THE MANAGEMENT CHALLENGE

SOUTH AFRICA IN THE NEW WORLD

A SELECTION OF ARTICLES BY
TONY MANNING

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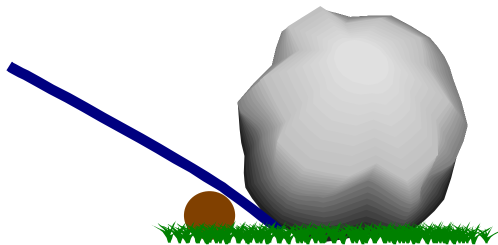
RADICAL STRATEGY™

THE META PRINCIPLES

1. Successful strategy connects the values of an organization with those of its customers.
2. Strategy must enable the organization to make a difference that matters to a critical mass of “right” customers.
3. Focus, value, and costs are the keys to competitive advantage.
4. Imagination and human spirit inspire maximum performance. These are products of both individual contribution and symbiotic relationships.
5. It may be easy to clone a product, but it’s impossible to clone a community. So a vital goal of strategy is to create and sustain a unique community.
6. Purpose is the glue that holds a community together, drives teams to seek their potential, and provides the context in which individuals can apply their imagination and spirit.
7. Shared ideas lead to shared meaning. The more openly and honestly ideas are shared, the greater the level of trust will be—and the more ideas will be shared.
8. People value work that makes them valued. When they make strategy, they matter. And when they own the outcomes, performance matters.
9. Strategic management is conversation. It informs, focuses attention, triggers fresh insights, lights up the imagination, energizes people, and inspires performance.
10. Corporate conversation provides a context for personal and group learning. Your message must complex and challenging, or no one will buy it. It must also be simple, clear, and believable, or you won’t sell it.



SA FACES NEW WAVE OF HOSTILE COMPETITION

Turmoil in world financial markets will have an almost immediate impact on the fortunes of South African firms. Companies that are busy with improvement processes should move faster and more aggressively. Those that haven't started should wake up and get moving.

One way or another, customers for almost everything have been affected by the financial sell-off. The confidence of some has been shaken, while others have been badly hurt. Companies will have to work harder for every sale.

The main force for change will come from Southeast Asia. But whereas in the past we admired Asian managers, now we must fear Asian mis-management. Both companies and countries are in a corner, and they're likely to take some harsh medicine—and do some dumb things—to change their fortunes."

Politicians faced with unpalatable choices will be tempted to take the easy way out. That will simply exacerbate their problems and send ripples of trouble across the globe.

Business managers are likely to act irrationally in an attempt to prop up their sales. Costly price wars are just one certainty. There are also sure to be massive changes in the way firms produce, distribute and promote their products and services. It makes sense to expect the unexpected.

Already growth rates throughout the Asian area are being scaled back, and countries that looked set to deliver rates of 8% or 9% forever are now looking to half that in the year ahead.

The financial systems of many of those countries are dangerously shaky. Without major structural reform, they will threaten global economic stability for a long time. Most governments will probably act more slowly than they should, but one thing they will do in the short term is cut infrastructural spending.

The Japanese government has already announced a 7% cut in this area. The Thai government has cut its budget by $460 million. There must be a big question mark over Malaysia's big plans—and thus over further commitments to SA by Malaysian investors. And while India and China have so far escaped most of the region's turmoil, their time cannot be far off.

South African firms that pinned their hopes on Asia will have to re-think fast. For even as governments and companies slash their spending, consumers are becoming more price-conscious. Wage-hikes are on hold and jobs are being cut. Selling into those markets will be increasingly difficult, and competition for every customer will be intense.

But the problems don't end there. With their local markets in a slump, Asian firms will try to export their way out of trouble. There is huge excess capacity in many industries and across the region countries have devalued their currencies by 30-40% in recent months.

If competition has been causing problems for our companies, local managers have yet to feel its full force. All signs point to the competitive temperature rising to undreamed-of levels virtually everywhere in the very near future. Cost pressures that are coming down the line will wash away margins faster than they managers can imagine.

There's also a renewed prospect of protectionism as the US, for example, tries to hold off the onslaught on its market and manage its trade balance. Barriers raised after the 1929 crash impeded growth for years.
These changes come at a particularly bad time for South Africa. Any prospects of reaching the goals of the Growth, Employment and Redistribution programme must now be out of sight. Faced with global competition and constrained by new labour laws, local firms are shying away from hiring people.

A slide in the rand may hold down the cost of technology imports, but its impact on exports will be limited if target countries are devaluing their own currencies.

Altogether, the ANC will go to an election with a host of factors running against it. If local firms are not free to take tough steps to survive, confidence will fall even further, and growth will slide faster. Government simply won't be able to fund this country's future.

Unfortunately, we are caught in a massive structural shift in global economics. While government is doing many things that should improve people's lives, and while its intentions may be laudable, it has to face the uncomfortable realities of these times.

One is that we are rapidly losing ground in the manufacturing stakes. And without more flexible labour policies it is inevitable that factories will close and foreign investors will stay away.

Second is the urgent need for meaningful supply-side measures to encourage exports. For all the talk about level playing fields, the fact is that international trade is not a fair fight. South African firms have been hurt by rapidly falling tariffs, and many have taken giant strides to improve their competitiveness. But without support and incentives they will be handicapped in the race for the future.

At the corporate level, a far more aggressive attitude to competition is essential. Too many managers are paying too little attention to the threats and opportunities ahead, and they're not moving fast enough to capture and keep customers.

Their biggest mistake is to imagine that incremental improvements will get them where they want to be. In fact, only radical change and bold leaps will take them forward rapidly enough to win in a new age of hostile competition.

WHY SA's EXPORTS DON'T TAKE OFF

A decade ago, at the height of the sanctions campaign against South Africa, one expert after another advised that manufactured exports were vital to this country's prosperity. Today, the need is even greater. Yet while some firms have made admirable progress in foreign markets, most aren't making a dent.

Despite the weak rand, significant export growth is likely to stay elusive. For in the blink of an eye, the global business arena has been transformed by the Asian economic crisis. This is the age of hostile competition. Selling anything anywhere gets harder by the minute.

South Africa is in a precarious position. Predictions of growth in exports, GDP – or jobs – must be revised. Plans prepared just a few months ago must be torn up. Radical new strategies are urgently needed.

If South Africa's exports have languished, the reasons are clear. Five stand out.

First, is the question of intention and aggression. When I wrote my book *World Class* in 1989, few local managers were interested in the topic. They were isolated from the world, and didn't need to worry about it. Now everyone tosses the phrase around and there's hardly a mission statement which doesn't include "world class" as a goal.

But ask what companies understand by "world class". Ask how serious they are about getting there. And ask exactly how they're going about it. In too many cases, it's clear that those bold-sounding intentions will never become action. Managers have little idea how high the "bar of excellence" is, and even less understanding of how to leap over it.

But even worse, they're only half committed to being global players. They talk glibly about invading far-off markets with huge potential, but when the time comes to take bold steps or put money on the table, they back off and stay with the customers they know.

A second problem is that few executives realise that today's customers want more for less. Buyer's expectations are high – and rising. They take quality and service for granted, and shop like crazy for the best price.

Some South African companies have woken up to the fact that customers matter. Some offer reasonably good service and a pitiful few are truly exceptional. The vast majority are so mediocre it's easy not to do business with them.

The third reason that exports are unlikely to take off is that waste is a way of life in this country.

Money that should go into training, marketing, cutting-edge technology, and the maintenance of plant and equipment is squandered on fixing or replacing shoddy products, repeating service calls, and spending too much time in silly meetings.

Fortunes are lost when parts and materials are thrown away because of poor design or careless handling. Margins evaporate when unions constantly disrupt work and demand higher wages and better benefits, but refuse to deliver improved productivity. And any cost advantage that a weak rand might bestow is lost when people stay away from work, steal from their employers or defraud customers, and grab any opportunity to get in the way of necessary change.

The fourth factor is strategy. Many companies stick to outdated concepts and make plans in ways that literally guarantee their failure.

Almost every company talks about being the “cost leader”. Yet clearly there can only be one cost leader in any industry; and besides, few firms are prepared for the tough action it takes to own that position.

Companies also debate notions like “positioning”, “driving forces”, and “differentiation” without really understanding what they imply, how they might be used – or when they won’t work.

