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Vision and strategy in a small business

Ed Kless - @edkless

<http://thesoulofenterprise.com/>

How? Vs. What Matters?



How do you do it?

What refusal have I been postponing?

How long will it take?

What is the commitment I am willing to make?

How much does it cost?

What is the value of it to me?

How do you get 'those people' to change?

What is my contribution to the problem?

How do you measure it?

What is the judgment I need to make?

How have others done it successfully?

What do we want to create together?

Success	Vision	Skills	Incentives	Resources	Action Plan
Confusion	X	Skills	Incentives	Resources	Action Plan
Anxiety	Vision	X	Incentives	Resources	Action Plan
Slow change	Vision	Skills	X	Resources	Action Plan
Frustration	Vision	Skills	Incentives	X	Action Plan
False starts	Vision	Skills	Incentives	Resources	X

NATIONWIDE **#1** BESTSELLER

In Search of **EXCELLENCE**

*Lessons from America's
Best-Run Companies*

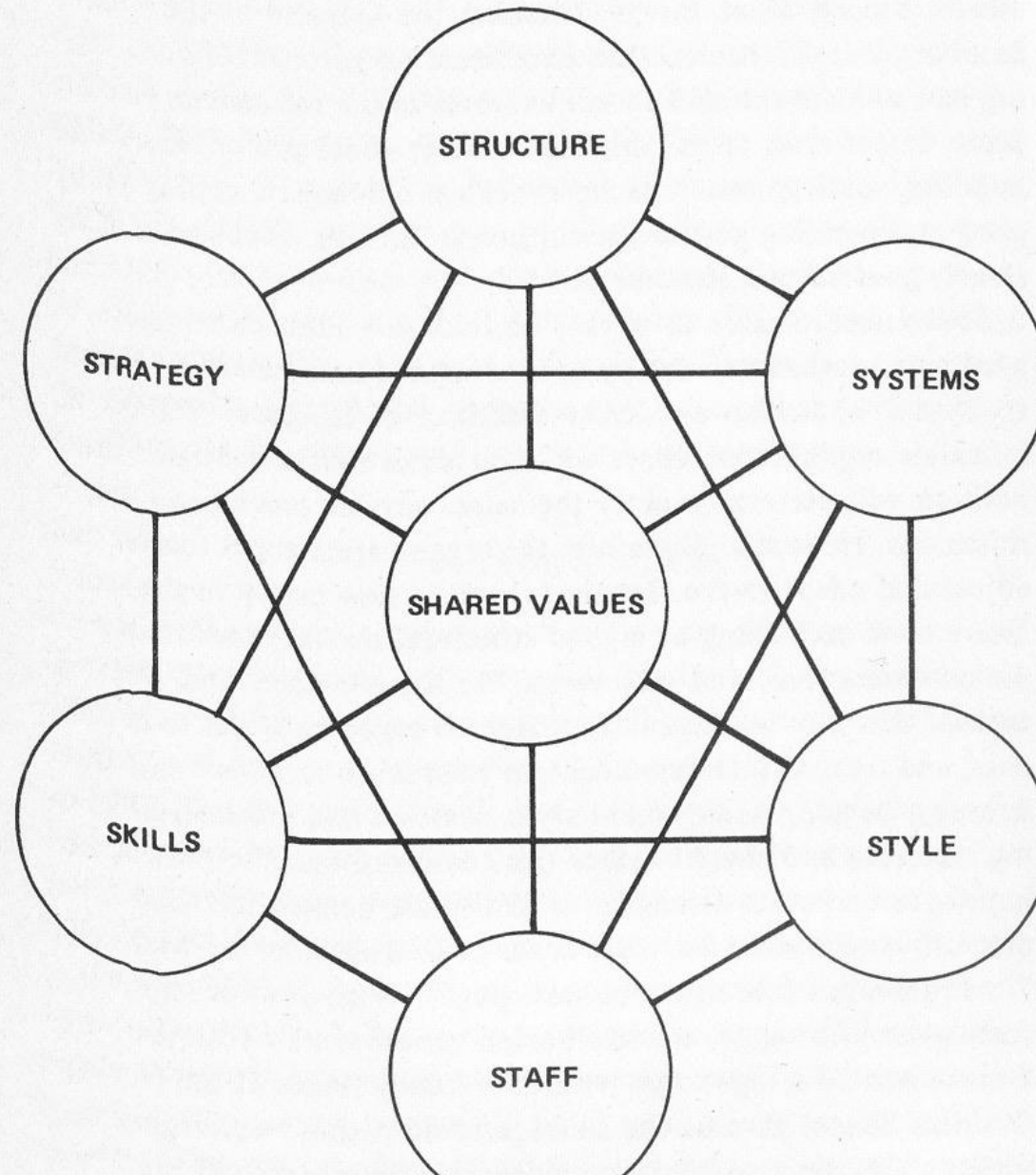
"Exuberant and absorbing...one of those rare books on management that are both consistently thought-provoking and fun to read"
—*The Wall Street Journal*

#1
National
Bestseller
Now
\$8.95

*Thomas J. Peters and
Robert H. Waterman, Jr.*

W WARNER BOOKS 37-844 \$8.95 (U.S.A.) 37-845 \$10.75 (CAN.)

