

# pivot point

Making the decisions  
that matter in business



DR MONIQUE BEEDLES PhD

One of the most important issues facing you as a business decision maker is how to prepare for an uncertain future.

Managing the day-to-day demands of running a large corporation, not-for-profit organisation or family enterprise can be draining, leaving little energy for more long-term thinking.

Pivot Points are key decisions that will determine the future direction of your business. They create central points of reference, around which everything else can revolve.

In *Pivot Point*, Corporate Strategist, Dr Monique Beedles, explores the key decisions that every business must make. Question by question, you'll build a robust decision-making framework to propel your business into the future.

*Pivot Point* helps you to cut through the myriad of trivial decisions that can constantly bog you down, to focus on the decisions that matter.



ISBN 978-0-9871917-1-7



9 780987 191717



# **pivot point**

**Making the decisions that matter in business**

**DR MONIQUE BEEDLES PhD**

*Pivot Point: Making the decisions that matter in business*

First published in 2011 by Teak Yew, GPO Box 414, Brisbane, QLD, 4001

© Monique Beedles 2011

The moral rights of the author have been asserted.

National Library of Australia Cataloguing-in-Publication entry:  
Beedles, Monique.

*Pivot Point: Making the decisions that matter in business* / Monique Beedles.

ISBN: 978-0-9871917-1-7

Subjects: Management, Decision making, Business planning, Industrial management.

Dewey Number: 658.403

All rights reserved. Except as permitted under the Australian Copyright Act 1968 (for example, a fair dealing for the purposes of study, research, criticism or review), no part of this book may be reproduced, stored in a retrieval system, communicated, transmitted in any form or by any means without prior written permission. All inquiries should be made to the publisher at the address above.

Edited by Desolie Page (Perfect Pages)

Book design and typesetting by Christine Sharp (The Skeleton Agency)

The author has drawn on some sources of information and opinion that are in the public arena. All care has been taken to accurately represent and acknowledge the views, work or research of others.

Disclaimer: The material in this publication is of the nature of general comment only, and does not represent professional advice. It is not intended to provide specific guidance for particular circumstances and it should not be relied on as the basis for any decision to take action or not take action on any matter which it covers. Readers should obtain professional advice where appropriate, before making any such decision. To the maximum extent permitted by law, the author and publisher disclaim all responsibility and liability to any person, arising directly or indirectly from any person taking or not taking action based up on the information in this publication.

# Contents

Dr Monique Beedles—Profile	6
<i>The Road Not Taken</i> , Robert Frost	7
Introduction	8
Chapter One—Why?	10
Chapter Two—Who?	23
Chapter Three—What?	32
Chapter Four—Where?	40
Chapter Five—When?	47
Chapter Six—How?	55
Chapter Seven—Why Not?	64



## Dr Monique Beedles

Since completing her PhD in Strategy, Dr Monique Beedles has built a portfolio career, integrating a range of roles where she uses her skills and experience to add value to organisations.

Through her consulting company, Teak Yew, Monique designs organisations for the future. As a partner for decision makers who are thinking ahead,

Monique helps organisations to set their strategic direction and successfully overcome the challenges they face to achieve their desired vision.

With a portfolio that includes a number of board roles, Monique uses her strategy skills, as part of the board team, to set and monitor the strategic direction for these organisations.

Monique regularly runs workshops, speaks at conferences and industry events, and writes for various publications. Away from work, Monique is involved in the community through a number of volunteer roles.

Following her PhD, Monique completed a Graduate Diploma in Creative Writing and, through her writing, aims to bridge the gap between strategy scholarship and corporate reality, by making credible thought leadership relevant to business decision makers.

## The Road Not Taken

Robert Frost (1874–1963)

Two roads diverged in a yellow wood,  
And sorry I could not travel both  
And be one traveller, long I stood  
And looked down one as far as I could  
To where it bent in the undergrowth;

Then took the other, as just as fair,  
And having perhaps the better claim,  
Because it was grassy and wanted wear;  
Though as for that the passing there  
Had worn them really about the same,

And both that morning equally lay  
In leaves no step had trodden black.  
Oh, I kept the first for another day!  
Yet knowing how way leads on to way,  
I doubted if I should ever come back.

I shall be telling this with a sigh  
Somewhere ages and ages hence:  
Two roads diverged in a wood, and I—  
I took the one less travelled by,  
And that has made all the difference.

# Introduction

*Strategy is not the end point of planning, it is the opposite, its beginning.*

Henry Mintzberg

You know the feeling ...

The consultant's bill has just arrived.

The schmick-looking strategic plan gleams on your desk, still steaming from the presses.

As you sit down to contemplate the next five years, one niggling question lingers in the back of your mind ...

Is your plan strategic?

I've consulted to large corporations, small start-up businesses, growing SMEs and not-for-profit groups. Whether they're in engineering, mining, music or medicine, there's one question every client asks ...

They lower their voice and in earnest, hushed tones tentatively ask, 'But is our plan strategic?'

It's an important question, but no matter where these clients are, what industry they're in or what challenges they face, my answer is always the same.

If you do it, it's strategic.

If you don't do it, it's just a piece of paper.

Of course, that's easier said than done. So, how do you tell the difference between a plan that you will carry through and one that will be calmly gathering dust five years from now?



In this book we'll discuss the seven key questions you must ask: of your plan, of your consultant, of your people and of yourself.

One of the most important issues facing you as a business decision maker today is how to prepare for an uncertain future.

Managing the day-to-day demands of running a large corporation, not-for-profit organisation or family enterprise can be draining, leaving little energy for more long-term thinking.

Pivot Points are key decisions that will determine the future direction of your business. They create central points of reference, around which everything else can revolve.

Throughout *Pivot Point*, you will explore the key decisions that every business must make, and be helped to recognise and address these within your own organisation. Question by question, you'll build a robust decision-making framework to propel your business into the future.

By taking a structured approach to business decision making, *Pivot Point* helps you to cut through the myriad of trivial decisions that can constantly bog you down, to focus on the decisions that matter.



The Pivot Point symbol appears throughout the book to indicate where a company has encountered a Pivot Point. Observing the Pivot Points of others will help you to recognise your own Pivot Points when you face them.

## Chapter One

# Why?

---

Recently, I bought a new set of golf clubs.

The Golf Pro asked me about my game, and about where I would like to improve. Naturally I told him that I wanted to improve my score. He explained how different clubs could help different areas of my game to achieve this.

The Golf Pro then surprised me by saying, 'Most customers who come in looking for new clubs all want the same thing—to hit the ball further. None of them ever say that they want to improve their score.'

Golf is a multifaceted game. Just hitting the ball further might look impressive, but it won't necessarily improve your score and help you to win the game.

At each stage of a golf game, there is a Pivot Point—a decision you have to make:

'Will I use the driver or the three iron?'

'Should I try to hit over the water hazard, or go around it?'

'How fast is the green and how hard do I need to putt?'

You can buy the biggest driver on the market and proudly step up to the tee and hit the ball right onto the green in one shot—but if your putting is terrible, you can still end up with an average score and a poor performance.

Hitting the ball further is just one tactic. The strategy of a good golfer will include many other tactics, carefully chosen at the appropriate time to meet the overall objective—achieving the best score possible, and winning the game.

In this chapter, we'll discuss the initial Pivot Points in any business—your motivations and desires. In the chapters to come, we'll explore further the key Pivot Points in the life of your business and consider how to make the all-important decisions that will determine your future.

## **Why are you in business?**

Like the golfer who only wants to hit the ball further, many companies focus on the big-number figures like revenue, turnover and sales—even 'work-in-hand'. They sound impressive: the bigger the number, the better it must be.

But companies who focus only on these measures are trying to hit the ball further without improving their score.

## **What is your overall objective?**

A focus on profit, instead of just income measures, means looking at both sides of the equation. It takes costs into account, without focusing on costs alone, and recognises that without profits there is no business. Even if you're in a not-for-profit business, there needs to be a recognition that the organisation is also 'not-for-loss'.

Such organisations are usually set up to achieve a charitable or community service purpose. Without a sound financial position, they will be unlikely to achieve the aims for which they were established and will be unable to help the communities they wish to serve.

While a profit focus is essential, concentrating purely on costs can also be detrimental, if it stifles innovation and leads to a lack of investment in the future of the company.

There is no single or simple answer to Pivot Point questions. For each one there could be a number of possible answers, a number of paths to take. Each path will lead in a different direction.

Knowing these Pivot Points and taking the time to consider them carefully will help you to make the everyday decisions in your business with a clear focus on what you want to achieve.

## **Why are you in *this* business?**

There are many reasons why you chose the business you're in. But how many business people actually sit down and make a conscious and well-informed decision about the nature of that business?

Is it in a profitable industry? Is it rife with well-established competitors? Are there enormous barriers to entry? Is there huge capital expenditure required to start up, get going, be successful? What are the pitfalls of this industry and how will you overcome them where others have failed? What makes you different?

Some industries are more profitable than others: these are well-documented economic facts. You can assess the ongoing, year-on-year profitability of different industries and compare them over time.

In Australia, average profitability across the top 1350 businesses (measured as Return on Shareholder Funds after tax) for the five years to 2010 was 12.2%.<sup>1</sup> Measuring over a five-year period gives a better indication of consistent profitability than considering one year in isolation.