Planning processes fail because managers set out to develop detailed plans, rather than build the capacity to think and act strategically. They separate strategic thinking from implementation, with the result that plans stay on the shelf while people busy themselves with other things.

Finally, there’s the question of managerial competence. For a variety of reasons, South African companies’ management ranks are being “hollowed out”. There is a serious shortage of senior executives; one rung below the chief executive’s office, there’s a gaping chasm. A lot of people in key jobs are way out of their depth.

The flight of skills out of this country is a national tragedy, and replacing them will take decades. It’s easy for those who are not managers to proclaim that “anyone can do that job”, but in practice that’s just nonsense. The collapse of so many of our public services should be adequate warning that without experienced people, things grind to a halt and fall apart.

There are obviously many other factors that impede South Africa’s export performance. One could blame the Department of Trade and Industry for cutting tariffs too fast. Government has been slow to define competition policy, and perhaps does too little to encourage and facilitate competitiveness. We do have too few people with technical skills, and the education system is unlikely to produce enough of them anytime soon. Also, South Africa is a long way from many important markets.

But the real handicaps are *inside*, rather than outside of companies. Corporate South Africa may have good reason to point fingers at government, but doing so won’t take any firm any closer to success in world markets.

When *managers* accept responsibility for export growth, and when they commit to the hostile strategies necessary in the new business arena, progress will be possible. But the challenge is not theirs alone.

Until the *workers* of this country sign up for the same task, and show that they care about the companies the work for, the products and services they deliver, and the customers they serve, foreign sales will stay elusive – and jobs will continue to disappear.

There were many excuses for not performing in the old South Africa. Now there are none. If anyone is to blame for the fact that exports are lagging, it’s everyone of us. Until this message sinks in, we will remain also-rans in the global competitiveness stakes.

South Africans will become poorer. The African Renaissance will remain a mirage.

BEATING THE BUSINESS BLUES

When global economic growth took off in the early 1990s, so did reengineering. Companies everywhere cut staff, focused their operations, and reconfigured themselves around information technology. Now, as growth slows, “lean and mean” is being revived as a mantra. A new wave of brutal competition is on the way.

But so far, few South African firms seem aware of what’s coming. For too many it’s business as usual – and they hope that an economic upswing will keep their sales and profits rising. There’s little sign that they will move far enough or fast enough to meet the new challenges.

The months ahead will see managers flailing around in search of new success formulas. But this is no time to experiment. Swift, decisive action is essential.

According to a study in Fortune, strategic planning was the most popular business tool in 1997, ahead of total quality management, reengineering, core competence, and other recent favourites. This isn’t surprising, given the damage that firms did to themselves as they downsized and restructured.

In recent months, however, the knife has been wielded again. One company after another is announcing major reorganisation. Cost-cutting is back with a vengeance.

Gillette is to close 14 factories and shed 4 700 workers. Shell will sell its head office in London and in several other countries. Procter & Gamble is undergoing major surgery. Motorola, Intel, Laura Ashley, and many other big names are slimming down.

But this is just the start. High-flying financial services firms are suddenly losing altitude or coming down with a crash and tens of thousands of people are headed for the street. For all its promise, the service sector is as vulnerable as manufacturing, agriculture, or construction. The global economic crisis affects every industry.

As it dawns on managers that this is not a short-term cyclical blip, they are likely to take bolder action. When they realise they’re in for a long hard war and not a short skirmish, they’ll take increasingly radical steps.

In this hostile environment, strategic planning belongs at the top of the executive toolkit. But the way it’s done has to change.

Planning fell from grace a decade or so ago because planners made bad bets. The future took them by surprise. But executives have learned that there’s no alternative to planning. They have to place bets – sometimes with a payoff 15 or 20 years away.

This time around, though, the emphasis is less on plans as a product than on planning as a process. Smart managers know they’ll call things wrong. The world is a turbulent place.

When companies ripped out jobs in reengineering’s heyday, they destroyed loyalty. People learned that they couldn’t rely on their employers for security. Today, a growing number of firms use strategy development as a way to involve people in high-level debate, to elicit their ideas and enlist their support, and to close the gap between plans and action.

South African companies have a lot to gain by adopting a new mode of planning. They have to balance the conflicting demands of transformation and competitiveness in an economic climate which demands that both be achieved at the lowest possible cost.

The best way to pull this off is to involve people early in the top-level "strategic conversation", so they know exactly what their firms are up against, what the new performance requirements are, and what they have to do to survive and thrive.

Ignorant people are likely to do silly things. They are sure to under-perform. They cannot contribute to the limits of their potential.

Informed people, on the other hand, understand not just what to do, how, and how well, but also why. This gives them a powerful sense of purpose.

To be effective, the strategic conversation should focus on five key questions:

- On what assumptions were the firm's current strategy based, and how have they changed?
- What basics must be managed to ensure survival?
- What radical things can be done to drive new growth?
- What must be done within, say, 30 days?
- What key themes must shape the strategic conversation in the future?

With this simple planning framework, managers can quickly cut to the heart of what they must do, and focus attention on the few things that will make the big difference. This is essential because in times of crisis there's a tendency to attack every problem; and those with a low pay-off often get most attention.

The fact that more people should participate in shaping strategy does not diminish the role of the leader. On the contrary, it becomes even more critical – but with a different emphasis.

When sales slump, morale dives too. It's tempting to adjust sales budgets downwards and to accept excuses for poor performance. But when everyone's sales fall, there's a real opportunity to grab market share and develop new customer relationships.

Tough times, in other words, are a great time to go for growth. If hard decisions are demanded, they must be taken fast. Not for half a century has there been more truth in the saying, "If you snooze, you lose."

COST-CUTTING ALONE IS NOT A WINNING STRATEGY

As the reported results of many South African companies show, cost-cutting is alive and well. In many cases, it's the key reason for improved profits. But where is the end? How many more people can companies shed, how many branches can they close, how many debts can they get rid of?

"Lean and mean" has become a mantra for the 1990s. As the effects of the Asian financial crisis wash over the world, it will gain new urgency. But firms will learn to their cost that cost-cutting is not strategy. It's just good housekeeping.

There is no doubt that too many local firms are flabby and inefficient. Too many people wait around for something to happen. Machines lie idle. Processes add costs, not value. There are opportunities everywhere to trim down, speed up and streamline activities.

But the biggest opportunity is to think differently. And this what where strategy kicks in.

South African Airways clearly needs to slash costs. But if it can't do so by doing different things in different ways that simultaneously improve the flying experience, it's going to have plenty of unhappy passengers. Crammed seats, inconvenient schedules, and plastic plates just won't go with the theme, "Africa's warmest welcome."

Retailers like Pick 'n Pay and Shoprite Checkers are in a constant price war. But even while they drive down costs, they have to enhance the shopping experience. "Retail theatre" is every bit as important as "everyday low prices." Customers want surprises – and not just another few cents off the baked bean special.

Fifteen years ago, Harvard Business School professor Michael Porter suggested that firms had to choose whether to fight on the basis of cost or differentiation. Every company I talk to wants to be the low-cost leader, but few are willing to take the ruthless action this course demands.

Most managers also want to be differentiators. Again, few commit themselves to doing what this takes. They boast about adding value, and kid themselves that customers see the difference – or care about it. They say they hire out-of-the-box thinkers, but then kill creativity with red tape and an aversion to risk.

The result of this ambivalence is products and services that are too expensive and don't make a difference that matters. They're easy to ignore. So it's little wonder that customers shop around, switch allegiance from one offering to another, and constantly demand more for less.

Companies need mavericks. They need people who see the world through fresh eyes, experiment with wacky concepts, and go out on a limb to turn their thoughts into action. However, finding, nurturing, and managing their rare birds is easier said than done.

For one thing, they can be extremely disruptive. When they challenge the status quo, they take on someone else's view of how they world should be run. They introduce ambiguity when people around them desperately seek certainty. They shake things up when others want stability.

"The system" wants forms filled in. These lunatics don't care about such trivia; they're trying to reinvent the world.

Rule breakers care the hell out of rule makers. And in most firms, those who make the rules call the shots. It's common to hear someone say, "John's a good man; you can rely on him." But it's not often you hear, "Penny's got a great future; you never know what she'll come up with next."

