Chapter 2

DOLLARS AND SENSE

In Chapter 1, “What Makes You the Boss,” we discussed the concept of leading others from behind and the three organizational groups: Navigators, Transmitters and Drivers. In this chapter we will focus on the Navigators and their role in creating and sustaining forward motion in their organizations.

It is best to begin discussing this group with an understanding of the role Navigators play in organizations and the challenges they face guiding their companies through the financial, political, technical, and consumer driven minefield we call the global economy. In Chapter 1, we described Navigators as board members, owners, or the executive leadership of an organization. This small group of individuals is usually tasked with establishing or reinventing the core business, product, or service strategy. They are tasked with retaining and protecting the capital investments allocated or invested into the business to grow and return profits to its investors. They are responsible for staying current with industry developments, consumer needs, regulation changes, global competition, and legislative challenges. Finally, Navigators are charged with securing executive leadership talent and providing clear strategic direction and support to ensure long-term success of the organization.

Navigators spend as much time looking outward from their business as they do looking inward. As the pace of globalization quickens and the complexity of competing internationally increases, this group must be the eyes and the ears for the organization. To use a naval analogy, Navigators are much like sub commanders looking through a periscope extended above the ocean surface. In battle, a sub commander when spotting danger through the periscope has the opportunity to evaluate the situation and communicate information to officers in key areas of the sub. With this information, focused and well-trained officers know what to do, where to make the correction, and they can pass the needed instruction to navy personnel throughout the sub.

Navigators, in much the same way, must embrace the opportunity to observe their organization as well as the market—not as business owners or executives but from a neutral and objective standpoint. However, instead of a periscope Navigators must sit on industry boards, connect with other business owners, and attend industry association or trade meetings. They are aligning emerging technologies, working with strategic alliances or investigating and traveling to new markets in order to provide strategic, financial, or operational advantages to their firm’s competitiveness. My point here is to emphasize the importance for Navigators to focus *outside* the business as much as inside it.

Once organizations identify a target market and the goods or services they intend to offer in that market space, their success will depend largely on their alignment to the market they are trying to attract. To facilitate this discussion I refer you to Figure 2.1, a graphic I call the MORE Window. The MORE Window basically is the objective spaces between your organization and the market you are trying to attract. The market and more specifically the customers in your target market are continually influenced by conditions or events surrounding them. In the same way, your organization is also being influenced by a wide array of internal and external conditions. As your target customers are evaluating you and your competition, they are looking for goods or services that meet their current needs and the firm they perceive can best deliver them. At the same time, your organization is looking to appeal to customers that will fit its business model and will allow it to leverage the unique set of resources and intellectual property it has invested in. The more closely Navigators can align their organization to satisfy the current needs of the target customers, the more efficiently your business will attract these customers and sell goods and services to them. With this said, the Navigators' primary function is to convert their observations about the target market into strategic initiatives of realignment for their organization. These initiatives should be focused and effectively communicated to Transmitters for execution.

