

A strategy for all seasons

Business will always go up and down with market forces. The only way to ensure survival, says Dr Leandro Herrero, is to prepare for constant change by keeping morale high and structures flexible

Somewhere on the 10th floor of corporate headquarters, in an exclusive suite to which not many people have access, there is a Little Man who holds The Master Plan. He knows in detail what's going on in the world and has a plan for your company. He knows, for example, about the merger, the one everybody is guessing will happen, about the restructuring and the significant budget cut in the third quarter. The role of everybody else is to wait until decisions come down, perhaps all at once, perhaps in some convenient rhythm during the year. "Tell us what you want, what you have in mind, Little Man Master, and we will follow, we will reorganise, downsize, right size, etc..."

Many managers behave as if that little man with the master plan in fact exists. They don't believe they can shape their own destiny because they are not in charge of strategy, nor are they the CEO. And the CEO, they seem to think, can't either because he is dependent on the Board, and the Board, by the way, has just commissioned an All Things Strategic Review from a big consulting firm, and God knows what that will say.

The problem with this managerial thinking is that the reality is very different. For a start, there is no little man on the 10th floor, just the accountants and lawyers. There is no Santa Claus with answers and no secret master plan (well, there is a 6kg binder with something called The Strategic Plan but no strategic plan has ever been followed since Adam

and Eve screwed up God's plans for mankind in the forest). The Board does periodically review the strategy but the connection between that and day-to-day life is uncertain and, by and large, nobody has a clue what's going to happen

in the short, medium or long term.

Consider the following tale. A CEO is retiring and wants to pass his wisdom on to his successor, who politely accepts the advice in the form of three sealed envelopes. "My friend," the retiring CEO says, "when in trouble, open one of the envelopes. Everything I know is there". Time passes, the company is doing well on all counts but three years later it makes headlines as a 'centralised dinosaur' that has lost its north. The culture is rigid, headquarters powerful, people in the affiliates leave because they are not taken into account and the whole feeling is one of a monolithic system that has lost its market-driven grip. The new CEO remembers the envelopes and opens one to find a simple white card with the word

'decentralise'. He thinks this is exactly what is needed and, grateful for the advice, starts a massive plan to decentralise operations, empower the affiliates, shrink the size of headquarters by half and create new business units that follow market needs. It does the trick and months later the company hits the headlines again, this time as a miraculous turnaround and living expression of 'the will to change'. 'The elephant is dancing again', a business magazine puts it, borrowing the expression from an old Harvard book.

It all runs smoothly for another three years. But at some point people start to complain of chaos. Each affiliate and business unit seems to be going its own way, nobody is 'putting it all together', and it is difficult to understand the synergy between the multiple businesses. The same magazine that praised the dancing of the elephant, provides new insight with the headline, 'Far from thriving on chaos', an expression borrowed from one of management guru Tom Peter's books. There is a lot of pathology around, diagnoses the CEO, who has always been famous for his British understatement.

He remembers the envelopes and opens the second, a bit yellow by now, to find a simple white card with the word 'centralise'. Funnily enough, he's just completed a big Strategic Review commissioned by the Board. After three months of intensive diagnosis and cohabitation with a legion of MBA graduates, the conclusions of a six-figure consulting study (235 cramped powerpoint slides) could be summarised with the same single word: centralise.

For a moment he has his doubts about whether the study validates the contents of the envelope or whether it is the other way around because he cannot see the difference between the two sources of wisdom. So he centralises. He hires a new management team and a common sense of purpose starts to develop again. The 'glue' between businesses, as he likes to put it, starts to work and soon he hits the headlines again, this time being praised as a business guru. He is, according to the same magazine, one of the few CEOs with a real strategic mind who can provide a clear sense of direction in times of fragmentation and chaos.