As the economy continues to cool, South African companies will have to work both harder and smarter to cut costs and wow customers. They'll have to apply strategy, not just stringency.

Strategy is a product of insight, imagination, and implementation. Insight is the ability to picture the world through fresh eyes, to understand customers in new ways, to see opportunities where others see problems – or nothing at all.

Imagination is the ability to link insights with disparate pieces of information to create something new. To make the connections that result in a product like Unbelievable Chicken sauce, a retail concept like Mr Price, or a service like Nedbank's Private Bank.

Implementation is the skill that turns ideas into action, dreams into delivery, concepts into cash. It's a highly under-rated skill, and one that needs to be carefully honed.

Companies would do well to look anew at their costs. But they'll do better if they ask themselves every day: "What did we learn today? What new ideas did we cook up? What did we do?"

By scoring themselves on these three questions, they'll ensure that their cost-cutting doesn't lead down a blind alley. Instead, it'll be a springboard to a more profitable future.

GROWTH IN TOUGH TIMES

In the last two or three years, managers switched their attention from cost-cutting tools towards those that help beat competitors, keep customers, turn on employees, and drive innovation. Revenue growth became more important than downsizing in the quest for improved profits. But now that could change – with costly results.

If the slash-and-burn tactics of mid-decade briefly fell from favour, they're by no means dead.

In the US, job cuts for the first eight months of 1998 were 40% up over the same period a year ago. Gillette is to close 14 factories, 12 warehouses and 30 office facilities, and shed 4 700 workers. Shell will sell its head offices in London and several other centres. Motorola, Intel, Levi Strauss, Barclaycard, and many other big names are slimming down.

Once again, as company after company succumbs to slumping sales and rising competition, they're taking the knife to costs – and of course the first cost to get cut is always people.

But firms weaken themselves when they shed skills and experience. And macho managers do extra damage when they attack training budgets, stop people from attending industry conferences, and clamp down on travel to customers or to other companies that may offer new insights or benchmarks.

Another area that quickly comes into the sights of "tough" managers is marketing. At the very time they need to drive sales up, they blast away at advertising budgets, cancel consumer promotions, and call a halt to incentive programmes for their sales teams.

Just when they most need to boost their presence in the marketplace, and when they need to encourage reluctant customers to spend, they shoot themselves in the foot.

Instead of creating a virtuous cycle of investment, sales, market-share growth, profit and further investment, they create a vicious cycle of *dis*investment, falling sales, market-share loss, sagging profits and more disinvestment.

This happens over and over again, in even the best of companies. Managers have developed a stereotypical, knee-jerk reaction to hard times. They know that sales cost money, but when sales slow down they stop spending.

Instead of aggressively searching for waste and rooting out inefficiencies, they bore in on the very activities that could ensure not just the short-term survival of their firms, but also their long-term robustness and growth. And to make matters worse, they start cutting prices.

When sales stall, managers should begin by doing three things.

First, understand what has caused the change. Probably nothing causes as much trouble in business as incorrect assumptions. When managers don't really know why something has happened, they're certain to respond the wrong way. And doing the "right" thing for the wrong reasons is not smart.

Second, develop options for action. When the heat's on, it's tempting to do what comes to mind first. But that may not be the best response. A "ready, fire, aim" approach sounds heroic but can get companies into even worse trouble.

Third, attack the high-payoff possibilities first – and fast. When a boat springs a leak, there's little merit in fiddling with the trim of the sails. The immediate problem is to stop the water coming in. Nothing else matters.

All this is essentially housekeeping. The next step is to drive sales back up.

Because things are now changing so dramatically, this time offers exceptional opportunities for growth. So special attention must be given to innovation, to the design of novel business models, and to inspiring people for maximum performance.

The firms that win will be those that begin with a clear promise to their customers: Discovery Health, with its "Charter of Patient Rights"; Mercedes-Benz with "present-value" parts pricing; and Jetline Prontaprint with its extraordinary service and digital imaging capabilities.

But a great promise is just the start. Organising ability is vital. So watch Spur Steak Ranches open new branches with incredible speed. Watch the Rand Merchant Bank team integrate their operations with those of First National Bank. Watch the Rennies Group orchestrate the movement of people and freight.

Above all, though, leadership makes the difference. Someone has to have the vision to see through the gloom to the new growth opportunities. Effective leaders keep their people focused on the priorities. And they spur them to extraordinary heights even in the lowest moments.

A lot of firms will succumb to the coming slump. Some will triumph. The winners will be those which change the business game – and the rules – for the next Millennium.

RADICAL STRATEGY:
THE NEW MARKETING MANTRA

One year from now, what will your excuse be for not delivering quantum growth for your company? That's the question every manager should think about. Because without radical action, there's likely to be no growth.

What do I mean by "quantum growth?" Quite simply, performance that makes the eyes pop, that causes competitors to gag, and that has spectators saying, "How the hell did *they* achieve that under *these* circumstances?"

Quantum growth, in other words, is not a comfortable achievement. It's not inflation plus one or two percent. It's not what you'll get by modestly raising your sights and gently accelerating your action plans. It's not more of the same with a few tweaks here and there to show you're not asleep.

This is the age of hostile competition. In literally every industry, too many competitors chase too few customers. The companies you're up against are smarter, fitter, and more aggressive than you remember from just a year ago. Your customers are pickier, more promiscuous, and increasingly price-conscious. And given that these tough economic times are likely to get much tougher, you can expect both your competitors and your customers to become even harder to deal with in the near future – and definitely in the long run.

This is an ominous message for most firms. Too many of the executives I work with have no conception at all of the dangers that lurk around the next bend. They're seduced by the soothing assurances of economists and motivational speakers who assure them that life will get easier. They happily buy promises of economic growth; they listen rapturously when someone says their competitors are idiots who will definitely screw up; and they're taken in by their own people's reports that "the market is looking good."

Since the beginning of 1997, I have warned of a sea-change in business conditions. But managers like to believe their own bullshit, and they don't like to hear that radical change is not a slogan, but a survival strategy. Many of them ignore the signals that warn of trouble ahead; those who do notice that something's changing often just slip into denial mode. After all, who wants to "change for the sake of change," "rock the boat," "toss the baby out with the bath water," or whatever?

The results of this blindness and complacency are all around us. Sales are slipping. Margins are eroding. Profits are dipping. And this, folks, is just warm-up time!

Consider a few predictions and their implications for your business:

- The South African economy will show no growth in 1998 and little or none in 1999. (The Asian crisis has a long way to run and there is every possibility of more dramatic hiccups in the global economy. Demutualisation of Sanlam and Old Mutual will help, but the impact is likely to be less than expected.)
- Interest rates will stay high, so consumer debt will rise – taking defaults, insolvencies, and liquidations to record highs.
- Inflation will stay at least at its current level, and probably rise several points (putting even more pressure on consumers and encouraging workers to make silly wage demands).

- Political rhetoric and violence will both increase ahead of the general election in mid-1999. These, together with concerns about the Mandela/Mbeki handover, will send more skilled people abroad.
- Foreign direct investment (FDI) and gross domestic fixed investment (GDFI) will both remain low, so jobs will not be created. Result : poverty and crime will spread, not slow.
- Tourism will continue to grow, but not as fast as it could. (Many other destinations compete aggressively for visitors; SA gets too much bad press; Satour doesn't have the marketing budget it needs.)

You may not agree with all these views. God knows, the country does need optimists. You probably don't like them. But unless you have compelling reasons to see a different future, beware of basing your next business plan on a "best case" outlook. Many firms did that over the past 18 months, and now it's costing them dear.

Business in the global village is not for happy amateurs. It's a street fight. And when you're on a mean street, up against competitors on steroids and with nasty weapons in their socks, you need a killer strategy and a mean streak.

This is no time to mess around with a few feints or experimental jabs. Either you take your competitors out, or they take you out. Sharing might sound right on the playground, but this game is for keeps. Sissies should go home to Mom while they can.

Radical strategy is just what the words imply : totally different in both idea and execution. A big surprise to anyone on the receiving end. But how many of these have you seen recently? And how fresh, new, contrarian, or disruptive is *your* strategy?

