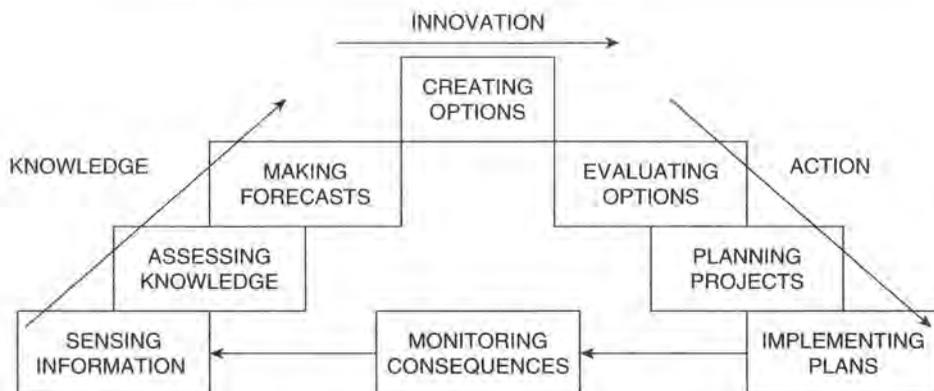
### TAKE STRATEGIC DECISIONS

#### Rational decision making in difficult times

In Part I, Section 1, we argued in favour of Professor Adair's action-centred approach to leadership, especially in turbulent times. Since leadership style and decision making style are interconnected, we again favour Professor Adair's ideas on decision making. We are concerned, however, that in times of impending crisis your flight-fright response will produce levels of cortisol in your brain that will make it difficult for you to be as calm and rational as John Adair would like you to be. The rabbit-in-the-headlight effect may make it very difficult for you to think clearly at all. For this reason, at the end of this Step 7 we have presented what may seem very mechanical decision-making tables, so that you will be able to take complex decisions rapidly and rationally, even under difficult conditions. Our decision tables will help you to cover all the bases of rational decision making. For ease of remembering, the decision tables cover the 6Es of Effectiveness, Economy, Efficiency, Empathy, Ethics and Ecology. It is a relatively EEEEEEsy way to ensure that you have all the rational bases covered!

#### The decision-making styles of strategic leaders

Nothing so quickly defines the leadership styles of managers as the way they take and communicate decisions. In this Step 7 we will look at taking decisions. In Step 8 we will look at presenting and communicating decisions. In Step 9 we will look at implementing decisions. In Part I, Sections 1 and 3 we have seen how strategic thinking underpins strategic leadership. When you look at our model of strategic decision making you can see how closely it weaves together the thinking skills that support strategic thinking.



**Figure 7.1** Model of Strategic Decision Making (Horne and Wootton, 2010)

In Part I, Section 3, we described how strategic leaders use thinking skills to turn information into knowledge on which useful action can be based – thereby helping their people to escape from the past and form new ideas in the present about beneficial changes that they can make in the future. In our decision-making model we see the same movement from the past, via the present, towards the future. Our model shows the same need to think critically about information in order to decide what we can justifiably believe, and to think visually and empathetically about the future in order to formulate ideas for change that are feasible and ethical, as well as desirable. There is the same need for creative ideas, invention and innovation, in order to generate as many options as possible in the time available, before we use our critical thinking and ethical thinking to define a list of possible strategic changes.

One must think and think and think again – one must think till it hurts or until you run out of time. Then and only then, is it time to decide and to act. (Roy Thomson)

Decision making features strongly in all models of problem solving. In many ways, managers are professional decision makers. If their decisions are impulsive, premature, or thoughtless, they jeopardize the livelihoods of their people. If their decisions are too late, they threaten the survival of their organizations. Managers must get more decisions right than wrong. Managers must get the big decisions right. If managers are indecisive, they are not doing what they are paid to do.

## Factors that influence management decision makers

Nicholas analysed the decisions made by 382 managers. Few were purely logical. Considerations of power and self-interest were common. Managers looked for decisions for which they could give a rational explanation even when they had taken their decision impulsively, emotionally or intuitively. Most managers preferred options which had a built-in excuse, should the consequences of the decision turn out to be worse than they predicted. They complained that there was not enough time to do otherwise. They complained that they had insufficient time to think. They claimed that they decided things quickly only because they had to, or because they did not wish to be seen as dithering or indecisive.

(see Part I, Sections 1 and 3). Luck greatly favours the prepared mind – especially the strategically prepared mind. By being visible figures – in the field, in the factory, or on the office floor – and by being seen to stop and think, strategic leaders can create permission for their people to do the same. In a brain-based economy, organizations whose people stop and think can create competitive advantage (see Step 8).

## **Decision making – the brain power you need**

People worry because they are losing brain cells every day – they do not need to. Your brain contains about 22 billion brain cells. Unless you drink heavily or contract disease, even by the age of 80 you will have lost only 3 per cent of your brain cells and it is never too late to grow new ones, by exercising your eyes, or your body, or your mind. A diet of protein, unsaturated fats, fruit, salad, vegetables and a little fish, dark chocolate and regular sex also helps. What matters is not how big your brain is, but how you use it to think (see Part I, Section 3).

## **The values and integrity of strategic leaders**

The ability to discern useful criteria to use when making decisions, and then to put a value on your criteria, from the point of view of your customers, your people, your suppliers and others, is the hallmark of a ‘good’ decision maker. The weighting you put on your different criteria will reflect your values. If you are a person of integrity, your values will be consistent and this will be consistently evident in your decisions. Your decisions will be rooted in your firmly held beliefs. Your decisions will reflect you – who you are and what you stand for. When others see you taking ‘good’ decisions, they will say of you that you are a ‘good’ person, a ‘person of principle’ or a ‘person of integrity’.

‘Good’ decisions involve deciding what to believe and deciding what action to take. Under pressures, managers often jump to the second and neglect the first.

## **The role of intuition in decision making**

Intuition is the purported power to apprehend immediately that something is the case, or that something needs to be done. What is the origin of such a power?

In turbulent times, there may be a shortage of clear information on which a reasoned decision can be made. If turbulence turns to crisis, there may also be a shortage of time. Short of clear information and time to think, managers who decide very quickly are then criticized for making things up as they go along! In some cases, this criticism may be too harsh. A manager’s apparent guesswork might, in fact, be informed by a long period of habitual strategic thinking. Fortune may favour the brave, but it favours even more the prepared mind. The habits of mind of a strategic thinker will greatly increase the chances that you will get more decisions right than wrong, and that you will get the big ones right.

## **Expert decision making**

10 years seems to chime with the figure of 10,000 hours said to be needed to become an expert (Gladwell, 2008).

Philosophers down the centuries have argued that intuition is the basis of ethical decision making. When asked if it is right to kill one healthy young person and use his or her organs to save the lives of four other young people who would otherwise die without an organ transplant, almost everyone can decide 'No' very quickly. If your gut instinct, or intuition, is that something is just plain 'wrong', it probably is, no matter what market-based rationale is raised in its defence (gross bonuses and great disparities in salary may be cases in point).

Earlier, we identified two pillars of decision making: deciding what we believed to be true and then deciding what to do about it. The first can require a lot of painstaking investigation of the kind carried out by detectives like Sherlock Holmes. In thoughtful conversations with his assistant Watson, Holmes is portrayed as carefully weighing the evidence, and then making deductions from a premise in which Holmes has justified belief. While such critical thinking skills can add greatly to the quality of your strategic thinking, in times of crisis there is sometimes not enough time to think like Sherlock Holmes. This is where you may need to rely on your own intuition, or that of your experienced people. The more you 'walk the job', the more you will learn when to trust your intuition. Strategic leaders should not be deterred from using their intuition by MBA-borne fears that intuition is somehow not intellectually respectable. Intuitive managers can still use the critical thinking skills described in Part I, Section 3 to evaluate rigorously the products of their intuition.

Some of our most celebrated scientists have been deeply intuitive. Einstein believed that:

'There is no logical way to discover new laws. There is only the way of intuition. This is helped by a feeling or sense of the rich picture that lies behind events.'

Strategic thinking and especially some of its advanced components, like systems thinking (see Part I, Section 3, and Step 5), will constantly enhance the 'rich' picture that feeds your intuition. Only the experience of following it, and then critically evaluating where it led you, will give you the confidence to rely on your intuition in turbulent times.

## **Developing entrepreneurial 'flair' in decision making**

A reputation for entrepreneurial 'flair' – for getting the big calls right more quickly than others – does not come by accident. A reputation for having flair comes about through the hard work it takes to immerse yourself in information relevant to your sector, and from a strategic leadership style that gets you out of your office and amongst your customers, your suppliers and your people. It also comes from taking care of yourself.

We have discovered that simple things like not taking care over your sleep patterns and your travel arrangements can play havoc with your decision making, whether intuitive or not. We have studied many sleep-related instances of bad decision making, from car accidents to near nuclear disasters. Stress and tiredness are anathema to decision making. Mountaineers are well aware that when a storm blows up, decision making can deteriorate as rapidly as the weather, when you are

trained to revert to mechanical drills, to get themselves safely to the top, or safely back to base. We have provided you with a similar set of mechanical drills. Our decision tables are designed to help you take strategic decisions even when you are too exhausted to think clearly.

'It is probabilities that guide the decisions of wise men' (Cicero).

We have designed our decision tables to help you to weigh the probabilities. It is to these structured decision tables that we now turn.

## DECISION MAKING IN DIFFICULT TIMES – THE USE OF DECISION TABLES

You may be considering options, the likely consequences of which are outside your experience. You may need to trade-off between control over consequences and the potential contribution the option might make to your best hopes.

Complete the 'Rate your options' table by rating each option either A, B or C, for each of the six evaluation criteria. A is a high rating, C is a poor rating, otherwise use B. (If you need help in arriving at your A, B, C ratings, turn to the prompt sheets.)

First devise a label for each of your options for strategic change (see Step 6) and enter the labels in the table.

Rate your options, A, B or C						
Assess each option for:	<i>Change nothing</i>	<i>Option 1 (label)</i>	<i>Option 2 (label)</i>	<i>Option 3 (label)</i>	<i>Option 4 (label)</i>	<i>Option 5 (label)</i>
1. Competitiveness						
2. Controllability						
3. Compatibility						
4. Feasibility						
5. Impact						
6. Low risk						
Total number of As						

To draw up a shortlist of options for discussion with your people, start by eliminating any option that has a C rating against any of the evaluation criteria. Then give further consideration to those options that have the highest number of A ratings. These changes would appear to be the most likely candidates to comprise your strategy. Compare what would happen if your organization implemented these changes with the 'change nothing' option. To what extent do these options for change help you to fill the gap between where your organization is now and where

change? Can you create more options now and, if necessary, prune later? If you think you need more options, go back to Step 6.

## Prompt 7.1: Evaluating Options

Evaluation is simply putting a value on something. To put a value on an option, you need to understand and describe what will happen if you decide to pursue it. One way to evaluate options is to give them an A, B or C rating, depending on how well they meet your criteria.

What exactly should you evaluate? For each option for strategic change, consider six criteria:

1. Competitiveness.
2. Controllability.
3. Compatibility.
4. Feasibility.
5. Impact.
6. Low risk.



## Prompt 7.2: Criteria for Evaluating Strategic Change

To assess the competitiveness of an option you need to identify how exclusively you are able to deliver this option when compared with a potential competitor.

To assess the compatibility of an option, you will need to weigh up the skills, knowledge and motivation of your people to ensure that the option 'fits' with the organization's resources and culture (see Step 5). Technical or professional skills and knowledge may be needed in addition to knowledge about how to think (Part I,

To assess the controllability that an organization has over an option, you will need to assess the extent to which the contribution of the option to your 'best hope' (Step 5) could really be controlled.

The feasibility of an option indicates the ease with which the option could be implemented. You will need to think about time, effort and likely areas of resistance.

The impact of an option is the extent to which it would contribute to your 'best hope' for the organization (Step 5).

To assess the risks of an option, you will need to think about the kind of things that could go wrong, the chances that they might go wrong and the consequences if they did.

### **Prompt 7.3: Evaluating Competitiveness**

To favour competitiveness an option of change should create, or increase a sustainable advantage over your competition. This competitive advantage must be valued by your customers. The change might need to be supported by your suppliers. Market-led intelligence (or intuition) is essential for this evaluation.

In the decision table, enter:

- A, if the option would make you highly competitive;
- C, if the option creates no customer-valued advantage;
- B, if not A or C.

### **Prompt 7.4: Evaluating Compatibility**

Organizations are not composed of totally like-minded people. They may have different professional or technical skills, different professional or cultural values, and different interests. These differences can cause problems in assessing whether an option is compatible with the team of people who would be involved with a particular change. Is the team likely to be sufficiently skilled and motivated to implement this option? What might be in it for them? Who would be the 'assistors' and change agents? Revisit 'W' in Step 5.

In the decision table on page 87, enter:

- A, if you have identified a team who will embrace this option with enthusiasm;
- C, if there is a clash of values or interests;
- B, if not A or C.

### **Prompt 7.5: Evaluating Controllability**

With some options for change it may be difficult to control the likelihood of success, the extent of the benefits, or the timing of any beneficial impact. Different organizations can tolerate different degrees of uncertainty or lack of control. There needs to be a reasonable match between the degree of control normally required by the organization and that which is possible with the strategic change option that you are considering. In turbulent times, favour options that are amenable to tight control.

For example, suppose you were considering an option to merge with a competitor. The impact on sales should be good. But the merger will involve reorganizing

who do not understand the purpose of the merger. The speed of the benefits and the costs of the complication and any resistance to the change will be difficult to control. Paradoxically, merger options can be easier to implement when times are tight. People are more likely to 'man the boats' when there is a real risk of drowning.

In the decision table on page 87, enter:

- A, if the achievement of the expected contribution to 'best hopes' (Step 5) is highly controllable;
- C, if the expected benefit cannot be estimated nor its achievement controlled;
- B, if not A or C.

### **Prompt 7.6: Evaluating Feasibility**

At least three areas should be considered: resources, constraints and resistance.

All strategic change requires resources, even if the option is a retrenchment, a disposal or a de-merger. Whose time will be needed? Is it likely to be available? Expertise will probably be needed. Does your organization have it, or know where to get it or know someone who does? Will you need new suppliers, more working capital or extra space or new packaging? Does your organization have the technology needed? Will the option generate a need for more control information? Can existing information systems handle this, or does your organization need more or faster information-processing capacity? In turbulent times, the key resource will be cash. Draw up a conservative workable cash flow for each option and favour the options that require least cash and are most controllable.

Even if your organization has, or can easily obtain the resources, there will be constraints on how your organization uses them: legal, procedural, health and safety, environmental, ethical, social, energy, waste disposal, working practices, professional, national and international standards, embargoes, quotas, export and other licences, lending limits, borrowing limits and perhaps community-based cultural constraints.

Even if the options can be resourced and could be used within these constraints, options for strategic change usually need permission or active cooperation from key actors in the organization (Step 5). Some resistance, from some people, can usually be managed as part of the change process, but strongly maintained resistance from key players and decision-makers, eg owners, will greatly reduce the feasibility of the option.

In the decision table, enter:

- A, if the option for strategic change is going to be easy to implement;
- C, if the option for strategic change is almost impossible to implement;
- B, if not A or C.

### **Prompt 7.7: Evaluating Impact**

The impact of an option for change is the extent to which it contributes to fulfilment of your 'best hopes' (Step 5). Assess how desirable the impact of this change is likely to be on the organization's:

- outputs;
- finances;

- thinking power;
- reputation;
- culture and values.