---

<sup>1</sup> Ruthven, P. Profitability Scorecard. *Company Director*. Vol.27 (1). February 2011. pp. 54-55.

During this time period, the industries that performed above the average on these measures<sup>2</sup> were:

Mining	29.2%
Retail Trade	22.2%
Communications	21.0%
Hospitality	17.3%
Finance & Insurance	17.2%
Construction	14.7%
Wholesale Trade	14.1%

So, if your business is not in one of these industries—why not? If you've chosen instead to be in manufacturing, or healthcare, is your long-term outlook for below average returns?

Averages are averages. However, when considering what business you are in, or want to be in, paying attention to what the leaders in your industry are achieving will help you to set realistic goals and determine challenging targets.

For example, the profitability of top 1350 businesses in the transport industry was 4.3% in the five years to 2010. It would therefore seem unrealistic to set targets comparable to the mining industry (29.2%) for your transport-related business.

The relative profitability of different industries depends on many factors and will vary according to the environment in which the companies operate. By contrast with the most profitable Australian industries, the Dow Jones Industrial Index (which reflects the top 30 stocks on the New York Stock Exchange) is dominated by hi-tech companies, such as information and communication technologies

---

<sup>2</sup> *ibid*

and pharmaceuticals.<sup>3</sup> This reflects differences in availability of natural resources and industrial infrastructure as well as variable government policies and industry investment.

For many the choice of which business to go into may not be based on these rational economic factors, but most likely on a whole range of other valid and relevant factors.

Not all of these reasons translate automatically into profitable businesses, but that doesn't mean they can't. Being aware of your own motivation for the business you're in is a good starting point for maximising your profitability.

Recognising the inherent strengths and weaknesses of your own industry will help you to set realistic goals. Good strategy aims to have your business return profits consistently above the industry average. Knowing what these benchmarks are will be a starting point for you to set your strategy and achieve your aims. Knowing where you stand against other firms in your industry helps you to work out what you need to do to outperform them.

Research and practice show that your understanding of why you are in a particular business may be restricted for a number of reasons. Considering this Pivot Point carefully will help to unlock these motivations and help you make better business decisions.

## **Bounded rationality**

Rationality is necessarily bounded. We make decisions on the basis of incomplete information. We never have all the facts at our disposal and the facts we do have can be clouded by other information or our own preferences and prejudices.

---

<sup>3</sup> <http://www.ashkon.com/dow-jones-industrial.html>

We make decisions every day based on what we know and believe, while ignoring what we don't know and what we don't believe. If we have an awareness of what we don't know, we may seek further information through research or investigation, or we may choose to ignore this and think we know best. On the other hand, we might choose to ignore facts that are presented to us, because in our own minds they don't ring true, or because they contradict some other belief that we hold strongly.

Sometimes we choose to ignore certain facts simply because they would lead us to a conclusion that we don't want or don't like the sound of. If faced with the fact that 95% of businesses in a given industry fail, there are still those who will go ahead, believing that this won't happen to them.

Economic models assume *rational individualism*; in other words, they assume that people have full knowledge of all available alternatives and that they make a rational choice from these alternatives in their own self-interest. The corollary to these assumptions is that the behaviour of companies in an open market will aim to maximise profit.

## **Emancipatory entrepreneurship**

If you're in your own business, it's also essential to ask 'Why?' I hear many entrepreneurs say that they decided to start their business for the 'lifestyle'. Of course, lifestyle means different things to different people, and if your idea of the perfect lifestyle is to work 100 hours a week with no holidays, then that's great!

The reality is that building a successful business is a long, hard slog. You are likely to end up working a lot harder, for a lot less money, and with less support and security than you had in paid employment. To persevere through the effort and challenges that it takes to be

successful in a new venture, you will need to be clear about what motivates you. You will need to know why you want to get out of bed in the morning. You will need to know why you don't just go and get a job.

One key motivator for many business owners is the concept of emancipatory entrepreneurship.

'Emancipation' carries the connotation of 'freedom,' so we must begin by asking: freedom from what, and for what? In the economic context in which entrepreneurship is usually discussed, we may think about emancipation from poverty and dependence, and we can go from there to talk about emancipation from disabilities that come with poverty and lack of power. With economic self-sufficiency may come the opportunity for education and personal growth; for gaining a voice in the affairs of one's community and polity; for a better understanding of the self and the world; an opportunity for a reasonable degree of agency, or the ability to act and shape, to determine one's life and one's goals, rather than accepting, as a sort of fate, the circumstances into which we are thrown.<sup>4</sup>

Essentially, we want to be our own boss, even if this means earning less money than another boss would have paid us. But don't let that feeling of freedom cause you to take your eye off the ball. A business still needs to be profitable to survive.

If you want to achieve the goals that motivate you, you need to keep your business on track to achieve above-average returns in the long term. I believe that the reason so many businesses fail early on is that they fail to establish that key driver from day one, and so they lack the discipline to do the work that's required for long-term success.

---

<sup>4</sup> Fleischmann, F. *Entrepreneurship as Emancipation: The History of an Idea*. A lecture delivered at the Free University of Berlin. July 12, 2006.



## ***What business are you in anyway?***

Working out what business you are in is not as easy as it sounds.

For example, if you're a book publisher, are you in:

- the book industry
- the publishing industry
- the media industry
- the entertainment industry
- or the education industry?

It could be all of the above and even some others. So how do you define the industry in which you will compete and how do you ensure the best possible success? Importantly, how do you compete against specialists in each of these industries? If you're a general publisher, how do you compete against a specialist educational publisher in the education market?

We'll look at competition more thoroughly in another chapter, but in terms of determining why we are in *this* business, it's an important consideration.

# Case Study 1

## Nokia

Nokia<sup>5</sup> was established in 1865 by Fredrick Idestam with the opening of a paper mill in South West Finland. A rubber business was separately established in 1898 and in 1912, the Finnish Cable Works.

⚙️ Nokia was created in 1967 through a formal merger of these three well-established Finnish industrial companies, which had been jointly owned since 1922.

While forestry and telephones might seem distant associations, telegraph poles carried the cables that established the rapidly expanding telecommunications networks of the twentieth century.

⚙️ Cable Works had produced its first electronic device in the early 1960s and the three-way merger created an ideal platform for the move to early mobile technology in the late 1970s.

⚙️ In 1992 under the leadership of new president, Jorman Ollila, Nokia took the important strategic decision to focus on telecommunications and to sell off its other businesses. In particular, its new focus was on mobile phones and telecommunications systems. Telegraph poles had become redundant in the new era of mobile technology and no longer represented a good fit with the business.

During the early 21st century Nokia dominated the global mobile phone market and has become well established as one of the world's top ten most valuable brands.<sup>6</sup>

This is a good example of successful strategic re-positioning through the two fundamental decisions 'What business are we in?' and 'Why are we in this business?'

---


5 <http://www.nokia.com>

6 [http://images.businessweek.com/ss/06/07/top\\_brands/source/1.htm](http://images.businessweek.com/ss/06/07/top_brands/source/1.htm)


## Case Study 2

### Marconi

Unlike Nokia, Marconi's foray into the telecommunications industry was a spectacular failure. Marconi was born out of the former GEC under Arnold Weinstock, who grew it into one of the world's leading industrial companies. Weinstock's strategy was to build a diversified conglomerate of leading companies. Each company under the GEC umbrella was a leader in its respective field. It wasn't important for the companies to be connected or to have synergies between them. Using this approach created a very profitable enterprise with very large cash reserves and little debt. This sounds like an excellent position for a company to be in, and it was. Unfortunately, though, solid debt-free industrial companies weren't very sexy in the early years of the 21st century. Cash reserves were frowned upon. There's no business for investment banks if companies don't need to borrow.

 On Weinstock's retirement from GEC, his successor, George Simpson, decided to take the company in a different direction. A new CEO or other senior leadership changes can provoke Pivot Point decisions in many companies. It's a time of opportunity, but also a time of risk.

Under George Simpson, profitable businesses in GEC's long-term strongholds of shipbuilding and industrial machinery were sold off to purchase high-tech telcos and dot-com start-ups. By the time the divestments and acquisitions were finished, little of the original GEC company remained.

 Instead of cash reserves, the company had accumulated a high level of debt and a high level of exposure to risky and speculative investments. They made these purchases at the height of the dot-com boom. In hindsight we can see that this was a flawed strategy.

They bought at the peak of the market and it was only downhill from there. Marconi was left with debt of more than £4.5 billion and in 2002 recorded one of the greatest annual losses in UK corporate history, around £5.6 billion.<sup>7</sup>

This is a clear illustration of why it is advantageous to define clearly what business you are in, and why. Venturing into a largely unknown and untested industry, where the company had little experience, while divesting profitable businesses with a long history and a well-trusted reputation, opened the company up to huge risks.

While risk is always to be balanced by the possible rewards, Marconi could have used its cash reserves to purchase one or two of the best performing companies in the new industry, without divesting its stable and profitable businesses. By staying to their proven and successful strategy, the outcome may have been very different.

As they defined their business, they could have said we are in the business of heavy industrial manufacturing; they could have said we're in the business of telecommunications; or they could have said we're in the business of running world leading companies for long-term profitability. Which would you choose?