Look around the South African business-scape, and you'll see numerous examples of companies that have changed not just the rules of the game, but the game itself. Mercantile Bank's bank@bility suite of 40-plus financial products on the internet is one. Rand Merchant Bank's Outsurance is another. Bell Equipment teaches mechanics to fly helicopters, to get to disabled machines fast. Theta has pioneered micro-lending. Kevin Davie's *Woza* led the way in internet publishing, and quickly followed with on-line property and share sales. Alec Hogg was smart to offer transcripts of his business broadcasts on his website – and then sell advertising on the site.

Sweets From Heaven added theatre to confectionery to build an international business. Mr Price has done a great job of driving sales by managing value up and prices down better than most retailers. Jetline Prontaprint started out as a single copyshop, and has evolved into a highly sophisticated digital imaging business which can produce training manuals or other multi-page documents in runs of one.

In some of these cases, entrepreneurial managers have had the insight to redefine *who* they serve. Some have raised the stakes in their industry by crafting a new value proposition – *what* they do for customers. And some have refined their processes – *how* they serve their chosen market.

The point is, there are infinite ways to change the way you do business. All centre on your customer's new perception of value, and the imagination and spirit you apply to satisfying them now, and surprising them in future transactions.

Doing so takes common sense and courage, not rocket science or magic. But doing it fast is essential. Yesterday's business models won't work in tomorrow's world. And the age of hostile competition is upon us.

CRAFTING THE CORPORATE CONVERSATION

By now it should be clear. The No. 1 challenge to any organisation is to stay alive in an era of hostile competition. Yet far too many managers are talking their way to decline. By altering their corporate conversations, they could rapidly and dramatically change their fortunes.

South African companies face particular problems in the new business environment. Managers have to improve their profits even while pursuing transformation goals. They have to deliver more value *and* cut costs; improve productivity and quality; and deliver vastly better service. At the same time, they have to advance rapidly on the affirmative action front.

Companies in other countries have none of our luggage. Redressing past inequalities is not an issue. They can focus on competitiveness and profits without worrying about affirmative action. Those operating in South Africa have no such luxury.

Many of the goals they must meet appear to be mutually exclusive. But it's managers who embrace these paradoxes who will own the future. Those who deny them, or take the easy way out with their/or strategies, will suffer. Profit *and* transformation has to be the target; not profit *or* transformation.

The corporate conversation is a vital tool for managing this awesome paradox. In fact, it offers the only way out. Most companies would do well to abandon their complex notions of change management and focus instead on this one powerful lever. They'd start seeing results if they acknowledged that the end goal of most change management processes is very simple: to change the way people talk to each other, and what they say.

Competitiveness is a product of human ingenuity, energy, and commitment. Right now, it's evident that many firms are being badly hurt by the inadequacies of their people. South Africa suffers from a serious skills shortage. Many people are victims of the Peter Principle—they've moved too far, too fast and are way out of their depth.

However, competitiveness is not just a personal matter. It requires a great deal of co-ordination between individuals, departments, and allied organisations. Linking their activities—what I call synthesis—is an essential function. After all, the very purpose of an organisation is to reach beyond individual performance, and to exploit the multiplier effect of two or more people working together.

This is so obvious is hardly bears repeating. But consider these harsh facts:

- Imagination and the human spirit are the two most valuable corporate assets. Neither is inspired by what happens in most organisations.
- While managers talk glibly about "empowerment", most people are systematically *disempowered* by their organisations. Philosophies, strategies, structure, systems and many other factors prevent them from performing.
- Most people can't apply their thinking skills to work because they don't know what the hell is going on. Keeping them in the dark impedes their performance and kills their spirit.
- Trust is the most valuable corporate resource. Yet trust levels in many organisations are dangerously low. Senior people don't trust their staff with important information and employees don't trust management to look after them or to keep promises.
- There's hardly a company in which communication isn't rated "a major problem".
- Asked for a shortlist of their most pressing organisational needs, most chief executives would probably say: teamwork, innovation, initiative, and a sense of responsibility. But

what do they do to encourage these behaviours? The answer: too little. In fact, they do many things that actively *discourage* the very behaviours they demand.

If this is an indictment of top management, it's deliberate. For it's at the top that performance is defined. Leaders create the context in which their people act, and they cannot escape blame when dysfunctional behaviours become the norm.

Now, consider some further facts:

- It's a truism that "what gets measured gets managed", but what's overlooked is that it's only *what's talked about* that will be measured and managed. Business results are a direct result of what people talk about—the organisational conversation.
- The conversation in most firms is more "toxic" than "nourishing" (see box). Most people are kept "out of the loop". What they do hear neither informs nor inspires them.
- By changing the corporate conversation, the fortunes of a firm can be changed much faster than most people imagine. Yet this remains the most under-used management tool; in fact, it is generally not recognised as a lever for change.

As Figure 1 shows, people need four things to be effective.

1. Competence. They must have basic skills needed to do their work. Some of these may be brought in from the classroom or from outside experience. But mastery comes from on-the-job experience.
2. Confidence. Some people are naturally confident—they don't know when they don't know. But most people gain confidence as they progress from task to task and complete each with some degree of success. Action leads to learning, which in turn leads to a sense of self-worth—a virtuous cycle.
3. Connections. Networking is being recognised as a vital skill. People with the right connections can get things done; those who don't know who to call, or who can't get through when they do call, are at a great disadvantage.
4. Credibility. Past training or experience may give someone credibility. Their track record helps when they walk into a new job. But it's what they do on the current job that really counts.

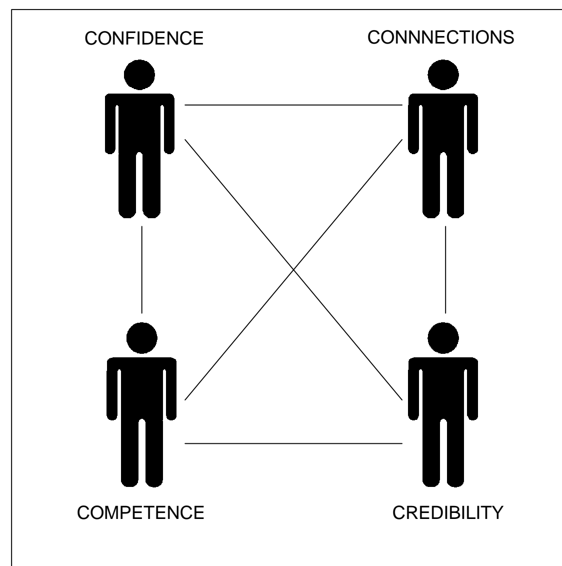


Figure 1: The path to mastery: conversation shapes the context

These four attributes cannot be *bestowed* on any person. They must be *earned* on the job. But no one will earn them if the corporate conversation prevents it.

Companies can reengineer, invest in technology, train like crazy, or reward their people handsomely, but these and any other efforts will be in vain if the conversation is not appropriate. Change agents can do whatever they like, but if they overlook the key role of the corporate conversation, they'll miss the boat.

So what must this conversation do? How should it be managed?

Begin with these three goals:

1. Ensure that every person in the organisation knows what to do, why to do it, how to do it, how well to do it, and how well they're doing. These five factors add up to what I call "quality logic"—if people know them, they can perform; if not, performance will be sub-standard.

2. Focus attention on a few "key themes"—the essential drivers of performance and shapers of behaviour.

3. Inspire people to explore their potential, to test their limits, to be all that they can be, and to help others do the same.

Most companies are extremely "noisy." A cacophony of messages confuses the hell out of people. The boss says one thing, his actions another. Vision, mission, and values statements are plastered on walls, but they often contradict each other and bear no relation to reality. Training programmes send one set of signals; newsletters, memos, and operating instructions say something else.

Want some examples?

- "The customer comes first." (Except when he interferes with someone's golf game or tea break, or disrupts an established system.)

- "People are our most important asset." (Except when top executives misread a market and have to chop heads to cut costs.)

- "We have a clear market focus." (Except when we chase after the wrong customers "just in case.")

I could go on, but the point is made. Mixed messages are a serious problem in virtually every firm. They are extremely costly. But the good news is, it's quite easy to clarify things, point people in a common direction, and inspire them to perform.