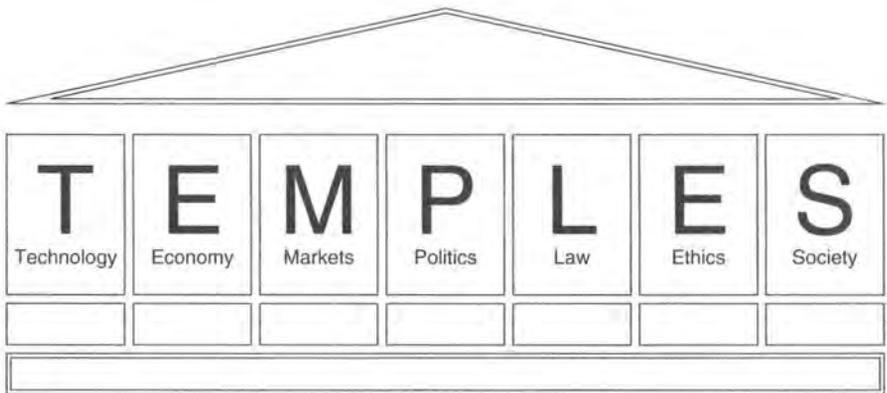
In the decision table, enter:

- A, if the option would make an essential contribution;
- C, if the option would make a marginal contribution;
- B, if not A or C.

## Prompt 7.8: Evaluating Risks

On what assumption does each option depend? Would only a small error in these assumptions produce consequences that might be catastrophic for the organization? If so, the option will be too high a risk. Re-read your external appraisal (Step 1).

Are there risks associated with possible changes in the following:



What would be the consequences for your organization if these changes occurred?

For each possible change, consider the relative risks of pursuing the option as opposed to not pursuing the option. Sometimes the risks and consequences of not pursuing an option for change are worse than if you pursue it!

In the decision table, enter:

- A, if the option carries low risk;
- C, if the option carries unreasonable risks that threaten survival;
- B, if not A or C.

### TAKE STRATEGIC DECISIONS – STEP 7 SUMMARY

Step 7 will have helped you to:

- Assess the competitiveness, controllability, compatibility, feasibility, impact and risk of each of your options for change
- Select a short list of options for change to discuss with your people
- Consider the role of intuition in making your final selection

## Step 8

# Create and communicate market-led strategy

Step 8 will help you to:

- Forge together some chosen options for change to create synergy, sustainable advantage and strategic edge
- Create perceived value for customers by energizing an existing brand, a new business or a global strategy
- Write up and present your strategy to the people, the board, or the bank

### CREATE AND COMMUNICATE MARKET-LED STRATEGY

Try to complete the strategy table; refer to the prompts where you need help. You have used Steps 1–7 to find desirable and feasible options for strategic change. Now you will use Step 8 to forge them together into a market-led strategy.

Examine the table. Which of your options for strategic change will fit together into a synergistic strategy? Selected options must appear in either Box 1 or Box 2, or both in order to qualify for inclusion in your strategy.

Formulating and describing your market-led strategy	
<i>Looking back at the options for strategic change you selected in Step 7...</i>	
Which options confer competitive advantage, through, for example: <ul style="list-style-type: none"><li>■ Deciding where to compete? (Prompt 8.1.1)</li><li>■ Deciding how to compete? (Prompt 8.1.2)</li><li>■ Deciding on what to compete? (Prompt 8.1.3)</li></ul>	Box 1
Which options create additional value, as perceived by your customers, through, for example: <ul style="list-style-type: none"><li>■ Enhanced eye appeal? (Prompt 8.2.1)</li><li>■ Creating systems solutions? (Prompt 8.2.2.)</li><li>■ Socially responsible marketing? (Prompt 8.2.3)</li><li>■ Customer self expression? (Prompt 8.2.4)</li><li>■ Creating customer intimacy? (Prompt 8.2.5)</li><li>■ Superior quality products? (Prompt 8.2.6)</li></ul>	Box 2
Which options might help to build brand equity by building on, eg product familiarity, customer loyalty, brand legacy, brand	Box 3

<p>Which options might energize existing business by, for example:</p> <ul style="list-style-type: none"> <li>■ Increasing usage? (<i>Prompt 8.4.1</i>)</li> <li>■ Creating differentiation? (<i>Prompt 8.4.2</i>)</li> <li>■ Hitching a ride? (<i>Prompt 8.4.3</i>)</li> </ul>	Box 4
<p>Which options would result in new business? New products or new markets? SBU's or SMEs? (<i>Prompt 8.5</i>)</p>	Box 5
<p>Which options would increase your global reach...</p> <ul style="list-style-type: none"> <li>■ By gaining economies of scale?</li> <li>■ By exploiting new ideas?</li> <li>■ By finding cheaper materials or skills?</li> <li>■ By getting closer to your customer?</li> <li>■ By avoiding barriers to trade?</li> <li>■ By getting close to new technology?</li> <li>■ By being selective about sequence?</li> <li>■ By enabling you to standardize?</li> <li>■ By enabling you to customize?</li> <li>■ By forming useful alliances?</li> <li>■ By guarding against cannibalism?</li> </ul> <p>(<i>Prompt 8.6</i>)</p>	Box 6
<p>Which options would enable you to conserve cash and intellectual skills by contraction and consolidation...</p> <ul style="list-style-type: none"> <li>■ By eliminating dogs?</li> <li>■ By milking cash cows?</li> <li>■ By promoting stars?</li> </ul> <p>(<i>Prompt 8.7</i>)</p>	Box 7

Now check box 1 and box 2.

If both these boxes are empty:

- re-read the results of Steps 1–4;
- repeat Steps 5 and 6;
- repeat Step 7;
- re-read the prompts in this Step 8.

## Conceptualizing your strategy

There are three possible ways for you to write and present the strategy you have created.

### *Possibility 1: Brand strategies*

If your selected options appear in Box 1 and/or Box 2, plus Box 3, you can describe your strategy as 'A Brand-building Strategy'. If you have options also in Box 6, you can describe it as 'A strategy for building a global brand'.

**Possibility 2: Growth strategies**

If your selected options appear in Box 1 and/or Box 2 plus Box 4 and/or Box 5, then you can describe your strategy as 'A Growth Strategy'. If you have options also in Box 6, it can be described as 'A strategy for global growth'.

**Possibility 3: Survival strategies**

If all your selected options appear in Box 7, revisit your entries. As a minimum you will need to find some additional entrants for Boxes 1, 2 and 4, funded by some of the cash you are releasing in Box 7, eg by pruning resource-intensive product lines or 'high-maintenance' customers. The time, energy and brain power released must be refocused on sources of competitive advantage (Box 1), customer value (Box 2), and on generating increased usage and differentiation (Box 4). This will enable your strategy to be described as 'A strategy to survive and thrive'. The 'thrive' part is essential to raise the morale of your people and to win board and bank support.

Do not be alarmed if the three possible sets of labels for your strategy seem grandiose or academic. The language will be common parlance with most funding bodies and major stakeholders. Your saving grace will be that you know the practical and concrete actions that these grand words represent. You know that for each strategic change you have a good reason. You know how each change contributes to your 'best hope' for the organization. You know how each change fits coherently with the other changes you want to make. You know that the 'best hope' you have formulated in Step 5 responds to changes that you know are happening in the world (Step 1). Your best hope takes advantage of your strengths and your weaknesses (Step 2). You have tabulated evidence to back up all these points. By the time you have completed Step 9 you will also have a detailed costed project plan to implement and manage each strategic change. You can face any 'Dragon's Den' with confidence!

If you need to write up your strategy, go to Prompt 8.0.

If you need to present your strategy, go to Prompt 9.0.

If you need to plan and manage the implementation of any of the strategic changes that comprise your market-led strategy, go to Step 9.

**Prompt 8.0: Stubborn, Reactive or Adaptive?****Introduction**

Strategic stubbornness can arise from fad-like advice, such as 'stick to your knitting' (even as the Titanic sinks?). In turbulent times, stubbornness suits only those companies whose 'knitting' is based on lowest possible costs, such as Wal-Mart and EasyJet, and 'no frills' strategists like Ryanair. A stubborn strategy of no strategic change often meshes well with operational approaches like 'continuous improvement'. These approaches often go with a centralized control and a directive management style. Organizations often 'stick to their knitting' because they do not have the skills to do anything else. When faced with a credit crisis, they may rely on their bigger margins, stronger balance sheets and greater cash reserves to help them weather the storm and maybe pick up some cheap casualties of the credit crunch. But stubbornness cannot

a sea change in the market, for example a catastrophic collapse in the value of the dollar or the need for a major model recall.

An alternative to stubbornly 'sticking to your knitting' is to react quickly to 'events' – any events. When managers, or politicians, react to every random opportunity that presents itself, like fish that gulp at every piece of bread that is thrown on the water, they eventually swallow the wrong bait, or get 'hooked' and pulled in the wrong direction. That said, a deliberate strategy of reactive responsiveness has worked well for Nike, 3M and HP. This is because their strategy is supported by decentralized structures, and by the kind of small strategic business units (SBUs) that we discussed in the case study in Part 1. It is important that these SBUs are led by marketers.

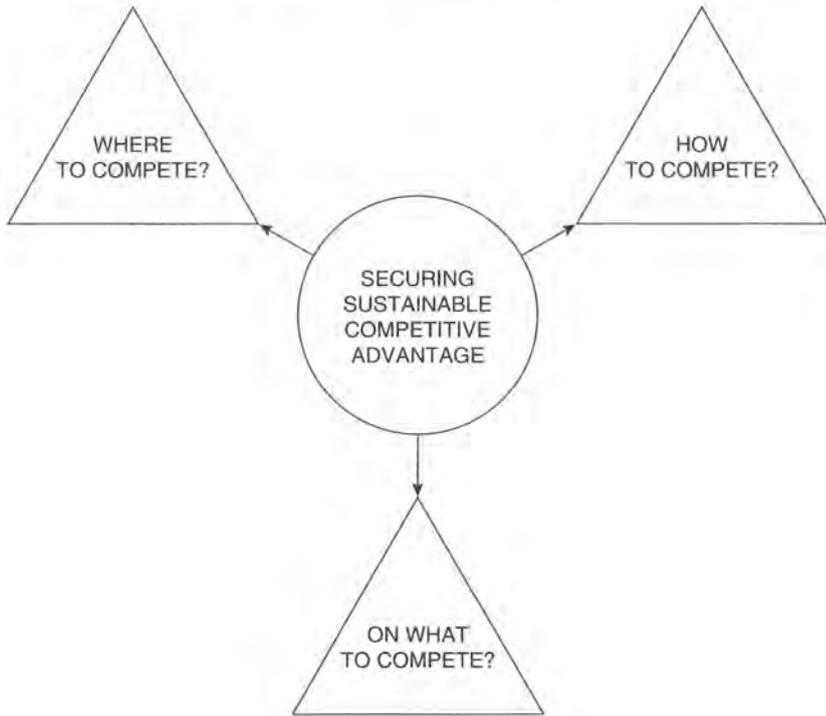
Similar to reactive responsiveness is adaptiveness. Adaptiveness strives not to be random. Adaptive organizations try to sift the presenting possibilities and select only those that are coherent with their view of the way the future is changing. This often results in modifications to existing offerings. For example, Sports Utility Vehicles (SUVs) look increasingly unattractive in the face of concerns about CO<sub>2</sub> emissions, and rising fuel prices. However, their large car bodies make them potential test beds for hybrid cars. Hybrid cars need to carry the weight and bulk of supplementary electric motors, extra batteries and Kinetic Energy Recovery Systems (KERS). To make adaptiveness work as a strategy for business, you need to use strategic thinking skills to evaluate future trends and dismiss transient 'fads' (Step 1). You will also need a strategic style that helps your organization to respond quickly and decisively (See Part I, Section 1). This points to the need for creative thinking (Part I, Section 3, and Step 6). Pilot testing must be readily funded. It must be ok to make mistakes and even fail from time to time (see Part I, case study). Test pilots must always be rescued, no matter how badly injured. They must be protected from administrative retribution. Microsoft adapted from being solely in operating systems by adding applications software, development capability and net-based businesses.

Even when companies have the resources, skills and market intelligence to see and respond to what they see in the future – even then, they do not always succeed. Often they cannot execute. That is why The 9S<sup>®</sup> Approach lays such emphasis on the need to separate, and separately value, the roles of marketing leadership and management execution. In Step 7, five out of six of your decision-making criteria relate to feasibility and compatibility, not just desirability. You need vision plus competitiveness. According to Hamel and Prahalad, it is this combination that explained the success, up to 1989 at least, of Canon, Komatsu and Honda. Canon refused to sleep until it had 'beaten Xerox', Komatsu set out to 'encircle Caterpillar' and Honda to 'compete with Ford'.

In Part I, Section 3 and in Step 6 we have argued that metaphorical thinking and creative thinking were the real differentiators that enabled Canon and Honda to defeat Xerox and Ford. NEC explicitly looked for synergy between its expertise in computing and its expertise in telecommunications. Toshiba sought sustainable competitive advantage in quality, reliability and product features. Coca-Cola 'got lucky' with a colour choice. Coca-Cola's superior distribution enabled Coke to find a strategic edge over Pepsi.

We look now at ways in which you too can achieve synergy, sustainable competitive advantage and strategic edge.

## Prompt 8.1: Creating Sustainable Competitive Advantage – Three ways to consider



### Prompt 8.1.1: Where to Compete?

Even if you have necessary and sufficient strengths to enter a particular market, you will not automatically have a sustainable competitive advantage in that market. Your competitors may be even stronger or quicker than you are. It would be better to enter a market where you were in a weak position, as long as the competition were weaker still.

The bluebell is a flower that grows in woodlands. In the woods there is little light. The bluebell would grow much better in the sunlight in the open field. The problem is that there are other plants in the open field that grow even better than the bluebell. But these strong field plants would die in the dark of the woods. That is why the bluebell chooses to survive and thrive in the dark of the woods. As long as the woods stay dark, the bluebell has a sustainable competitive advantage. Even the bluebell should keep a weather eye open for the effects of climate change!

Lexus has a network of dealers that allow it to compete with the other automotive manufacturers. The Lexus dealers are trained and resourced to provide a customer experience that is superior to that provided by other dealerships for other makes of car. Even then, the competitive advantage enjoyed by Lexus may perish. It is not a competitive advantage that is easy to sustain. Quality was a competitive advantage for Mercedes, until BMW and Jaguar learnt to match it. Now it is no longer. Quality

Hyundai's value engineering and low-cost manufacturing techniques are only a source of competitive advantage in the budget car sector, and only there for as long as its costs are low enough to give it good margins at prices significantly lower than its competitors. Ikea's Scandinavian designs for housewares worked while self-assembly was fun. Its original customer base has now reached an age where it is no longer fun and Ikea's lack of a no-quibble refund, when you don't like the finished assembly, may be its undoing.

## Prompt 8.1.2: How to Compete?

### *Sources of sustainable competitive advantage*

The table is a checklist of 20 common sources of competitive advantage, based on research by David Aaker. Try to find at least six sources of advantage on which you would outscore your likely competition and on which you could see ways to stay ahead of them.

<b>Twenty potential sources of competitive advantage – a useful checklist</b>	
1.	Product quality
2.	Customer help line
3.	Brand recognition
4.	Well trained people
5.	Low costs
6.	Cash reserves
7.	Superior features
8.	Testimony from satisfied customers
9.	A specialist focus
10.	Continuous updates or free upgrades
11.	High market share
12.	Wide distribution and availability
13.	Low prices or frequent offers
14.	Being a new entrant – fresh and 'trying harder'
15.	Flexible responsiveness to customers
16.	A good sales force
17.	Employees share the organization's 'vision'
18.	Location close to customers
19.	Future-facing management
20.	Good distributor relationships

When considering the potential source of competitive advantage in the table, favour those that will make your product harder to substitute, harder to copy, and harder for a disloyal employee to lift and take to a competitor (or use in a business start-up). If you do not have at least six sources of competitive advantage already, locate your position on the graph below.