So, what business are you in? It may be defined by a particular industry or niche market. Or it may be defined by a particular customer group or need that is served. It is up to the business decision makers to define that business and to craft their strategy accordingly.

Asking why is an important Pivot Point: why did the new CEO of Marconi choose to throw away a successful and profitable model for something risky and untried? Because it was fashionable? Because he wanted to deal with big, impressive sounding numbers, rather than focus on profits? Because he wanted to hit the ball further, without improving his score? What do you think?

<sup>7</sup> Burns, B. 2004. *Managing Change* (Fourth Edition). Prentice Hall. London.

# Strategy into Practice

## *What does it mean for you?*

We know that while profitability may be a rational motive, it is not the only motive for our business choices. While it's great and even important to be motivated by factors other than profit to remain in business, a profit must nevertheless be made.

So, there arises a tension that can be difficult to reconcile. If you've started your business to help others, reduce greenhouse emissions or provide some other essential product or service, your focus may be on the good you're doing to the detriment of the business itself. For pragmatic reasons, you still need to focus on the profits of the enterprise. If you don't you may find yourself in a position where you are no longer able to provide this much-needed help.

One of the risks in any business is that we make *ad hoc* decisions without a well-considered framework for those decisions. This can lead to choices that divert us away from our main objectives to unwanted outcomes.

A framework for decision making need not be complex or tedious. Indeed, it must be simple and easy to use, if it is to be effective. In the chapters that follow, we will build a simple, but effective decision-making framework for you and your business. This will make it easier and more efficient for you to make decisions through the Pivot Points that you face in your business every day.

# Your Pivot Point

## *Making the decisions that matter*

So, are you there to win the golf game, to improve your own score, to socialise with others, or just to enjoy a relaxing Saturday afternoon stroll?

Before you make any decisions about the future of your business, answer these questions for yourself and write the answers down.

*Why are you in business?*

*What business are you in?*

*Why are you in **this** business?*

Share the outcomes with your team.

Find out what motivates them. Are you in alignment?

What do you need to do to ensure that everyone in your business is working toward shared objectives?

Determining your shared vision and the values through which you enact that vision is the key Pivot Point for every other decision you will make in your business.

## Chapter Two

# Who?

---

Recently, we've seen the demise of a number of major book retailers in Australia. With this we've heard calls for changes to government regulation, with lobby groups claiming that retailers cannot compete with cheap imports from overseas suppliers.

It's a predictable response from companies that choose to compete primarily on price. The risk with this strategy is that it's easy to be undercut. When you compete on the basis of price, you attract customers who are price sensitive and who will change their buying habits readily if a cheaper alternative is available.

Competitive advantage based on price is most often driven by economies of scale, and there is always someone else who is bigger, faster and cheaper. This debate about the role of government regulation has also been raised in the broader retail sector. A few key points have been largely missing from this debate.

Firstly, competing on price is not the only strategy. Michael Porter, in his classic book *Competitive Strategy*,<sup>8</sup> defines three generic strategies on which companies compete:

1. price leadership
2. differentiation across the industry
3. niche specialisation.

With the example of books, specialist book retailers don't compete on price. Indeed, in most cases, they will be more expensive than the larger, discount retailers. Instead, they offer a unique experience, specialised products in a niche focus area, or exceptional services

---

8 Porter, M. 1980. *Competitive Strategy*. Free Press. New York.

that are not offered by their larger competitors. The advantage of this strategy is that it doesn't rely on price-sensitive customers.

## **Who are your customers?**

The other factor that has been starkly absent from the debate around retail regulations is the question of what customers want. Indeed the customer seems to be left out of the equation altogether. The underlying assumption is that all customers are driven by price alone. While regulation might influence prices to some extent, no amount of regulation or taxes will protect retailers from smart competitors who listen to their customers and deliver a retail experience that is worth going out for.



## Case Study 3

### César Ritz

A great example of a strong strategy based on uncompromising values, staying true to a vision and knowing the customer, is the story of César Ritz.

Ritz was a passionate entrepreneur, with a single-minded vision: to have his hotels be the very definition of elegance and refinement.

⚙️ After losing his job at the Savoy in London, Ritz built his first Paris hotel.<sup>9</sup> From this, a prestigious global hotel business, which, after more than a century, still embraces the core values established by its founder.<sup>10</sup>

The word 'Ritzy' immediately brings to mind a certain kind of refined elegance, luxury and sophistication. If we're 'putting on the Ritz', we're dressing in our finest attire to celebrate in style.

Ritz knew his customers, who included royalty, the very rich and the very famous. In the turbulence of World War II, The Ritz in Paris was occupied by German forces for use as the Luftwaffe headquarters.

⚙️ But for those who could afford it, the Ritz provided a place of escape.<sup>11</sup> By knowing his customers' needs and desires, even when they weren't articulated, Ritz kept his business strong.

That César Ritz achieved his vision is evidence of a strong strategy built on a dedicated commitment to living the core values of business: Elegance, Service and Discretion.<sup>12</sup> It's a strategy that saw the Ritz

9 Gubler, F. 2008. *Great, Grand & Famous Hotels*. Great, Grand & Famous Pty Ltd. Sydney.

10 <http://www.ritz.com>

11 Mazzeo, T.J. 2010. *The Secret of Chanel No.5: the intimate history of the world's most famous perfume*. Harper Collins. New York.

12 Hemp, P. 2002. My Week as a Room-Service Waiter at the Ritz. *Harvard Business Review*. June. pp. 50-62.

business survive the uncertainty of the Great Depression, and two World Wars, to leave a legacy that will endure well beyond the next global depression.

Whether you're a small retailer or an international hotel chain, knowing your customers is vital to the survival of any business. As well as knowing your customers, you need to know how you can meet their needs in a better way than your competitors.

## **Who are your competitors?**

For all businesses, it's important to understand who your competitors are and how you compete in your industry. What choices do your customers have, and why do they choose you? While there are risks in every strategy, there are also opportunities to differentiate and come out a winner.

So, a military force has no constant formation, water has no constant shape; the ability to gain victory by changing and adapting according to the opponent is called genius.<sup>13</sup>

The military metaphor has been widely used in business. It encourages you to think of your competitors as your enemies and your goal as defeating them. A lot can be learned about strategy from this approach, and certainly businesses who ignore their competitors do so at their peril.

I'm still surprised by how many business people say that they 'don't have any competitors', or that they 'don't worry about them'.

While knowing your competitive environment is essential, one of the main limitations of the military metaphor is that it assumes a 'zero sum game'. In other words, there is one winner and one loser—victory

<sup>13</sup> Sun Tzu. 1988. *The Art of War*. Translated by Thomas Cleary. Shambhala Publications. Boston.

must be gained at all costs. It's a limitation because in business this is not necessarily the case. New players may widen the market or create new markets, rather than take away the market share of existing companies.

The other limitation is that this 'win at all costs' mentality can lead us into stressful, unhealthy lives where we ignore the very things that give us the strength we need to compete. The essence of Sun Tzu's *The Art of War* draws on Chinese Taoist philosophies that see the 'peak efficiency of knowledge and strategy is to make conflict altogether unnecessary: to overcome others' armies without fighting is the best of skills.'<sup>14</sup>

Business decision makers who practise timely retreat, individually or with their teams, return to the battle refreshed, with their eye on victory. Their competitors who have struggled on—unwilling to rest—are tired, hungry and battle weary. It's easy to see who will be the better performer.

---


14 *ibid*

# Case Study 4

## The Medieval Yew Industry


Let me tell you a story ...


Once upon a time, more than a thousand years ago, as spring began to warm the ground on the rolling hills of Southern England, the first green shoots of a young yew tree emerged into the light. This tree grew up as part of a large stand of yew trees, close to a small village.

 A few hundred years passed and the tree grew healthy and strong. Then, one day the villagers came and chopped down most of the yew trees to make a clearing for a new stone church. Luckily, this one tree was spared, as it stood within the walls of the church's graveyard.

The wood from these trees was strong, yet flexible, and so it was used to make longbows for firing arrows. The longbow was central to medieval military strategy and every man in England had to learn to use it, to defend the country from invasion.

Another hundred years passed and so many longbows were needed that yew wood began to become scarce. By now the single tree had grown tall and sturdy, with spiky needles and bright red berries. The villagers would dip the pointy ends of their arrows into the juice. It was a powerful poison and made for a swift kill with the longbow.

 As yew wood stocks became ever more depleted, this yew tree, protected within the churchyard, was almost the last one standing when an innovation in military technology made the longbow obsolete: the musket was invented and changed the face of warfare forever.

 For another four hundred years this yew tree stood silently in the churchyard, its useful life apparently over. Until, one day, a scientist discovered that the powerful poison of the yew berry could be used to treat cancer—a new use for an old and resilient tree.

## Who are you?

Ignoring your competitors is a dangerous approach. You need to know where you fit in your competitive environment. Are you a dominant market leader? If so, how will you maintain that position? Are you a new entrant? If so, how will you position yourself within the industry? Do you aim to displace the market leader, or do you want to carve your own niche?

In making these decisions, it's important to refer back to the questions asked in Chapter One—*Why are you in business?* and *Why are you in this business?* The answers to these fundamental questions will guide your strategic aims and your competitive behaviours.