The process begins with the way firms make strategy. When only a few people are involved in a *bosberaad*, it's unreasonable to expect the many who weren't there to automatically accept and support a strategy. Not having heard the full story, not having been privy to all the subtleties and nuances of the strategic conversation, they cannot "own" it. They may hear the facts and they may grasp the reasoning at an intellectual level, but the all-important emotional stuff is missing.

Worse, perhaps, is the fact that when people aren't involved in making strategy, their possible input is lost. And it's now clear that even the smartest board of directors has an exclusive lock on strategy; what they pontificate about in their ivory towers is often far removed from front-line reality.

More people—everyone, if possible—should be involved in shaping and making strategy. More people should be involved in the big decisions and the tough choices, not just to gain their insights and commitment, but also to develop their competence, confidence, connections, and credibility.

In a fast-moving world, the strategic management process is ongoing. People throughout an organisation must literally think on their feet. There must be a "shorthand" that lets them

communicate fast and effectively. So a key task in any strategic planning process must be to create the few messages that will make the biggest possible impact.

These “key themes” should exploit the 80/20 principle: they should leverage assets and capabilities by concentrating attention on what really matters. They must be simple enough to deliver and to be understood. They should be widely communicated. And above all, they should be repeated over and over, they should be managed, and they should be measured.

The purpose of defining an organisation’s key themes is not to create yet more corporate graffiti. Rather, it’s to clarify the organisation’s purpose and its strategy, and to make it easy for people to see how they fit in and where they can contribute.

Key themes should not project the nice-to-do fluff that’s evident in too many corporate statements. They are business tools. They must lead to action.

Of course, the corporate conversation doesn’t end with defining these themes. It’s an endless process. The leader’s priority must be to shape it, guide it, and drive it.

As with all communication, words are important; but actions count even more. So while while messages must be carefully *crafted*, they must also be consistently *enacted*. Every meeting, training session, and celebration must be carefully planned to make the most of both its content and its symbolism. Managers must think about who gets invited—and who *doesn’t*; what gets said, and how; and how conclusions are followed through.

Initially, many people might be reluctant to get involved in complex conversations. Some simply won’t be up to it. But as the debate becomes richer, so will their ability to contribute be enhanced.

The real block to effective conversation is, however, not at the lower levels. It’s in the executive suite. For it’s here that information is seen as power; that political games are played for the biggest stakes; that the big plays are designed.

But South African business leaders have a simple choice: take this one critical step to competitiveness, or forever lag behind the rest of the world.

Robust conversation grows people. That way, it grows companies.

CUSTOMER SERVICE BY DESIGN

Almost two decades after customer service started getting serious attention around the world, South African companies are waking up to its importance. Faced with the new reality of global competition, they suddenly see that customers are quite important. Yet the effort and money they invest in improvement is unlikely to yield the results they seek. In fact, many will be *worse* off a year or two from now.

Sensible managers were doing remarkable things for customers back in the 1970s. Their actions were the raw material for books like the 1982 best-seller, *In Search of Excellence,* and a long list of others that rode the wave. Suddenly service was a growth industry. Courses, seminars, tapes and articles flooded the market. It was as hard to find a top executive who hadn't always known the customer was king, as it is now to find one who supported apartheid.

Many South African firms saw the light and took steps to improve their service. I was involved with numerous campaigns back then. Time and again, I counselled managers to go beyond "smile training", and to totally reinvent their organisations in service of customers. Unfortunately, most thought there was an easier way.

When I return to the same companies now, they're back at square one and starting all over. Their past efforts have been abandoned. They have new slogans, new songs, new training programmes. Some have redecorated their offices, tarted up their corporate identity, and changed their ads. They have new computer systems. They are all "relationship marketers", hooked on "customer partnerships" and delivering "legendary service".

But as the famous Wendy's ads asked: Where's the beef?

Why is it that as a customer I experience such lousy service every day? Why do I know it'll be a hassle buying almost any product, or trying to get service from companies as diverse as motor dealers, insurers, restaurants, and retail stores?

The answer is simple. Becoming customer-driven is a complex matter, that takes hard work and smart management. It demands that you not only get to know your customer intimately, but also that you rethink everything you do, and the way you do everything.

Superior service won't come from superficial activities. It is the product of painful change. Some improvements can be made surprising fast. Others will take longer than you imagine. So best you get busy right now, to cope with the competition that's coming down the road.

It seems only yesterday that South African companies could ignore global pressures. The barriers to trade that went up during the sanctions era protected us from outside threats. They also kept us from venturing into foreign markets. We were suckered into thinking that "best of breed" in this country actually meant something.

Now, companies are in a competitiveness crisis. Industry after industry is being disrupted by hostile invaders. And the more options they offer customers, the worse customers behave.

Buyers of virtually everything have discovered that they do matter, they do have clout, they can demand products that work and attention from people who respect and value them. They've learned that they don't have to put up with shoddy workmanship, late deliveries, or broken promises; they don't owe any supplier either their loyalty or their money; and they do have recourse when guarantees and warranties aren't honoured.

When managers plan their strategies, they often begin with an industry analysis. They think that by decoding what others in their industry are about, they'll win in the marketplace. But they overlook an important fact. *The greatest danger often comes not from others in the same industry, but from ignorant outsiders.* For it's they who do "daft" things, they who break the rules, they who act without regard for the industry's conventions or its long-term good.

My service expectations are shaped by my every service experience. When I shop for a car, I expect the same courtesy and care that I get at my favourite restaurant. When I visit my bank, I compare behaviour there with what I saw when I went to Disney World. If the company that wants to sell me a computer doesn't measure up to Amazon.com, the Internet bookstore where I buy most of my books, I go elsewhere.

Research shows that customer satisfaction is a poor indicator of customer loyalty. If satisfaction levels aren't close to the 100% level, *disloyalty* is a given. Shopping around pays. Today, you don't have to pay more for less; with little effort, you can get more for less.

So where does this leave you as a manager? How can you become more competitive? What should you do to improve your service levels? Where do you begin?

As Figure 1 shows, business involves an exchange between two value systems. The "Value Demand System" is the customer's world. The "Value Delivery System" is yours. The more closely you can connect them, the better for both you and your customers.

Customers are valuable because they provide the revenue you need to survive and grow. But equally important—and usually overlooked—is the fact that they also provide the information and insights that let you rejuvenate your organisation and its offerings. Without these, all the money in the world is of limited worth. It won't be long before you lose touch with what customers want and need, and cut off the flow of their funds.

To create an effective business strategy—and to effectively design an organisation—you have to begin in the mind of the customer. You have to understand what drives him or her. This is the starting point for any reengineering effort, or for the shift to lean production. All too often, companies start these improvement processes in the wrong place. Their transformations are planned from an internal rather than an external perspective. Little wonder that so many bold plans bite the dust!

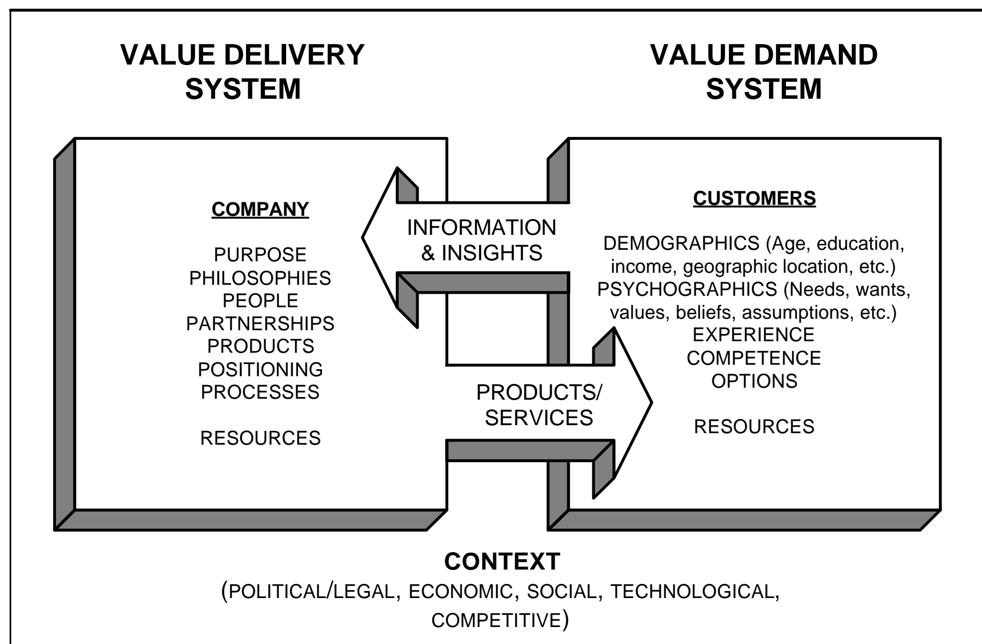


Figure 1: Customer service as an exchange process

Two broad categories of customer knowledge are needed. Firstly, there are demographic factors such as age, education, income, geographic location—and, yes, even race. (In the case of business buyers, demographics would include information about when and how they place orders, order quantities and value, usage, and so on) Secondly, there are the softer

psychographic facts about their needs, wants, values, beliefs, and assumptions. (Yes, even industrial buyers are human!)