### Prompt 8.1.3: On What to Compete?

#### *Sources of customer value*

To a customer, BMW's value is driver appeal. For the iPod it is eye appeal. For Wal-Mart it is price. Look at what customers see in you and consider how customers might compare what they see in you with what they see elsewhere. This will help you to crystallize what counts as customer value. Any sustainable strategy must add to the value that is perceived by your customers. This added value must be communicated in such a way that customers remember what you communicated (see Part I, Section 2). How many people remember that Subaru's brakes are superior? Even amongst those that do, will their next choice of car turn on braking performance? Relevance is as important as memorability. There will be no point making the best SUV in the world when 98 per cent of SUVs in the world are parked at Jurassic Park!

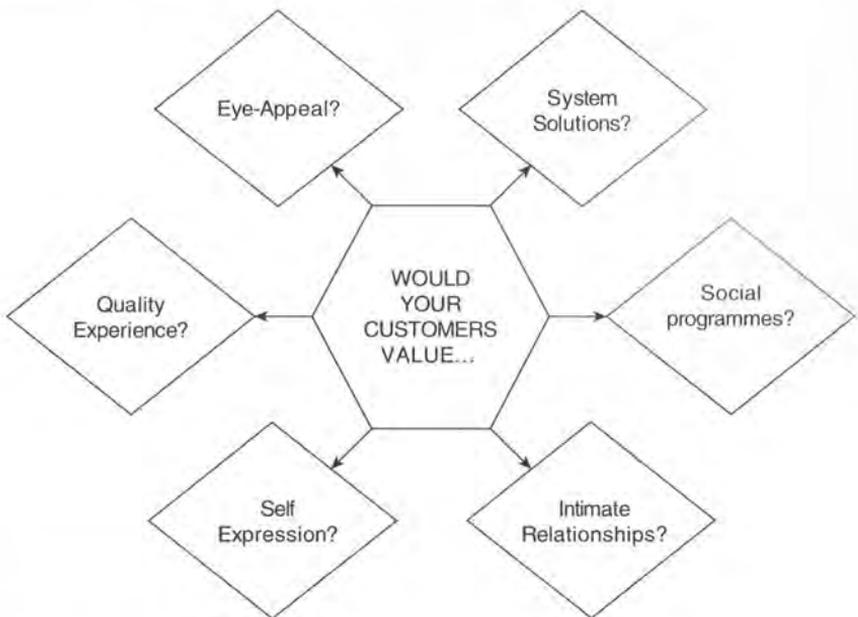
Does the increased customer value offered in your proposed change create any significant difference between the customer value you will offer and the value already offered by others? Or is it merely par for the course – a point of parity? Even if it is a point of significant difference rather than a point of parity, is this significant difference sustainable? If it is easily copied, someone will copy it. Once you have an idea for a valuable proposal that is relevant to the unmet needs of enough customers and which cannot be readily matched by a counter-offer from a competitor, you have to decide whether or not you could defend this uniqueness, and for how long. If defence would require constant, technical improvements and leap-frogging, do you have the necessary technical skills, or could you subcontract them? If it would require aggressive legal action to defend a patent, copyright or other exclusivity, do

image, Pringles the convenience of its pack and Dolby its rights to licence fees for the use of its sound systems.

## Prompt 8.2: Creating Customer Value

### Six possible sources

One way to discover if you can create customer value that might be a source of sustainable competitive advantage is to consider this figure:



### Prompt 8.2.1: Eye appeal

A first possible source of customer value is eye appeal. These are some of the easiest unique selling points (USPs) to protect. Aston Martin and Jaguar have race-bred design cues that have been unmistakable down the decades. Launching the Apple iPhone, CEO Steve Jobs claimed that 'design is the soul of any man-made creation'. Design may turn out to be a necessary but not sufficient condition at Apple, if the hubris and gadget focus of CEO Steve Jobs leads to staff defections. People are not machines. Bigger may not equal better where gadgets are concerned.

### Prompt 8.2.2: Whole systems

A second source of strategic customer value is to sell whole systems. For example, sound and picture systems need to be mutually compatible. This creates customer value for Sony and creates competitive advantage for Sony's range of inter-connectable components. The layer system used by Rohan in its outdoor and indoor clothing

Next housewares are often in colours that are hard to mix with items from other retailers.

### **Prompt 8.2.3: CSR**

A third potential source of value is to have a policy of corporate and social responsibility (CSR). CSR programmes are often easier than products to make distinctive. Petrol, gas, oil and diesel are pretty much the same, whichever brand you choose, but BP's investment in conservation and renewable energy is distinctive. Likewise, Body Shop and Ben and Jerry's have established positions on CSR. The 'HP Way' and ICI's 'People First' programmes distinguished them from other manufacturers of computers or paints. According to the June 2003 edition of *Fortune*, 90 per cent of CEOs reported that socially responsible management and marketing had increased their share value. This was backed up by tracking the share prices of 300 firms that had adopted CSR policies. By way of contrast, according to a Greenpeace poll, Esso lost 7 per cent of its turnover as a result of the 'Stop Esso' campaign, when Esso denied the call of the Kyoto conference for increased research into renewable energy.

### **Prompt 8.2.4: Customers expressing their own values**

A reputation for social responsibility can confer a fourth source of customer value – a means whereby customers can express their own values. The Toyota Prius has benefited from a certain degree of smugness on the part of some of its drivers, but this will not protect Toyota from concerns about vehicle safety.

### **Prompt 8.2.5: Customers' relationships with the product**

Some customers value an intimate relationship with a product, service or brand. An alliance of Starbuck's Equitrade Coffee with bookshops sought to create a customer experience that is 'feel at home', or a local community meeting place, rather than high street coffee shop. Virgin Airways and Harley-Davidson have an intimate relationship with their customers.

### **Prompt 8.2.6: Superior quality**

After the previous five sources of customer value, we turn now to a sixth more traditional source of customer value – superior quality.

To be perceived as a source of value by a customer, the superiority of the quality must be commensurate with any higher price to be paid. Even though most customers recognize that 'there is no such thing as a free lunch', they will soon lose their appetite if they think that the bill is going to be exorbitant. We will consider quality and price separately, although they are thought of together by the customer, when the customer computes 'value for money'.

Superior quality is a perishable competitive advantage. Admittedly, it can have a long shelf-life. Even the competitive advantage that Japanese electronics manufacturers created over European electronics manufacturers eventually perished, as

over their US rivals. The advantage perished when computer-based quality systems became universal. Even Lexus – the originator of the tagline ‘the relentless pursuit of perfection’ – has recently tried to breathe some life back into this message. Lexus has changed its tagline to the ‘passionate pursuit of perfection’. Perfection alone will not be enough. It is boring. It will not engender emotion. As we saw in Part I, Sections 2 and 3, and will see again in Step 9, a minimum necessary condition for actions, like signing cheques or placing the orders, is belief, and belief requires emotion as well as thought. The ‘relentless pursuit of perfection’ engenders no emotion. ‘Perfection’ only had value when customers were daily dismayed by the faults and delivery errors of European and US motor manufacturers. Customers now expect their cars to start first time and to be firmly screwed together.

While customer satisfaction is not a sustainable advantage, frequently exceeding customer’s expectations can be. To frequently exceed a customer’s expectations you need to manage those expectations. ‘Delight’ might count as customer value – the unexpected extra mile – but compliance with a quality standard, will not, however high the standard.

Another difficulty in trying to use superior quality as a source of competitive advantage is that the customer often does not know how to recognize superior quality. To a customer, a smell of lemon or bleach might convey a high standard of hygiene. A deep ‘clunk’ door noise might represent a strong, safe car. In clothing and shoes, a high price is often equated with high quality. Take care. The higher the standards you signal, the harder they are to exceed and the greater is the scope for disappointment.

Only in areas where a low price does not automatically signal low quality will your customer attach value to getting your product for a bargain price. To avoid overpricing your whole product range, you may have to use a different brand name, product number, or packaging, for a lower price offering. You might consider selling under a supermarket own brand label, or at an ‘off peak’ price. In this way, scale economies can help to lower your overall costs, thereby improving the margins on your higher priced offerings. In tighter times you can avoid losing customers if they can trade down to your budget lines, like the supersavers on Virgin Trains, or the budget tickets on EasyJet or Ryanair. This implies a constant driving down of costs even in the boom times, so as to create the capacity to survive when times get hard. Dell and Amazon have cut out the cost of intermediaries. Wal-Mart replenishes its shelves direct from its suppliers’ warehouse or from their just-in-time production, thereby saving Wal-Mart around 25 per cent on stock holding costs and 30 per cent on staffing costs (Aaker, 2002).

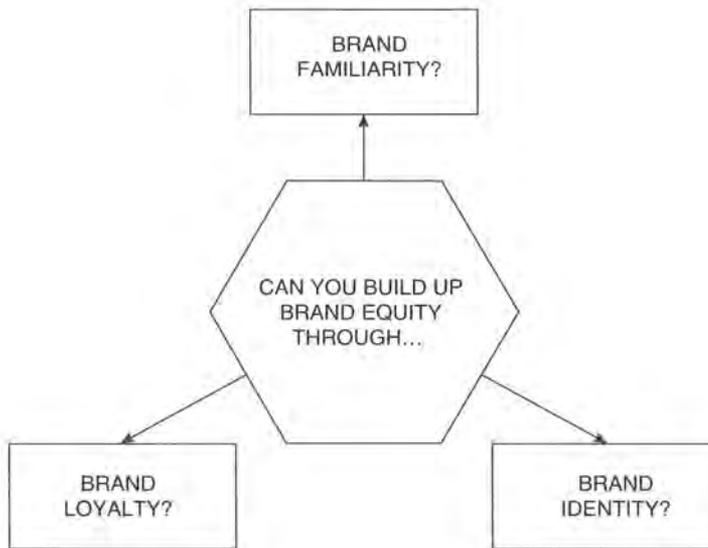
So, we have looked at three ways to gain sustainable advantage over your competitors and six possible sources of extra value that you can try to create for you customers. It is said that you will also have an advantage over your competitor if your product name or company brand is familiar to your customer. So it is to brand building that we next turn. We look at six ways to build a brand.

### **Prompt 8.3: Building a Brand – Equity and Identity**

As your organization’s brand name, image or logo becomes more familiar, it has been found to add to the price that others would pay to buy your organization – or

makes to the value of an organization's equity – was termed 'brand equity'. As brand equity has risen in importance, so has the leadership role of the marketing team in building and defending brand equity.

### Prompt 8.3.1: Three Components of Brand Equity



Familiarity with a company or product is one of the top three sources of competitive advantage. Having a well-known brand is a major contributor to familiarity. People prefer the familiar to the unfamiliar; they prefer the known to the unknown (which they often fear). Brand familiarity determines most customers' choice of soap, toothpaste and chewing gum. Brand familiarity has been shown to influence tasting trials, even when the products have been switched. Sometimes it is no more than a matter of recall – if yours is the only name the customer can remember, you generally get the purchase. Consider names of tissues (only Kleenex?) or cream cheese (only Philadelphia?) Because the neural pathways associated with prior recalls are the most heavily myelinated (see Part I, Section 3), they are hard to dislodge. This gives you an advantage over potential competitors. It creates a significant barrier to their late entry into your market. Rather than perishing over time, brand familiarity gets stronger with each recall or reminding. The more recalls, the stronger the neural links in the brain. Most people can remember up to 30 brand names unprompted (of which 25 will usually be more than 25 years old, of which 10 will usually be more than 70 years old!)

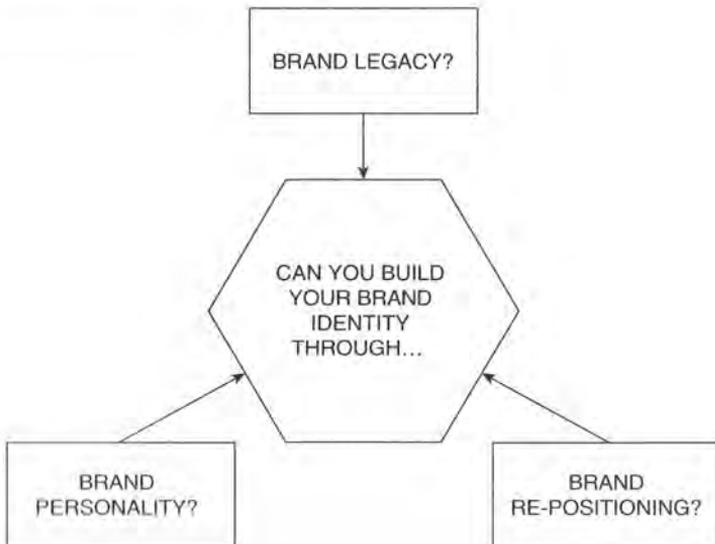
Sometimes customers display a loyalty to a brand that is independent of the product. It is called brand loyalty. Sony, for example, can now put its name on computers and cameras, no longer just on portable radios, CD players and small-screen TVs. The labels of clothes designers like Gucci or Armani frequently appear on spectacle frames. A loyal customer base – especially if persuaded to register on your database

less costly than recruiting new ones. Existing customers can sometimes be induced to recommend your brand to a friend. Brand loyalty should be rewarded with unexpected offers or deals.

If your brand is to be maintained, or built upon, it is important to understand what your brand name means to the customer. Understanding your brand's meaning reduces the need to have to keep shouting about your product features. That makes it more difficult for a competitor to outshout you by claiming to have better features. This helps to avoid specification wars. Specification wars can cost a lot of money and are unnecessary if your customer already thinks that your brand has the strongest features. Ferrari already means exclusivity. Apple for the moment means cool. Virgin already means Richard Branson. Customers already feel safe in a Volvo; exhilarated in a BMW and excited when watching MTV. Customers express individuality by wearing Rohan clothes, convey success wearing a Rolex or sophistication when wearing Birkenstock shoes. These features of the brand – sometimes called brand values – all add to what the brand means to the customer. They do not need to be over-blown. Care does need to be taken that they are not negated. Brand meanings that are hard for a competitor to replicate create high barriers to entry by a new competitor. Together these meanings contribute to your brand identity. It is to brand identity that we now turn.

### Prompt 8.3.2: Creating Brand Identity

There are three contributions to consider:



Initial brand identity is determined by the history or legacy of the brand and by how the customer now sees or 'positions' the brand in relation to other brands. (Some brands also have 'personality', which sometimes comes from some idiosyncrasy of its originator.) Marketing strategists worked hard to build on the legacy

Burberry personality was 'posh'. Market strategists worked hard to get customers to change their perception of the Burberry brand from a 'posh' maker of raincoats, to a 'cool' fashion label.

