

Welcome to the June 2002 issue of **Management Shorts**  
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### **1. INTRO: Creating a Focus for Strategic Conversations**

Everyone talks about the importance of strategic thinking and strategic planning, but in my experience many management teams spend very little time at the strategic level. Tactical issues scream for attention, and strategic issues are often so complex and multi-layered that managers don't know where to start. I'm always on the look out for simple models and tools that will give my clients a focus for strategic discussions. My goal is always on creating a dialogue that is engaging for the participants and leads to a shared understanding of where the company is going and what practical steps need to be taken.

There is no perfect tool or model, just a range of things that are more or less useful in helping a team focus. One of the tools I've found that meets the usefulness test is a concept called The Business Idea. I've combined the May and June issues of Management Shorts to create enough space to fully describe the uses and benefits of The Business Idea.

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### **2. MANAGEMENT SHORT: The Business Idea**

#### **What It Is**

For those of you familiar with systems thinking, the Business Idea is an influence diagram that shows key elements of a business and how changes in one element cause an increase or decrease in another element.

#### **A Simple Example**

Increasing investment in quality control leads to higher customer satisfaction; higher customer satisfaction leads to more repeat buys; more repeat buys leads to increased profits; increased profits leads to more investment in quality control;

more investment in quality control further increases customer satisfaction, etc. The more elements that reinforce each other, the harder it is for competitors to copy you!

A graphical depiction of this example and the others in this newsletter is available in Adobe Acrobat format from my web site at: [www.acorn-od.com/business\\_idea.html](http://www.acorn-od.com/business_idea.html)

Sound too simple (or too complex) to be useful to you? My experience with clients proves the old adage: “There is nothing more practical than a good theory.” The underlying idea is that you and your management team need a shared, realistic view of why you are (or will be) successful and where to focus your efforts for the biggest returns.

The Business Idea is more than just a business model that shows how a company makes money. The Business Idea is a graphical way of capturing the customer value created, the company’s distinctive competencies, how these competencies combine to create competitive advantage, and how they reinforce each other to drive growth. As one client said, “I thought the Business Idea concept was brilliant. It gave a holistic feel for everything that we do and showed the leverage points that we could use.”

## **A Classic Example**

As some of you know, I regularly volunteer as a facilitator for a class at Stanford Business School called “Interpersonal Dynamics” (the students refer to it as “Touchy-Feely”). Unlike most classes at the school, Interpersonal Dynamics is experiential, with students organized into groups of 12 with 2 facilitators. The course was created 30 years ago and has proven to be enormously popular with the students – demand often exceeds to number of spots available. The course has persisted all these years in spite of the fact that it is more expensive to offer than other courses and encounters some opposition from faculty who think it is lacking in academic rigor. And yet the class has become an institution. Why? The “Business Idea” for this class has several reinforcing loops. We’ll look at one loop as an example.

The facilitators are a critical part of the course. They have more contact with the students than the professor and can have a significant impact on the quality of the student experience. For many years it was difficult to meet student demand for the course because of the difficulty in recruiting facilitators. The time demands are high (7 to 10 hours a week for 10 weeks, plus a weekend retreat) and the pay is a mere honorarium. There have always been facilitators who volunteer because they enjoy the process, but each quarter there is a scramble to find enough facilitators.

In 1990 the professor who created the course started a parallel training program for facilitators. The training program is intense, high quality, and very low cost. Graduates of the program rave about the enormous personal and professional growth they experience as well as the deep bonds they form with the other trainees. Over the years the program has grown in reputation among organization development consultants, therapists, and academics. Competition for spots in the program increases every year. This means that the quality of the applicant pool increases every year leading to a greater consistency in facilitator skill and hence a greater consistency in the experience that students have in their groups. It is no accident that student demand for the course has dramatically increased in recent years.

Graduates of the facilitator training program enjoyed the experience so much, they devised ways to create ongoing opportunities for learning and interaction including an e-mail list, discussion groups and social events. They also invited some of the faculty to teach one-day workshops. The faculty found the workshops so rewarding that they have pro-actively offered more learning opportunities. This increases the value experienced by the facilitators in being active in the facilitator community and encourages them to volunteer more often to facilitate the student groups. You can picture a reinforcing loop with the following elements: number and quality of applicants for training program, experience of personal and professional growth, pool of trained facilitators, activity in the facilitator community, facilitator skill, facilitator commitment to course, positive student experience, demand for course, and support from the school (they recently doubled the honorarium!).

To see the picture, go to [www.acorn-od.com/business\\_idea.html](http://www.acorn-od.com/business_idea.html)

This is just one loop in the Business Idea of the course. There are other elements that feed into the student experience and create “competitive advantage” to the extent that many students now consider the course to be an essential element of their business school experience. We’ve all heard of the “vicious cycle”; this is an example of the “virtuous cycle”.

### **A High Tech Example - FastGro**

FastGro is a high tech company that sells its product to other technology companies. The customer’s engineers have many technical and support requirements that must be met. The main competitor offers a lower priced product and yet FastGro has been able to stake out a leadership position in the market. How did this happen and how can FastGro stay ahead of the competition?