But there's more you need to know. What is your customer's experience with products like yours, or with others, that might impact on his behaviour? (Is that experience positive or negative? What have customers learned that might make them more discriminating?) What competencies do they have that will affect how they buy and use your product? (Can they be easily sold? What support might they require?) And what options do they have—either directly competitive products, or substitute sources of value? (How easily can they avoid you? What else could they buy that would satisfy them?)

Then, naturally, there's the question of resources. Can customers afford your product? Can they use it? Do they have appropriate systems, tools, skills?

Thus armed, you can begin to design your Value Delivery System. To do it effectively, you need to address some very specific questions. Seven factors, in particular, drive business performance—and, thus, customer service:

- **Purpose.** Why does your firm exist? What is your reason for being—your overall intention? Where do you compete? What are your ambitions?

- **Philosophies.** What are your guiding principles? What do you believe (about every aspect of your business, including service levels and policies, human resources development, information technology investment, growth, competitiveness, etc?)

- **People.** What kinds of people should you hire? How will you induct, develop, manage, and reward them?

- **Partnerships.** Which stakeholders must you win to your side? What do you expect from them? How can they help you? How should you communicate with them? What's in it for them?

- **Products.** What products should you sell? Why do they matter to customers? How will you keep them alive in the customer's mind? What innovation is needed?

- **Positioning.** What should your products promise, to set them apart from others? Why are they different? How can you sustain their difference? How will you promote them?

- **Processes.** Consider everything you do, and the way you do everything. The first question to ask is not, "How can we improve this process?" but rather, "Why do we do this at all?" (There's no point becoming better at the wrong things.)

As with the factors in the customer's Value Demand System, all of these are underpinned by *your* resources: the finance, capabilities, and skills you can call on. Do you have what you need? Can you acquire or develop it? Can you compete in spite of deficiencies? How might you compensate for what you lack?

Customer service is a perception in your customer's mind. Now matter how rationally you try to measure it, you ultimately are dealing with feelings, impressions, opinions, and other "soft" stuff which changes literally from moment to moment. But to win against your competition—and to sustain your advantage—you need to make perfectly rational decisions and extremely hard choices.

There's no arguing that attitude is a vital element in superior service. Front line people should be carefully selected for their people skills. After all, customers can be demanding, rude, irrational, and even crooked. Some personalities simply are better suited to dealing with them. Your customer team should also be thoroughly trained, and retrained as often as needed. But no matter how well you select your sales and service staff, and no matter how well you train them, you still have to support them in a way that lets them excel. You have to see service as organisational design. You have to be willing to create a service *organisation*, not just try to shape a service *culture*.

This is an important insight. Most efforts to improve service begin and end with stabs at changing culture. Managers talk about the need to "improve attitudes". There are many theories about how to do it. Any number of gurus promise sophisticated methodologies.

But the results are dismal. All evidence points to the simple fact that changing culture is harder than anyone knows—and no one really knows how to pull it off.

Where most attempts go wrong is in trying to alter behaviour by altering minds. In fact, psychologists have long known that the way to change minds is to change behaviour.

This, then, is where customer service must begin. Attention must focus on the organisational arrangements that make it possible for people to perform.

Every company I know talks of empowering its people. Yet the fact is, almost all of them systematically *disempower* their people. They expect breakthrough performance, yet prevent it. They set high standards, yet get in the way of them. They spend like crazy on badges, buttons, posters, and parties, yet skimp where it counts—IT systems, product design and quality, logistics, support.

Customers must obviously be the focal point of every company's attention and efforts. Their needs and wants determine what a firm must do, how, and when. To think that you can improve service levels with a few superficial waves of a wand is ridiculous. To underestimate the importance of working at the real basics is foolish.

As service levels continue to rise, companies will face growing pressure to change faster and more radically. If the past is any guide, managers will flail about in search of "silver bullets" that might save them. Management fads will stay attractive. And we will see many more failures and a lot of frustration.

Customer service is not something you tag on to the tail of a business. It's the reason businesses exist. It should drive every aspect of competitive strategy and every corporate intervention: reengineering, quality, IT, training, rewards, or whatever.

Set out into the future with customers in mind, and you have a good chance of designing an organisation that will survive and thrive in the tough years ahead. Start elsewhere—trying to satisfy your own needs first, or relying on smiles to save you—and you will pay dearly. Your costs will rise, inefficiencies will be assured, and your customers will defect.

Get this simple fact right, and you win. Try anything else, and you lose.

CUSTOMER SERVICE BY DICTATE

Not long ago, my car needed a small repair. It was fetched from my home by Rob Sexton, Dealer Principal of Lyndhurst Auto, and delivered back to me by one of his top sales people. Soon afterwards I got a call from the dealership to check that I was happy with the repair. Another followed from BMW.

Compare this with another experience, when my wife and I called in at a large dealer representing another franchise to have an oil leak checked on her car. While the mechanic was busy, we asked the Dealer Principal about a trade-in. He looked the car over, and checked the odometer. I admired a new model in the showroom and enquired about availability. After we left, we discovered that the engine still leaked; but no one bothered to call and check if the "repair" had been successful, nor did anyone follow up and try to sell us a new car.

These experiences highlight a vital issue in the new South Africa: the need to call for a pause in the empowerment debate and to focus anew on *leadership*, the fundamental source of corporate performance.

If this sounds like heresy, just look around you at the realities. If it sounds obvious, ask why neither leadership nor empowerment are much in evidence. Why are bank managers so elusive? Why is it so hard to reach the managing director of the company that sold you a dud TV set or fridge? Why can't you get hold of the head of the engineering company that's let you down for the third time this month?

One thing South Africa is not short of is good intentions. If the number of vision statements were a measure, we'd surely have to rank as the most visionary nation in the world.

Conference centres are awash with *bosberade* or, now more fashionably, *imbizos*. Many hours are spent crafting careful statements of intent which turn out to be lousy prose and worse guides to future action.

For all the agonising over a word here, a phrase there, or even the minutiae of italics or commas, the final product is sure to be quickly forgotten. In their attempts to define every market, to grasp every opportunity, and to guard against every calamity, corporate wordsmiths consign most of their output straight to the dustbin.

Empowerment is crucial to any company's success, and specifically in the area of customer service. But without *leadership*, all you get is anarchy. And that's what we see in organisation after organisation, in both the private and public sectors—and despite promises and pledges, stirring speeches, a flood of corporate graffiti, and a fortune spent on training and "sensitising" people.

Which organisation today doesn't have a vision or mission statement in which customers aren't a central factor? Which firm doesn't have a "customer charter", a set of values with "customers" smack in the middle of them, or a newsletter which regularly celebrates "customer champions"? This stuff is everywhere. Most is a waste of money.

The reason is simple: bosses are out of control. They have lost—or worse, *abandoned*—their hold on the direction and delivery of their organisations' purpose. The prisoners are running the prison.

This is a serious indictment. I make it seriously. The evidence is all around us.

Some organisations unquestionably do a far better job for customers than they did just a short time ago. I have recently been most impressed by the service on SAA, for example. When I've had phone problems, the Telkom technician has been there in a flash. And the personal attention I got when I stayed at the Cape Sun recently was as good as you'd get anywhere (Ritz Carlton watch out!)

But these are the exceptions. And there's no doubt that other customers of these businesses would report radically different experiences than mine. You have only to read the consumer columns in the press, or listen to radio talk shows on consumer issues, to get the message. If there's a general perception that customer service is lousy, it's because too many customers get bad service too often.