MCKINSEY 7-S FRAMEWORK ©



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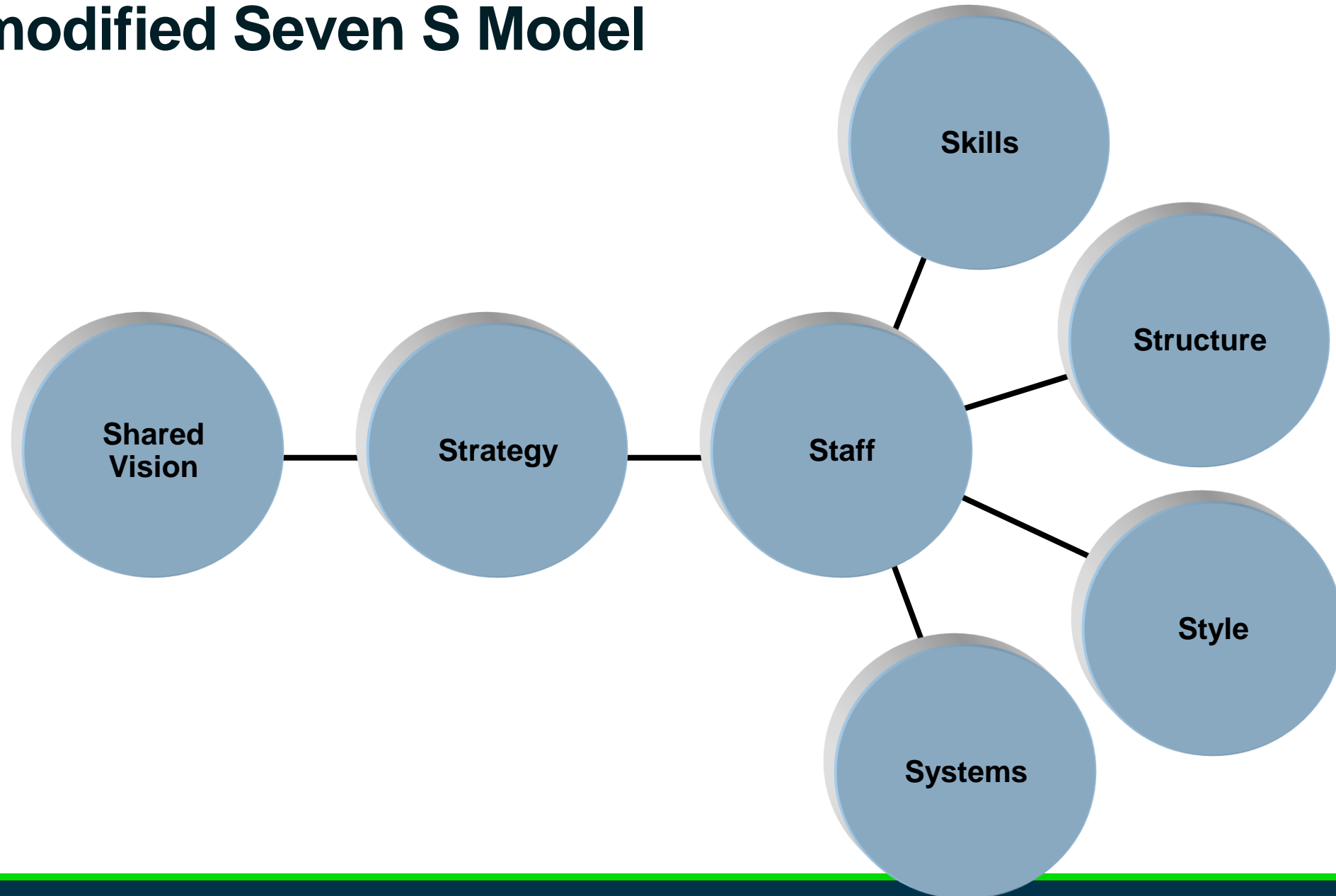
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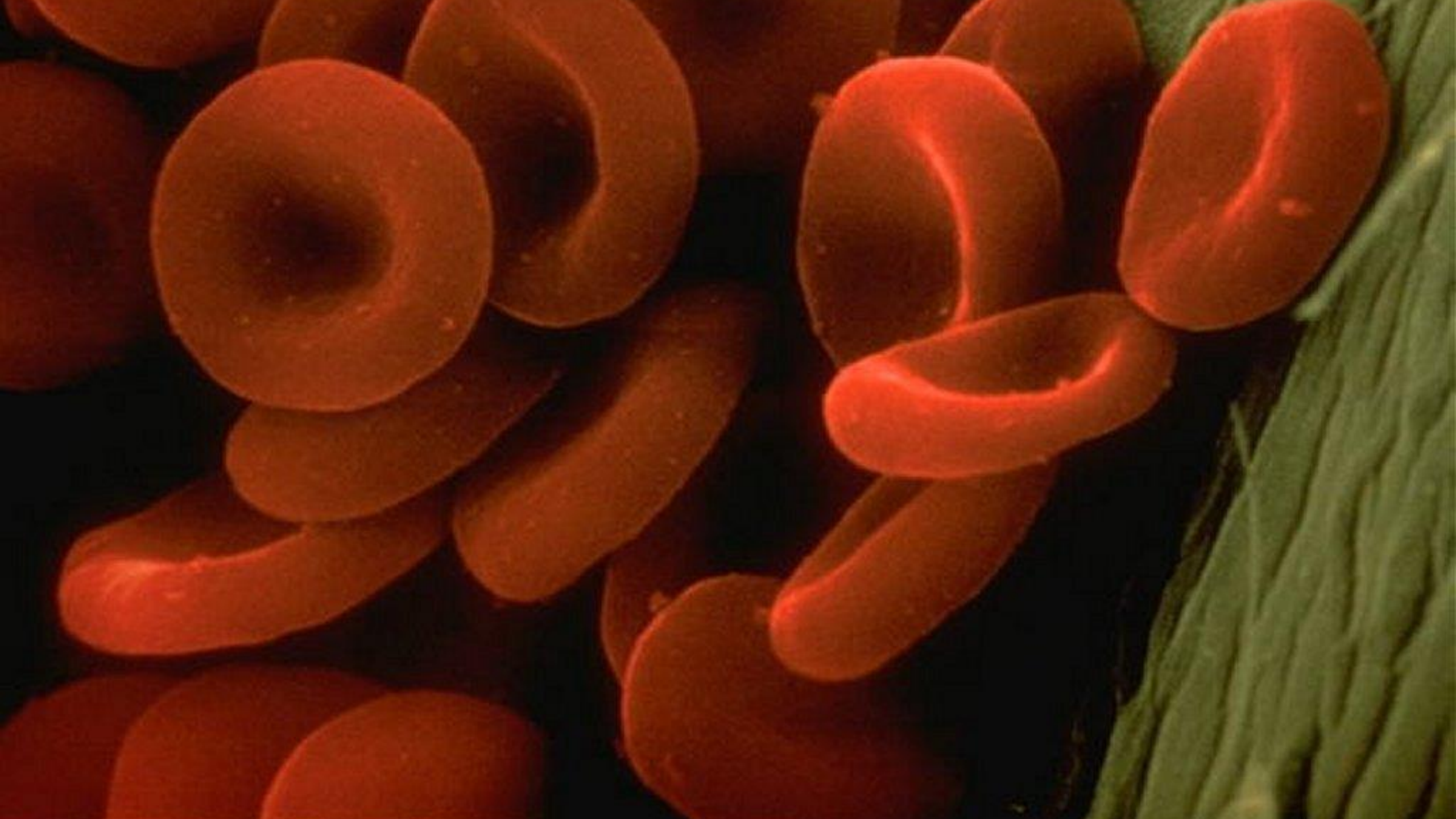
@edkless **BE SAGE. BUILD ON.**

