

DOES YOUR BUSINESS LOGIC ADD UP?

Tony Manning

Worldwide, consumer spending is slowing down. High oil prices have hit shoppers just about everywhere. In many countries, “vampire” goods and services – particularly mobile phones – have sucked away money that used to be spent on food or clothes. Japanese citizens are ageing, and nervous about the future, so they’re keeping their money safely under their futons. South Africans are getting poorer as GDP per capita slides and Aids takes its toll.

Profit warnings are coming thick and fast from major firms ranging from Procter & Gamble to Xerox and Apple Computer. Economists warn of a “third oil crisis.” A new book by the economics editor of *Business Week* warns that the “new economy” could soon slump and that recession or even depression are just a heartbeat away.

This is the environment in which companies compete. And it is precisely these uncertainties that make strategy more important than ever.

For proof of how important it is, you only have to watch the rise and fall of “breakthrough” companies in the dotcom arena. They come and go at astonishing speed. Entrepreneurs pop up like mushrooms after rain, proclaim the genius of their business models, sucker smart investors into supporting them with seriously big bucks – and then vanish in a puff of platitudes.

It’s a truly remarkable act. Many of these “new new things” have no customers, no cash flow and no clue about how they will keep going. They talk glibly of “momentum” rather than old-fashioned profits, and of branding as if that’s possible with vaporware.

The first thing to know about business is that it’s less easy than you think. If everything were so obvious, and if making the right things happen were so simple, everybody would be as rich as Bill Gates.

The second lesson is that business logic matters. You may have green hair and a nose ring, and you may work funny hours and eat lots of pizza, but you still need a story that adds up. If it doesn’t, you may fool some people for a short time, but you will be caught out. And in this fast-moving world, with shrinking life cycles, it’s likely to be sooner rather than later.

Successful companies are able to convincingly answer seven key questions. Here they are:

1. Is there a real and exploitable business opportunity for *this* organization?
2. Is the business purpose clear and worth supporting?
3. Is there a “business recipe”, and is it likely to deliver the intended results?
4. Have hard choices and trade-offs been made about priorities and actions?
5. Are essential resources and capabilities available, or can they be?
6. Does the organization satisfy the needs of key stakeholders?
7. Does its strategy take into account external forces that might affect it?

The same test applies to any business, no matter whether it's selling hamburgers or high-level financial advice. If your answer to any of these questions is "no" or "maybe not", you're in trouble. If you can honestly say "yes", then you have a chance of success.

Strategy is the process of asking these questions, and acting on the answers. So before you get bogged down in a SWOT analysis or yakking about your core competencies or your Big Hairy Audacious Goals, get real. Attend to what matters. No one will thank you later for having been up with all the latest buzzwords. But they will pay you handsomely for delivering value to paying customers at a profit.

Strategic planning ranks as the most used management tool worldwide. It is also the most abused. Executives eagerly latch onto new concepts while forgetting the basics. They look for sophisticated "solutions" to their business problems, when effectiveness and results come from much simpler places.

There are no easy answers in business. But strategists do themselves – and their companies – a great disservice when they assume that complicated ideas, techniques, and practices are best.

One reason is that when things are hard to grasp, they're hard to sell. And if a critical mass of people in an organization do not understand what's going on and what they need to do, they are effectively disempowered.

The second reason is that when senior people don't feel at ease with what they're doing, if they don't really understand *why* they're doing certain things, they will undermine themselves.

Strategy is a leadership responsibility. Leaders who "do" it well make the right decisions reasonably often. And they get the right things done through others.

Credibility is crucial to a leader's performance. A firm's strategic logic provides the basis for that credibility ... or can be its undoing. So thinking through that logic deserves a great deal of time and attention. If you get it right, you get off to a good start. But get it wrong, and nothing will go your way.

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