Do you know why your competitors are in business? Some of them will be open about this and some will be harder to pin down—some will not know the answer themselves. This is an important starting point in knowing your competitors and how you can outperform them.

# Strategy into Practice

## *What does it mean for you?*

### **Defining your strategy**

Are you a price leader, a market dominator, or a niche specialist? The most successful companies choose one of these approaches, but not more than one.

What further definition of your business is required to enact this strategy? For example, you may need to reduce your product lines or service offerings, rather than expand them. To be a price leader, you may need to deal in quantity purchases from a limited number of suppliers, rather than stocking a wide range. To focus on a niche, you may choose to offer a limited range of products or services specific to that niche.

### **Understanding your competitive environment**

A key step in defining your strategy is to look beyond your own company to the competitors in your industry, as well as to the wider economic environment in your local area, nationally and globally.

As it was for the medieval yew bow makers, advances in technology can rapidly affect your competitive environment. How will changing technologies influence your business?

Likewise, government regulation or changes to it can shape your competitive environment and may not affect all competitors uniformly. Can you foresee how proposed changes may impact on you?

# Your Pivot Point

## *Making the decisions that matter*

In Chapter One and Chapter Two we've talked about those factors that define you as a business or an organisation. We need to remember that these are conscious choices that we as business decision makers have control over. We can't control our competitors, but we can choose how we compete.

Remembering why you are in business is important to making effective decisions on how best to compete. Understanding the competitive environment you operate in is essential to making the best decisions.

So, ask yourself:

*Who are our customers and what do they want from us?*

*Who are our key competitors in the markets in which we operate?*

## Chapter Three

# What?

---

When I was a young girl, my grandmother had a beautiful rose garden. It was formally laid out, right next to the house that sat in a clearing on a hilltop, surrounded by about five hundred acres of native forest. My Gran tended her roses carefully. Fertilizing with manure and pruning in winter were all part of keeping the roses in full bloom.

It seems counterintuitive, to cut something back in order to help it grow—but any gardener knows that a good prune is essential to healthy growth.

Growth may happen anyway, but it will be slower, messier and more erratic. Gardening guru Peter Cundall advises that roses ‘are among the toughest of all plants. Even if you ignore them they’ll continue to flower, but there is no question they do benefit with a good winter prune.’<sup>15</sup>

In business a good prune can also work wonders. This doesn’t mean sacking everyone! Rather, it means reviewing what’s really important in your business and pruning those aspects that don’t contribute to good growth.

It’s easy to be busy. It’s easy to generate activity, but is it productive? Are you growing a beautiful rose bush or a wild thicket of lantana? The essence of effective pruning is deciding what to cut away and what to keep.

---

<sup>15</sup> <http://www.abc.net.au/gardening/stories/s1397342.htm>



## **What do you do?**

You are probably asked this almost every time you meet someone new. From a personal perspective, I try to avoid this one altogether as there are far more interesting questions you can ask.

However, in terms of your business, it's important that you can communicate what you do to prospective clients and customers. Therefore, the question of what you offer as products or services in your business needs to be clearly defined.

Many people answer this question in terms of an identifying feature of their profession—'I'm a lawyer', or 'I'm an accountant'. This gives the person you're speaking with some information about you, but from a potential client's perspective, it doesn't really answer the question of what you can do for them.

In Chapter One you asked yourself why you were in business. To effectively realise the vision and purpose you've articulated for yourself, you need to be very clear about what your business offers. It's easier to make decisions when you have this clarity because you can narrow your options down to only those that are relevant for you.

In business you are bombarded by choices every day, so keeping a clear focus on what you do, and don't do, will help you to stay on track with your strategy.

## Case Study 5

### The Brow Bar®

While eyebrow grooming is a fairly routine beauty procedure for most women, The Brow Bar® have turned it into an art form.

⚙ Pitched as ‘Australia’s Premier Brow and Lash Destination’<sup>16</sup>, The Brow Bar® have created a niche by defining very specifically what they offer customers.

The service range of a typical beauty salon can be quite extensive. It may include waxing, as well as facials, manicures, pedicures, massages and so on. Providing a one-stop-shop in this manner can be a valid approach to meeting customers’ needs.

⚙ Instead, The Brow Bar® have chosen to focus on doing one thing well and being recognised as a superior provider of this service. Consequently, they are able to charge a premium price that is up to triple that asked by a standard beauty salon offering eyebrow grooming—and customers are happy to pay for this service.

This narrowly defined approach has been very successful for this business, which has multiple salons in Brisbane, Sydney and Melbourne. They also have a strong following of loyal customers who help to promote the business by word of mouth because they enjoy the experience offered.

The service that The Brow Bar® offers—eyebrow waxing—is not unique. However, they have differentiated their service in a competitive market by developing a perception of their service as superior to their competitors.

---

16 <http://www.browbar.com.au>

## What differentiates your offering?

Differentiation from your competitors is a fundamental tenet of effective strategy. However, differentiation is not to be confused with uniqueness. Your product doesn't need to be the only one on the market, but it needs to be the best one in the eyes of your target customers.

What 'best' means will depend on the needs of those customers. Best really means best fit. For some it might mean the lowest price, whereas for others it might mean superior service. You need to differentiate your offering from the other businesses who compete for the same customers.


What are the things you do that make customers love you and want to keep coming back? Again, it depends on who your customers are and what they want. For example, if a customer is going to spend a large amount of money on a piece of jewellery, then attentive personal service is essential. They are going to take their time over an important decision. However, if they are picking up lunch on the go, then prompt but friendly service is the priority.

Your offering may be differentiated by focus on a specific client group to whom you offer a standard product in a different way. There is a market for pink safety boots, just as there is a market for men's wet wipes.

## Case Study 6


### Dello Mano

Everyone loves chocolate, don't they? So, basing a business around chocolate products seems to be a logical decision. However, with a myriad of readily available chocolate products it can be difficult to differentiate.

 The founders of Dello Mano aim to provide the 'ultimate luxury chocolate experience'<sup>17</sup> and have focused their business around a range of handmade luxury chocolate brownies, ideal for gift giving and special occasions.

To fill this niche and meet the needs of customers seeking a luxury product, Dello Mano have an emphasis on quality ingredients, small-scale production, customisation and exceptional personal service.

This approach means that customers are prepared to seek out the product in preference to others that may be more readily available or less expensive.

 Dello Mano have kept their focus on the brownie range rather than expanding into other chocolate products or offering other baked goods. This not only reduces production, packaging and handling costs, but it helps to ensure that Dello Mano and brownies are linked in the minds of customers and prospective customers.

Again, the concept of a chocolate brownie is not new or unique, but Dello Mano have set themselves apart from the competition by offering something out of the ordinary.

---

17 <http://www.dellomano.com.au>

## Thinking big by thinking small

You may be a niche producer of luxury goods for a discerning market: this requires a certain approach to what you do and how you interact with customers.

On the other hand, if you are supplying a common household item to a mass market, a different approach is needed. Clipsal, a producer of electrical fittings, have long had the tagline, *Every Room, Every Home*, as an indicator of the market penetration they hope to achieve. These key words feature strongly in their marketing materials and other communications, even when not explicitly expressed as the tagline.

While achieving this ubiquitous presence strategy requires a different approach from that for serving a luxury market, it is no less important to be clear about the choices you've made. Your intended market reach will have an impact on the prices you set and therefore on the production parameters you need to work within. If you're not clear about what these are, your customers won't be either and they will seek what they are looking for elsewhere.

Successful strategy requires being able to see small details through the lens of the global view. Likewise, it means understanding the long-term implications of the choices you make today by thinking through how one decision relates to another.

There is no 'right' or 'wrong' strategy. Rather there are some approaches that will be more suited to your circumstances than others and will give you an outcome that is more closely aligned with your vision and purpose.

# Strategy into Practice

## *What does it mean for you?*

Every business is unique, but every business needs to have a recognisable role in the market in which it operates. If customers don't understand your offering, they can't recognise your value and you will struggle to attract them.

## **Defining your offering**

Think about the heart of what you offer customers. What could you eliminate from your current offering yet still retain that focus?

In some businesses there's a danger that customers become confused about exactly what you offer: that makes it difficult for them to make a decision to purchase.

If you're looking to expand into new markets, consider how they will fit with how you currently define yourself. The new direction should enhance your market positioning, not detract from it. In some cases, better success can be achieved by approaching new markets with a different brand, rather than trying to over-extend an existing one.

There are many opportunities for expansion into new areas with a strong alignment to your existing offering, whether it be new products and services for your existing customers or reaching out to serve new customers.

# Your Pivot Point

## *Making the decisions that matter*

In earlier chapters you thought about why you are in business and who your customers, and competitors, are. Your decision about what you will offer your customers must be a fundamental marriage of these prior decisions.

If what you offer doesn't align with who you are and what your customers want, success will be a struggle.

So, ask yourself:

*What do you offer your customers?*

Define this as clearly as you can. The inherent complementary question is *what don't you offer?* As a business person you will have many opportunities and face many decisions. Knowing when to say *no* is as important as knowing when to say *yes*.

*What makes your offering unique or superior?*

Your product or service may be truly the only one of its kind. However, this is not the only way to differentiate. Even if your product or service is commonplace, what you offer can be different or superior.