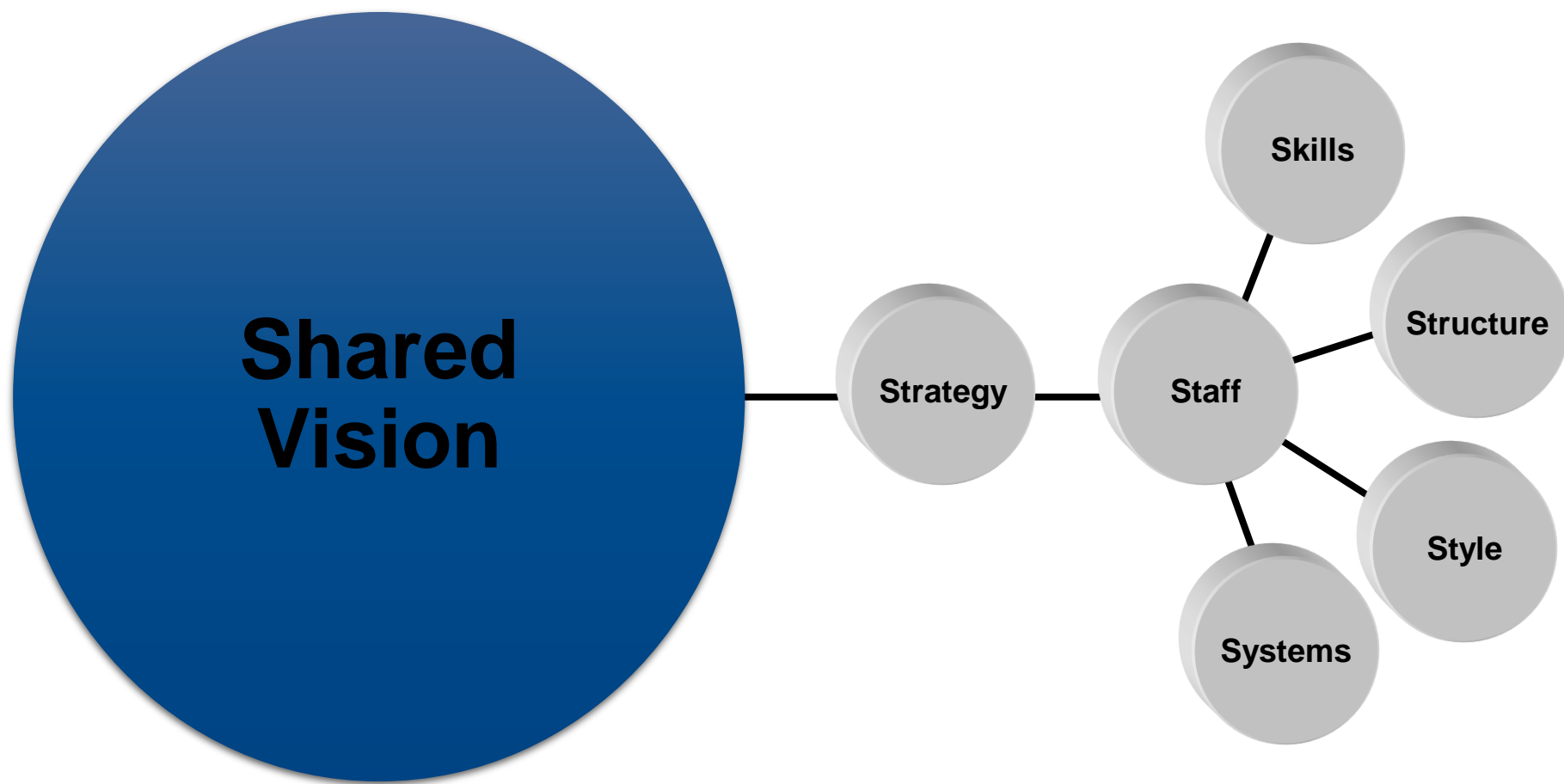
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The modified Seven S Model

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Shared Vision Fundamentals



Values

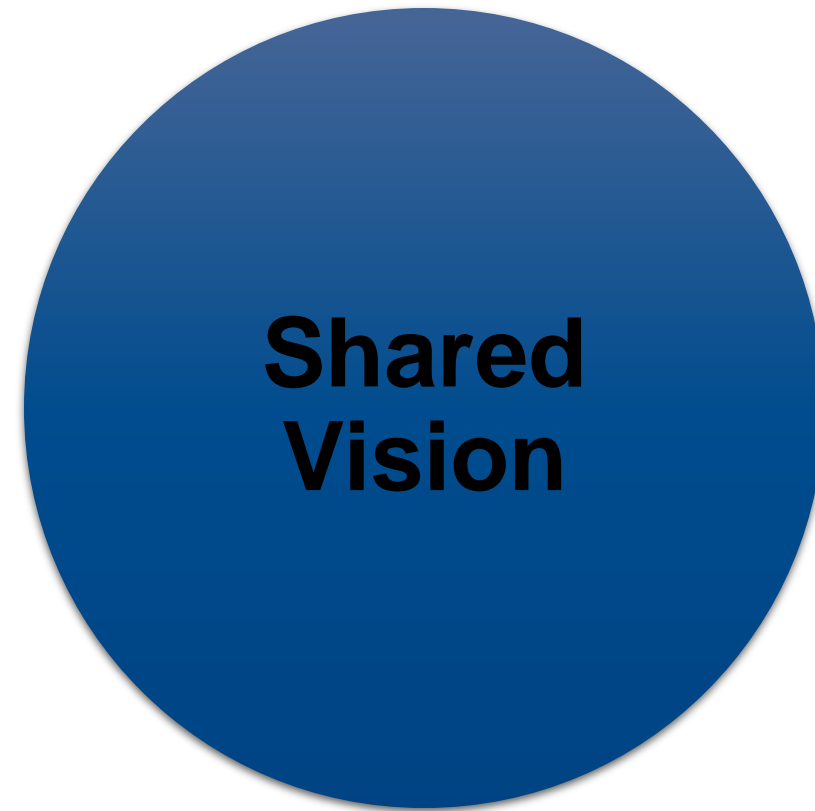
- aka Core Beliefs

Mission

- aka Purpose

Vision

- aka Aspiration
- aka Courageous Goal
- aka BHAG



Values



- Founding beliefs of your firm
- Answers the question “What do we collectively believe in?”
- Should rarely change
- Usually between four and eight words or statements
- Internal vs. external

Values - Examples



- Customers first. Velocity. Do the right thing. Innovate. Make a difference.
- Ensure quality of life balance.
- Acting with integrity, truthfulness and an open line of communication.
- Work collaboratively as a team, understanding and drawing on each other's strengths.
- Have raving fans for customers.