The good news is that customers are learning to complain. So one might argue that their unhappiness is not new; but whereas once they held their tongues, now they speak up.

The bad news is that too many managers probably think that while there have always been some unhappy customers, now you just hear about them more often. They dismiss the whingers with the argument that "Most of our customers are quite happy thank you." Few listen to their customers and even fewer act on the complaints they do hear.

Result: seeking solace in their own propaganda, they miss out on a powerful source of information, insights, and ideas. By cutting their organisations off from the real world, they set standards that don't matter and invest in activities that won't make a difference. But worst of all, by personally avoiding or mistreating customers, they send a deadly signal to their own people: *this is the way to act*. All of which drives customers away

Come back to the two motor companies I mentioned earlier. Lyndhurst Auto has been going through no less than a revolution under the visible, assertive, leadership of Rob Sexton. As the luxury car market has tightened, he's had to fight harder for sales and profits. "And this is just warm-up time," he says.

To stay ahead of the competition—this dealership is BMW's service leader—Lyndhurst Auto goes out of its way to wow customers. A shuttle service fetches cars for service and repairs, and delivers them afterwards. A mobile service van, fully equipped with state-of-the-art technology, travels to corporate clients so technicians can work on vehicles on the spot. Loan cars are available for customers who need wheels while their vehicles are being fixed.

But there's more. While your car is in the Lyndhurst Auto workshop, you get regular progress calls from a service manager. When a mechanic finds that expensive parts are needed, or when quotes change, or when the job will take longer than scheduled, you get a call. And when a part isn't available on the day your car's booked in, you'll get a follow up to tell you it's arrived.

"From my experience in big companies," says Sexton, "I learned that there's often a dangerous distance between managers and their people. So I walk the floor all the time. We go out of our way to understand what people want from their jobs. To understand what niggles them. What appear to be small issues to us—the exact date on which a secretary gets paid, for example—is a big issue if she needs the money to eat that night.

"We're very focused on what makes the difference for customers. We know that our people make all the difference. And we go out of our way to keep them happy and committed.

"There are great relationships between most of our staff and most of our customers. Of course, we make mistakes. But we do manage to get it right more often than wrong."

Big deal, you say. This is all basic stuff. Sure, Sexton has invested heavily in technology (high tech). And yes, he does pay attention to people (high touch). But everyone knows these things. Every customer service course teaches them. Many dealerships—and other firms in other industries—would boast about the same things.

Too true. But if some get some things right some of the time, most screw up more often. If one thing characterises service in SA, it is inconsistency. The company that delights you today is likely to infuriate you tomorrow. And if Sexton's efforts are worth money to him, one can only guess what a dealership like Lyndhurst Auto is worth to BMW's image in the marketplace; there's no doubt that shoddy service by the majority of dealers has cost the motor industry a fortune.

The second dealer executive I cited is a nice man with lots of experience in the motor industry. He's no doubt attended many courses on customer service, and been involved in many discussions about it, both with his head office bosses and with his dealership team. But though I made strong buying sounds, he let me go. I appeared on his radar screen for a brief moment, then quickly vanished.

Unfortunately, such incidents don't go unnoticed by people inside a company. They watch the boss's every move for signs of what's right and what's not. They model his behaviour. They act in ways that he lets them get away with.

So this is where tough, no-compromises leadership is necessary. This is why leaders need to be seen to do the things they expect others to do. This is why they must be demanding of themselves—and demanding of those around them.

Participative management is a wonderful idea. I've been advocating it in my writings, in speeches at conferences, and in seminars and workshops for the past decade. But it doesn't just happen and it can't happen when no one's in charge. Without a firm hand on the tiller, without constant pushing and guidance, and without tough sanction for those who try to make up their own rules, firms fly apart.

People should, by all means possible, be urged to *volunteer* for the organisation's cause. They should be trained, equipped, and managed in ways that will bring out the best in them, not the worst. They should *want* to do incredible things for customers, not be coerced or bribed to do it.

But the soft stuff can be pushed too hard. And there is a very real danger, in many local workplaces, of this happening right now. In their efforts to be "modern managers" many executives shove the wrong people into the wrong jobs, let them loose without enough guidance, monitoring, or feedback, and then wonder why the wheels come off.

One practice that should be seriously questioned is "value-sharing". It has many advocates, and many people have made a lot of money facilitating such workshops in recent years. But too many of the values statements that emerge afterwards are pure mush—feel-good clichés that seldom differ from group to group or even across organisations. Switch logos and the same sentimental bullshit stays.

The sharing process is too often a kind of corporate Truth and Reconciliation Commission, allowing people to spill their guts and share the pain of their past. Maybe some people do need a chance to speak about these things at work, and maybe some relationships are strengthened in the process. But that's a big maybe.

Customer service cannot be an optional extra. It cannot be negotiable. It must be mandated and managed. Clear, business goals are vital. Everyone in a firm must understand them, and know their own role in meeting them. Anyone who doesn't or can't deliver must be counselled, trained if possible, and let go if necessary. Service is too important to leave to their whim; nor is there any point in keeping them if they just can't deliver.

But service is more than agreeing on "how we behave around here". Service is the end result of a host of hard decisions.

The first, and perhaps the toughest, decision is one that must be taken about people. In my last article ("Customer Service by Design," *Productivity* SA, September 1997) I emphasised how important it was to hire for attitude and train for skill. The reason is simple. Some people are simply better than others at dealing with people. They like to chat, to be helpful, to solve problems. They have the personality that lets them act as a buffer between a company and its customers. They are both pleasant and resourceful. And they're worth their weight in gold.

If your firm doesn't have such people in frontline positions today, make sure you get them soon. Get other types out of the way. Don't leave them where they can do irreparable damage to your reputation. Don't pay them to destroy your business.

Now think about other human resources decisions. Think about all the factors that impact on the climate in your organisation—a far more important factor, by the way, than culture. Only satisfied employees will satisfy customers. How people feel about their work quickly translates into how they deal with customers.

But don't stop there. Creating a customer-focused organisation is a complex process. You have to pull many levers to make it happen.

Leadership is only partly about charisma. More critically, it involves the other factors that I also touched on previously: purpose, philosophies, products, positioning, people, partners, and processes. Leadership, in other words, is only partly about seeing the future and persuading others to follow you there, and largely about the nitty-gritty of getting there.

South Africa desperately needs a service culture. But much of what's being done in the name of this goal will be futile. And it's ironic that many of our national obsessions—openness, transparency, consensus-seeking, involvement, equity—are causing many business leaders to stand back and hope that good intentions will get things done.

They won't. These are tough times. They call for tough leadership. Customers expect no less.

STRATEGIC PLANNING MAKES A COMEBACK

Face facts: the global economy is in lousy shape. South Africa's economy is in serious trouble. The competitive landscape is shuddering and shifting. Selling anything anywhere gets harder by the minute. Yet many local managers have their heads down in the hope that "things will come right." And many companies persist with practices that make them less, not more, competitive.

Fortune reports that strategic planning is today's hottest management idea. It's closely followed by mission and vision statements, which are part of the process. Meanwhile, recent favourites like core competence and reengineering are taking a dive.

So why is strategy so valued? After all, the environment changes fast, and today's best plans quickly become useless. Also, strategic planning has got a lot of bad press in recent times and many major firms have shut down their planning departments.

In fact, planning is more important than ever precisely because of the turbulence and surprise that are such everyday realities. It's not planning that's an obsolete notion, but the assumptions it's based on and the way it's *done*.

For example, most companies use a SWOT analysis (strengths, weaknesses, opportunities, threats) as a key process in developing their plans. However, this is surely one of the most useless activities ever. The outcome is usually a laundry list of issues – far too many to act on, and many of which should in any event be ignored. And of course the same issues appear again and again when the exercise is repeated.

Or consider one of the most popular ideas of the past two decades: "generic" positioning strategy. According to Michael Porter of the Harvard Business School, firms can either be cost leaders or differentiators, and they need to make serious commitments to one or the other. In fact, as leading companies in many industries have shown, you *can* do both. In the age of hostile competition, an either-or decision can be lethal.