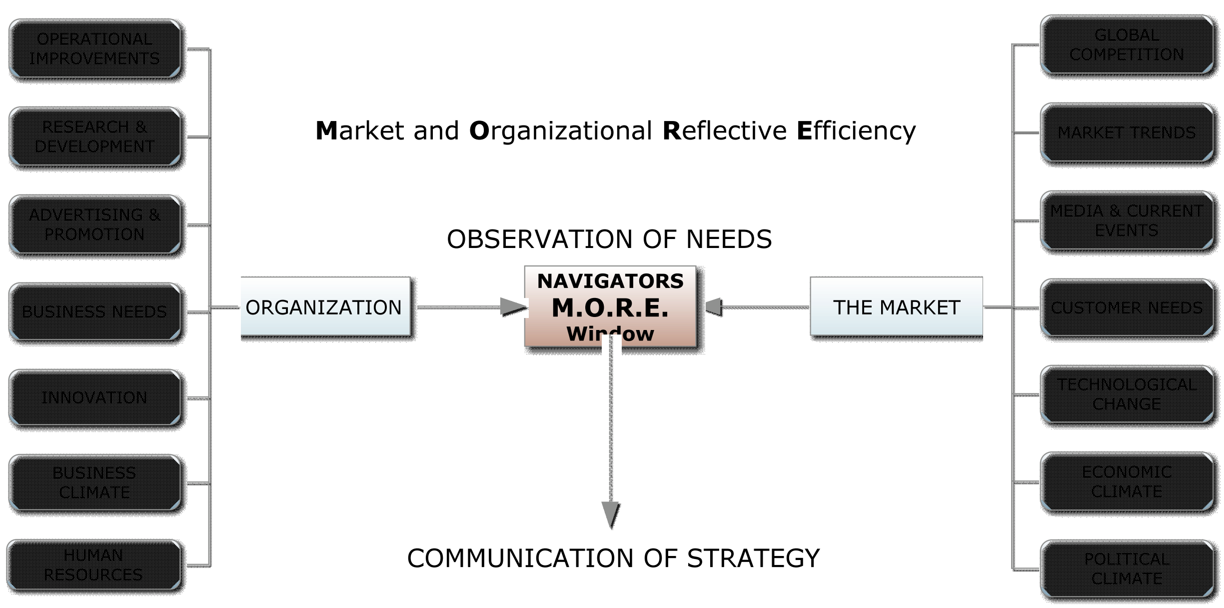

Figure 2.1

If we look at Figure 2.1 more closely, you will see the market and your target customers' needs are inherently linked much like the organization and the needs of the business on the opposite side. Some of the more critical influencers on your target customers, such as global competition or economic conditions, are outlined above and below. The key for Navigators is to observe these influences, develop and communicate strategy within their organization, and keep their business in line with the ever-changing needs of their target customers. This has always been a difficult prospect for businesses big and small.

One great example of this is the US auto industry in the 1970s. The October 1973 to March 1974 oil embargo period in the US was the initial catalyst towards a shift in consumer automotive needs. US auto manufacturers Ford, GM, and Chrysler failed to see the economic impacts of higher gas prices on their target customers or the implications of foreign competition from Japan until it was too late. This lack of observation about the changing economic conditions allowed the Japanese auto makers to enter and take significant US market share with low cost, fuel efficient automobiles.

What makes the role of Navigators difficult is the wide range of influences acting on a business, including the current pace as well as the dynamics of the global marketplace. Also, Navigators' strategic planning cycle, execution of the initiatives, and the return on investments tend to take as long as twelve to eighteen months. This creates the opportunity for goals to be adjusted or circumvented before the strategic plan and initiatives can be fully implemented and their effectiveness determined. I have worked with many strategic planning teams, written and delivered strategic plans to leadership, and been on the receiving end of many more of these plans. In my experience, the strategic plans that were crafted, delivered, and executed with the best results shared some key components:

- Observations driving the strategic plans were supported by facts, data, customer input.
- Strategic plans were very focused and segmented into manageable pieces for the business to execute without overloading available resources.
- Each piece of the plans was prioritized to ensure the first initiatives gave the greatest impact.
- The preparation and communication of strategic initiatives from Navigators to Transmitters was precise and consistent.
- The execution timeline for each key initiative was completed in six months or less.
- The firm started the execution with the time and resources needed to finish it.

With all of this said there are two core competencies Navigators, individually, and more important, as a group, must possess to lead the modern organization to success: observation and communication.

The Art of Observation

Observation, like many leadership traits, is more of an art than a science. In many companies, I have seen the tendency of CEOs and their executives to be content focusing on what is occurring inside their organization. The issue, of course, is that the purpose of the business and the primary reason for its existence is largely due to the consumers and market trends that are external to the business.

Navigators must compile and decipher all of the information and observations they encounter collectively and decide how much is relevant to their organization. This information should not come from one source or one method of collection. As part of their observation strategy Navigators should develop observation collection tools to assist them with this process.

1. Identify information collection points inside and outside of the organization with 50 percent of each, providing equal weight to business strategy development.
    a. Sales staff, customer service representatives, or delivery personnel are examples of **internal** observation points.
    b. Social media conversations, consumer reports, polling, inventory levels of distributors, or competitors are examples of **external** collection points.
2. Develop collection plans for each source (e.g., sales or polling) and structure the parameters of the information you are trying to solicit. These collection plans should:
    a. Contain information from more than one collector at each collection point. For example, do not have one salesperson collecting information, but instead create system tools that allow all sales staff to participate.
    b. Structure scripts to align information you are requesting from inside and outside the organization to ensure the specific observation can be compared.

For example, let's say you are trying to determine customers' reasoning for purchasing from your competitor versus you. Internally you might have a "reason for lost sale" follow-up by sales staff where they record reasons customers chose to buy elsewhere. Externally, you might have a telemarketing company ask customers in your target market the top two or three reasons they are likely not to buy products from a company in your market segment. What you are really looking for here is a correlation of data that will support or repudiate your observations.