- Usually composed of three parts
 1. What do we do?
 2. Who benefits from what we do?
 3. How do we do it? (optional)
- Answers the question “Why did I come to work today?”
- Should be easy to memorize
- Can sometimes change

Mission —Examples



- To energize business builders around the world through the imagination of our people and the power of technology.
- To improve the business success (*what we do*) of our clients (*who benefits*) by providing superior business systems (*how we do it*)
- Improving the success of our team, our clients and our partners.

Vision—Courageous Goal



- BHAG
- Clear and concise with little room for interpretation
- Should take three to five years to achieve and be difficult and daring
- Must be aligned with your mission and values
- Should change when achieved
- Can be quantitative and qualitative

Vision – Courageous Goal

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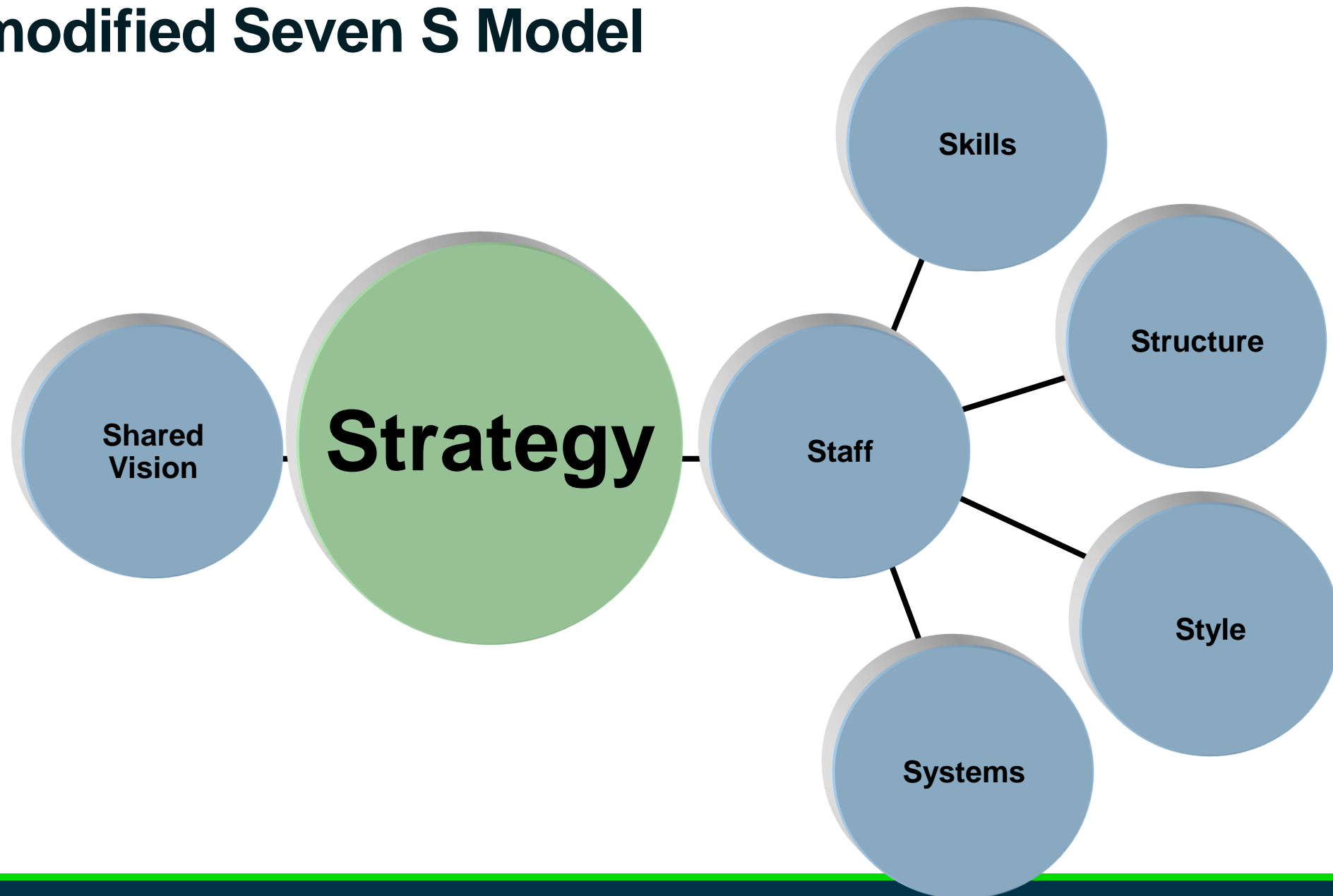
Vision – Examples



- Crush Adidas.
- A computer on every desk and in every home.
- To increase revenue per employee to 250,000 by December 2018.