## Chapter Four

# Where?

---

In a speech defending an increase of troops in Iraq, George W Bush famously stated: 'Either you are with us, or you are with the terrorists.'<sup>18</sup> This statement is a classic false dichotomy. Two options are presented as if two and only two options exist. In this example, the implication is that if you are not in support of additional troops in Iraq, then you must be a supporter of terrorism. Clearly, there are other alternatives. Hence, the dichotomy is a false one.

The danger with false dichotomies is that they can be very persuasive. We can easily be led to believe that two and only two options exist where in fact there may be more than two—or there may be only one.

However, the premise of the dichotomy is that we need to set boundaries, and this can be a valid argument. When defining the business that we are in, we need to draw the line on certain things to more clearly articulate who we are, to ourselves and to our customers. Where we draw those lines is an important question.

The most obvious answer to the *Where* question is a geographical one. Where are you based? What geographical markets do you serve? In an increasingly globalised world, geography may seem less relevant. However, this depends on the business you're in and how you choose to define it.

---


<sup>18</sup> Bush, GW. President's Address to the Nation. [www.whitehouse.gov/news/releases/2007/01/20070110-7.html](http://www.whitehouse.gov/news/releases/2007/01/20070110-7.html) (accessed 22 March 2008)



# Case Study 7

## Champagne

Champagne is the drink of celebration. Just mentioning the word champagne is enough to make almost anyone smile.

While sparkling wine is made around the world, only wine produced in the small region of Champagne, in France, can carry the name 'champagne'.  The official boundaries for the Champagne Appellation were set out in 1908 and are an example of a very narrowly and specifically defined geographical boundary.

Does it mean that champagne is better than other sparkling wines? Not necessarily, but it does mean that you can guarantee its place of origin and that the processes used in its production have been strictly controlled according to the requirements for champagne.

You will certainly pay a premium for genuine champagne, and, like good real estate, you are paying for the location. The French term *terroir* encapsulates the idea that the place of origin has supreme importance to the ultimate quality of a product.

Champagne houses use geography as a strategic advantage. They sell into global markets but the strictly set geographical boundaries limit their potential expansion. This confers an exclusivity that can't be reproduced.

## Where do you come from?

In the case of champagne, it is the geography of the production area that has been defined. For many businesses, their place of origin or place of production is a core element of their company culture.

This may be the case despite the fact that the company exports globally, or even produces some or all of its products away from the original location. That element of *terroir* may still be an important part of their branding and their competitive advantage.

As an example, Apple's computer products are labelled as 'designed in California' even though the item may be manufactured and assembled in China. The *terroir* of Silicon Valley is no less significant than the *terroir* of Champagne. In the case of Silicon Valley, it is not the soil itself, but the culture of innovation that has been cultivated in this region.

Companies and their products emanating from here will immediately be recognised as innovative, groundbreaking and high-tech.


Your business may be grounded in the geography of the local area, but there are other types of boundaries that may also define you. You may bound yourself by a particular professional methodology or way of working, or you may confine yourself to a specifically defined set of products or services.

You may define your boundaries according to time, for example, opening extended hours, not opening weekends or late at night. Or your boundaries may be operating online or through a physical premises.


These decisions place the business into a specific and identifiable space within its market.

## Case Study 8

### Maggie Beer

 Maggie Beer and her husband started their pheasant farm in South Australia's Barossa Valley in 1973<sup>19</sup> and still operate from the same site today. Their business has gone through many phases, from producing pheasants, to a restaurant, to the present farm shop,<sup>20</sup> but in every case there has remained a focus on locally produced seasonal food from the Barossa region.

One of the aspects that's important to Maggie Beer's approach to food is that every part of the animal or plant should be used. This makes the most of the seasonal produce and has led to the development of an array of products and a variety of flavours.

 While Maggie Beer's business is firmly grounded in the Barossa Valley, her products are now exported worldwide and her books and TV programs have gained widespread popularity. Not only has the Barossa Valley influenced Maggie Beer, but her success has impacted on the popularity of the Barossa Valley as a destination for food lovers.

Unlike Champagne, there are no strict rules that define the geography or processes of Barossa produce. However, the link with Maggie Beer has made her name synonymous with the Barossa Valley.

Maggie Beer's farm shop, or indeed any restaurant, is defined by its geography because the customers must come to a specific location to enjoy the experience. However, its reputation need not be confined to customers in the local area, if its products can be sent further afield.

---

19 Beer, M. 2007. *Maggie's Harvest*. Penguin. Camberwell, Vic.

20 <http://www.maggibeer.com.au>

## **Where are you going to?**

While having a well-defined niche can be a very effective strategy, be wary of defining your geographic boundaries too narrowly if it doesn't confer an advantage.

For example, you may be the only bookstore in town, but if you define yourself by the geographic boundaries of that town, you may kid yourself that you have no competition. In fact you are competing for book sales against online retailers with a global presence and for discretionary income against other entertainment such as movies, magazines, theatre and so on.

You may sometimes need to define yourself more broadly in order to address your true competitive environment. Don't fall into the trap of thinking you have no competition because you are the only supplier of left-handed widgets in north eastern Timbuctoo.

Perhaps your market extends beyond your immediate area. This can be both an opportunity and a threat, but considering the implications carefully will help you to make the best decisions.

## **Where are your customers?**

While you may have established a business based on a local customer catchment, you may also have a potential customer base beyond these boundaries.

Likewise, your customers may seek the types of products or services you offer outside your regional area. Especially for products or services used less frequently, customers may be quite willing to travel away from their home location. Items that customers purchase close to home are more likely to be convenience items, such as everyday foodstuffs and other home purchases.

# Strategy into Practice

## *What does it mean for you?*

### **Defining your boundaries**

Whether you define your business in terms of geography or some other factor, it's important that you understand for yourself where your boundaries are.

However, be prudent about not defining these boundaries too narrowly. You need to ensure you are capturing the widest possible market for your desired capacity.

### **Knowing your *terroir***

What are the distinctive characteristics of the area in which your business is based? What makes it *home* to you? What attracts customers in your area to shop locally, and what attracts visitors to come to the region?

Try to look at your locale through the eyes of an outsider to see the aspects that may be characteristic. When we live and work every day in a place, it is easy to take these things for granted. When you travel, think about the things that make each place unique and see how they compare to what you have to offer in your local area.

Importantly, remember that you don't need to be in the travel business or the real estate business to make your location important.

# **Your Pivot Point**

## ***Making the decisions that matter***

The decision about where your business is located may have been made long ago. Most often this would have happened by chance. That doesn't mean that geography is unimportant in the decisions you make for your business. How can you use your geography to your advantage? How else can you define yourself?

So, ask yourself:

*Where do you come from?*

What are the distinctive features of your geography or your particular product or service that make them unique?

*Where are you going to?*

What products and services do you or can you offer beyond your current geographical boundaries?

*Where are your customers?*

How do you make your offering relevant to meet customers where they are? Do they shop locally for what you offer, or are they happy to go further afield? Are you competing in a local or a global market?

## Chapter Five

# When?

---

Yesterday I was walking along the main street of the CBD in the city where I live. There are a noticeable number of empty shops for lease. Some are large, some are small, but all were once thriving businesses.

While the general economic climate has some part to play, it's interesting to observe the types of businesses that were represented by the empty spaces. At least three were former bookshops that struggled to compete with the move to online retailing and rapid technological change that is seeing physical books being replaced by electronic versions.

This doesn't mean that internet-related businesses are automatically immune. Another empty shop had been occupied by an internet cafe that offered email, internet and games. In a world where the smartphone is ubiquitous, you don't need an internet cafe to check your email.

When it comes to developing a successful business strategy, you can't ignore the contemporary environment that you operate in. This includes not only your competitive environment, but also the social, technological and legislative environments.

Along with the social and political factors, technology has had a huge impact on the way businesses are organised. It is no longer necessary for work to mean attending an office between 9 am and 5 pm. Employees can work from home, work from a mobile office or work across countries. Geography no longer restricts the work one can do.

Advances in technology also provide a myriad of new business opportunities for those who wish to pursue them. However,

these ways of working are not necessarily suited to the traditional hierarchical model of organisations. There are many other models that might work better for an organisation operating in the contemporary environment.

## **When are you now?**

Does your business operate in the best possible way for the contemporary environment in which you operate? Are you clinging to outdated technologies, old-fashioned practices and nineteenth-century organisational structures?

What are the trends in your industry and how will you stay ahead of them? Is a technological change coming that will wipe out the need for your product or service altogether?


A thorough environmental analysis is an important part of developing your business strategy. It's also important that this analysis takes account of the contemporary context, looking beyond 'that's how we've always done it' to pre-empt the changes that could impact on you.




## Case Study 9


### Kodak

In the late nineteenth century, when George Eastman first took an interest in photography, it was an extremely cumbersome and expensive process, largely limited to professionals.

While maintaining an administrative job in a bank, Eastman experimented with the idea of pre-made photographic plates that could be sold to photographers.  He was finally successful in developing this technology but also saw a market well beyond the professional user. His aim was to make taking a photograph 'as convenient as the pencil' and in 1888<sup>21</sup> the first Kodak camera went on the market with the slogan: 'you press the button, we'll do the rest'.

