Stonebeck

Leadership:

premonition, process, practice & perseverance

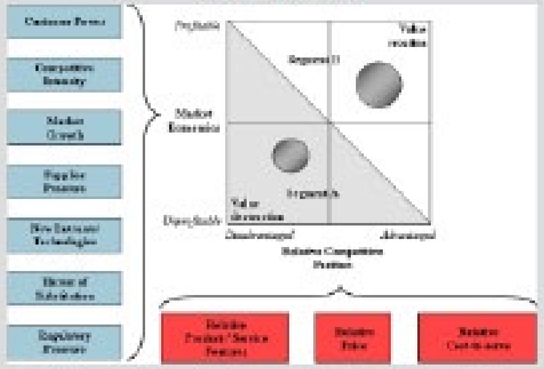
Ambitions/ objectives

The level of ambition, and therefore the scale and scope of objectives, is fundamental to the performance of the company. Set it too high and you risk disillusionment; set it too low and full potential will not be realised. Here are some ways to set the optimal level:

- Separate market growth from market share, and fixed from variable costs; create 'virtuous circles' of increased share - lower unit costs - higher investment - greater share, etc.
- Review what competitors have achieved, and what others in analogous industries have done
- Internally, benchmark against past levels of performance achieved by the company, or a division of it
- Break down an ambitious target into bite-size chunks and focus effort on delivering the 'bites'.

Put in place a management team used to achieving larger changes in performance (the traditional private equity route).

Differentiation



Economics

Economic analysis identifies where the business generates profit, where it invests cash and how that is changing. It is used to highlight areas of opportunity, particularly when combined with creative segmentation.

A strategy or business plan becomes concrete once it is underpinned by a rigorous understanding of revenue and cost drivers, asset intensity and contingency/ risk analysis.

Agendas

One of the biggest challenges managers face is the shear breadth of things they have to address, from people issues to capital investments, operating budgets to strategic planning, building internal skills to countering competitive ones. How well managers juggle these competing demands on their time is a factor in their effectiveness. Leaders work against four parallel agendas:

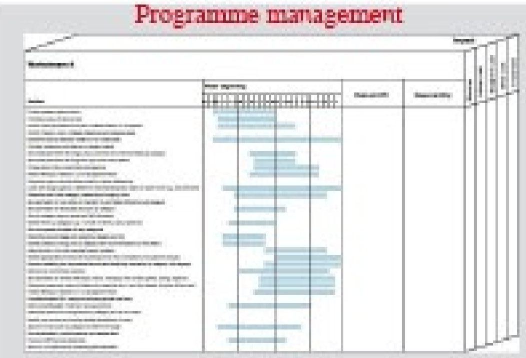
- Sustaining profitable growth in the core business
- 'Stretching' the performance of the core business by finding new expansion opportunities and new delivery mechanisms
- Creating an organisation with the skills, commitment and alignment to deliver
- Manage risks and preempt discontinuities

The challenge is to address only the critical decisions and initiatives both within each agenda and across the whole. Paradoxically, most managers individually believe they are focused on the most important issues, but most management teams collectively think that they are not.

Planning

Good decisions come to nothing without the hard graft of translating them into detailed plans and carrying them through to completion. A single line in a top-level project plan requires on average sixty lines of detailing before it is at a level that drives implementation - who does what in which week - and is trackable. Every line in a plan has an owner.