Based on the information gathered during the collection process, Navigators must assess their observations about the target market, that is, the needs of the target customers and the ability of the organization to deliver goods or services. The critical questions are:

- What is the impact of aligning the organization to the needs of the target customers?
- What components of the organization pose the largest variance to customers' needs?
- What observation has the greatest potential to harm the success and long-term health of the organization?
- How severe will the impact be if adjustments or new initiatives are not executed to address them in a timely manner?

It is from the conclusions that the basis for organizational strategy can start. Now, the important task of writing and presenting the strategy to Transmitters begins. It is this very place in the process where I see Navigators fail most often. So, with that said, I am going to discuss in more detail the second of the two primary skills that Navigators must have—communication.

The Craft of Communication

Like any good writer the Navigator must first consider his or her audience before creating the organizational strategies. Yes, initially they will be presented to senior staff or, if in the planning process, to directors and/or middle management. It is the Transmitter who will ultimately deliver and sell your strategies to the organization through the Drivers. It is important that these strategies are logical and what I call transportable through the complicated path of cultural, generational, educational, racial, and gender filters they will be measured through. More specifically, Navigators must communicate a focused and logical plan to Transmitters and Drivers within the organization. The plan will provide the basis for change and strategic initiatives that will align the organization with its target market and consumers.

Earlier in the chapter I listed key components of developing a successful plan. However, what I did not touch on was the importance of communication, both written and verbal. It is important to understand that while the Navigators' role is to observe and match their organization's goals to the market's needs, Transmitters and Drivers must focus on the day-to-day functions of operating the business. Following is a review of the vital components of communication for operational strategy: content, timing, and delivery.

Content

The construction of organizational strategies has become so complicated that it often ends up confusing many at the very start of the process. Remember the people who need to wrap their heads around these new strategies and execute them. When you consider that the *Wall Street Journal* is written at the eighth grade reading level, it shouldn't be necessary to have an MBA to contemplate your strategic plan. Your strategies need to be focused, simple, and outlined in very discrete terms. You need to boil down the organization's strategies to simple phrases that identify the target outcome with a goal that can be quantified.

For example, say your target customers are influenced by competitors in your industry who are offering similar products at a 20 percent lower price point than you are. Let's say that your value proposition, although good, can't overcome the price objections and you are losing market share and revenue. Let's also say that your observations both internal and external support the competitive claims and you realize a strategic initiative must be undertaken to realign the organization with the needs of your target customer. I have seen many corporations write the following as one of the core strategic initiatives into their strategic plan: “Reduce operating cost by 20 percent by [date].”

“Reduce Operating Cost by 20 percent by [Date].” I’ve seen countless companies who create initiatives that focus on cost cutting projects, staffing reductions, liquidation of assets, reduction of services, and a host of other initiatives designed to reduce expenses. I am not suggesting that controlling costs is not important or even critical in many cases. However, what I am saying is that when initiatives in the organization are worded like the initiative above you are sending a message that is stronger and carries far more impact on the mindset of Transmitters and Drivers in your organization than you realize. What I have learned is that this type of initiative will cost you more than it will save you.

Cutting costs is not difficult and you certainly don’t need to create a strategic initiative to achieve it. More important, if I asked you if your goal was to cut costs or increase your profitability you would say it is the latter, not the former. So I guess for you, the readers, I would ask why not focus on profitability and let cost reduction take care of itself? Let me explain: In the example above your customers are being influenced by lower prices and similar product alternatives from competitors. This downward pressure on product prices will force your sales staff to sell at lower margins, making you less profitable without change to the product’s cost profile.

The strategic initiative to “reduce operating cost by 20 percent” has a negative and deflating tone to it. It also provides no guarantee that the reduction will not make the problems worse, and most of the time it does. When new initiatives like “The company needs us to reduce costs by 20 percent” are communicated by Transmitters down through the organization this is what Drivers hear: “The company is in trouble and our wages or jobs may be in jeopardy.” Drivers go into conservative mode and stop asking for even the most basic things they use on a day-to-day basis to perform their work, “we must cut costs.” They try to work faster to make sure their performance numbers are good. Machine operators start extending the amount of product they run before changing tooling; fork truck drivers put an extra 4,000 to 5,000 more hours on before changing oil than they used to; purchasers do their best to cut down on the amount of spare parts they have on hand to save $10 here and $20 there. “If we do a good job cutting costs for the company maybe we won’t be laid off, we will make it through this difficult time.”

What happens is the Drivers stop thinking of innovative ways to do things better (creative mode) and focus on what they need to do to not mess up or increase cost (conservative mode). The machine operator starts making bad parts because he was trying to push through the production run on one set of tooling and the gauge he needed to check quality wore out and he didn’t want to ask for a new one. The fork truck driver was late picking up the order for delivery because his lift broke down due to engine noise and overheating. The spare $20 part they needed to fix the fork truck is no longer in stock due to the purchasers focus on minimizing spare parts. Now the products are not as high quality as they once were, and will be late as well.