 From the beginning, Eastman envisaged a mass market for his products and drove development of the necessary technology to meet this market. The technology needed to be scaleable, in order to produce high volumes at a low cost.

Looking back now from the twenty-first century, it's hard to imagine a world where images couldn't be captured cheaply and easily by anyone. Despite massive changes to technology and the virtual elimination of film from consumer photography, Kodak has kept ahead of the trends.

 Today, Kodak strives to meet the digital challenge with growing worldwide markets in consumer photography, health imaging, motion pictures and even defence and space exploration. Kodak has succeeded by keeping the original vision of making photography convenient for the consumer, without being bound to a specific medium. What will be Kodak's next Pivot Point?

---

21 <http://www.kodak.com>

## When is the right moment?

While you can't ignore the socio-political environment of your own time, truly innovative companies will seek to transform the very fabric of the society they work within to change the way we all work and live.

So do you have to wait for the right moment, or can you create the moment for yourself? Of course that will depend on your answers to some of the other questions we've asked in this book so far. It will also depend on other factors, such as the nature of regulation in your industry.

Are the perceived barriers you face true barriers? Will they really stop you, or just slow you down? Legislation and regulations rarely maintain pace with rapidly changing technologies. It is often innovation itself that forces changes to regulation, so don't give up just because it hasn't been thought of yet.


Environment	Early 20th Century	Mid to late 20th Century	Early 21st Century
Technological	First flight	Space race	Budget air travel
	First telephones	First mobile phones	Ubiquitous mobile technology
Political	Women's suffrage	Universal Human rights	Global citizens
	World Wars	Cold War	War on Terror
Social	Limited education	Education expansion	Global education market

# Case Study 10

## Icebreaker®

In 1860 wool made up about 90% of New Zealand's exports, and in the 1940s it was 50% of the country's GDP.<sup>22</sup>  However, in 2010, wool made up only 1.5% of exports from New Zealand.<sup>23</sup>

Readily available, cheaper synthetic products were replacing wool in textile applications such as clothing and floor coverings. In the outdoor clothing market, synthetic fabrics were standard for high performance in extreme conditions.

 In 1995 Jeremy Moon started producing Icebreaker® outdoor garments from New Zealand Merino wool. It was a new product in an untried market. The added expense of the natural wool product over its synthetic competitors meant it was important to find a niche where the luxury of the product would be valued. As Jeremy Moon says himself, 'It's very confronting to start a new company, a new category and a new product from scratch.'<sup>24</sup>

Over many years of persistent dedication to the quality products at the heart of the Icebreaker® brand philosophy, Moon has built a successful global business that now utilises 20% of New Zealand's annual Merino wool production.<sup>25</sup>

For Icebreaker® the moment was right in terms of consumer demand for natural, sustainable, environmentally and socially responsible products. Would this niche have succeeded with luxury consumers of the 1970s or 1980s?

---

22 Carter, D. 2010. Good Wool Hunting. *New Zealand Marketing Magazine*. Jul-Aug. pp.10-14.

23 *ibid*

24 <http://www.icebreaker.com>

25 *ibid*

## Is your business designed for the future?

Traditional, hierarchical organisations are based on the social and political structure that prevailed at the time of the industrial revolution during the late part of the nineteenth century. Even into the twentieth century, organisations have been built around a number of core premises based on these social and political factors.

For example, traditional hierarchies worked on the assumption that there was a ready supply of low-skilled workers to fill positions at the bottom of the hierarchy. Working conditions didn't need to be too favourable if workers could be easily replaced. To achieve this, jobs were broken down into small, repeatable tasks that could be easily learned by a relatively unskilled person.

In contemporary Western democracies, these conditions rarely prevail. Where unemployment is relatively low and most of the population is well educated, people have more choices about their preferred employment and will seek work with greater meaning to them. Likewise, industrial legislation in democratic nations is likely to provide more favourable conditions for employees.

<b>Early 20th Century</b>	<b>Mid to late 20th Century</b>	<b>Early 21st Century</b>
<ul style="list-style-type: none"><li>• Industrial-age hierarchies based on command and control</li><li>• De-skilling and mechanisation of work</li><li>• Limited education</li></ul>	<ul style="list-style-type: none"><li>• Human relations approach</li><li>• Skills shortages</li><li>• Demand for services and higher educational standards</li></ul>	<ul style="list-style-type: none"><li>• High employee mobility</li><li>• Technology enables remote work and the decline of the traditional office</li><li>• Demand for high flexibility</li></ul>

# Strategy into Practice

## *What does it mean for you?*

It doesn't make much sense to think that organisational models designed in the time of the industrial revolution would suit our society today. Yet many companies still try to operate this way.

Rigid hierarchical structures designed for stable environments struggle to cope with the rapid pace of change and the demands for flexibility inherent in our contemporary climate.

Take a look at your own company to see how you compare.

## **Analysing your environment**

Our world is changing rapidly and it's important to constantly scan the environment for important trends and potential impacts.

While traditions and history are important and indeed an essential part of company culture, making the decision about what to keep and what to leave behind is an important Pivot Point for your business.

## **Thinking ahead**

Does your company organise itself according to current and future needs, or are you perpetuating the legacy of a bygone era?

Is your company structure designed to support your strategy or will it hold you back?

# **Your Pivot Point**

## ***Making the decisions that matter***

You may be ahead of your time. You may be an innovator who is defining the very future of your industry and our world.

Or, you may be holding on to outdated business models and sub-optimal practices just because you haven't thought about doing it any other way.

So, ask yourself:

*What are the defining features of your moment in time?*

Some things never change, but many things do. Think about those social, political, technological and other environmental issues that differentiate this era from others.

*How do you make the most of now?*

Your environment not only presents boundaries, it also offers opportunities. Think about how you can take advantage of a changing environment to develop new products or services or to expand your market reach.

## Chapter Six

# How?

---

Outsold only by the Bible, Agatha Christie's crime novels have sold over two billion copies. For fiction written in English, only Shakespeare comes close in total sales, but he has had a four hundred year head start.

In more than eighty novels, Agatha Christie held readers in suspense as they tried to use their 'little grey cells' to deduce the villain in a series of nasty murders. Over the years, many theories have emerged that seek to explain the secret to Christie's success.

The 2005 documentary, *The Agatha Christie Code*,<sup>26</sup> told how text analysis was used to try to explain some of the mysteries of Christie's famed stories. Cognitive science recognises that the conscious human mind can only respond to a limited number of inputs at one time. This number is said to be seven, plus or minus two. In theory it means that no one can hold more than nine ideas simultaneously in their conscious mind. In *The Agatha Christie Code*, the theory proposed was that Agatha Christie always had at least ten threads to her stories. This meant that it was impossible for the reader to keep track of them all—a clever way to maintain the mystery and suspense.

Whether Agatha Christie consciously wrote in this way, we will probably never know. However, it's an important reminder of the need to be aware of the limitations of the conscious mind when designing your business strategy. A strategy should not be an unsolvable mystery. Having a 55-point plan for growth might be fantastic, but nobody can remember all the points. To be effective, strategy needs to be internalised.

---

26 'The Agatha Christie Code'. Screened on ABC television. 15 October 2006.

In practice, this means you should limit your areas of focus to fewer than nine. I recommend keeping them to between five and seven, because nine is the upper limit and can't be reached by everyone.

Recently, I worked with a client to narrow their focus areas down to six. In fact, the second three are a mirror of the first three, so there are really only three to remember. Everybody in the company can internalise these three things and everyone can apply them to their daily work. While there is still a step to take between remembering an idea and applying it, there's really no future for a strategy that can't be comprehended by the conscious mind.

## **How do you make sense of complexity?**

When faced with complex situations, we do our best to simplify the many layers into a format that is easily understood and can be effectively communicated. Various theories, models and metaphors can be used as tools to assist us to comprehend complex problems and can provide simplified frameworks for action.

Breaking your overall objectives down into simple actions is essential to realising your strategy. Because they are simplifications, any theory or metaphor is based on a number of assumptions about the nature of the situation it is proposed to explain. So, every theory has its limitations and it's important to ensure that the framework you choose is meaningful for your organisation.

No matter what your endeavour, there is no single pathway to success. While it might be seductive to believe that models and frameworks used by a highly successful company will automatically work for you, every business is unique and you need to approach your decision making with your own particular circumstances in mind.



It's also important to remember that while focusing on the detail is necessary to enact your plan, you should never lose sight of the big picture. When making business decisions you need to take a holistic approach that considers all your Pivot Points and how they interact.

## Emergent Strategy

In Chapter 4, I mentioned the concept of a false dichotomy, where two choices are erroneously claimed to be the only possible outcomes of a decision.

One of the classic dichotomies in strategy is the perceived split between strategy formulation and strategy implementation. While it's true that viewing these as two phases can be useful, it is too simplistic to assume that once a strategy is formulated it will be straightforward to implement.

Prominent management theorist Henry Mintzberg<sup>27</sup> introduced the concept of Emergent Strategy, which provides a third aspect and acknowledges that many factors intervene between the plans that are made and the plans that are realised.

You would know in your own professional life that distractions and interruptions happen constantly and keeping strictly to a rigid plan is almost impossible. So, how do you make it happen?