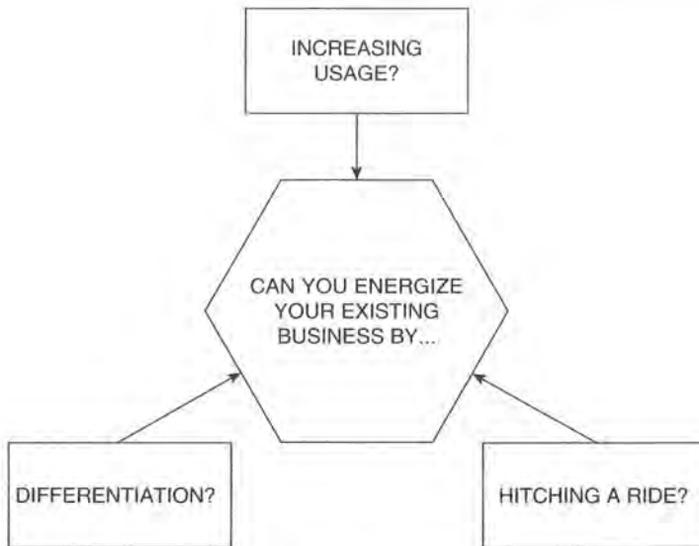
The Levi personality, on the other hand, is tough. Harley-Davidson is macho. Porsche is pushy. Virgin has the underdog personality of its owner, Richard Branson. Branson has mounted audacious attacks on hitherto stable markets, with fanfare, feisty humour and competence. Virgin has been able to associate these personable attributes of its owner with a Virgin brand identity that now embraces shops, record labels, airlines and rail lines. Will Richard exploit Virgin's 'trusted' personality to move into the 'mistrusted' banking and personal finance sector? We think so.

Whereas brand legacy is a given from history, and brand personality may reflect the present owner, brand repositioning can be the result of plans and actions by marketing strategists. To develop their plans and actions, marketing strategists need to formulate aspirational attributes for their brand's identity and seek, over time, to get their customers to change their ideas about the brand's personality or meaning, and in particular, their ideas about where the brand sits in relation to competitive brands. Sometimes pricing helps to determine positioning; sometimes pricing is limited by positioning. In Europe, Schweppes managed to get customers to reposition tonic water from being a mixer for alcoholic drinks to an adult non-alcoholic drink in its own right. Fuji's quick footwork exploited changing technology to get itself repositioned from being a quality brand of photographic film to a brand of digital cameras and photo-printers. Burger King and KFC, and especially McDonalds, have so far failed to get themselves repositioned by customers as a place to eat healthy food. Given McDonald's brand legacy, this is not surprising.

So far, in Step 8, we have looked at ways in which you can categorize or increase your list of options for strategic change that you generated in Step 7, in order to forge synergy, give strategic edge, create competitive advantage, add to customer value, or to build on a brand. In the end, you might decide to settle for strategic changes that merely put energy into the existing business.

### **Prompt 8.4: Energizing the Existing Business**

In times of crisis, organizations often surprise themselves by finding the energy to reduce costs, redeploy assets or reorganize. Perhaps it is the downsizing involved in these activities that realizes the organizational energy – in the same way that people who have lost weight through exercise often find they are less tired or have more energy than when they were heavier or more slothful. But there is a limit. Eventually you reach a point when any further rationalizations, office closures or productivity schemes will debilitate the organization. People lose morale and motivation once they can see only job losses, or losses of job prospects. One answer is to use some of the cash you release to re-energize the business. There are three things to consider, shown in the following figure: increasing usage; differentiating yourself from competitors; and associating yourself with customers, organizations or brands that are already perceived to be energetic, ie hitching a ride.



### Prompt 8.4.1: Increasing Usage

Increasing usage can be achieved by increasing the frequency of use of the product or the quantity used. Surprisingly, it is often easier to increase the usage of people who are already high users. Airlines look after frequent flyers and it is the known high rollers who get special treatment at Las Vegas.

Look at any barriers to increased use. Try to make your product easier to use. Can you, for example, provide an easy-to-use dispenser? Can you make the packaging 'microwave friendly', or just easier to open or reseal? Make your product easier to choose. For example, Listerine Total Care saves having to read lots of confusing labels on all the Listerine variants. Pester power incentives can include book vouchers for local schools, flowers for your partner, or a free drink at a restaurant. Free drinks do not cost much – maybe one sixth of the voucher value – and this is more than compensated by the margin on the food, sandwich or cake that will probably be purchased with the drink. Coding on the voucher tells you which medium worked best. If you can get them to fill in an e-mail address, or mobile number, or even just an occupation, the added value to your data base will outweigh the raw material cost of their 'free' drink.

Remove disincentives. A shampoo designed specifically for those who would like freshly washed hair every day might remove their fear of making their hair too dry. Lower calories, lower salt, or lower unsaturated fat might reduce a reluctance to eat out. Many people do not renew things for no other reason than they don't remember to do it. Remind them about car washing, lawn mowing, or renewing insurance. Offer a twice-a-day lip balm, or a three-glass-a-day fruit juice.

Exploit 'we think' – the internet power of your existing or potential customers. Run competitions for the most suggestions for new product uses or applications. Get potential customers to rank the ideas or vote for the best. Put 'Yes, but...' back to the bloggers for suggested solutions. Invite nominations for the product name, with a prize for the most popular. Get potential customers to rate your proposed

### **Prompt 8.4.2: How to Differentiate**

In Step 6 we used creative thinking to come up with a long list of inventive ideas for strategic change, which you then evaluated in Step 7. One of your criteria for selecting options was to look for options that created differentiation from competitors. Some differentials are hard to maintain. Competitors will replicate and even copy in a desperate rush to play 'catch up' or 'me-too'. The differences you set out to create must not only be valued by your customers; they must also be easy to defend or maintain. Individually themed rooms at the Relais du Bois St George Hotel, in Saintes, increased return booking rates by more than 20 per cent (especially for the dungeon room and the 20,000 leagues underwater room). Incidentally, this was a bigger increase than when the Relais du Bois restaurant won an extra Michelin star!

If you have increased your usage and made yourself different in a sustainable way that the customer values, and it is still not enough, can you hitch a ride?

### **Prompt 8.4.3: Hitching a Ride**

Can you hitch your wagon to a 'star'? Something that already has 'star' quality, is interesting and eye catching, changing and youthful, cool and contemporary, involving not boring? Almost any product could hitch a useful ride from a quirky brand like Virgin, Apple, or Innocent. While Samsung did go from a cheap Korean import to major US brand in the reflected glory of the Beijing Olympics, such cases are rare. Of the 100 or so other Olympic sponsors, we have found little evidence of customer memorability, let alone buying influence. Local sponsorship of sports trophies, charity raffles and school prizes seems to be more effective. A less common hitch is to the charisma of a CEO, or a CMO market leader. Sloan, Weinstock and Iacocca were emblematic of the companies they managed, just as Richard Branson, Steve Jobs and Bill Gates have personified the brand character of Virgin, Apple and Microsoft. Ghandi, Luther King and Nelson Mandela modelled the way they wanted their followers to work. The larger the existing business, the greater its inertia and the harder it is to energize. Think about SBUs (Part I, case study). Sometimes it is easier to create a new business.

### **Prompt 8.5: Creating a New Business**

When you review the feasible and desirable options for strategic change that emerged from your creative work in Step 6, and your evaluation in Step 7, you may find some combinations that would involve selling a new product into a new market. This would result in an entirely new business.

Received wisdom says that you should accord entirely new business combinations a low priority. We do not agree. Whilst it is true that new businesses will be amongst your higher risk options, they should not be ignored. If you never have any new business options in your strategic portfolio, you will not earn above-average returns for your sector and you will always pay more than the going rate for new capital. Your chances of long-term survival will also be lessened.

Out of 150 companies whose performances were tracked over a period of five years by Chan Kim and Mautborg (2005), the 20 new businesses accounted for nearly

to Foster and Kaplan (2001), of the 500 top US companies in 1997, only 74 had existed 40 years earlier; the rest, ie 426 out of 500, were new. The best chances of finding a profitable innovative new business is when you have a long list of possibilities from which to choose. If your organization displays too much inertia, or too much resistance to setting up new businesses (because of understandable fear of cannibalizing existing products or markets), then consider adopting the SBU style and structures described in the Part I case study.

One of the best ways to win competitive advantage, add to customer value, increase brand equity, energize an existing business, or to increase your chances of starting a new one, is to go global. The next prompt discusses the nine things you need to think about before you go global.

### Prompt 8.6: Going Global – 9 Things to Think About

A global strategy is more than a strategy for different national markets. A global strategy is one that draws on a full range of worldwide perspectives to feed creative thinking and elicit innovatory possibilities for strategic change. Products or programmes developed in one country are systematically considered for each other country. Ford intelligently anticipated the 2008 credit crisis by taking out a huge loan that enabled them to hold onto their equity. If they bring their economy car technology from Europe into the US market, they may exploit the relative vulnerability of General Motors and Chrysler. Cost advantages are sought by sourcing the lowest labour or material costs. Production is created close to customers and bypasses tariff and non-tariff barriers to trade. As we discovered in Step 1, a TEMPLES analysis needs to be global in scope. The competition is global.



A study by Holt *et al* (2004) of 1,500 customers spread over 40 countries, showed a preference for buying products perceived as global. Global products were seen as higher in prestige, quality and innovation. A higher price could be charged. Companies like Coca-Cola have achieved lower costs through economies of scale gained by using the same production technologies, information systems and marketing themes throughout the world. Ideas can come from anywhere and then be rolled out country-by-country, like the Pantene strap-line 'hair that shines'. It originally came from Taiwan. Raw materials from Brazil can be used to manufacture components in Korea, which are then assembled in Mexico and programmed with software from India. Assembly close to the customer creates local goodwill. Peugeot and Toyota carry out final assembly in more than 20 countries. It can be worthwhile to have an operation in Silicon Valley in California, just to stay abreast of technology.

But where to start? Which countries to select first? Six sets of questions are worth asking to help you decide:

<b>In which country should you grow your market?</b>	
1.	Is the potential market large or growing? (Such questions favour consideration of China, India, Russia and Brazil.)
2.	Will you be bringing something to that country that is currently missing and which you have reasonable grounds for believing will be valued by your envisaged customers? (According to Victoria Griffiths, Tesco deliberately sought countries where internet shopping was still in its infancy.)
3.	How aggressively will local competitors react? (When Tesco was eyeing up Europe, it avoided neighbouring France and started in Hungary.)
4.	Can you get started with minimal cultural adaptation? (If Marks & Spencer had thought about this, it would not have transplanted its UK operation unchanged into Europe. It suffered grievously.)
5.	Are local media or legal systems easily corrupted? How easily will you protect your intellectual property, your colours, or your packaging? (Counterfeit packaging of pharmaceuticals is a serious problem in Pakistan. According to David Aaker, Coke and Pepsi were attacked through false accusations of pesticide contamination in India, and Proctor & Gamble cosmetics came under similar pressure in China.)
6.	Can you develop sufficient sales with sufficient speed to pay for the overhead structure you will need in that country? (According to <i>The Economist</i> (January 29th, 2000), Wal-Mart took 10 years to realize that it was not going to get traction in Europe. It is difficult to export even a successful home business model if that model depends on market dominance. Few competitors in your target country are going to sit on their hands while you carve a dominant slice out their local market.)

Critical mass is more likely to be attained more quickly when several neighbouring countries are entered at once. This requires more capital and it therefore carries more risk. But it can sidestep the defences of competitors who anticipate that their country is next on your list. While a sequential campaign can enable you to customize your entry into each country, learning as you go, a broad front advance enables you to standardize your offer. Which approach – customization or standardization – is preferable?

The case for a standardization approach to globalization has been strongly argued by people like Levitt (1985). Standardization assumes progressive homogenization of global taste, economies of scale that enhance price competitiveness, and potential customers ascribing more value to a product that is perceived to be global. By using broadly similar products, packaging, and promotional techniques in every country, companies like IBM, Nike, BP, Vodafone, Dove, Sony, MTV and Visa have managed to establish themselves in most countries in the world.

On closer examination, even global brands are locally tweaked. Pringle crisp flavours reflect local preferences for salt or spice. Visa carries a different logo in Argentina. The discipline of trying to find a brand identity that works in all markets can help you to work out the core values of your product. Throughout the world, Sprite is pitched to youngsters who want a refreshing quench for their thirst. Period. No coke, no image, no hype, no hyperbole. Just 'quench your thirst'. Mercedes and Mont Blanc are everywhere 'the best'. At one time, a customer value that travelled well was 'American'. It was much 'cooler' than 'British' or 'European'. 'American' as a customer value is now problematic. Even for brands as 'American' as Levi or KFC, it can be better or safer to be perceived as 'global'. In any event, the label 'American' has little traction in the United States, which is one of the world's largest markets for goods and services!

Standardization may not be as advantageous as it first appears. It may be better to think globally but act locally, especially when standardization compromises customer value or customer convenience. It was a handicap to Canon that its 'global' copier would not conveniently handle paper sizes that varied from country to country. Nissan eventually decided to agree corporate fleet deals country by country. Even though Du Pont thought globally that 'Nothing Moves Like Lycra', Du Pont allowed Lycra in Brazil to focus on swimwear, while Paris focused on fashion. This table has three examples to do with markets, motivations and meaning:

<b>The Merits of Standardization</b>	
<b>Markets</b>	In the UK, where Ford has a dominant customer base, Ford could promote its Galaxy or S Max to the executive market. This would never work in France, where it pitches up against the class-defining Renault Espace, or in Germany, where it would compete against the quality engineering reputation of the Volkswagen Sharran. In the USA and UK, Honda tops the JB Powers Ratings, which it exploits against the inferior performance of US and European built cars. In the UK, Honda dominates the 'senior' market. In Japan, reliability cuts no ice (against reliable rivals like Mazda, Toyota and Nissan). In Japan, Honda has played its Formula One card to attack youthful markets for sporty cars. Ayrton Senna designed the NSX-Type R for Honda.

Motivation	In technophile markets like Germany, Canon can enter a specification war against other copiers. In Finland, people like their machines simple, and simple to use: feature complexity is a turn-off there. In Madagascar, the ease with which you can get Toyota's LandCruiser serviced confers advantage over Landrover's Discovery or Range Rover, which are arguably superior vehicles. Toyota, however, would not gain anything by promoting its dealer network in countries where convenient servicing is taken for granted. Toyota's dominant position in the world enables component standardization to bring advantageous economics of scale but at the same time, this makes Toyota very vulnerable to a safety critical component failure that might involve multi-million dollar costs of an international recall.
Meaning	Standardized product names can have unfortunate meanings in some countries. The Ford Fiesta means 'ugly old woman' in South America and the Rolls Royce 'Silver Ghost' translates into something very rude in France!

Under strategies for going global we have looked at strategies for generating global growth and global economies. Under global choices we looked at choosing target countries, and at choosing between strategies for standardization or customization. We turn finally to strategies based on alliances.

Strategic alliances are important because it is unusual for any new entrant to possess all the factors necessary for success in a new market. Often, the new entrant lacks local distribution, or a local name, or a local sales force. Perhaps it needs local assembly or a local packaging facility. In the past, even giant corporations like Ford have turned to Mazda or Nissan to share development costs and to gain access to Eastern markets. When JVC gained access to European customers, Phillips gained access to its recording technology. There must be mutual benefit and long-term self-interest for both parties, otherwise the strategic alliance will not last. A strategic alliance may start as an informal agreement, which should, never-the-less, be written down. The agreement may evolve into a joint venture, perhaps based on shared equity. Always play the strategic long game. Partners who pursue tactical short-term gains in gross margin by outsourcing production, design work and software development will soon be hollowed out by their partners, as their partners gain expertise in production, engineering and design. These thinking skills are the real wealth-generating, value-adding assets of the 21st century. The partner that gains them leaves the other with only a role in sales and distribution. Once these last two roles are finessed, the other partner becomes a hollowed-out shell. Strategic alliances need to be clearly managed and monitored for early warning signs of cannibalism. Managers in FTSE 100 and Fortune 500 companies need to be 'heads up':

Failures to think strategically, rather than failures in regulation, will cause economic power to shift from the United States and the United Kingdom to countries like China, India and Brazil. (Simon Wootton)

So far, here in Step 8, we have considered how to increase competitive advantage and customer value by brand building and by energizing existing, new or global

urgent need may be for rapid contraction and divestment, rather than growth, to release and conserve cash and key intellectual skills. We look next at strategies for contraction and consolidation.

