POSSIBLE METHODS OF MANAGEMENT AND DEVELOPMENT COMPANY

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"Drive thy business, or it will drive thee." – Benjamin Franklin

Abstract:*The world economy remains strong and opportunities are abundant. This might seem like a strange statement, depending on where along the photochemical machining industry supply line you sit. There are obviously a number of challenges that face the current market. Cyclicality, skyrocketing raw material costs, diminishing availability of skilled plant workers and intense foreign competition are all among the roadblocks to growing your business.*

Key words:Strategies, growth, risk, strategic plan

1. Introduction

The growth strategies are divided into internal strategies for growth and external strategies for growth. Internal growth strategies involved taken within the firm itself, such as new product development, other product-related strategies, and international expansion with the purpose of increasing sales revenue and profitability. The distinctive attribute of internally generated growth is that a business relies on its own competencies, expertise, business practices, and employees. Internally generated growth is often called organic growth because it does not rely on outside intervention.

The world economy remains strong and opportunities are abundant. This might seem like a strange statement, depending on where along the photochemical machining industry supply line you sit. There are obviously a number of challenges that face the current market. Cyclicality, skyrocketing raw material costs, diminishing availability of skilled plant workers and intense foreign competition are all among the roadblocks to growing your business. The good news is that no matter how daunting these challenges may seem, there are still innovative ways in which you can grow your business.

No matter how much the world changes, your business is still affected by the same five forces: suppliers, customers, substitutes, new entrants and your competitors. Each of these pushes and pulls your business in different directions. You know that your customers are your key: they specify your product, what it does and how much it costs. However, along with customers, the other four forces must be accounted for when choosing how best to improve your situation in the market.

In tough times, you have five options for trying to bolster your market position: Growing organically; Growing through external means;Minimizing costs;Exiting the market;Doing nothing.

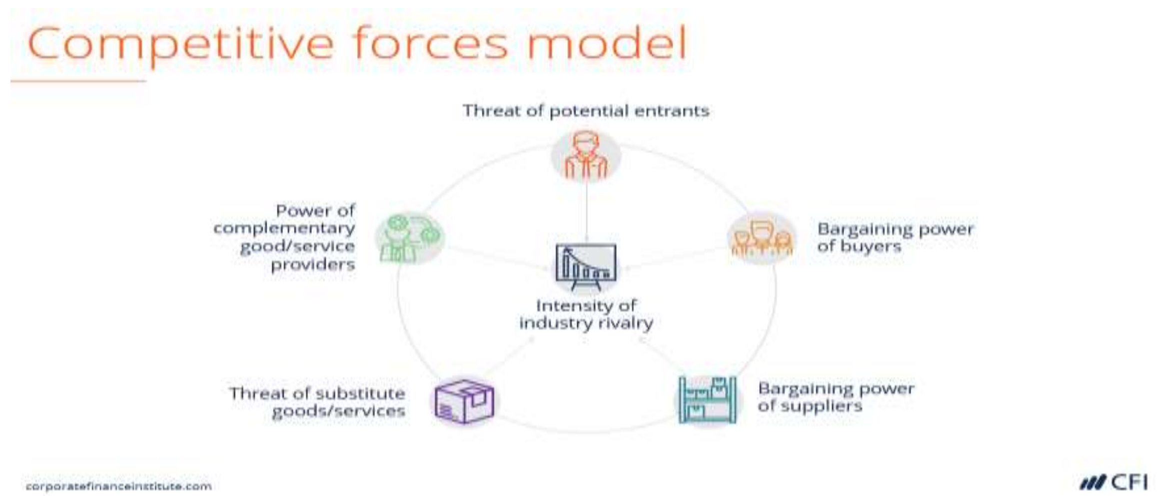
Each option has its obvious advantages and disadvantages, and some require more effort and proactive thinking than others.

The first two options focus on growth (either organic or external) and seek long term positions of strength. Organic growth includes adding new sales people, expanding marketing initiatives, making capital investments, investing in research and development and diversifying your customer base (either the number of customers or different types of customers). External growth includes joint ventures, strategic alliances, franchising, and acquisitions. All of these require a proactive decision on your part that you are willing to assume some risk for venturing into new territory that can bring great rewards.