The alternative is to create initiatives that challenge your organization to go further, to explore new boundaries, to be proactively inventive. In the face of stiff competition and sinking margins I might suggest the alternative strategic initiative:

"Institute LEAN initiatives company-wide to improve Operating Efficiency 20 percent by [Date]." What is your audience thinking here? That the company is putting something in, not taking something away. It's creative thinking versus conservative thinking. It's an opportunity versus a potential poor outcome. It's interesting, something new to learn, and will result, if well executed, in delivering the very objectives needed to realign the company with its customers' needs. This type of initiative will deliver the results you need while providing Transmitters with a program they will want to communicate and execute.

This re-phrasing of initiatives away from the financial quotas is critical to creating a positive message that makes sense. I learned early in my career that focusing on money alone instead of the logical and sensible actions tends to create as many issues as the limitations you are trying to overcome.

Dollars and Sense*. When I was sixteen years old I worked the first of four summers at a small resort in New Hampshire on an island in the middle of Lake Winnipesauke. Sandy Island was a small family getaway run by the Boston YMCA and a place where families would go year after year to enjoy the water and the comforts of this well managed and maintained haven. Although my family had never vacationed there the Island director was a friend of the family and shared its magic as a special place. I was asked by our friend the director to work as a part of the island's maintenance crew for the summer. So it was there where I received my first leadership lesson.*

On the very first day of work all of the maintenance staff gathered in the middle of the ball field for work assignments. I would learn after working at Sandy Island several summers how the assignment process worked and how to position oneself to avoid the most undesirable tasks and working conditions. However, on my first day I was eager to get started, to show others what I could do. Above the murmur of those gathered in the ball field a loud voice began to present the day's work options. "I need someone to go down and work with Wild Bill staining the lodge." My hand flew up, as if this opportunity, this assignment was to be the only assignment available. "Grab a bucket of stain and a brush and head to the lodge; Wild Bill is already on the ladder staining." Just like that I had my first assignment. With a bucket and brush in hand I began to walk down the long and winding path to the Great Lodge as I would later learn to call it.

The lodge was an enormous post and beam structure, sided and trimmed with wide plank boards back in the1950s. It stood at its peak 40 feet above the ground, was nearly 100 feet in length. It functioned as the main gathering place for events on the island. As I approached this great structure I began to realize the enormity of the task I had volunteered for. On the face of the building there were two large wooden ladders extending to the very top and to each side or the lodge's peak. At the top of one of the ladders was a man staining the eve line. "Come on up, it's going to be a great day for staining," said the low, distant, and distinguished voice from above. I pushed the brush in my back pocket and began climbing the ladder. At about 20 feet I realized that I no longer liked heights and began considering a quick descent. "Does this look like the same color brown to you?" said the voice from above. Looking up, the color did seem to be much darker, "It's a lot darker," I said, focusing on the contrast for the final ten rungs of the ladder.

At that point I realized that I had reached the top of the ladder and with his question I had lost focus on our height and my arrival at the ridge pole. "Ah, thanks," I said, "your question about the color got me here." "You're welcome young man. I am not very fond of heights either." It was at that point that I noticed the man they called Wild Bill. He was a thin, fragile looking man with pure white hair and steely blue eyes. More important, and in my worldly sixteen year old assessment, the oldest looking man I had ever seen. "Ninety-two," he said, tapping his brush against the edge of his stain can. "Excuse me?" I said, trying to redirect my attention away from my elder ridge partner. "Ninety-two, that's how old I am."

I began staining, trying to balance my stain can and hanging on with purpose to the ladder in fear of falling. This is going to be a long summer, I thought. Here I am 30 feet in the air staining this ridiculously large building with a ninety-two year old man. Can this get any worse, I speculated, as I held the brush above my head towards the eve, stain running down my arm. I began slapping paint on the Great Lodge. "You don't like paint much, do you?" "No," I said, looking down at the side of the lodge and the significant amount of work before us. "Well then, what do you see yourself doing then?" "I am not really sure, but I whatever it is I am going to make a lot of money and it won't involve a paint brush. What about you Wild Bill, I am guessing you are a painter?" "Yes, of sorts, I guess. I love to paint and I guess I have been around paints and stains for over seventy years now.

