Create a ValuePlan for new growth

Tony Manning

For the past nine years, Bain & Co., a management consultancy, has tracked the tools that managers use. According to the latest survey, companies are now using more of them than ever – 16 on average, up from just 10 in 2000.

Old favourites such as strategic planning, benchmarking, and vision and mission statements are still in the lead. Growth is still high on the business agenda, even though conditions are tough and unpredictable.

But where will growth come from? Consumer confidence is fragile. Business spending is slow.

About three years ago, CEOs of a number of technology firms warned that there was “no visibility.” Today, things are far murkier. The bullish crowd sees better times just ahead. The bears worry about an economic train wreck just around the corner.

So what does all this mean to your company? What business tools will serve you best? What actions should you concentrate on right today? What matters for the medium term? What will make the difference in three or five years from now?

This debate will not yield easy answers. Managers will continue to seek the “one best way” to pump up their profits. They’ll keep searching for the “silver bullet” that will solve all their problems. And they will continue to be frustrated by new initiatives that chew up time, energy, and money, but don’t deliver on their promise.

When you get down to the basics, though, there are two things that you have to do – and you have to do them in parallel:

1. Get your organization fit for the future, and keep it that way;
2. Produce new value in order to drive new growth.

Given the sluggish state of the South African economy, cost-cutting is imperative for most firms. Too many of them are in poor shape. By getting smart and sweating “the small stuff,” they could easily wring more profits from their operations.

As one executive told me, “Our sales are flat. But we’re making money because we’re watching every cent we spend. We turn off the lights and the air conditioners at night. We try to drink our customers’ beer rather than have them drink ours. We check petrol accounts to see that our reps aren’t signing for a few cold drinks and some chips when they fill up.” All this adds up to a few thousand rands a month.

Common sense in the short term readies a firm to deal with the long term. But there’s a clear limit to what it will achieve in the face of no sales growth. Sooner or later – and best it be sooner – you have to win new customers and new sales from old customers, and get the prices you need to advance.

The tool that many firms will use to make this happen in the years ahead is value-based management – or as I prefer to call it, value management. Remarkably, it doesn’t appear in Bain’s list of the top 25 tools, although aspects of it such as the balanced scorecard, economic value-added analysis, and pay for performance do.

Value management recognizes that you have many stakeholders, and you have to deliver value to all of them to keep them “voting for you.” It’s based firmly on the logic of the “triple bottom line” – profit, society, and the environment – which is the new corporate governance mantra. But the focus clearly is on *profit*.

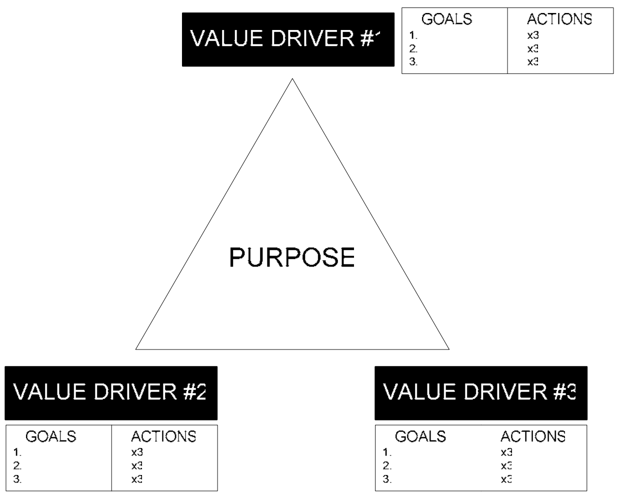
Research shows that when firms try to be all things to everyone, they wind up doing little good for anyone. Putting shareholders first gives you the best chance of serving all your stakeholders. Anything else ensures sub-optimal performance.

Value management has become an industry with a life of its own. There are many approaches to it, and plenty of ways to waste time and effort. Yet what you need to do is in essence quite simple. A new tool called ValuePlanning gets you started. The process is described in detail in my new book, *Competing Through Value Management*, but here is the guts of it:

1. Define your business purpose – why you exist, what you aim to achieve, your key financial goals.
2. Decide on three actions – your "value drivers" – that are absolutely vital to achieving the results you want.
3. For each value driver, decide on three goals, and for each goal, three actions.

This framework forces you to focus on the few things that will make the big difference. It captures your entire strategy in a picture, making it easy to communicate throughout your organization. By discussing it continually, and by reviewing progress every 30 days, you keep things moving and on track.

Delivering growth comes from delivering value. And that's a process that must be guided and managed. You have to make it happen, one step at a time, day after day. Start with a ValuePlan and you have a good chance of pulling it off.



The best managers know the importance of keeping things simple. They know that they have to get results through others, and that deciding what *not* to do is as important as deciding what they should do. They understand the value of a "strategic conversation" that is crisp, clear, and uncomplicated.

The search for ideal business tools will continue. Many firms will spend fortunes on fads. The winners will keep their feet on the ground and do the few things that'll make the biggest difference.

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