---


27 Mintzberg, H. 1987. Crafting Strategy. *Harvard Business Review*. Vol.65. No.4. pp.66-75.

# Case Study 11

## The Military Metaphor

Modern business strategy grew out of a military metaphor, with business leaders being compared to generals and workers being thought of as armies.

Probably the most popularly known application of the military metaphor to corporate strategy is through Sun Tzu's *Art of War*, which has been frequently re-interpreted for a business context (see Chapter 2).

 During the 1700s, under the leadership of Fredrick the Great, the armies of Prussia succeeded in conquering large areas of Europe. Fredrick had been proactive in modernising his armies to include practices such as selection by merit, and rigorous training of soldiers. The Prussian bureaucracies were structured to maintain strict authoritarian control so as to achieve the aims of the monarchy, which they did very well.

In a modern democratic society, some of the tenets of the military metaphor no longer apply (see Chapter 5). Likewise, the military metaphor paves the way for another dichotomy that isn't always applicable in business: the dichotomy of the winner and the loser.

But military leaders were long aware of the concept of emergent strategy and Sir Winston Churchill summed this up well: 'In battles ... the other fellow interferes all the time and keeps upsetting things ... and the best generals are those who arrive at the results of planning without being tied to the plans.'<sup>28</sup>

Like all theoretical frameworks, some aspects of the military metaphor may be useful if they are applied in a way that is relevant for you. Others should be left on the battlefield.

28 Churchill, WS. 1930. *My Early Life*. Collins Fontana Books. Glasgow.

## **How will you achieve your vision?**

There is nothing quite like watching a concert pianist at work. What you notice about many professional musicians is that they play from memory. Performing great music is about more than just playing the notes. Not only have these virtuosos memorised the score, but they've internalised the music, its nuances and its meaning, so they can tell the composer's story with passion and energy.

When we see people perform in the business world, there's often a disjunct between what the composer has written in the score and what the player performs on the stage. Strategies and plans may be written down, but not internalised. Systems and processes may be cumbersome, overly complex and unwieldy to implement. Musicians can memorise a score because music has patterns and harmonies that make sense to a trained musician. Music is not a random collection of disjointed notes.

Likewise, in business, your strategies and plans need to make sense. They need to be in harmony with your vision and values and clear enough for everyone to internalise. A hotchpotch of systems and processes that don't work together or don't work towards the overall vision will never help the business progress and will inevitably be abandoned, while people revert to playing the tunes they know.


If you want your business to perform at its best, you need to design it the way a composer writes music, with an overall vision for the story to be told, with patterns and themes that fit that vision and with harmonies that make sense.

An ideal business design will align your vision and values with your strategy, structure, systems, processes and people.

# Case Study 12

## The Sporting Metaphor

Akin to the military metaphor is the sporting metaphor, which is also most commonly based on a zero sum game. In most sports the outcome of the contest is one winner and one loser. An exception is test cricket, where a draw is commonplace.

One of the most successful cricket coaches of all time is Australia's John Buchanan.  John transformed cricket by taking a process approach to the game. This approach meant breaking each part of the game down into its components and honing player skills in each area. By perfecting each process individually, then applying those processes during a match, the Australian cricket team under Buchanan was almost unbeatable.


John Buchanan demonstrated the importance of a coach for the optimum performance of a team. John has taken the view that there is very little difference between coaching a sporting team and managing a company or a team within that company: the key principles of relationships and continual improvement apply.<sup>29</sup> We've seen business coaching grow into an industry of its own in recent years.

One of the useful aspects of the sporting metaphor is the acknowledgement that even at the most elite level, sportspeople need a coach to guide them and keep them on the track of continual improvement.

In business it's also valuable to have a person, or a number of people, who act as a coach for your personal and professional development as a manager, board director or business owner.

---

<sup>29</sup> Buchanan, J. 2007. *If Better is Possible*. Hardie Grant Books. Melbourne.

 The choice of a coach, just like any other Pivot Point, is an individual decision and you need to choose the person or people who best suit your needs.

# Strategy into Practice

## *What does it mean for you?*

### **Turning your vision into action**

Not only does every aspect of your business need to align with your vision, but you need to break what you want to achieve down into 'do-able' tasks.

Every plan should have milestones, and every milestone needs actions. Likewise, every system is made up of a number of processes and every process is made up of a number of steps.

This doesn't mean that you are a robot: mechanically following a series of tasks and ticking each box. Instead it means the opposite: that you are mindful of your actions and consider their importance to your vision before going ahead. Plans and processes need to be reviewed regularly. If not, you might find that the world has shifted around you and you have been left behind.

How many of the myriad tasks on your 'to-do' list could you eliminate? How much more clarity would you have if you focused on those things that were really important to achieving your vision?

Breaking down what you need to do into manageable tasks also provides the opportunity to delegate those aspects that others might do more effectively, more quickly, or at a lower cost.

A coach or other advisor can act as a sounding board to help you work through your priorities and keep you and your team on track to achieving your vision.

# Your Pivot Point

## *Making the decisions that matter*

I've left the question of *how* to Chapter 6 because you can't really answer this question properly until you've worked through the essential questions in chapters one to five.

Many businesses jump straight into the *how* without stopping to think about why they are making these decisions and without considering the other factors that will impact on the success of their chosen actions.

While it's important to choose the right structures, systems and processes to suit your objectives, don't let these mechanistic aspects be the determinants of your future direction. You can always change your systems to suit the changing environment, while keeping your purpose in full view.

So, ask yourself:

*How will you break your vision down into manageable ideas that everyone can internalise?*

Keep your focus areas to no more than five to seven, or they'll just remain ideas on paper and never become reality.

*How will you resource the actions that are required?*

You can have any number of fantastic ideas, but if you don't have the time, money, people and other resources to put them into action, they will never happen. Either work out how to obtain these resources, or work with what you've got as a starting point and achieve one bite-sized chunk at a time.

## Chapter Seven

# Why Not?

---

My young nephew, when he was about three, was out in the backyard with his dad one night, admiring the magnificent full moon.

'Daddy, let's fly to the moon!' he exclaimed.

His dad chuckled to himself and said, in a very sensible, adult tone, 'We can't fly to the moon, because we don't have a rocket ship.'

'That's no problem, Daddy,' my nephew replied. 'We'll go to the shop and buy a rocket ship, and then we can fly to the moon!'

It's hard to escape the enthusiasm of a child who sees everything as possible, and nothing as impossible. As adults we limit our thinking by imposing barriers on ourselves as part of what we believe to be sensible behaviour.

Business strategy is often framed as something strictly rational and planned. However, imagining alternative futures is a creative process that may not come together in a strictly rational way. Instead, to imagine creative possibilities, we need to allow our minds to work holistically—we need to let the different parts of our brains connect in surprising ways.

Generating this type of creativity means taking a step back and perhaps focusing on something else altogether. It's when we're out for a walk, in the bath, or in that hazy time between waking and sleeping that the best ideas can happen. In business we sometimes try to force a rational approach to making critical decisions, when a better approach may be to take some deliberate time out.



The challenge of facing a Pivot Point is to re-think your situation through the eyes of a child: to consider what might be possible if you weren't a sensible, rational-seeming adult. How might you do things differently if anything truly were truly possible?

## **Keeping it real**

Imagining unlimited possibilities is a good starting point for creative thinking and generation of ideas. To turn those ideas into a directed vision requires setting boundaries. Boundaries help to focus thought and can actually stimulate further creativity.

If the place you want to be tomorrow is different from where you are today, then some changes will be required. Introducing change can be difficult and you can face significant resistance, even if the change is regarded as a positive one.

You will inevitably face many barriers in bringing your vision to life. It's important to keep your focus on the end result, but it's also important to match the challenge to the capabilities of your organisation. If the challenge is too big, people can feel overwhelmed and disheartened—they can give up on the project, or even leave the organisation.

Getting things done requires more than mere motivation: it requires genuine capacity. Building or harnessing that capacity is essential to achieving your vision.

# Case Study 13

## Before the Flood

*Antediluvian* is one of my favourite words. Its literal meaning is *before the flood*. Traditionally, this refers to the Biblical flood that destroyed the known world, apart from Noah and those safely protected in the Ark. The term is generally used to describe thoughts, ideas or policies so outdated they are more suited to ancient times.

⚙️ At the beginning of this year in Brisbane, where I live, we experienced a catastrophic flood where lives were lost and thousands of homes and businesses were destroyed. Our concept of something that was *before the flood* is no longer ancient or archaic—it's fresh, it's raw, it's still wet. But in many ways the implications of the word *antediluvian* are still the same—it really means, *before everything changed*.

Those plans we made for the New Year, those things we were going to do before January got away from us, those visions for what the year would be—they were barely a fortnight old—but somehow they seemed like ancient history.

A lot of my work involves helping people to plan for the future. One of the biggest challenges is the 'what if?' Indeed many people abandon the idea of planning altogether because there are too many things that could go wrong, too many things that could change.

⚙️ Unplanned changes are a normal part of life. Some are minor and some are more significant, but change of some kind is inevitable. It's not what happens in our lives, but how we deal with those things that determines our outcomes. Accepting that not everything is within our control is a useful, but difficult, first step.

Many of us may be tempted to throw our well-made plans out the window in the face of unforeseen change. My advice is to be flexible and make changes where you need to, but don't abandon your core desires and values. Hold onto these, and build your protective Ark around them.