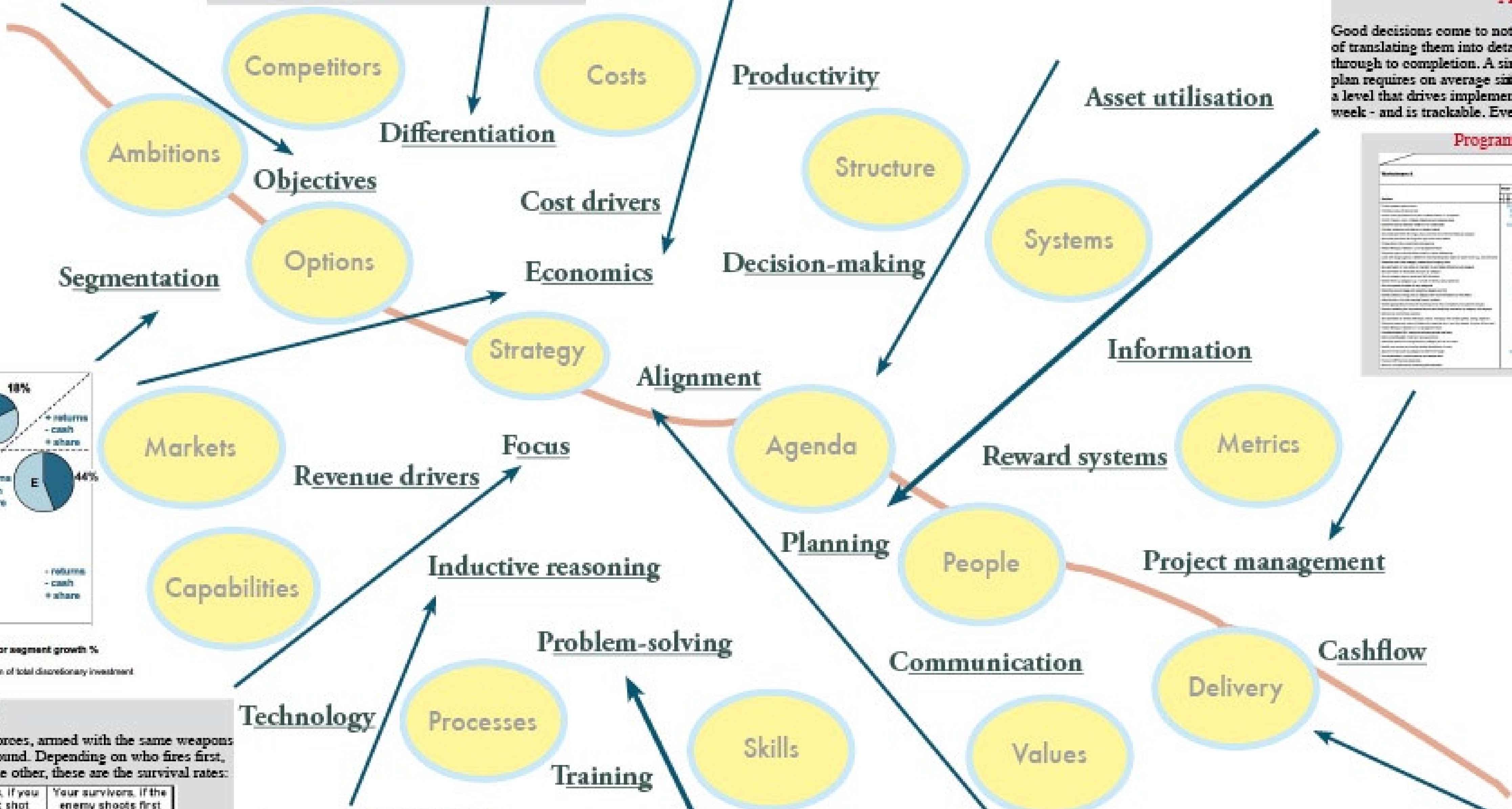
Programme management

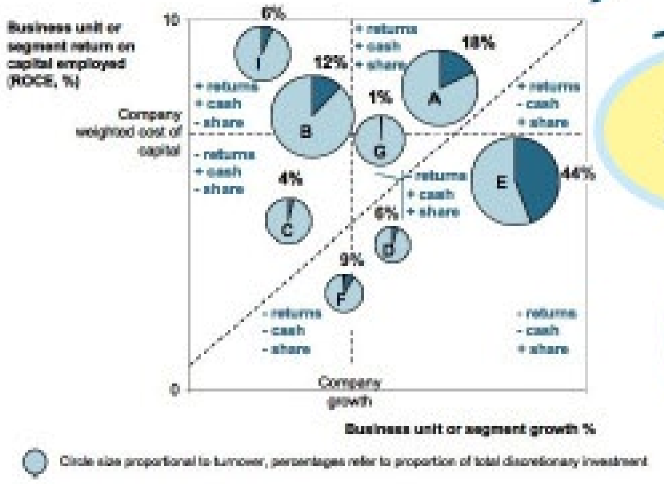


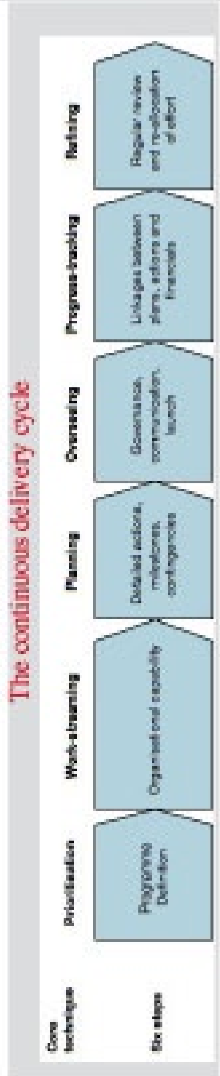
Segmentation

Segmentation is the process by which the characteristics of different markets are distinguished one from another, including the needs and purchasing behaviours of different customer groups. Entrepreneurs use it to open up new opportunities in markets which appear to be mature.

It is the most valuable skill for any manager to possess, and the hardest to learn. For it to be valuable, it must be both measurable (in economic terms) and actionable (i.e. a segment once identified must be addressable and winnable).







Focus

Lanchester's Law: Suppose two opposing forces, armed with the same weapons of equal quality, face each other on equal ground. Depending on who fires first, and how many extra soldiers one has over the other, these are the survival rates:

Number of your forces versus the enemy	Your survivors, if you have the first shot	Your survivors, if the enemy shoots first
Equal numbers	32%	0%
10% more	52%	29%
25% more	66%	53%
50% more	79%	70%

This simple model offers three lessons:

- By focusing attention and resources, you will win well, even if prempted by the competition
- If you are evenly matched against your competitors, then find ways to outmanouevre them first before they do the same to you
- If you can add superior skills or technologies, then your out-performance will be that much greater.

The best managers have a 'nose' for the 80/20. They seek the most direct way to apply their resources where they can beat competitors.

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Inductive reasoning