The modified Seven S Model

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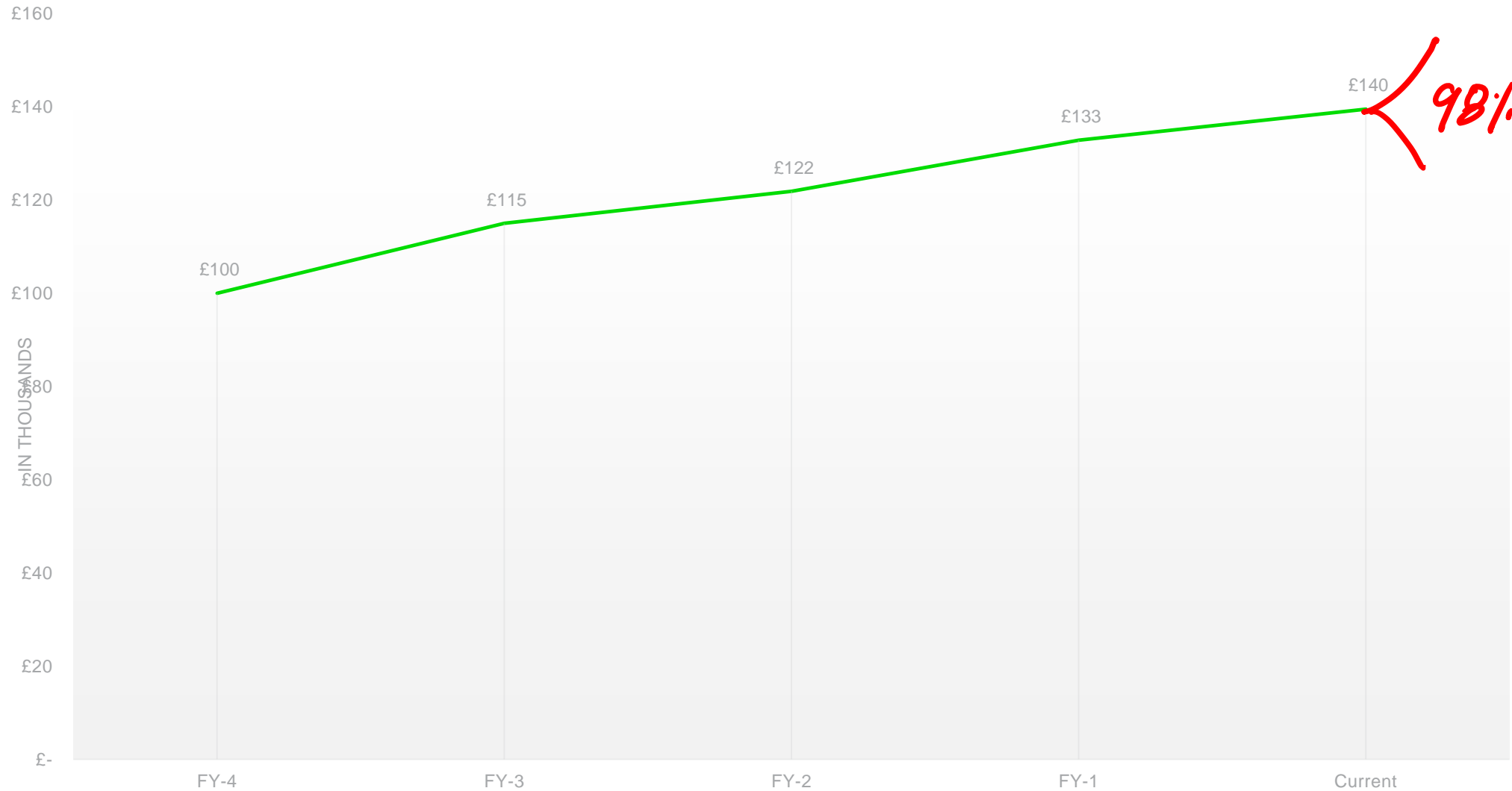
Strategy beliefs versus realities



- Strategy is about analyzing your situation
- Strategy is planning
- Strategy is about what to do
- Strategy is more creative than analytical
- Strategy is execution
- Strategy is more about what to say “no” to

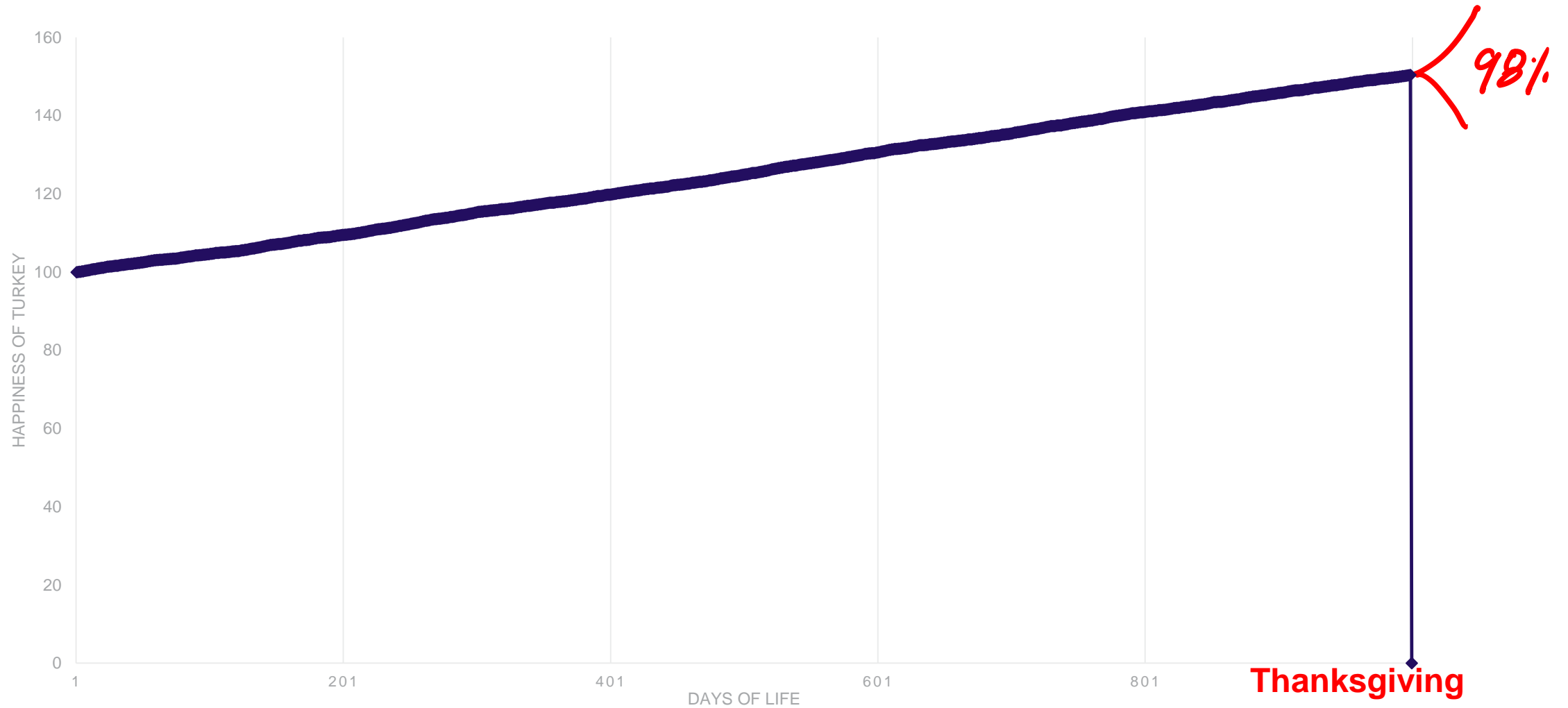
How much revenue do we need to make
(in the time period for the plan) and how
are we going to achieve it?