## Planning for uncertainty

One of the biggest challenges facing you as a business decision maker is how to plan for an uncertain future. It's easy to think that because things are changing so fast, because we can't predict what will happen next, there's no reason to plan.

Part of this reluctance arises because planning and strategy are often confused. Smart business people know that while plans may have to be adjusted, in uncertain times having a clear strategy is more important than ever. Wise business people know that the future is *always* uncertain.

Effective strategy requires a balance between consistency and flexibility, but when there are significant external pressures it's sometimes hard to know what you should change and what you should stick with.

To have the best chance of success, you must have a clear vision and well-defined values, and you must stay true to them. These are at the core of your strategy. If you can't hold to these, you will lose credibility with your colleagues, with your industry peers, and ultimately with your customers.


There is never a bad time to clarify your vision and values, review your strategy, and set your direction for the future. Foundations laid in tough times can be the basis of your next level of growth.


# Case Study 14

## Gore

W.L. Gore & Associates are the inventors and manufacturers of the well-known Gore-Tex® fabric, used to produce weatherproof footwear and other apparel for outdoor activities. Gore do not produce the clothing themselves, but supply the fabric to approved partners who manufacture the end products.

Gore-Tex® is an example of successful ingredient branding. Like Intel computer chips or Dolby sound systems, marketing of the product components is aimed directly at consumers, rather than to manufacturers alone.<sup>30</sup>

Gore have consistently performed above industry averages for growth throughout its fifty-year history.  Working in a high technology field that is characterised by rapid change, Gore have adopted a non-hierarchical structure that allows them to adapt flexibly to this changing environment. Instead of a traditional pyramid, Gore have a flat, lattice<sup>31</sup> structure that provides their people with autonomy over their own projects.

This approach encourages innovation but works best in small teams with a maximum size of about 200.<sup>32</sup>  To structure for growth, Gore did not set up a huge headquarters, in the traditional model, based on achieving scale and scope. Instead Gore continue to build new, small plants with small teams working innovatively and efficiently. Gore are consistently named one of the best companies to work for in many countries around the world.

---

30 Alternative Ingredient Brand Strategies. 2011. *Marketing Week*. March 11. p.21.

31 <http://www.gore.com>

32 Nielsen, T. 2010. Fabric of Success. *Director*. February. pp.48-52.

## Managing success

Rapid growth can be seen as a positive sign that your company is doing many things well. You've decided who you are and what you're doing. You have a good idea of who your customers are and what they want, and you've found a way to differentiate yourself from your competitors.

Rapid growth can be seen as an ideal that companies should strive for. Reality is, however, that rapid growth is difficult to sustain. In the 22 years since *Inc. Magazine* began ranking high-growth companies, only 69 have made it onto the list two or more times.<sup>33</sup>

What's more likely is that your company will undergo periods of rapid growth followed by a plateau, before another period of growth. During these rapid growth periods, there is a danger that the company will struggle—and many will fail. It seems counterintuitive that growth would be harmful for a company; but it can be a significant challenge for your systems, processes and people to keep up with the rapid change that goes with growth.

To grow at a sustainable rate requires appropriate allocation of resources to ensure ongoing capacity. Systems need to be flexible enough to accommodate rapid change. Knowing that the period of growth might be followed by a plateau also means that you shouldn't over-commit to resources if you can't sustain them. Again, having the flexibility to adapt to change is one of the keys to long-term viability.

---

33 Nicholls-Nixon, C. 2005. Rapid growth and high performance: The entrepreneur's 'Impossible dream?' *Academy of Management Executive*. Vol.19. No.1. pp.77-89.

# Strategy into Practice

## *What does it mean for you?*

Some barriers are real and some are imagined. Some barriers are imposed by others, but some barriers are imposed by you. Recognising which types of barriers you're facing is an important step to overcoming them.

## **Selling your vision**

Whether you're running a multi-national corporation or just starting out in a new business, you are going to have to sell your vision: to colleagues, to customers, to investors, to your spouse. Anyone whose support you need has to first buy in to your vision.

Think about the impact on stakeholders and seek their input into the decision-making process. This will make your vision easier to sell and will help you to identify potential obstacles.

Attracting investors is important for many companies. Presenting a compelling business case is essential if you expect others to put their money on the line. Selling your vision is the biggest hurdle in this process, but it isn't enough.

Investors will need the hard facts: costs, benefits, risks and returns. They want to know who will run the business and how they will run it. They need to know that their money is in safe hands.

Having considered the key Pivot Points that have been outlined for you, you should be in a good position to provide these answers. It's now up to you to draw on your available resources to generate the support you need and make your vision a reality.

# Your Pivot Point

## *Making the decisions that matter*

When you share your vision, there will always be naysayers. It's easy to knock an idea and give a long list of reasons why it won't work. You can't ignore the reality of the difficulties you will face, but you can acknowledge these difficulties as challenges to overcome, rather than insurmountable barriers.

Risk and reward go hand in hand. You can choose the safe path and get a reliable but mediocre result, or you can take a calculated risk and strive to achieve something more.

So, ask yourself:

*What if anything were truly possible?*

If there were no barriers to your success, you may well approach things differently. How would the future look if you didn't have to consider time and money?

*What barriers will you face and how will you overcome these?*

It makes sense to think about the realistic challenges you've set and the barriers that are likely to arise. Pre-empting these will help you to allocate resources appropriately and harness support where it is required, greatly increasing the likelihood of success.

## **Pivot Point—Conclusion**

I recently had my 'colours' done by a fashion stylist. It's an interesting exercise that helps you to determine which colours suit you best when it comes to clothing and accessories. By the end of the process I had a well-defined palette of colours to choose from.

As part of this process I also catalogued my wardrobe. I was pleased to find that most of the clothes I already owned fitted within the preferred colour scheme. Intuitively I had a sense of what suited me and what didn't. There are some colours I like better than others and there is a good reason for it.

However, there were a few items of my wardrobe that clearly stood out as being the wrong shades. With my new-found knowledge I was happy to cull them immediately, regardless of how long I may have had them or how much I might have paid for them. I was happy to send a pile of good clothes to the charity shop so that someone else would have use of them.

What was really powerful about the colour-matching process is that it also let me know which colours to avoid. I can now walk into a clothing store and immediately dismiss anything that's khaki, gold or brown. I can confidently buy black and white without fear that it's 'boring'; instead knowing that it flatters my features. Having a clear vision of what will work makes the decision-making process so much easier.

It's the same when we define the vision for our business. It's easy to think that it's something airy fairy and many people are inclined to believe that having a vision is a waste of time. But how much time do we waste trying on clothes that will never suit us, buying outfits that we'll never wear?



Having a clear vision makes all the day-to-day decisions much easier. To work, the vision must be well defined and meaningful. If you have a vision that isn't working, it may need to be more clearly thought out. If you're too caught up in all the day-to-day decision making without time to think ahead, stepping back and clarifying your vision is the first move you need to make to get things back on track.

This year an Australian won the Tour de France for the first time. In sporting terms, this is a great achievement and on his homecoming in Melbourne, crowds filled the streets to shower accolades on one man and his bicycle.

You might ask why?

My husband and I were lucky enough to be there to follow the last four stages of the race in the French Alps, onto the streets of Grenoble for the time trial, and into Paris for the grand finale on the Champs Elysee. We cheered and yelled, drank champagne, waved our Aussie flags and sang along to 'Advance Australia Fair' with Tina Arena. It was a spine-tingling experience that was undoubtedly the highlight of our honeymoon.

We had many people ask why we chose to plan our honeymoon around a bike race.

We must be keen cyclists—no, I don't even own a bike.

We must be huge cycling fans—not really, but we have been captivated by the Tour de France for many years and have spent endless late nights following the progress of Cadel Evans and his Tour de France dream.

It's not about the cycling, it's not about the race, it's not even about Cadel himself.

It's about the dream.

## *Pivot Point*

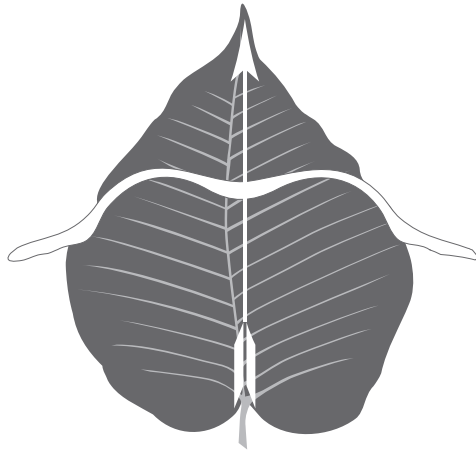
It's about setting a goal and pursuing it relentlessly.

It's about having the courage to share your vision and the leadership to have others buy into it—the Tour de France is not won by one man and his bicycle, but by a huge team, all dedicated to the same dream.

Following a dream isn't easy and you will face many Pivot Points on the way to success. You will need to adapt to overcome the obstacles you face.

Through this book I've set out a series of key questions that you need to answer for yourself. They are equally applicable to a small company just starting out as they are to a large corporation setting its direction.

They are the keys to successful strategy—the decisions that matter in business.



---

**TEAK YEW**  
PTY LTD

[www.teakyew.com](http://www.teakyew.com)