External growth can be the best way to jump start a growth program for your business. It is the quickest option for growth because the new customers and products that you are looking for already exist. These customers are already buying a product or service that they know, saving the time and effort of introducing a new product or service on to the market. External growth also allows for cross selling of your current product or service to the new customers you acquire, and vice versa. Even your internal research and development team benefits from external growth, as it is often much better at adapting and fixing existing products rather than developing new, untested products.

When times are tough, you can minimize this risk by taking a careful, thorough approach to any growth initiative. Often, it makes sense to hire an outsider to bring perspective and focus to your growth strategies. An outside consultant will have experience in engineering growth for companies like yours. They can complement the resources that you have internally in a number of ways. They can serve as the "arms and legs" for your development team while providing an unbiased, objective approach to the external growth process. By helping craft your external growth strategy and conducting prioritization research, they can move the growth process forward at an accelerated rate. With the right strategic plan and advice, you can ensure a quick, smooth route for growing your business.

Minimizing costs, exiting the market or doing nothing can seem simpler in the short term, but they are, in fact, riskier in the long run. Too many cuts in the wrong places can adversely affect your product and service quality. And who wants to compete on price alone? Exiting the market by selling your business may make sense if competitive landscape requires more capital than you are willing to expend, the market forecast is exceedingly grim, or there are other personal issues at stake (succession, desire to pursue other interests, or liquidity). Selling your company can have a distinct impact on your employees and your community, and must be done with extreme care. Your last option of doing nothing and "riding out the storm can have disastrous implications. A long list of companies has been left by the side of the road as their competitors have focused on growth, even through the toughest of times.

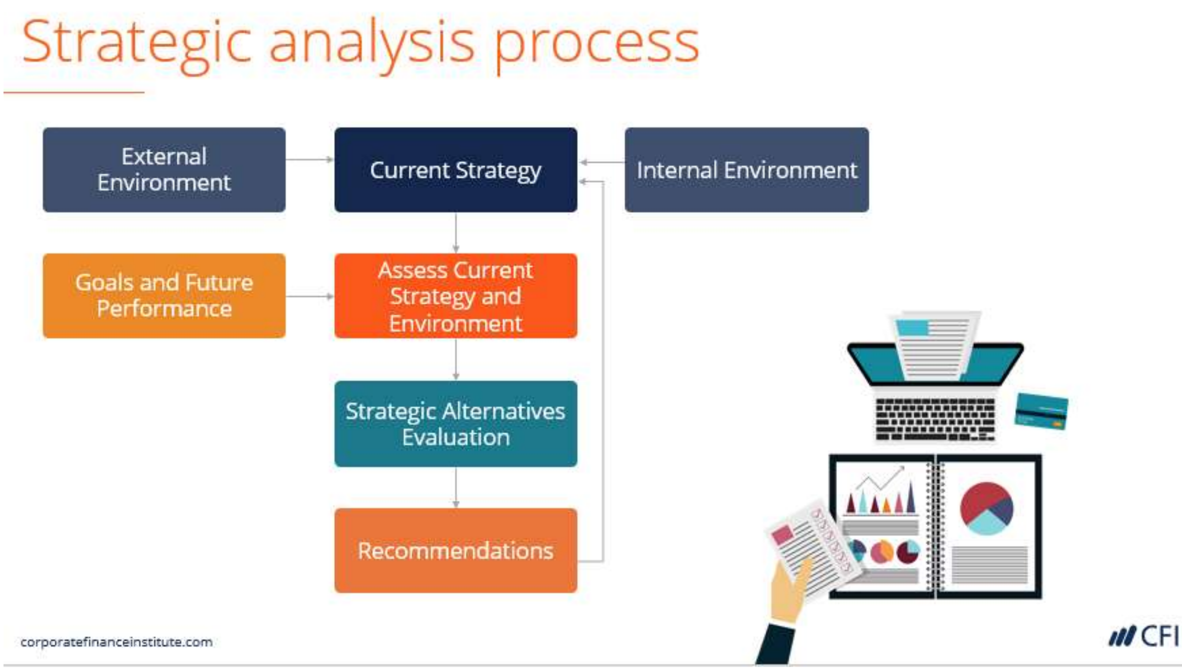


Every business and every segment of industry goes through rough periods. The keys to survival are understanding the forces that affect your business, being prepared and adapting quickly. As the old adage goes, you can't keep trying the same thing and expecting different results. You can't cut your way to growth. Do something new!