At one time Wild Bill had owned more than twenty Dutch Boy paint stores in Massachusetts during the 1950s, 1960s, and 1970s. He said he loved putting a fresh coat of paint on things. To him it was like breathing new life into an old house, an old piece of furniture or a weathered picket fence. There was nothing that provided him more satisfaction than to see what the transformation of the right finishes could do. "Wow," I said, "Twenty stores. You must have made a bunch of money?" "Mark," he said in his baritone voice, "I've owned and operated business for more than thirty years and I should give you one piece of valuable advice." There *was a pause and I stopped painting. Wild Bill sat there for a minute cutting in a perfectly straight line of rich brown stain along the window trim. His hand, even at ninety-two was steady, as if guided by some mechanical device, scribing a perfectly balance line of stain. "Mark, business is about dollars and cents." That's it? I thought to myself, the guy is ninety-two years old, he's owned twenty stores and been a business owner for over thirty years and all he's got is that. "Mark, what I mean is that when business becomes more about making dollars than it does about making common sense, it's time for a change."*

I stood there on a ladder, 30 feet above the ground, on an island in the middle of the largest lake in New Hampshire, soaking in the words. At sixteen, I knew they meant something significant, but at the time they were too much for me to process. It would be almost ten years before the true meaning of his words would connect and alter my beliefs and focus as a leader. Eventually, I grew and led in corporations and watched the demise of management teams whose focus on profit alone became the catalyst for erosion of company culture and performance. Financial gains for a few trumped the rationale and sensible business decisions that would have provided years of prosperity for many. Today, I focus on crafting strategic content that benefits all stakeholders, creates opportunity, and energizes forward motion through creativity and innovation.

Timing

Often I see Navigators who observe and quantify new information and then rush to modify the company strategy while the initial strategy is still in implementation phase. Observations and the strategic initiatives that are born from them must be well thought out prior to their release to the Transmitter. The presentation of these strategic initiatives to Transmitters should be a formal and well rehearsed presentation. Navigators should have four to five core initiatives that they have conceived based on their observations of the business and their target market. They should rank these initiatives based on the most critical and impactful conditions of misalignment with the target customer.

I would liken this to a pitching coach in baseball who has a host of relievers in the bullpen. Each reliever has specific pitches and attributes. This variety allows the coach to observe conditions on the field, and select different relievers in different situations to execute and deliver positive results for their team, in this case "outs." Strategic initiatives in much the same way are conceived to be "initiated" in response to a situation happening in the marketplace. However, what I see quite often with well structured and targeted strategies are two things that limit successful implementation:

1. Company strategies are initiated simultaneously and not time-released in the order of greatest importance for the organization.

2. The organization does not have enough resources dedicated to each initiative to effectively execute and manage its success.

Timing, as they say, is everything. I think it is critical during the Navigators' presentation to Transmitters to outline and describe in detail each strategic initiative. What market observation is each initiative intended to satisfy? In what order should each initiative be released in order to facilitate the largest benefits to the organization? What is the timing for the release of each initiative? These are all important questions for Transmitters to understand as they begin to rationalize resource allocations and the impacts throughout the organization. The time-release method of implementing strategic initiatives allows further observations and adjustments to the non-implemented strategy before execution into the company. It also allows Transmitters to use key project managers or technical experts on multiple strategic planning and implementation teams.

Delivery

The initial communication to the organization regarding market observations and the rationale for strategic initiatives should come from Navigators. The operative word here is "initial." Drivers in the organization do want to hear from Navigators in the organization, their observations about the market and their strategy towards success. Drivers and Transmitters recognize that as the primary function of Navigators as well as commitment to provide the support and resources. Navigators also provide an ongoing support network for Transmitters as they uncover progress and limitations on the journey to deliver the strategic results. This dialogue of information and feedback is critical so that the design and communication of strategic initiatives at all levels and between all levels of the organization is consistent and interactive. However, once the initial strategy is presented to the company, the responsibility to convert the strategic initiatives into a strategic plan lies with Transmitters.

Unfortunately, in many organizations Navigators' tendencies are to focus inside of their businesses on the day-to-day operations, which is the primary function of the Transmitters. This does two things:

1. It limits the pipeline of new information from the marketplace needed to maintain alignment between the organization and its target consumer.
2. It reduces the effectiveness of leadership (Transmitters) entrusted to communicate and execute the business strategy inside the organization.

Although it is important for Navigators to stay engaged and observe the inner workings of their business, the discipline to honor and utilize the interior leadership structure for business execution is critical. The importance of maintaining an equal and unbiased viewpoint of both your customer needs and your business needs is critical to providing timely strategic initiatives that will align your organization and your target market.