### **Prompt 8.7: Strategies for Contraction and Consolidation**

Since the 1960s, the model of choice for considering contraction and consolidation has been the one researched by the Boston Consulting Group, often called the BCG model. The idea is to analyse and eliminate your 'dogs' – products or businesses with low market share and slow growth prospects. Not all cash released should go to reserves – some should go to the 'stars'. 'Stars' are the products or businesses with the greatest potential for future fast growth. In the meantime, established products with solid sales and market shares should be 'milked' as 'cash cows' – without further substantial investment. Franchising, licensing or selling your design rights should be considered. Low-volume products with future potential, however, should not be sold. In turbulent times, you don't get a good price for potential. Such products should be put on the back burner or in cold storage until the turbulence subsides. Given that, on average, four in five new businesses will eventually fail anyway, it should not be difficult to find candidates to divest. This is where your decision making will benefit from strategic thinking. Run your candidates for divestment through Steps 1–7 before deciding whether they should stay or go. Keep the best and sell the rest.

Those kept for today's 'milk' must be able to maintain their yields without further technical development, and with only self-funded minor changes in packaging or promotion. Milk cows sometimes survive to enjoy resurgent stardom – like porridge oats as a health food, or fountain pens as high status alternatives to ballpoint pens. More often, they go into slow decline. This is because they are not attractive to the most thrusting brain power. 'Milking' presents less of a critical or creative thinking challenge than new product development or new market development. Lack of stimulation and challenge lowers the energy of the product teams, and that feeds into the slow decline. Even the best milking cows need to be re-impregnated periodically; it boosts their declining yields. Even if you are able to attract clever people to act as cow hands, they will find it hard to stay alert while managing a steady-as-she-goes strategy. If they miss a key competitor going digital, or reducing salt levels, or bringing in a hybrid technology, then your cash cow may need to be slaughtered prematurely.

### **Prompt 8.8: Writing Your Strategy**

Start by completing the table on the first page of this Step 8. This will help you to finalize a combination of feasible and discrete strategic changes that best forge together into a coherent strategy. Doing this will also give you some language and terminology with which to describe the strategy you have created. You can use this kind of language in a document or a presentation for the bank or an agency client, but you should use it sparingly inside your own organization – it can alienate many of the key actors (Step 5) on whom your implementation will depend.

First create an executive summary – about 500 words – on one side of A4. Use the pro-forma in the box below:

### A PRO-FORMA FOR AN EXECUTIVE SUMMARY

This is an FGK (insert name label from the table on the first page of this Step 8) strategy to increase cash reserves from X to Y, or income from X to Y, or earnings per share from X to Y, or a proportion of earnings from products less than five years old, from X to Y. It will cost A to implement (or release net capital B from asset sales) (insert the relevant numbers for X, Y, A and B).

This strategy recognizes changes that will take place in the period (Year P to Year N) in technology, world economics, competition, supply, price levels, distribution, politics, regulation, environmental and social issues, and these changes are summarized in Appendix I (this will be your Table 2.1 from Step 1). This market-led strategy seeks to exploit existing strengths in S, T, U and V and avoid or address current weaknesses in C, D and E. These strengths and weaknesses are summarized in Appendix II (This will be your summary Table 2.3 from Step 2). If we do not make any change the consequences will be... (see worst case scenario, Appendix III).

Owners, key customers, key people associated with our key processes, owners and key stakeholders in our organization have been consulted (illustrate with actual names) to develop our 'best hope' for the future that represents both our values and our ambitions. This vision statement can be found on page... In order to move towards this vision, a long list of possible changes has been considered (See Appendix IV – add your list). Each possible change has been evaluated against criteria for (list the criteria used in Step 7). A shortlist of possible strategic changes that best meet our criteria is shown in Appendix V (add your list). This list has been refined to find a combination of strategic changes that forge together synergistically to make up our FGK strategy (same name label as in the first line).

Use this executive summary as a contents list for your written plan. Make sure that what's in the tin is what's on the executive summary label.

Create brief sections based sequentially on each of Steps 1 to 8. Use the tables generated in each step. The tables can be used as appendices, as indicated in the pro-forma above. The steps will build logically, with evidence, towards your finally selected combination of strategic changes that together comprise your market-led strategy. Your strategy is a composite collection of practical changes to be implemented. Your written account of them, described above, is your strategy. It is a strategy document – it is not a strategic plan. Step 9 is about planning and managing projects to implement the changes that comprise your strategy. In Step 9, your document is called a 'strategic plan'.

## Presenting your strategy

To present your strategy, do not read from your written document. Written language is very different from spoken language. Also, in order to understand you,

so as to retain the key steps in the argument. In a speech, or oral presentation, your listeners cannot rewind you, so you have to keep rewinding yourself and repeating the key points. Try to cluster your points in groups of three. This is because your audience's short term memory will hold only  $5 \pm 2$  units of new information at a time (see Part I, Section 2). You have to assume  $5 - 2 = 3$ . That is why you have to keep summarizing and labelling each group of three points as a new chunk. Fortunately, your presentation will be based on a 9 Step Approach to developing strategy, so you will be able to describe the development of your strategy in three labelled chunks or clusters, eg 'analysis', 'forecasting' and 'implementation'. Under these three labels, or others you may prefer depending on your audience, you will be able to summarize Steps 1, 2 and 3; then Steps 4, 5 and 6; and finally Steps 7, 8 and 9.

There should be three distinct phases to your presentation:

1. An introduction – saying what the three key clusters will cover.
2. The main body – covering the three clusters, three points in each.
3. A final summary – a reiteration of the three key clusters you have covered.

Start slowly and finish more quickly and on time. If you want to take questions, do so preferably at the start so that you can incorporate your answers to the questions as you go along, during your presentation. Refer to the relevant question or questioner as you do so. Next best is to take questions as they arise, and tell people at the outset how to interrupt or how to get your attention. If you have lots of questions at the end, still finish with your final planned summary and final thanks to all, and especially to your audience.

### *The introduction*

Opening sentences should be about your audience and their interest in what you will have to say. Tell them that you will outline the key strategic changes that comprise your FGK strategy for the organization. Tell them what's in it for them. Tell them why it is important and to whom. Tell them you will take them through the three stages that have led you to the FGK strategy, for example:

- information gathering and analysis;
- forecasting and prediction;
- option appraisal and strategy formulation.

You may prefer other labels, depending on your audience, such as, Where are we now? Where might we end up? Where would we prefer to be? The important thing is to tell them what is going to happen during your presentation. This increases the chances that they will not get lost and that they will arrive 'with you', and in agreement with your final conclusion or proposal.

### *The Main body*

Stick to the labels used in your introduction and the sequence you promised. Keep reiterating where you are going and cumulatively summarizing the points you have covered already before going on to the next point. Do not have more than nine points (three groups of three under the three headings you introduced at the

### *The Final summary*

(After the questions.) 'As promised, I have:

- 1...
- 2...
- 3...

'And I have shown how we will gain ... three main benefits ... when we have implemented the plan.

'Thanks to \_\_ and to you the audience.'

Your pace, volume and energy should rise during your final summary. Finish on a high energetic note.

Having, in Step 8, formulated, written and prepared to present your strategy as a series of strategic changes, Step 9 deals with strategic planning and the management of strategic change.

#### **CREATE AND COMMUNICATE MARKET-LED STRATEGY – STEP 8 SUMMARY**

Step 8 will have helped you to:

- Forge together some chosen options for change to create synergy, sustainable advantage and strategic edge
- Create perceived value for customers by energizing an existing brand, a new business or a global strategy
- Write up and present your strategy for the people, the board or the bank

## Step 9

# Plan and manage projects to implement change

Step 9 will help you to:

- Understand why some people will resist the market-led changes you forged into your strategy in Step 8
- Overcome resistance through persuasion, negotiation and delegation
- Combine strategic planning and project management to implement strategy and manage strategic change

## PLAN AND MANAGE PROJECTS TO IMPLEMENT CHANGE

### Introduction

You will be ready to project manage the implementation of your strategy when you have a ring-clip file labelled 'Implementation Plan' that contains task sheets like the pro-forma below. You will need one task sheet for each task that you need to complete to implement the market-led strategy that you created and presented at the end of Step 8.

This master file will be kept by the strategy manager and a copy of each task sheet will be given to the people whose names appear at the top of the sheet. In a large organization, or for a large complex strategy, you may be able to pass your ring-clip file to a project management specialist who will probably use planning tools like PERT, NovaMind (Mac) or Mind Manager (Microsoft) to monitor your implementation plan. Your implementation plan is not your strategy. Your implementation plan will encounter problems and pauses and the need to re-plan. The value of your implementation plan lies not in what is written on the task sheets, but in the strategic thinking that lies behind those task sheets (see Prompt 9.5). There are prompt sheets to help you complete each task sheet.

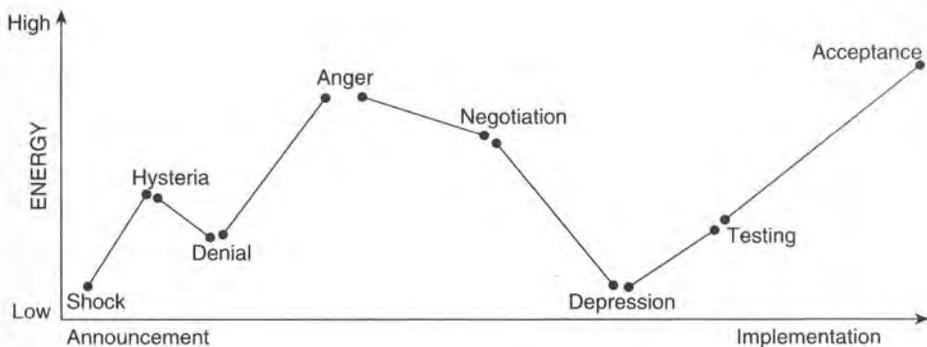
Pro-forma Task Sheets					
Task number					
Person responsible					
People to inform					
Task descriptor (See Prompt 9.8)					
Which tasks must be completed before this one?					
Prerequisite tasks numbered					
Prerequisite task descriptor (See Prompt 9.8)					
Task X is:	To begin		To Last		To End
What will you see (hear) when this task is complete? (See Prompt 9.8)					
Who are your change agents?					
Who will assist you with this task?					
How will you recruit them? (See Prompt 9.3) What? When? Where?					
Who might resist this task?					
Who might sabotage this task?					
What will you do to anticipate/ dissipate resistance? (See Prompts 9.1/9.2) What? When? Where?					
What resources are required?					
What tasks need completing to secure these resources on time? (See Prompt 9.7) What? With whom? When?					

## Prompt 9.1: Preparing Your People for Change

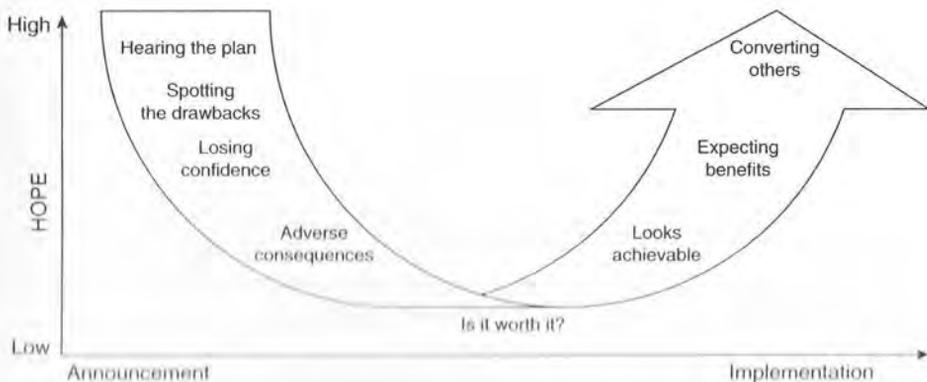
An individual's ability to adapt and to deal with turbulent times are two key variables in determining how they will respond to change. This figure models the likely

Adaptability \ External volatility	LOW	HIGH
	ORDERLY TIMES	Resistant
TURBULENT TIMES	Fatalistic	Proactive

Implementing change is easier when people are nearer the right hand side of the model. As we can see from figures 9.1 and 9.2, most people – even those favourably disposed to a change – are likely to have adverse reactions at some stage. They may not see the point of a particular step, or they may temporarily ‘lose the plot’.



**Figure 9.1** *The Energy to change (Horne and Doherty, 2003, Implementing Changes, Routledge)*



**Figure 9.2** *Mood during change (Horne and Doherty, 2003,*

Despite your best efforts to anticipate reactions to change, resistance is likely from at least 70 per cent of those affected. Use the AVOCADOS checklist:

<b>The AVOCADOS checklist</b>	
Assistance	Q. Has anyone else ever done this? Answer:
Vision	Q. Could someone paint a picture, literally or in words? What will things look like afterwards? Answer:
Optimism	Q. How do we create an expectation of success? Answer:
Communication	Q. Who will keep selling the benefits of the change? Answer:
Analysis	Q. Is there a time line? Answer:
Decisions	Q. Whose decisions will be crucial? Answer:
Owners	Q. Who owns the change? Answer:
Stakeholders	Q. What do key stakeholders think about the change? Answer:

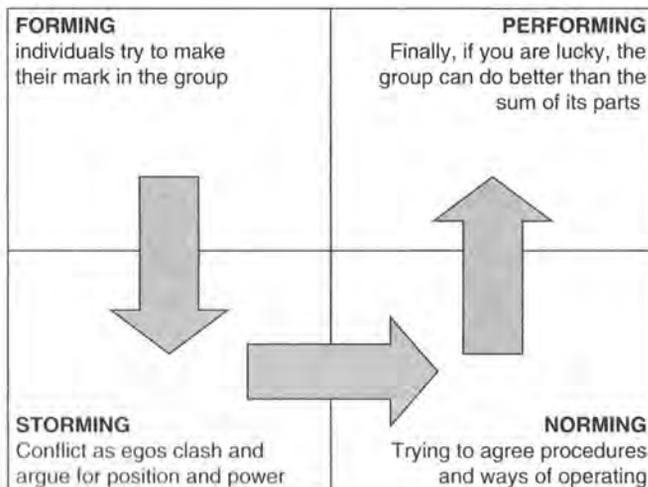
### **Prompt 9.2: Anticipating Resistance to Change**

Who will resist? Why will they resist? How will they resist? Outright opposition is rare; we are concerned here with the more common forms of resistance.

### TEN COMMON FORMS OF RESISTANCE

1. Apathy.
2. Lateness.
3. Sabotage.
4. Sick leave.
5. Absenteeism.
6. Procrastination.
7. Working-to-rule.
8. Working slowly ('going slow').
9. Undermining, behind-the-back criticism.
10. Embarrassing leaks to the media.

Resistance is sometimes disguised as supportive suggestions, eg offering to set up a working party. Tread carefully. These may be intended to thwart the implementation of change rather than to support it. It can be hard to spot the difference between a positive desire to participate and a negative intention to delay and obstruct. In turbulent times the creation and use of groups should be avoided: one-to-one conversations are preferable. Bringing a group together is too time-consuming: it involves a lot of 'storming' before the group gets around to 'performing'. It can be hard to separate the difficulties that groups are having in coming together from the difficulties they are having with the proposed changes.