There are two ways to tackle issues where the answer is unknown. The deductive process assembles all known facts and then uses them to determine how they might answer the question. The inductive process hypothesizes the answer, and then collects those facts which are sufficient to either prove or disprove it.

Hypotheses are guesses or speculation, based on knowledge, but also intuition and 'gut-feel'. A good hypothesis should be provocative, challenging conventional wisdom and stimulating creativity – what if, not what is.

In a business world rich on data, the inductive, hypothesis-driven technique rewards managers who are prepared to test their insight by delivering more penetrating answers more quickly.

Problem-solving

The ability to quickly and systematically solve problems is often undervalued, and delegated to too low a level. Techniques include 'fishbone' (below), GE's 'Workout', ToP and Kaizan.

Alignment

Lack of alignment is cited as the third most common cause of failure in implementation programmes, after insufficient resources and agenda overload. Alignment takes three forms:

- Vertical alignment – everyone from the CEO to the front-line working to a coherent set of measures and objectives which 'stack up' to deliver the overall corporate objectives
- Horizontal alignment – people from all the functions and departments involved in the delivery of an efficient and responsive process working in concert, and with common objectives
- Management alignment - management at all levels working to deliver the same agenda, without any pet projects or other exceptions.

A common cause of mis-alignment is performance measurement systems, which often reward behaviour in one area which is damaging to performance in another.