2. Strategic Planning Meetings

Strategic planning meetings are a very controversial thing. They have a bit of a reputation to be just another fancy management trend. I have to admit that I, too, have my doubts if all of these meetings are worth the efforts. My experience tells me that there is much truth in Brian Quinn's famous quote:

"A good deal of corporate planning ... is like a ritual rain dance. It has no effect on the weather that follows, but those who engage in it think it does. ... Moreover, much of the advice related to corporate planning is directed at improving the dancing, not the weather."



However, despite all problems, pitfalls and disappointing results, I am convinced that these meetings do have a value. Even if they won't lead to a groundbreaking new strategy, such meetings can do some good for the company:

- For many businesses, a formal strategic planning meeting forces upper and middle management to systematically think and talk about strategic issues for the first time.
- If halfway properly planned, the preparation for this meeting encourages middle managers to put away their daily business for some quite hours and to think about the bigger picture. How many of them are so busy with their

day-to-day workload that they hardly take the time to think about the long-term prospects of their field of responsibility in the larger context – even if they would like to do that.

- The meeting normally brings together the whole top management team and more or less members of the middle management. This might be an excellent opportunity to bring some ideas or problems to the attention of the whole management team and even to get some immediate attention, discussion and response.
- I once met a CEO who deliberately used the annual strategy meetings to do some sort of evaluation of his middle managers. He could see them all in a very similar situation and thus could easily compare how seriously they take this, what strategic capabilities they have, how good they are at recognising and solving problems …

So why are so many people disappointed with strategic planning meetings? I can think of a lot of problems – some of them can be solved / reduced and some not. So I will just limit myself to some issues I have experienced myself.

First, you need a critical mass of people involved with at least a basic understanding of strategy and strategic thinking. It is unrealistic to expect that the whole management team consists of experienced strategists. However, some of them (preferably the more senior ones) should have a clear idea about what is subject of a strategy meeting and what not and about how these issues should be addressed. Otherwise you risk to end up with a discussion about almost anything widely related with the future of the company, but not necessarily of strategic importance.

It is no rocket-science: good preparation is key. I have made the experience that it is more than recommended to talk to the top management about their expectations at first. Good communication is important too. It is essential that everybody involved knows the overall picture and how he fits into it, what he is supposed to do and by when he is supposed to do it. To point is to make busy managers to buy into something that takes away their time from their other duties and that potentially leads them onto unfamiliar of even threatening grounds. This is a very important part of the preparation. I found it beneficial to offer the managers that were asked to do advance preparations (almost) any help they might need in a very informal way. Typical obstacles where a little help can make a big difference are:

- to be available for questions ('What do you actually mean by …?')
- to sort out the interfaces with other departments (e.g. to check with controlling which figures to use)
- to be available as some sort of sparring partner and plausibility check

I prefer some consistency in the way strategic analyses are done and strategies are presented – both over time and across the organisation (i.e. across all business units, region or whatever planning units there are). This helps to achieve a certain level of quality and makes results more comparable. The downside is, however, that this sort of consistency tends to even out the differences between the several business units. The more diverse your organisation is, the more resistance you will meet with a standardized strategy presentation of the one-size-fits-all type. There is no one right answer to this issue. The solution depends on the type of the organization and top management's expectations. In any case, it is helpful to think about this question in advance.

This leads to the question of complexity. In large and complex organizations it is important to determine the level at which you want to discuss strategy. If a large organization really intends to discuss strategy at the level of each product line, it may easily end up with a whole week of strategy meeting. The preparation of a complete set of files for all participants alone can become a major challenge in such cases.

Last but not least – routine. The problem of routine brings us back to the above quote which compares strategy meetings with rain dances. I almost never experienced such a rain dance- attitude in first-time strategy meetings. The problem arises if companies exercise one and the same type of meeting year after year. After a few years, everybody knows what he is expected to do and everybody has learned how to prepare a presentation that meets the CEOs likings and avoids critical questions. Moreover, it is complete nonsense to expect groundbreaking new strategic ideas every year. In the end, a strategy should be a bit more long-term. A company I worked with solved this problem by shifting focus every year. One year they focused, for instance, on their options to improve their position in Asia, and next year they focused on technology.