Toyota's Lexus grabbed market share from Mercedes-Benz and BMW in the U.S. by offering outstanding value at roughly half the price of one of the German luxury brands. Microsoft and Netscape both constantly improve their browsers, yet offer them for free via the Internet. Holiday Inns and City Lodge hotels keep adding extras to attract guests, but also have to hold their room rates down.

Another big idea that lasted far too long was portfolio planning. In the 1960s and '70s managers became obsessed with classifying their companies as "stars," "dogs," "cash cows," or "question marks." But while this might have been helpful in an era when capital was scarce and funds had to be juggled *within* diversified organisations, those times are past. Today, unfocused companies are a turn-off for investors. And if a venture has promise, money can easily be found to support it.

Or consider core competence. In hindsight, it's easy to build a case showing that a firm pursued a particular competence-building path over many years – even decades. But real life is seldom as neat as many observers like to make out. In proving their point, they easily leave out the stuff that really matters.

Honda provides a perfect example. Theorists say the firm is successful today largely because it built a core competence in engine technology over many years. A major study by one consultancy concluded that Honda's management set out with a clear vision of where they

wanted to go, and how to get there. But when Richard Pascale, a professor at UCLA, bothered to *ask* Honda executives what they really had done, he got a very different picture.

When the company first entered the U.S. motorcycle market, its small products didn't sell. They leaked oil and had to be sent back to Japan for repairs and redesign. Besides, Americans wanted big bikes. Then two happy accidents changed things.

A buyer from Sears Roebuck saw one of Honda's executives riding a 50cc machine, and placed an order. Overnight, a new distribution channel was assured. And about the same time, a college student studying advertising wrote a headline which said, "You meet the nicest people on a Honda." He sent the idea to the company, they bought it, and suddenly you did see the nicest people on Hondas. Small bikes became the rage.

In most companies, strategic planning is a neat, step-by-step process. But real life is a mess. Just as you finish analysing your competitors and deciding what they're likely to do next, they change their minds. You think they'll act "sensibly," but they do daft things. You expect them to play fair, but they kick you in the crutch.

Business competition is a street fight. The best players rely on fast learning, speed, and surprise to capture and keep increasingly elusive customers. They understand that there's little point in trying to know precisely what the future holds, or to put together plans that cover every eventuality. They're aware that today's core competence can easily become tomorrow's costly *incompetence*.

Some companies – Anglogold, say, or Sasol – have to lay big bets for a payoff that may come 20 or 30 years down the line. But who knows exactly what the gold price will be next week? Which oil company saw the price falling from an expected $20 a barrel to about $11,56 by mid-June – and where will the price settle a year from now?

The fact is, plans don't eliminate risk. But *planning* can lessen risk, if it raises a company's "strategic IQ" by making a critical mass of people aware of what's happening in the world, alert to the likelihood of surprises, and prepared to change direction when it happens.

The end goal of strategic planning shouldn't be to produce a plan with specific instructions for every part of a firm, for every step into the future. Instead, it should bring about a new awareness, a heightened alertness, and a sense of purpose and urgency.

If it achieves that, a firm's people will invent their way from here to there. If it doesn't, no amount of detail will get them far.

QUESTIONS OF STRATEGY

In these complex times, the greatest risk to business is that managers will forget the value of simplicity and forego clarity. They will over-complicate things and thus guarantee their under-performance. Their "to do" lists will be too long. They will confuse their teams with agendas that cover everything and focus on nothing.

Because of this, a critical task for directors is to cut through the clutter of competing issues, ideas, and possible actions, and make sure that resources are concentrated where they will make the most difference.

To do this effectively, they need strategic thinking tools that are appropriate to this moment. They also need independence of mind, determination to get to the heart of issues, and the courage to demand clear answers.

Above all, however, they need to accept that this is an age of paradox; that things are seldom black or white, right or wrong; that either-or choices may turn out to be the riskiest of all.

If the job of managers is to plan, organise, and execute, that of directors is to question. But to ask the *right* questions they need a good deal of information – not just about a company and its specific purpose and intentions, but also about the *context* in which it operates. For it's what's happening "out there" that determines what's possible, sensible, and desirable "in here."

Smart managers ask their own dumb questions: "Who is the customer?" "What value does that customer buy?" "What might they buy tomorrow?" "What do we know inside that they might want outside?" "Why should we enter this market?" "What specific skills do we need to succeed?" "What will be the real costs?" "When can we expect a payoff?" "How big will it really be?" And so on.

But smart directors don't assume that these questions are asked or answered. They don't assume that they are rigorously debated, or that the conclusions are tested as robustly as possible. They don't assume anything. They *ask*.

During the astonishing post World War II rise of Japan, executives there developed a technique known as the "five why's." Like most of the management ideas that transformed Japan, this one is not from the lofty realms of rocket science. You just keep asking, "Why?"

The reason is not so much to hear the answer, as to hear what led to the answer. What underpins it? What assumptions is it based on? What were people thinking when they came to this conclusion?

Chris Argyris, a professor at the Harvard Business School, has long advocated that managers learn to move beyond "single-loop learning" to "double-loop learning." What this means is actually very simple.

Single-loop learning occurs when something happens and you respond to it. For example, a room gets too hot, so you open a window or switch on the air-conditioner. You fix the immediate problem but all you learn is that you can cool a warm room.

Double-loop learning, on the other hand, occurs when you ask why the room was hot in the first place. When you probe for the answer behind the problem. When you learn not only how to manage temperature, but also what *causes* it. This deeper insight lets you anticipate how it

will behave in the future – or in other conditions – so it equips you to adapt in other places and on other days.

In my experience, most managers give superficial answers to a lot of problems. It's not that they want to be glib. But they are busy, and their agendas demand action. What's more, they see their power lying in solutions, not questions; in decisiveness, not in endless deliberation.

But while they may be acutely aware of the need to avoid "analysis paralysis," and while they may like the hype of slogans like Nike's "Just Do It," they hurt their own efforts by failing to ask, "Why?" And all too often, they allow the first answer to be the last.

If they simply changed gears, and spent more time encouraging their people to clarify the assumptions on which they based their recommendations, they would achieve far more. Ironically, they would also get there faster. When flaky assumptions slip into a thinking process, they may go unnoticed for a while, but sooner or later they come back to haunt a firm. So it's best to root them out early – even at the risk of sounding boring.

If slick answers are common in everyday corporate life, they are especially easy at board level. It is easy in an atmosphere of decorum and strict process to slip into politeness and ready acquiescence. Even in one-on-one discussions between, say, an outside director and a CEO, pursuit of answers may be intensely discomfiting.

But it is not the task of a director to make life comfortable for the people who report to a board. It is the height of irresponsibility to let the easy answer be the right one. It is downright folly to take at face value the neat market analyses, the "one best way" strategies, and the bold intentions that are the stuff of slick presentations.

According to *Fortune,* strategic planning is now the No. 1 management tool, closely followed by the use of vision and mission statements. But in a fast-changing world, where surprise and turbulence are givens, the product of strategising cannot just be a plan. A far more important outcome is *increased capacity to think and act strategically.*

Business strategy, like every journey through life, is a learning process. The first goal of every organisation should be to raise its "strategic IQ" – the ability of every person to participate to the best of their ability in scanning the environment, providing new insights, applying their imagination, and exploring the bounds of what's possible.

The role of a director is not to be a policeman. Nor is it to second-guess their executive teams or to offer answers to every question. Rather, it is to raise awareness across the organisation that assumptions matter, that smooth words are no substitute for a relentless quest for truth, that simplicity beats complexity, and that clarity counts.

Strategy is partly about stretching people by asking, "Why not?" But it is equally about bringing them back to earth by asking, "Why?" It is the search for balance between these questions that directors must orchestrate. This is their essential strategic role. It is their responsibility – and they should aim to make it their legacy

TONY MANNING'S

Personal Profile©

- Independent strategy consultant since 1987.
- Clients include leading companies in most industries.
- Formerly Chairman and Chief Executive Officer of McCann-Erickson advertising agency, and head of marketing for Coca-Cola (Southern & Central Africa).
- Author of the following books:
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  Business Strategy in the New South Africa
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  The Race To Learn
  Radical Strategy
- Editor of book entitled *Trends Transforming South Africa.*
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- Publishes *Tony Manning's Strategy Letter,* a newsletter for top executives.
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