All went well for another three years until too much glue started to produce a semi-catatonic business. The elephant that had learnt to dance many years ago was now arthritic and everybody knows how agile an arthritic elephant is. The press was no longer friendly and the rigidity of the culture became a problem again. Wall Street started to question 'the strategy'. And when Wall Street questions the strategy, Boards are supposed to question the CEO. The CEO, to be frank, was a bit tired by now. Helas, he remembers there is a third envelope.

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Illustration by Rob Wilcockson

A dancing elephant is a living example of the will to change – according to Harvard management gurus.

He should get the wisdom straight away. After all, it had worked with envelope one and two. He went to his safe, opened the remaining envelope and saw a simple white card. This time it read 'prepare three envelopes'.

There is no little man with a master plan; only, if anything, a few envelopes of wisdom lost in some archive or safe. There is, however, something known as sound scenario planning. In the next three years, you will see in your company – plus or minus – an acquisition, a big failure, a tremendous success, a merger, a consolidation, three major organisational changes, 20-50% new faces, one split, two big budget increases, one headcount freeze and two budget cuts. The headcount freeze may come the same year as the big budget increase. It's called market forces and frankly, the weather forecast is more predictable.

Six-road strategy

In that context, here is the win-win six-road strategy that your organisation should adopt to remain infinitely flexible:

1. If we acquire, we plug in, embrace and work together from Day One.

Businesses should have an organisational architecture that can be scaled up easily, that can embrace acquired businesses or organisations with the minimum trouble and without needing to rethink the whole thing from the beginning. Organisations should ask themselves if they are fit to acquire. Can they integrate a new company or division into the existing business relatively easily? Or is their house in such a mess that an acquisition will only increase the chaos? These questions are not size-dependent.

2. If we are acquired, we are a jewel and will be treated as such.

Organisations should aim to see themselves as jewels (professional, managerial, scientific-technical) that can stand the test of being acquired. Companies should ask how they would survive an acquisition. This is, again, not size-dependent. A small division of a medium-sized company, for example, may be able to command respect in the event of the company being acquired.

3. If we merge, our human, social and structural capital will be such that we call the shots.

The capital value of any organisation is a combination of its human capital (talent), social capital (relationships) and structural capital (capabilities,

ways of doing things). Organisations should aim to be rich in human, social and structural capital so that in any merger, it's clear where the centre of gravitas is. Size doesn't matter here.

4. If we split, we will be fully functional from Day One.

The test here is again one of organisational architecture. Is the company able to split into different areas or businesses or divisions and maintain functionality? Are the components scaleable and therefore also able to ungroup? If so, the value of such an architecture is enormous and again, size is irrelevant.

5. If we restructure, we know our skills and competences; we have a plan.

Before reorganising or restructuring the business for whatever reason, it is important that the homework has been done in terms of knowing the skills and skill gaps. There also needs to be a full organisational audit on the decision-making process, resource allocation, priority-setting, clarity of the lines of account stability, progress reporting and knowledge transfer mechanisms and processes.

6. In any case, our individual and collective market value is high.

The only real win-win strategy is the one where both the individual professionals within an organisation and the organisation itself as a collective do everything possible to have the highest possible market value. When professionals see themselves as highly employable and when the collective IQ of the organisation is high, they have no reason to fear what may happen. Both, individually and collectively, are not commodities but premium elements. Again, this kind of thinking will work for any size of organisation and business.

Credit in the bank

Organisations should constantly look at their 'credit in the bank'. A proposed portfolio for your safe might include: a set of non-negotiable values, high intellectual capital, a scaleable structure, a smooth operation, an innovation hub, a record of achievement and overall high credibility.

Since there is no little man with a master plan on the 10th floor, and, by and large, nobody has a clue what happens next, managers are rich. They have what they usually don't think they have: tremendous possibilities to shape their future. The problem is that they don't believe it. They prefer to believe in Santa Claus: we don't bring the presents, he does. Corporate management pretends there is a Santa Claus as well, and gives us a 6kg binder strategic plan. We all pretend and, in the game, professionals forget they have far more power than ever before. Everything is possible; but only the shapers survive. SM

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