I asked the FastGro management team to start with the story of how the company was founded. The two founders talked about an unmet need they saw in the market and how they started putting together the pieces to meet that need. What they came up with was a core value proposition of “solving the engineer’s problem completely”. Over the years their ability to deliver on this promise has increased. Essential competencies include a cultural element of commitment to the customer as well as the ability to integrate 4 different technical disciplines. On a practical level this meant targeted investments in: rewards for support people that encourage working with the customer even when the problem is created by another vendor; IT infrastructure to allow improved communication between the 4 engineering groups; and strengthening one of the 4 technical disciplines in which the company was a little weak.

### **Using the Business Idea**

As a growing company in a relatively new market niche, FastGro has more opportunities than it can realistically pursue. The Business Idea becomes an excellent sorting tool. Does this new opportunity or direction leverage off of an existing capability? (An excellent question for avoiding what I call “Strategy by wishful thinking.”) Will it strengthen or undermine any of the loops? Does it reinforce our value proposition? At budget time the Business Idea helps set priorities – any proposed investment has to have a positive impact on the Business Idea.

The Business Idea is also a good reminder of the fundamentals that must be sustained and developed. If part of our value proposition is that we solve our customer’s problems completely, then we have to pay attention to our culture of customer service and make sure that as we grow we don’t do things to undermine that culture – like reward customer service people for reducing the amount of time they spend at the customer site! In the early years new employees at FastGro absorbed this cultural mindset through daily interaction with the founders. As the company grows, they will need more formal processes for socializing new employees and reinforcing a value that is so central to the company’s bottom line results.

### **Benefits of the Process**

At least half the value of the Business Idea is in the richness of the dialogue that occurs within the senior team as they develop and articulate the business idea. Like all the best strategic planning tools it creates a shared vision and language about the company and the larger market place. It is a great way to get everyone’s assumptions on the table so they can be thoroughly hashed out.

Discussing your Business Idea is a focused approach to building alignment on the management team.

A well-done Business Idea is also an excellent communication tool. One client team presented their Business Idea to their Board. The crabbiest of the Board members (isn't it their job to be crabby?) responded with, "That's the clearest statement of your value proposition that I've ever heard!"

## **Getting Started**

You can start the way FastGro did by telling the story of how your company was founded. Another approach is to start with a discussion of your competitive advantage. What does the customer value and how do you deliver that value? What are the elements that allow you to deliver a unique value proposition? (These are the distinctive competencies and assets of your company.) Are these competencies and assets growing or shrinking? What elements feed that growth? Where do investment dollars have the greatest impact on the value delivered?

As you develop these elements, look for the connections between them. Does an increase in one cause a corresponding change in another? Do the connections create a complete story? Why is it difficult for competitors to imitate your success formula?

The FastGro team resisted this exercise. It seemed too simple and not a good use of their time. Much to their surprise, they found the process both more difficult and more engaging than they thought. More importantly, it provided a solid foundation for strategic planning.

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### **3. FOR THOSE WHO WANT MORE: Graphics & Source Book**

Graphical depictions of all the examples in this newsletter are available in Adobe Acrobat format from my web site at:

[www.acorn-od.com/business\\_idea.html](http://www.acorn-od.com/business_idea.html)

#### Scenarios: The Art of Strategic Conversation

by Kees Van Der Heijden.

This is the best book I've found on scenario planning as well as the most complete and useful description of the Business idea. Chapter 8 provides a detailed process for developing a Business Idea. It is available from Amazon at the link below:

<http://www.amazon.com/exec/obidos/ASIN/0471966398/acornconsulti-20>

If you want to learn more about systems thinking, take a look at:  
[The Fifth Discipline Fieldbook](#) by Peter Senge, et. al.  
It is available from Amazon at the link below:

[www.amazon.com/exec/obidos/ASIN/0385472560/acornconsulti-20](http://www.amazon.com/exec/obidos/ASIN/0385472560/acornconsulti-20)

Another great resource on all things systems thinking is Pegasus Communications. Books, newsletters, tapes, conferences and more. You can find them on the web at  
[www.pegasuscom.com](http://www.pegasuscom.com)

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#### **4. FINAL THOUGHTS: The Business Idea is Dynamic**

Like most strategic planning efforts, the Business Idea is not something done once and then put away forever. The Business Idea is dynamic and if it doesn't change over time that is a sign that your competitive advantage is eroding. FastGro's competition is catching up on the 4 technical capabilities and FastGro is hard at work on the next step in enhancing the value proposition.

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As always, I welcome feedback on this newsletter. Is it meeting the stated value proposition of "practical and useful"?

Please forward this issue of Management Shorts to anyone you know who could use a focused tool for revisiting core strategy.

Warm regards,  
Andrea

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About Management Shorts

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**Management Shorts** is a free newsletter for senior managers on leadership, management and teamwork – the key leverage points for improving the speed and quality of decision-making and execution.  
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