3. After the strategic planning meetings

Even if the meeting was considered a great success, without equally good follow-up it won't deliver the best results.

To nobodies surprise – meeting minutes are important. The question is, however, which form and which extent they should take. Again, there is no one right answer. I think it depends on the complexity of the meeting, on top management's preferences and even on the culture of the company. The minutes can be everything from a one-page summary of the key findings and decisions up to a fairly detailed report which covers all major points of discussion. I personally prefer the more detailed version. You can still reduce it to some sort of management summary afterwards and there are some advantages of extensive notes:

- It is often helpful to be able to reconstruct the reasons and arguments that led to a particular decision of conclusion later on – for people who where at the meeting and also for those who weren't.
- I often found these discussions highly interesting and full of valuable information, e.g. about markets, technologies, competitors and so on. If these details are taken down, the minutes (or parts thereof) are a nice means of spreading such information throughout the company.
- It may be helpful for the preparation of the next strategy meeting. Nobody will remember all aspects of a strategy discussion after a year or longer. Last years minutes can help to reveal issues that were heavily questioned or remained undecided. These areas might deserve a more careful preparation the next time.

Normally, more or less tasks will be assigned during strategy meetings. These tasks can be very diverse. I have seen almost everything from the task to analyse a particular strategic option in more detail to some fairly operative things like to drill down and to explain some figures or to work out a particular process in more detail. Ideally, these tasks will be assigned to a particular person or team and will come with a due date. It is no need to mention that all tasks should be part of the minutes. However, it becomes a bit unclear what follows afterwards. In an ideal world, everybody will know what to do, will fulfil his tasks and will distribute the results as necessary. Since the world is not perfect, I found it beneficial to implement some sort of follow up for the tasks.

The first step is to compile all tasks into one extensive list which can be sorted as needed, e.g. by topic, by due date, by status. Then the tasks should be arranged by responsible person and everybody who was assigned a task gets a complete list of his/her particular tasks, including due dates. This may look like a bit of red tape and not everybody will need it. But there are some good reasons. First, you cannot always be sure that everybody who was assigned a task was present at the strategy meeting or did receive the meeting minutes or did identify the task for him in the minutes. Moreover, it also is a bit of a support tool for the responsible persons. Their personal list of tasks assures them that they have the correct and complete knowledge of what they are expected to do. Thus there is no need for them to work through extensive minutes and to hope that they really identified all their tasks from it.

Now that everybody is well informed it is advisable to keep track of the results. This is best done by status requests. Again, the frequency and the way of doing this depend on the situation. The objective here is to follow the progress as closely as necessary while bothering the people which should actually do something as less as possible with report writing (which can be perceived as unproductive and bureaucratic):

- If most tasks are short term and time-critical, the status should be collected monthly.
- With more medium to long term tasks the frequency can be longer, for instance every three months. This is also advisable if there is a high number of tasks. It is probably ineffective (and not motivating) if people are requested to report about ten issues every month.
- A limited number of tasks can be followed up in a fairly informal way. It may be enough to ask for a brief info by mail or even in a phone call.
- If there is a large number of tasks, there is probably no other way then to send out standardised status requests.

CONCLUSIONS

It is easy to collect a pile of status reports. Their value, however, depends on what is done with them. The most straightforward thing to do would be to compile a nice list with all tasks and their latest status and to forward all that to the top management team. In smaller and less complex organizations this may work out fine. Top management will probably figure out potential problems and initiate some actions. The more effective way is, however, to give somebody not only the task to collect all status reports, but the authority to critically question them. Ideally this should be somebody from the strategy team who is able to understand the meaning and the objectives behind all those tasks, and to see the interrelations. This person should also evaluate if the results achieved so far meet the original objective of the task. This is especially important in cases when the responsible person doesn't agree with the objective of his particular task. More than often I got status reports in which people explained in great detail why it doesn't make sense to follow this task at all. Hence, somebody from the strategy team should compile a summary about how far the organization has come since the strategy meeting:

- what has been achieved
- if the results so far led to the expected outcomes
- where there are problems and which of them are critical
- what could be done about the problems
- issues for which new findings and developments require new decisions, and so on.

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