Not all people resist change. For some, change is a source of excitement or a welcome break from tedious routine. The majority resist change. Even small changes may be resisted if they break up valued informal groups, or if people fear they might look foolish in the changed situation. Rapid, big-step, transformational change provokes fears of redundancy. Ask people the questions in the following

### DETECTING POTENTIAL RESISTANCE

Do you think that this change might cause you to have:	Yes	No
1. Less pay?	—	—
2. Less skill?	—	—
3. Less status?	—	—
4. Less respect?	—	—
5. Less holiday?	—	—
6. Less pension?	—	—
7. Less training?	—	—
8. Less security?	—	—
9. Less authority?	—	—
10. Less satisfactory work?	—	—
11. Less scope for initiative?	—	—
12. Less opportunity to socialize?	—	—

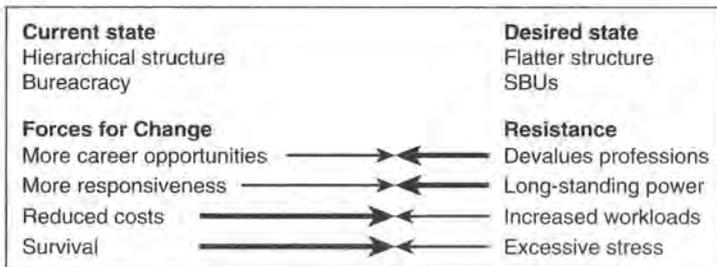
If the expected resistance is based on misapprehension, correct the mistake. Delay in clearing up misunderstanding can lead to suspicion and it will increase resistance in some people.

Who might resist change? Check out the less well educated – they may doubt their self-worth, their value to the organization, or their ability to benefit. Also check out junior staff – they may be least informed and most vulnerable to cynicism from staff who have ‘seen it all before’.

Whether resistance is based on misunderstanding or reality, failure to give good reasons will intensify the resistance.

### Prompt 9.3: Overcoming Resistance to Change

Force field analysis was developed by Kurt Lewin. It enables managers to identify the forces that are likely to restrain a particular change:



In the figure, the size of the arrows reflects the strength of the forces. Force field analysis can be used to structure a discussion about what is blocking a change. Having identified the potential sources and levels of resistance, Lewin suggested that managers should act to reduce the restraining forces, rather than to intensify the forces driving the change. Lewin, like Newton, argued that to every action there was an equal and opposite

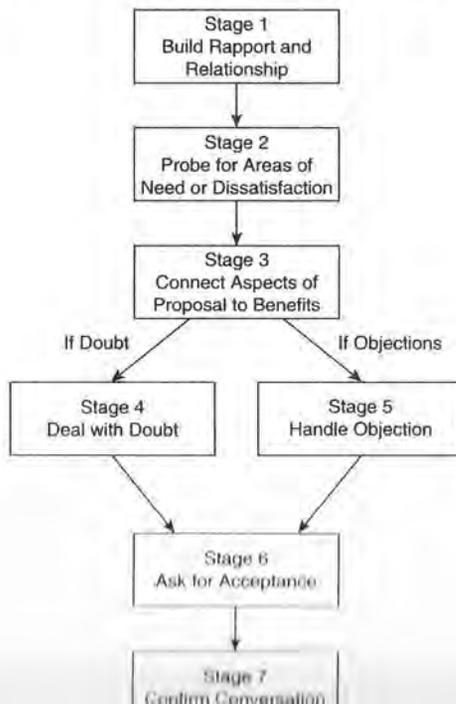
## Prompt 9.4: People Prefer Face-to-face Conversation

People prefer to be spoken to face-to-face by their leaders and managers and they need to know that this will happen regularly, when and where. At least 15 out of 20 minutes should be spent on information about how any change will affect them. Five minutes only should be spent on any general rationale. Ten minutes should be left for questions. The main points of a briefing should be written down. Where possible, briefings should be given at the same time to everyone affected by a change. This minimizes the time wasted correcting grapevine rumours. If you find that your briefings over-run, increase their frequency but not their length. Twenty to 30 minutes exceeds the concentration span of most people receiving verbal information.

Although we have emphasized the importance of one-to-one conversations, you should check that all channels of communication are working well. You will need to think about who will need to be told what, by when, by whom and where. Who are the people likely to be affected by the change? Tell them three things: what you plan to do, what you have done so far, and what you plan to do next. Wherever possible, communicate face-to-face, or at least voice-to-voice, rather than screen-to-screen. Communicate frequently so that it never needs to take more than 20–30 minutes. Listen actively to the views of those affected. Acknowledge them, accept them or reject them (with good reason). Even if their ideas are rejected, people prefer to have had a say.

There are three types of one-to-one conversations that are particularly useful: persuading, negotiating and delegating.

### Prompt 9.4.1: Persuading – A Seven-stage Model



### *Stage 1: Establish rapport*

Make eye contact. Smile. Make physical contact as culturally appropriate.

Talk generally about things in the news that illustrate how other people are accepting or even enjoying change. Try to get nodding agreement to at least three statements about the general need for change and the need, in general, to find good ways to implement it. 'Echo' what you think they are saying. Use their vocabulary and intonation. Try to 'mirror' their body language. Your brain's mirror neurons will give you chemical clues as to what the other person is feeling.

### *Stage 2: Probe*

Ask open questions – 'why?', 'how?' and, 'what about...?' Confirm your understanding with closed questions requiring only 'yes' or 'no' replies. Listen actively. Give clear, non-verbal indications that you are listening. Try not to interrupt. You are trying to gather as much information as you can about the person you are hoping to persuade. Probe to find out what matters to them – what might get them to accept the idea? Try to uncover areas of unmet need or areas of dissatisfaction with the existing situation.

### *Stage 3: Connect aspects of the proposed change to benefits for them*

Connect the proposed change to benefits that you believe they will value, eg changes that will fulfil their unmet needs or address areas of dissatisfaction with the present situation. If at least three such benefits appear to be accepted, go directly to Stage 6 and ask for acceptance. If the person doubts that the proposed change will deliver a particular benefit, go to Stage 4 and deal with the doubt. If the person raises an objection to the proposed change, go to Stage 5 and handle the objection.

### *Stage 4: Dealing with doubt*

Start by clarifying the exact nature of the doubt: 'So you are not yet sure that this change will result in benefit A for you?' or, 'You see that this change will give you B and C but you are not yet sure that it will give you A?' If necessary, adjourn to gather evidence, statistics, case studies, or expert testimony, or to arrange for the other person to visit an installation, a supplier, or a pilot study. Meet again to summarize the benefits accepted in your previous conversation and to present your evidence dealing with the remaining doubts. Conclude by seeking confirmation that the benefit is no longer in doubt. If there are no objections, proceed to Stage 6. Ask for acceptance.

### *Stage 5: Handling objections*

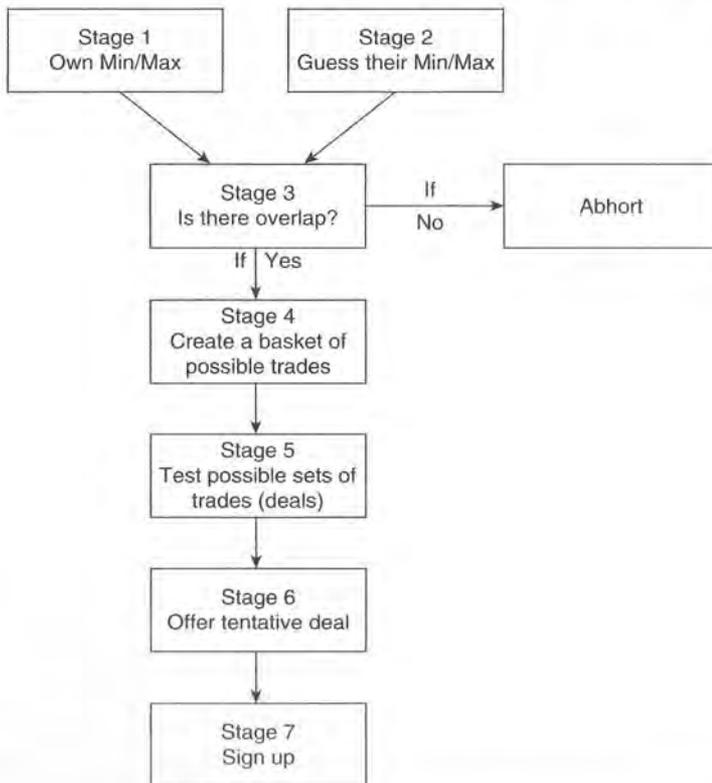
First clarify the objection. If the objection is based on a mistaken impression, correct it and conclude by summarizing all the benefits that will flow when the change is implemented, perhaps moving directly to Stage 6 and asking for acceptance. If the objection is valid, do not pretend otherwise. Do not dwell on it. As straightforwardly as possible, proceed quickly to show how, on balance, the benefits greatly outweigh the drawbacks.

**Stage 6: Ask for acceptance – get to a ‘Yes’**

Strike a note of confidence that the proposal for change has been accepted and summarize the benefits that the other person has accepted will follow: ‘So, when X (the change) is in place, we have worked out that you will have A and gain B with the potential for C – the next step is...? Would time X or time Y suit you best?’

**Stage 7: Confirm the conversation**

At the end of the conversation, record the time and the place of the conversation. Write a brief summary of the main benefits that the other person agreed will flow as a result of the change. Confirm what was agreed to be the next step, by whom and by when. Send an e-mail, a hand-written note or both.

**Prompt 9.4.2: Negotiating – A Seven-stage Model**

Negotiation is not persuasion. It is getting the best agreement that is possible when persuasion is not working, and when agreement must be reached. Failure to agree is a failure to negotiate successfully. In turbulent times, making it clear that some things are not negotiable can save time. When stakeholders with significant power (such as trades unions or politicians) resist change, negotiation is appropriate.

***Stage 1: Decide your own maximum and minimum positions***

The most you might hope for. The least you would accept.

***Stage 2: Set up a hypothesis***

Speculate on your opposite number's minimum and maximum positions.

***Stage 3: Compare 1 and 2***

Is there overlap? If there is, negotiation is possible. If there is no overlap, then negotiation is not possible.

***Stage 4: Probe to determine their minimum and maximum positions***

What might be traded? Probe by asking questions, preferably 'open' ones: 'What do you mean exactly when you say you won't...?' or, 'How do you come to that conclusion?' If negotiating teams are involved, adjourn frequently to compare notes with members of your own team. During this step you are trying to gain as much information as possible about the other person's 'wish list'. Resist the temptation to break awkward silences – it's better to adjourn and think of another question to ask. Keep summarizing their position back to them. Take notes. Use note taking to give yourself time to structure your thinking. If you need more time, take time and adjourn. Trying to save minutes in a negotiation can lose days or lives, if negotiations break down.

***Stage 5: Test a hypothesis – a possible deal***

Offer hypothetical concessions in your position in return for concessions that you believe lie within your opposite number's range of negotiation. These could be such things as times, places, schedules, guarantees, undertakings, conditions, options, training, support or contingencies. Try to keep your mind open to what might be negotiable. Think creatively about what they might want or need, before they do, but do not offer it unless you need to trade in order to secure agreement. Do not make unilateral concessions. Adjourn!

***Stage 6: Summarize areas for a tentative agreement***

When, and only when, you think you have identified things that you and your opposite number are willing to give and take, offer a tentative verbal summary of what appears to be a basis for agreement. This should be reiterated, clarified and repeated – always verbally – before anything is committed to paper. Build a sense of expectant inevitability that agreement will be good for everyone: 'Ok, good, let's do that.' You may need to use your eyes as well as your ears to 'make sense' of what you hear:

Making sense of what you hear	
Hearing	May mean...
'I can't say I'm happy about...'	'I agree, but there's just one more thing'
'That's way beyond our remit'	'That's quite acceptable, provided you make it clear what we will get out of it'
'I am prepared to discuss that'	'We can discuss that, but not now'
'I never negotiate on costs'	'But if you insist, you start'
'It's not our normal practice to...'	'But I will make an exception if pushed'
'I do not have any authority to...'	'But I could get it if needed to'
'We are not set up to...'	'You'll owe me one if I agree to do it'

Do not introduce new issues. Adjourn to discuss with colleagues what they heard as opposed to what was said. Be sure that you really understand what was really meant.

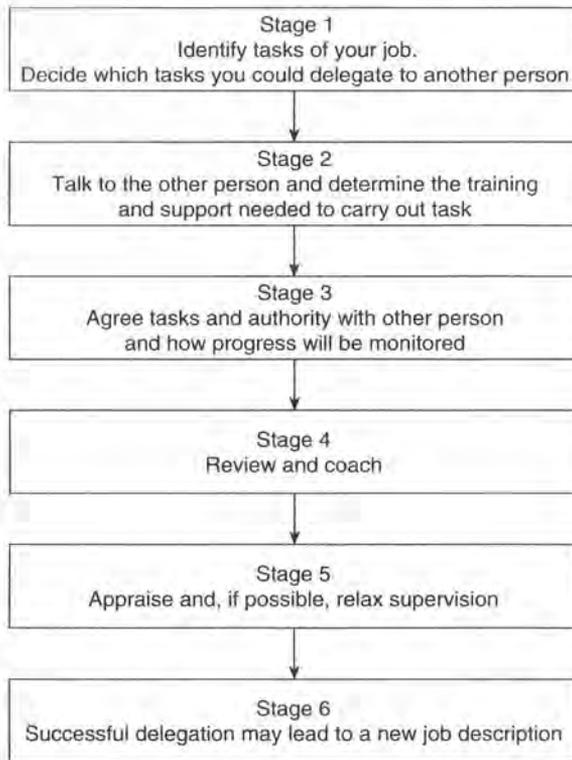
### Stage 7: Accept agreement

Prepare a written summary of what has been agreed verbally. If the negotiation has been carried out skilfully, signing should be a formality. Do not introduce new issues or demands. In general, during negotiation beware of allowing objectives to drift. Do not become more demanding.

## Prompt 9.4.3: Delegating

Leaders and managers who think they have to implement every operational change themselves are likely to be ineffective as change agents. One way of getting others to implement change is through delegation. Managers delegate when they give subordinates authority to carry out work that the managers could do themselves. You need to think about responsibility, authority and accountability: responsibility for tasks, authority to make decisions and to take action, and accountability for decisions taken and for resources used.

Authority needs to be commensurate with the responsibility. For example, if someone is given responsibility for improving the new appraisal system but is not given the authority to change existing practice, then the delegated task is impossible. In turbulent times, delegation of important tasks enables managers to focus on the urgent tasks that require their experience or position. Good delegation improves morale. Here is a conversational approach to delegation:



### *How participative should you be?*

The notion that people should be involved in changes that affect their lives reflects western political, religious and social values, such as freedom of choice and individual liberty. Such values are not universal. Change raises issues that challenge personal values and ethical standards. The participative approach, with its underlying logic of establishing ownership of change, prioritizes the need to be sensitive to different stakeholders. People may resist change even when it is in their best interests – especially if they do not understand the reasons for it. They may resist it simply because they dislike being told what to do, or because they do not feel in control of their lives. Involving people in the process of change can help reduce the build-up of stress in some individuals, but may exacerbate it in others.

Brain scan data (Haier, in Thompson *et al*, 2009) show marked differences in the distribution of the grey and white matter in the 14 ‘Brodmann’ areas of the brain associated with thinking, intelligence and behaviour, even between individuals of the same sex and IQ. This points towards leadership and management styles that individualize one-to-one communication. Using speedy one-to-one communication can help to prevent resistance building up in the first place. In turbulent times, rapid change may be necessary and options may be few. Under these circumstances, research has shown that even directive approaches can be more effective when personalized. Whatever short time you have to talk and think, take it all and then decide. Don’t dither. The one-to-one conversations you had during Steps 1–7,

'resisters', and this will inform how you plan to implement the market-led strategy you created in Step 8.