Five years of history

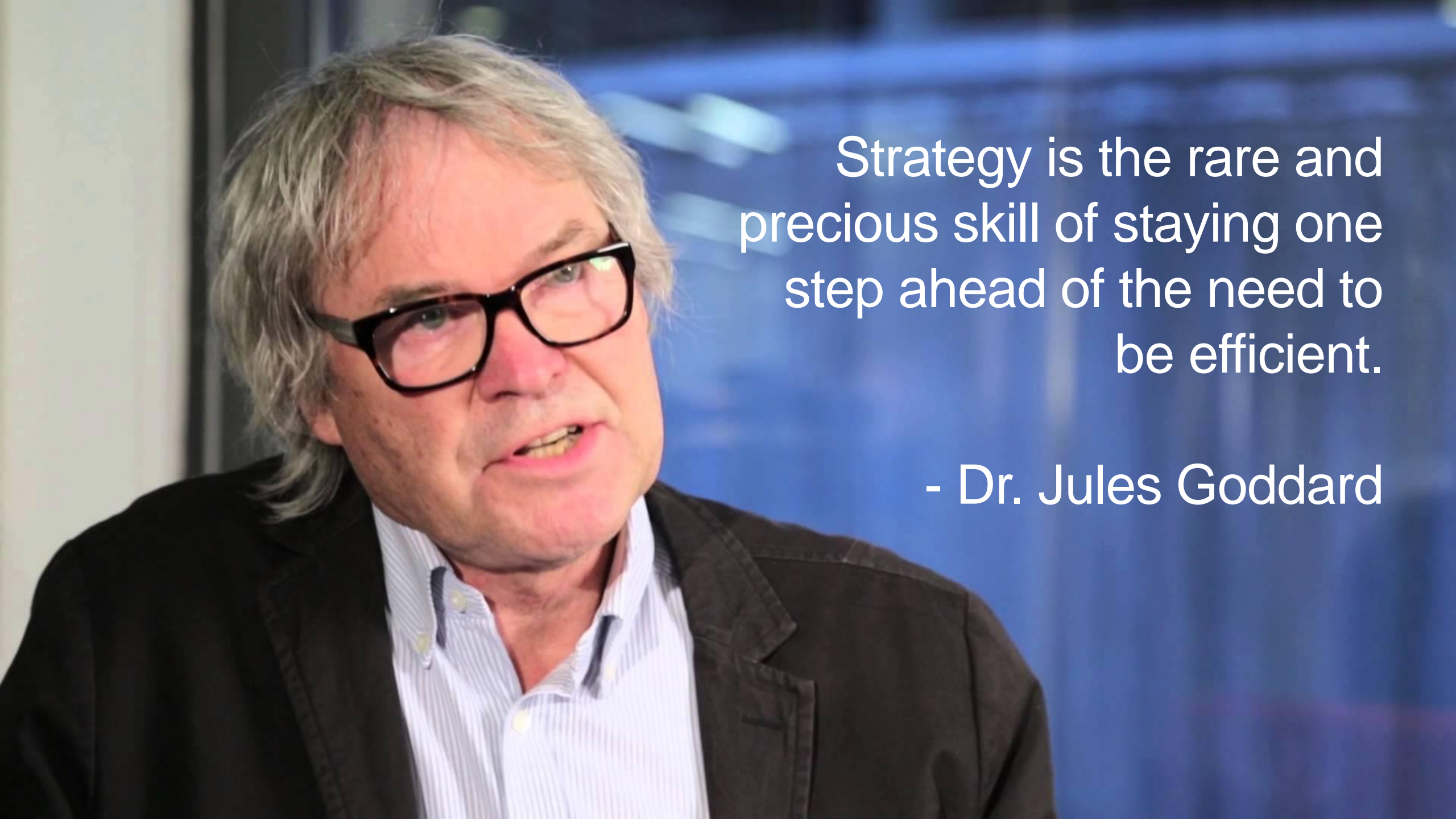


1001 days of history

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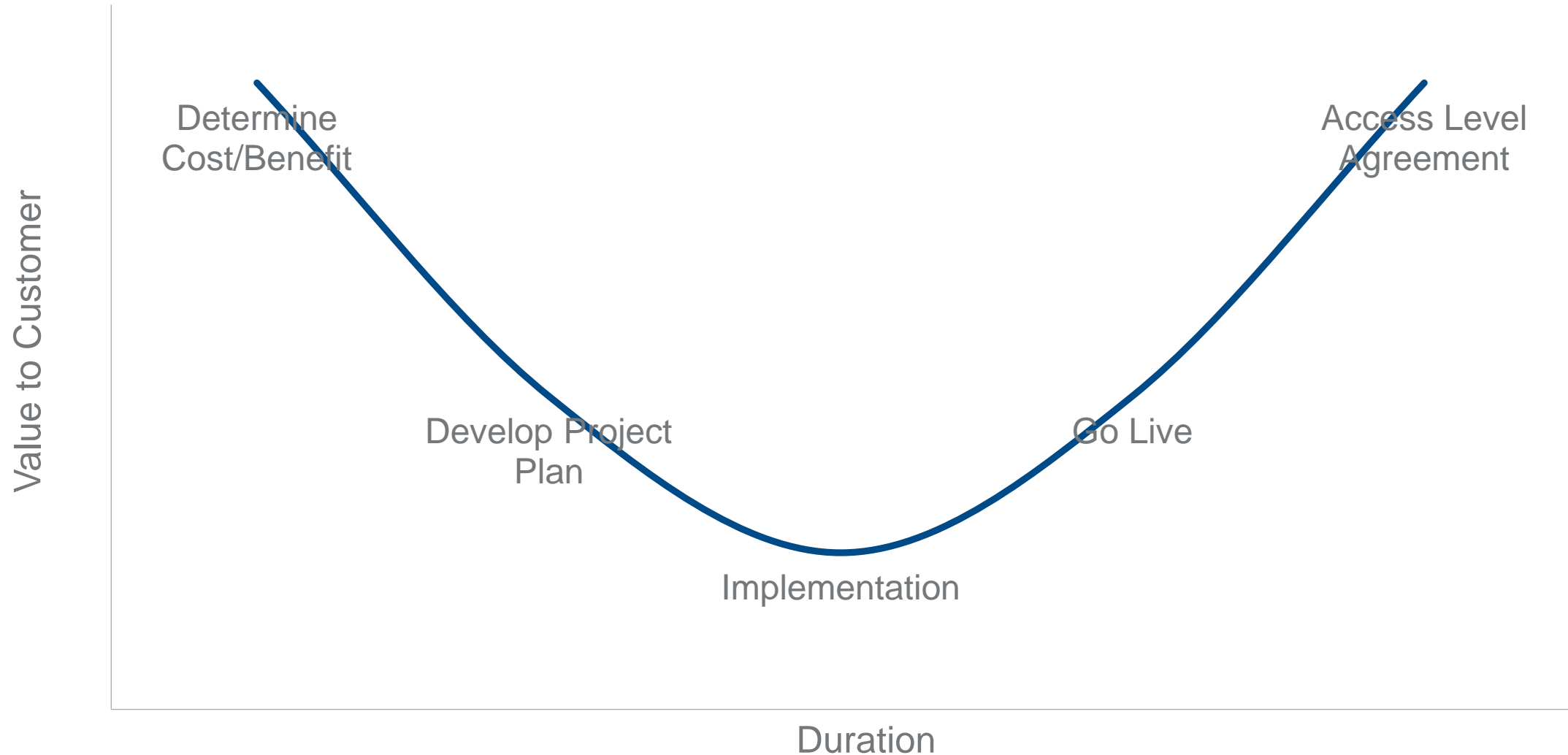
How much value are we going to create
for our customers (in the period) and how
are we going to do that?