A word, first, on the role of strategic planning in implementing strategic change.

## Prompt 9.5: Strategic Planning

We can forge a strategy without a plan. We cannot plan strategically without a strategy. How can we create an implementation plan that is as innovative as your strategy? Remembering what we said about metaphors in Part 1, Section 3, ideas like 'crafting change' (Mintzberg, 1987) or 'forging solutions' (Hurson, 2009) can be useful.

'Crafting' and 'forging' are activities that involve working with raw ingredients that are riddled with impurities to produce something that is of value, usually something that you can use, like a cooking pot, or a Samurai sword. Pitched against a competitor, a Samurai sword must be hard enough to keep its edge yet flexible enough not to shatter on first contact with the enemy.

In Step 6 our long list of possible changes contained many that were weak or flawed. In Step 7 we strained out the weakest and sieved out the flaws. In Step 8 we tested and tempered our shortlist of embryonic strategic changes, seeking to forge a composite strategy that has the durability, reach, cutting edge and flexible response of a Samurai sword. In Step 8 your embryonic ideas were put through the mill of competitive advantage, customer value, brand building, product development and globalization. Your ideas were repeatedly heated and hammered and honed until you finally forged a market-led strategy. You crafted a language in which you could describe your market-led strategy to others.

Now you have a strategy, from Step 8, but you do not yet have a plan. Step 9 shows you how to deconstruct your strategy into separate tasks, so that you can turn your strategy into action. Step 8 creates potential; Step 9 must make it kinetic. Step 9 converts your potential energy into movement and velocity. Velocity is speed with direction. To get from strategy to strategic change, we use strategic planning and project management. While your strategy is priceless, you should not place the same value on your strategic plan. A strategic plan will make you feel better, but as Suez, Vietnam, Iraq and Afghanistan all proved:

'No strategic plan ever survived first contact with the enemy'  
(after Helmuth von Moltke, 1800–1891).

It is the same in politics. Asked to explain a strategic failure, an older and wiser Harold McMillan replied:

'Events, my dear fellow, events.'

A plan is a noun – an object that remains in a state of rest or of uniform motion in a straight line unless forced by external events to change that state. In turbulent times we don't need a noun, we need a verb – the verb to plan. In order to plan, you need to think. In order to plan strategically, you need to think strategically. It is the strategic thinking that gives you the power to respond to 'events' and to relish 'first contact with the enemy'. When strategic plans fail, strategic thinking can still get you through. Strategic planning immerses you in believable information, allows

rehearses the thinking skills that you need to think quickly and clearly in difficult and confusing times. As Eisenhower said, 'the plan will probably be useless, but the planning will be indispensable'. The plan for Apollo 13 was useless – those astronauts never did land on the moon. But without the planning that went with the mission, those astronauts would never have got back.

Strategic planning teaches you about the territory and helps you to draw up some maps. These strategic maps will help you to find your way as you go. Strategic maps can also help you to find your way around obstacles, as they appear. Steps 1–7 forced you to get to know people whose help you will need to get your strategy implemented. Hurson (2009) has called them 'assisters' (as opposed to 'resisters'). Your 'assisters' will help you to get difficult things done in difficult times. Step 5 in particular involved imagining what success might look like. This is highly correlated with the ability to motivate others. So the real value of strategic planning is that it makes you practise strategic thinking.

Implementation involves:

1. Identifying the tasks involved in implementing the strategy.
2. Identifying the tasks needed to obtain resources and find assisters.
3. Putting those tasks on a time line.

There is a prompt to help you plan each stage of your strategy implementation. Finally, there is a section to help you project manage the implementation of the strategic changes you have planned.

## **Prompt 9.6: Identifying the Tasks Involved**

You will need to contact as many as you can of the key people you met as you completed Steps 1, 2 and 4 and especially 5 and 7, and invite them to meet you, preferably in a room with two or three uncluttered walls. You will need a large roll of paper – about a metre wide – and several pads of Post-It notes, a box of coloured pencils, a felt tip marker pen, and a roll of masking tape.

Use the strategy presentation you rehearsed in Step 8 to open the proceedings. Give each participant a copy of the strategy document you wrote at the end of Step 8. Get the participants to work in pairs (there may be one group of three). Every time they spot a task that will need to be carried out to implement your strategy, ask them to jot it on a Post-It note and stick it on the long sheet of plain paper you have attached to one wall of the room using the masking tape. People should not worry at this stage about the relative importance or sequencing of the tasks. Some may indeed prove to be spurious or trivial but, at this stage, this does not matter. In our experience, the key tasks you need to implement your strategy will find their way onto the wall, somewhere.

The next stage is to consolidate and cluster your stickers. First, reduce the number of stickers by culling duplicates and by creating composites of similar tasks. After this consolidation, see how you can combine some of the collections of stickers into clusters. Tasks may coalesce around certain core activities or centres of control, or common themes. Aim for no more than seven clusters – the nearer to three the better. Give each consolidated cluster a caption that is easy to remember and which con-

## Prompt 9.7: Identifying Resources

Your group should now review the clusters on the wall and generate new stickers every time they identify a resource that will be needed for a task. On each resource sticker, write also who will need to do what, by when, to make that resource available. This will convert each resource sticker into a task sticker, which you can then add to one of your clusters. Use the 9M checklist from Step 2 to generate more tasks. Use the CATSWORLD checklist from Step 5 and Prompts 9.2 and 9.3 to identify your 'assisters'. 'Assisters' are often change agents. They can help you with your strategy implementation. For each potential 'assister', raise a Post-It note for each task that would help to recruit the 'assister'. Allocate these new task stickers to the relevant cluster. Mark them with early completion dates. Repeat the process for all potential key 'resisters'. Identify tasks related to persuading 'resisters' to come on board, or to minimizing the disruption they might cause (Prompts 9.3 and 9.4). Again, add the new task stickers to your clusters. You now have clusters of tasks that need to be completed in order to obtain resources, recruit 'assisters' and reduce 'resisters'.

All that remains is to place each task on an implementation timeline.

## Prompt 9.8: Scheduling Tasks on a Timeline

On another wall, preferably opposite to your wall of task clusters, use masking tape to support a long sheet of blank paper. Ideally it should run the whole length of the wall and have a spare length folded away so that you can take it round the corner and onto the adjoining wall, if necessary. Using the masking tape and the marker pen, divide the sheet into years, quarters, months, or even days for the first month. Mark each Post-It with a large bold A, B or C, where A signifies a task that needs to be completed as soon as possible, C is a task that comes near the end of the implementation, and B is neither A nor C. Now transfer the task stickers onto the implementation timeline. Move stickers labelled A first, then C, working backwards from a hoped-for completion time (it may be a few years hence). Only the person whose name is shown as responsible for the task should move a task sticker. They should sign off the completion date, the estimated duration and the earliest start date. If that person is not present, the sticker must only be moved by a person to whom the responsible person is accountable. That person accepts the responsibility – knowing that it will be delegated to the person named on the sticker. Stickers will have to be juggled and shuffled until no task is expected to start before a prerequisite is completed. It may be necessary to move the start and finish date to fit in all the Bs.

If any task stickers remain on the task wall, check if the task is clear and whether it is really necessary. Check if there is a volunteer to put his or her name on that task sticker; delegate the task or persuade someone to take the task (Prompts 9.4.1 and 9.4.3); or put your own name on it until you can contract it out, if you cannot do it yourself. There must not be any stickers on the timeline without a name and a signature. Someone must be responsible for getting each task done or your strategy will not be implemented.

The information on each task sticker on the implementation timeline can now be

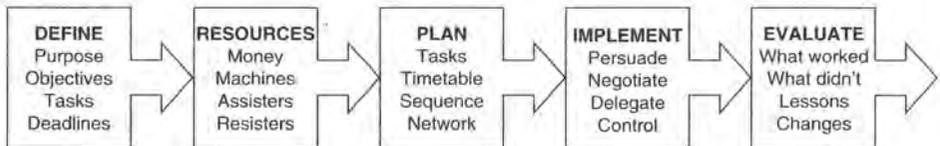
planning ring-clip file. A folded copy of the master time line, in the form of a horizontal bar chart that shows all the tasks numbers, with their start and finish dates, can now be placed at the front of the file. It will unfold and act as an index. The details of each numbered task will then be found on the relevant task sheets, which will be filed in number order. Now you have a strategy implementation plan.

Many people may have undertaken to bring in necessary resources and to put in timely effort, to implement the market-led strategy you forged in Step 8. The motivation and coordination of this activity, and the decision taking and problem solving involved (each time there is an unexpected 'event', or 'enemy contact'), is called 'project management'.

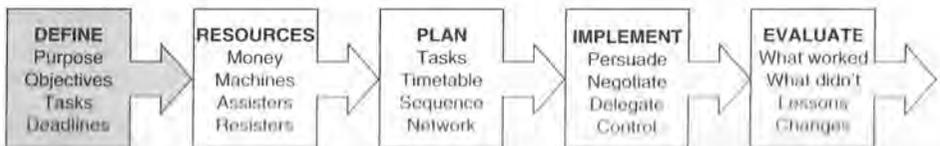
## Prompt 9.9: Project Management

Why do projects need managing? The variety of meanings of the word 'project' might provide a clue. To project is to predict, to propose, to throw forward, to imagine that other people are feeling the same as you are, to cause one's voice to be heard over a wide area! Project managers need to be able to keep lots of people doing lots of different things simultaneously. It's more like conducting an orchestra than barking orders at a squad of soldiers! You need to get everybody reading the same line on the same score at the same time. You need to bring them into play at exactly the right time and then keep them working in harmony. You need players of different skills to play the different instruments. Different players with different skills will dominate different movements of the project symphony. Unfortunately, project managers are not given time to rehearse!

Effective project management is not just about getting the project finished on time: it has a broader perspective. An effective project manager will clarify the overall purpose of the project, address the resource requirements, and plan in detail a timetable of key events. Implementation can then be monitored. Regular review and occasional rescheduling may be needed. Finally, the project will need to be evaluated. This evaluation will measure how well the purpose of the project has been achieved and identify better ways to manage future projects. The project management process comprises:

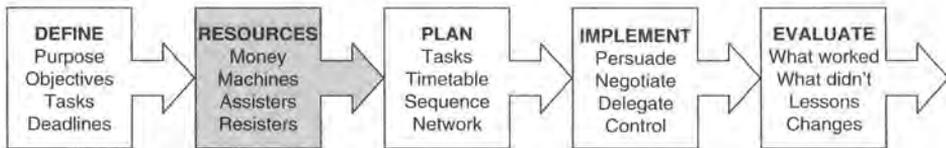


### 1. Defining the project



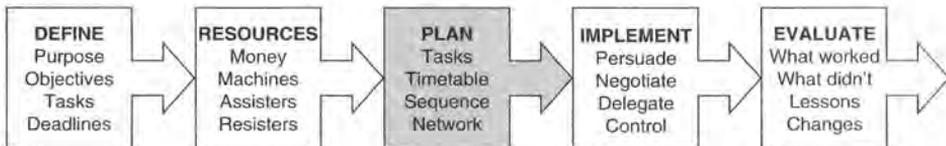
The goals of a strategic change are often broad and ill-defined. Translating these goals into actions that can be project managed involves breaking them down into clear objectives. During the defining phase, the project manager relies on people who can define, design and agree SMART objectives – that is, objectives that are Specific, Measurable, Agreed, Realistic and Timetabled. Much of the information you need is produced in Step 7 and Step 8. The rest can be obtained by the processes described in Prompts 9.6, 9.7 and 9.8.

## 2. Resourcing the project



The 9M checklist used in Step 2 can be used as a checklist to ensure that all necessary resources have been thought about and that all actions have been scheduled to obtain them in a timely manner. Step 5 and Prompts 9.2 and 9.3 can be used to help you think about ‘assisters’ and ‘resisters’.

## 3. Planning the project



The plan will need to detail: how much; to what standard; by when? How long will it take? How will we know when it is done? The plan must specify the tasks involved and the order in which work must be carried out. Plans will be needed for communication, for engendering support and for reducing resistance. For example, the project manager may need to plan visits to places where the proposed change is already working. Arrangements for temporary overtime, weekend working, interim bonus schemes and the funding of away-days may need to be authorized.

Having listed all the tasks, the next job is to allocate times to each. Which tasks are more urgent? How much time will be available each day or week? Which tasks can be carried out in parallel? What tasks can be completed before others? A meeting like the one described in Prompts 9.6, 9.7 and 9.8 might be helpful. The beginnings and end of a task can be shown on a Gantt chart like this:

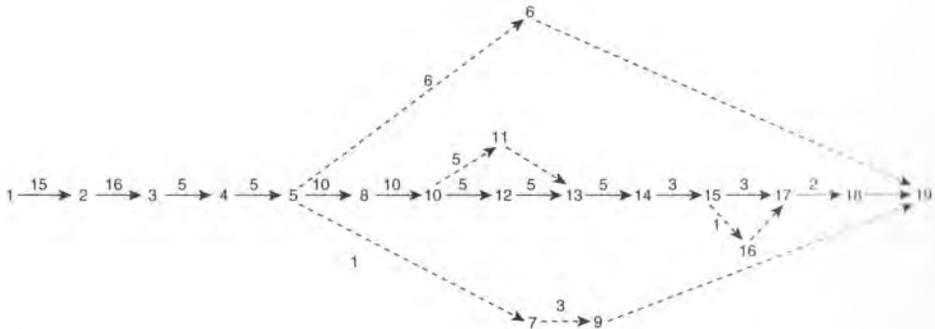
Tasks \ Month	J	F	M	A	M	J	J	A	S	O	N	D
Task 1	/											
Task 2	/	/	/	/	/	/	/	/	/	/	/	/
Task 3		/	/									
Task 4					/							
Task 5												/
Task 6						/	/	/				
Task 7	/	/	/	/								
Task 8				/	/	/						
Task 9												
Task 10			/	/			/	/			/	/
Task 11												
Task 12		/										/

When a task is completed, the forward slash can be crossed through. If the task is completed late, an X can be entered in the week it was actually completed. Likewise, as an activity begins, the first forward slash can be crossed to show that it started on time. If it starts late, a cross is entered when it did start. At the end of the project, an analysis of discrepancies will help to improve future planning. A quick visual check at the end of each month should show that all activities to the left of the month have started or been completed. If not, catch-up action is needed.

The beauty of Gantt charts is that you don't have to think of the tasks in sequence, and all at once. Tasks you have overlooked can easily be inserted on your emerging chart.

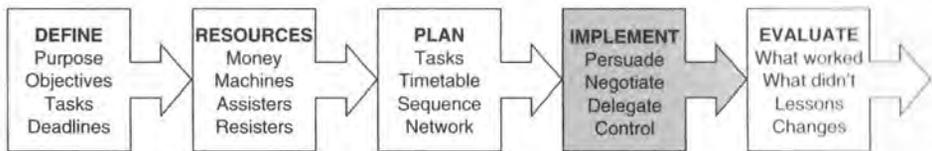
If there are lots of tasks that cannot be started until others are finished, it may be useful to create a network of the activities. The network can then be analysed to see what the longest route is. This is called 'critical path analysis'. It enables you to see what, on the basis of the current plan, is the shortest possible time in which the project can be completed. If that does not hit your deadlines, you either need to revise your plan or renegotiate your deadline. One of the most popular ways to draw the network is to use a PERT program (programmed evaluation and review technique). This software allows you to simply enter the task, its prerequisites and their likely duration. The software then draws the network and finds the critical path and the completion date, with a degree of latitude that reflects the leeway you have indicated in the task duration times.