Strategy is the rare and
precious skill of staying one
step ahead of the need to
be efficient.

- Dr. Jules Goddard

Smile Curve for IT



Step	Magic Work	Logic Work
Determine Value to Solve	Requires providing insight into the data gathered and assimilated and developing tangible goals	Is mostly about just gathering and assimilating data from the customer
Develop Project Plan	Requires a focus on tight objectives, resource and quality requirements	Is mostly about just describing the deliverables and functional requirements
Implementation	Requires a high level of collaboration with the customer including a well executed communications plan and adherence to the scope or change request process	Is mostly executed by the Partner by using a checklist. (Usually in someone's head, but nonetheless.)
System Commencement	Requires a detailed understanding and use of the change and transition model	Is mostly about is the data right and can the customer personnel function
Access Level Agreement	Requires a deep understanding of the on-going knowledge requirement of the customer	Is mostly about fixing problems the crop up in a timely manner

You are what you charge for (Joseph Pine)



- If you charge for stuff, you are in the **commodity** business (fungible)
- If you charge for tangible things, you are in the **goods** business (tangible)
- If you charge for the activities you execute, you are in the **service** business (intangible)
- If you charge for the time customers spend with you, you are in the **experience** business (memorable)
- If you charge for outcomes the customer achieves, then you are in the **transformation** business (effectual)

Stuff we have done in the past month	Automated?	How will it be automated?
	✓	
	✓	
	✓	
	✓	
	✓	
	✓	
	✓	
	✓	
	✓	

“Generative value: a quality or attribute that must be generated at the time of the transaction. It cannot be copied, cloned, stored or warehoused.”