The figure below is the PERT network for an Afghan border rural health centre. The network is made up of arrows. Each arrow has a number at the beginning of the shaft and another at the arrowhead. The former is the number of the task that must be completed before the task at the arrow end can be started. The number along the shaft is the estimated time to complete the task at the sharp end of the arrow (sometimes three numbers are shown – best, most likely, and worst). The arrowhead represents the completion of the tasks to which they point. A task cannot be started until all the tasks on its incoming arrows have been completed. Any delay in completing tasks on the critical path will delay the final completion time. Dotted arrows do not lie on the critical path: they must still be completed before any succeeding jobs can be started but there is some slack time in getting them done.



The Afghan health centre critical path analysis reveals that although the total work content is 100 weeks, the project can, in fact, be completed in 84 weeks (15 + 16 + 5 + 5 + 10 + 10 + 5 + 5 + 5 + 3 + 3 + 2 = 84), provided there is no slippage in the time taken to complete any of the tasks which lie on the critical path formed by the solid arrows.

#### 4. Implementing the project



This involves persuading, negotiating and delegating (Prompts 9.4.1, 9.4.2 and 9.4.3). (The role of training and a conversational approach to coaching, mentoring and learning are described in Chapters 13 and 14 of Horne and Doherty, 2003.) Control is one of the keys to project management. During the implementation phase, the project manager will be much occupied with control processes. The four areas where things commonly go wrong, and a matrix for controlling them, are shown below:

	Likely problem	How would I know?	What would I do?
Quantity			
Cost			
Time			
Quality			

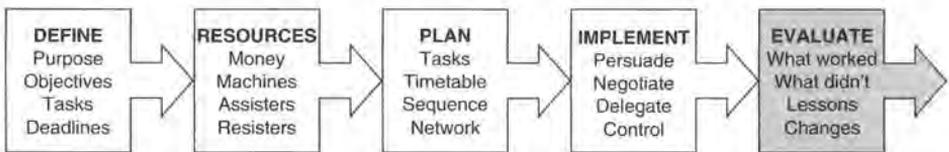
The following box shows guidelines for a project progress meeting:

### GUIDELINES FOR A PROJECT PROGRESS MEETING

- Agree a 'no-blame' culture.
- Write action notes in the meeting.
- Encourage the reporting of bad news.
- Written progress reports should be one page.
- Allow three minutes only for verbal reports.
- Limit the meeting to 30 minutes. If it is not long enough, increase the frequency but not the length of the meetings.
- Spend the last five minutes of the meeting evaluating 'how are we working together'.

Do your thinking away from the group, working one-to-one with individuals. Formulate the questions to be put to the group and the message to be communicated. Report back to the group at your next 20–30 minute meeting.

## 5. Evaluating the project



In relation to each of the first four stages – defining, resourcing, planning and implementing – ask the following questions:

- What went well?
- What did not go well?
- What can we learn from this experience?
- What would we do differently another time?

Project management often assumes that change can be managed in a rational and objective manner. However, organizations are often far from rational places, especially when changes generate strong emotions. The project manager will need the full range of thinking skills set out in Part I, Section 3, including emotional intelligence.

### PLAN AND MANAGE PROJECTS TO IMPLEMENT CHANGE – STEP 9 SUMMARY

Step 9 will have helped you to:

- Understand why some people will resist the market-led changes you forged into a strategy in Step 8
- Overcome resistance through persuasion, negotiation and delegation
- Combine strategic planning and project management to implement strategy and manage strategic change

## **Part III**

---

### **The next steps**

# Next Steps

Part II of this book was divided into nine steps. If you have been able to apply each step, then you are a strategic thinker.

You have used a combination of thinking skills to gather and assess strategic intelligence, to create and communicate market-led strategy, and to implement and manage strategic change.

You are now able to think about any organization and to give it a sense of direction. You can help an organization to escape its past, focus on its present and rethink its future. You can assess past information, direct present action and improve future performance.

When you ask your people to help you to answer the questions in each step of our 9S<sup>®</sup> Approach, it will be easier for your people to follow your lead and to support the strategic changes needed to implement your market-led strategy. The world, however, will not stand still. Your strategic thinking will not stop. As you initiate change, new information will emerge. In light of this new information, you may need to modify your plans. The background strategic thinking you have undertaken will enable you to modify your plans quickly in ways that are still consistent with your market-led strategy.

In Part I of this book we explained how you can develop the component skills of a strategic thinker. When these component skills are combined with skills in brain-based communication, using a one-to-one conversational style, people will say of you that you are a strategic leader.

$$\begin{aligned} \text{SL} &= \text{CS} + \text{TS} + \text{BBC} \\ \text{ie Strategic Leadership} &= \text{Conversational Style} \\ &+ \\ &\text{Thinking Skill} \\ &+ \\ &\text{Brain-Based Communication} \end{aligned}$$

When you do things that strategic leaders do, you become a strategic leader.

In *Training Your Brain* (Wootton and Horne, 2009), there are details of practical ways in which you can develop your thinking skills. As well as supporting your strategic thinking, these component skills have been shown to improve your problem solving, your intelligence and your ability to learn. The book sets out the neuroscience on which this work is based, and it describes the way in which the speed and accuracy of your strategic thinking can be affected by stress, mood, music, coffee, tea, food, alcohol, smoking and age. It describes the effect on your thinking of snacking, dieting, chocolate, exercise, posture, massage, sex, sleep, noise, colours, heat, light, weather, and even the clothes you wear!

# Final thought

## PAST PRESENT FUTURE

Memories of love  
Were like a resting place,  
A shelter from the storm,  
I know why they gave you comfort,  
And helped to keep you warm,  
And in time of trouble,  
One day when you are cold,  
Your memories of love,  
Will keep you warm.

I know that you are lost  
And don't know who you are,  
But your memories of love  
Will keep you warm

Some said that love was everything  
I say that I don't know.  
I know that if I lose you  
I will love you from afar.  
And my memories of love  
Will be of you.

*(Terry Horne remembering 'Perhaps Love' by John Denver, when Danya, aged 3, was caught up in the fighting in Pakistan, in the Spring of 2009. Nearly 3 million people were made homeless, when the Pakistan army fought the Taliban in the Swat Valley).*

## ESCAPING THE PAST AND INVENTING THE FUTURE

Information is known about actions they acted.  
The Past is a prison of knowledge enchained  
By actions entrained.

New Knowledge creation  
Needs incubation.  
Information immersion – a long list to see.  
Revise the revisions,  
And take the decisions.  
A Future invented will be.

A Future invented is best implemented.  
Experience is gained when actions not chained to the Past set you free.  
Lessons are learned and wisdoms discerned  
When Actions not chained to the past set you free.

The Past is a prison whose lesson are key  
To knowing a Future from problems set free.  
Escape with a metaphor, symbol or three.  
Models digested they tested by plans, then enacted  
Of actions to be.  
When actions are modelled and tested and free, it is tacit explicit in action to see.

The tacit zone is then explicitly known, based on actions we acted, when we were  
set free,  
From the Past as a prison of knowledge enchained by actions entrained  
Before we were set free.

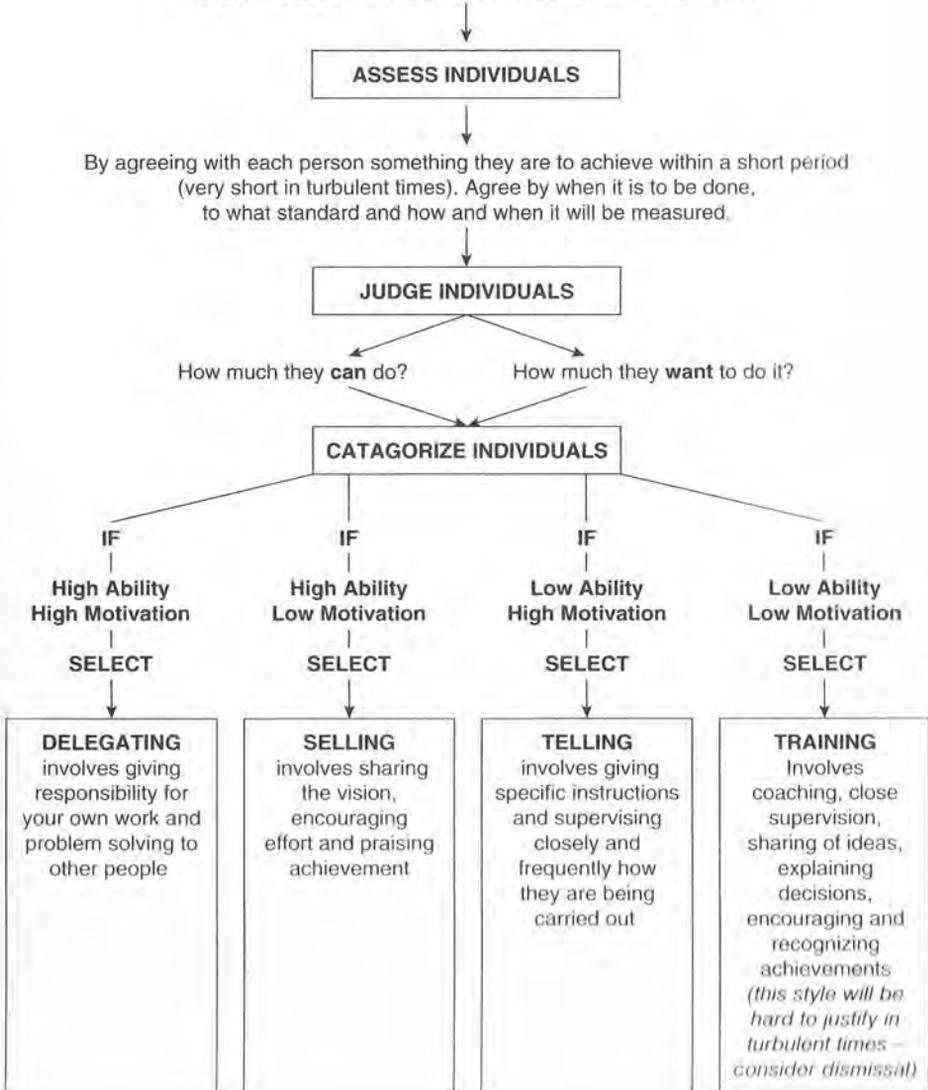
We invent a new Future,  
When Knowledge is known based on wisdom we own,  
Based on actions we've acted;  
Only then are we free.

*(Nearly 20 years ago, Ikujiro Nonaka wrote in the Harvard Business Review about the need for companies to create knowledge. This limerick is a response to spending 20 years thinking about how to do it! Terry Horne).*

# Appendix A

## Selecting an approach to take with individuals

In order to decide which approach is best for which individual:



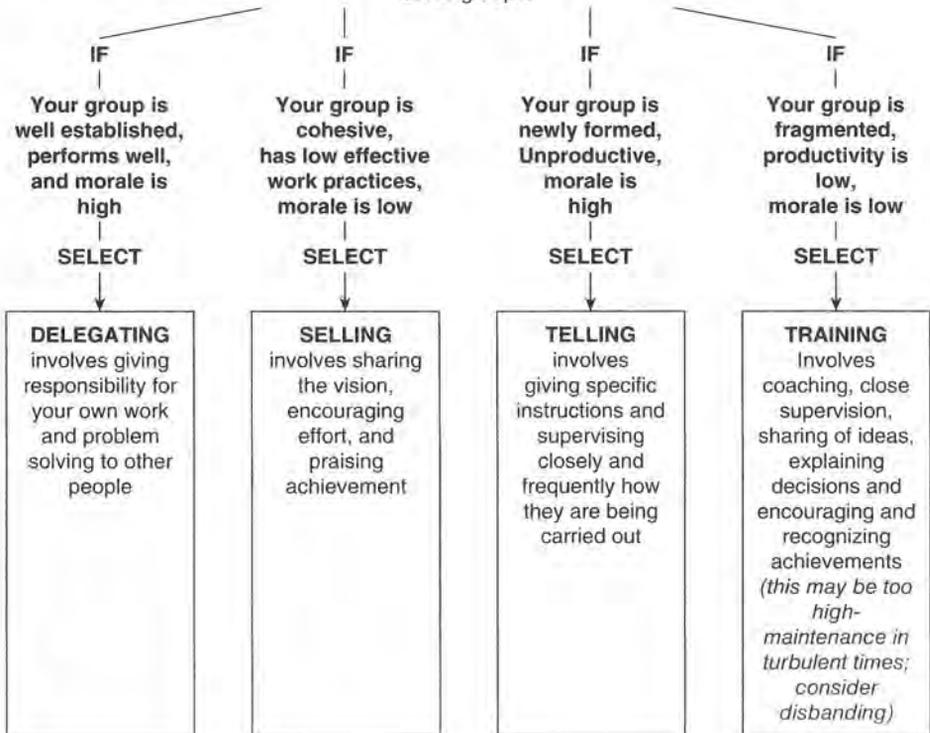
# Appendix B

## Selecting an approach to take with groups (if you must!)

In turbulent times it will be hard enough for your people to think clearly without further handicapping their brains by expecting them to work in a group. Wherever possible, try to work one-to-one with individuals (see Appendix A).

### ASSESSING GROUP DEVELOPMENT

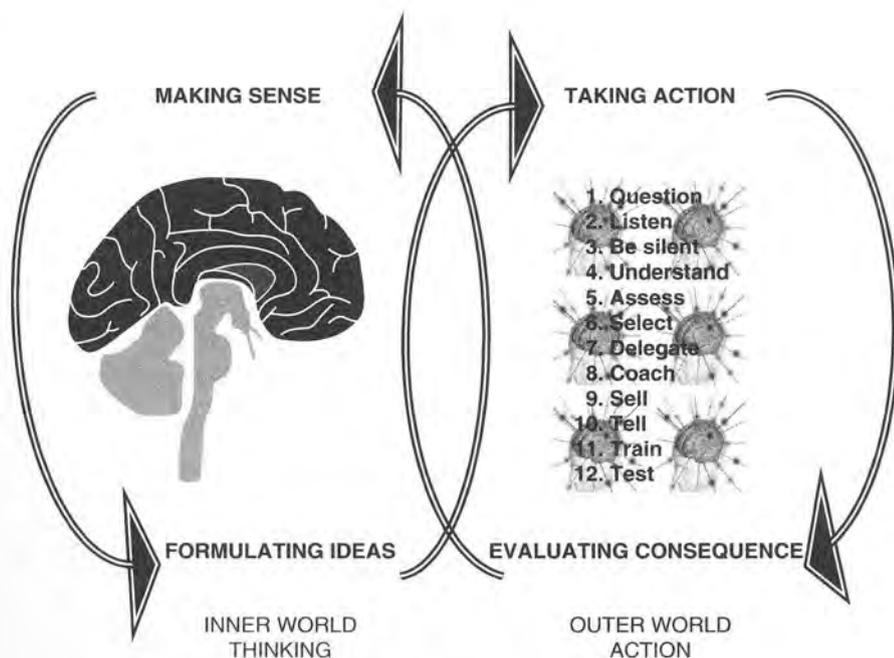
Observe your groups at work, and listen to the experience of individuals working in those groups:



# Appendix C

## Leadership for turbulent times – a model

We might usefully blend 20th century models of action-centred contingent and transformational leadership with the 21st century's needs for brain-centred, conversational strategic leadership.



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