Kevin Kelly
The Inevitable

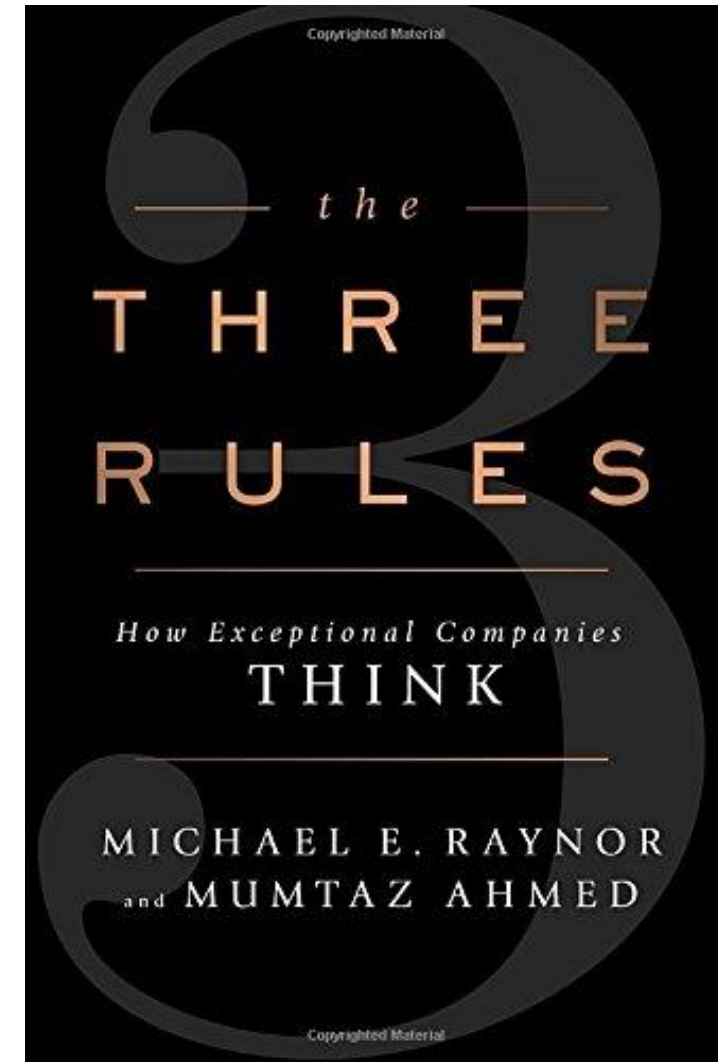
Generative Value

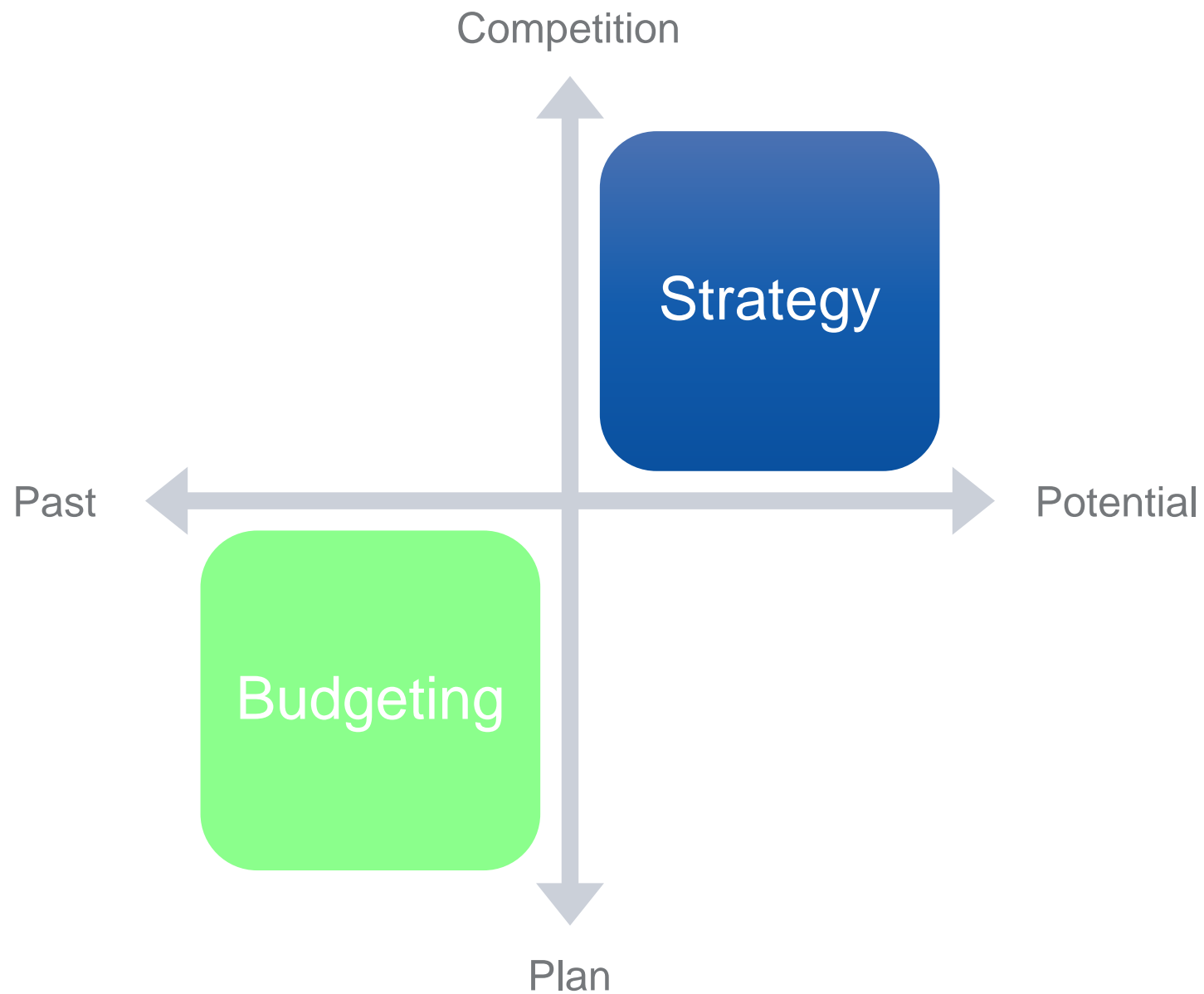


1. Immediacy—Movies, hardcover books, beta versions of apps
2. Personalization—Mass Customization
3. Interpretation—Red Hat, Apache, DNA
4. Authenticity—Artwork, Artifacts, etc.
5. Accessibility—Have others tend to our possessions on the cloud (Airbnb, Uber, etc.)
6. Embodiment—TED Talks, chef tours
7. Patronage—Radiohead's pricing strategy, micropayments
8. Discoverability—Help people discover things (e.g., TV Guide made more money than all 3 TV networks, which were free to viewers)

Three rules of business

- Better before cheaper
- Revenue before costs
- Price before volume
- *People before process*

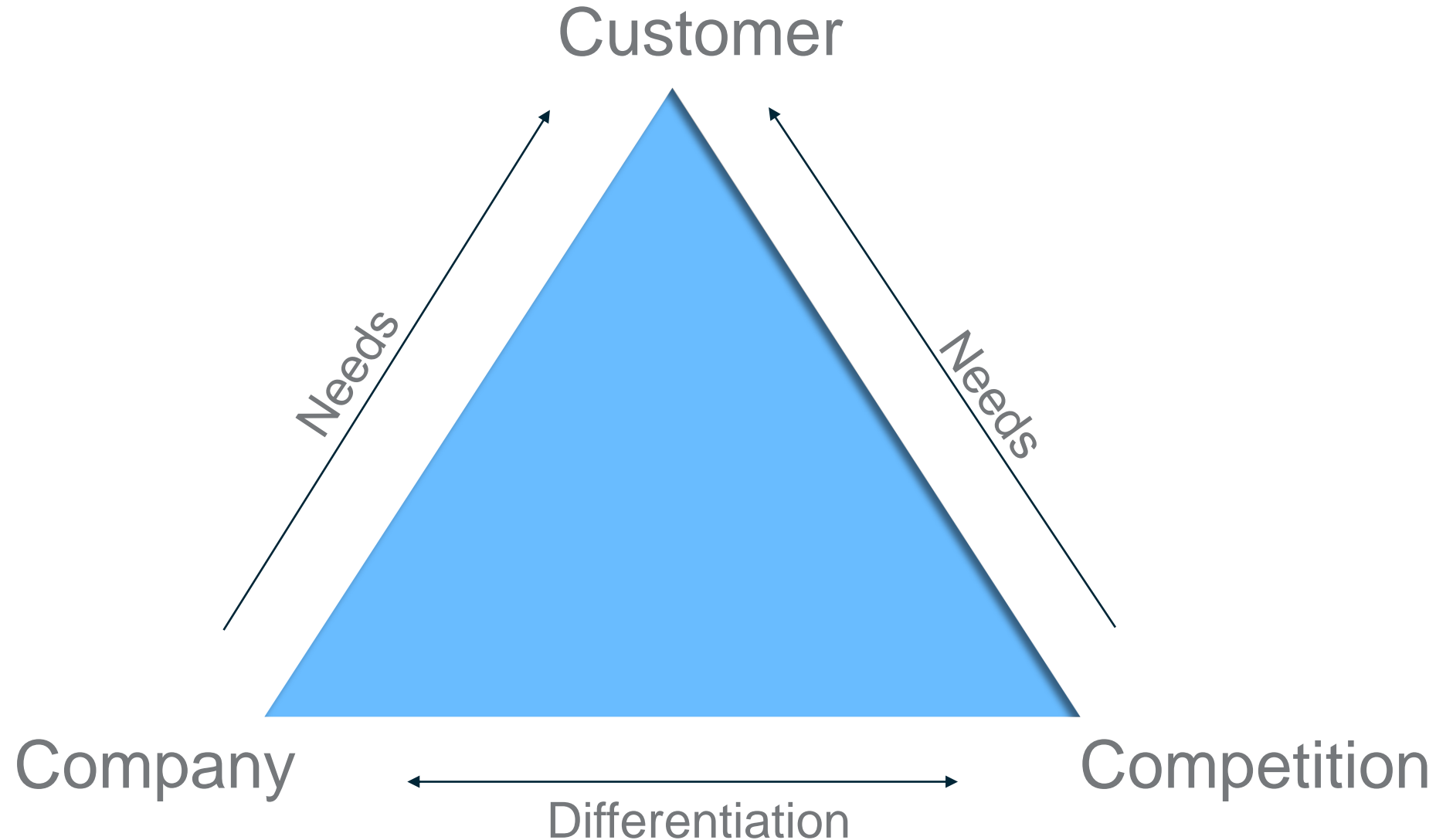




Strategic Triangle

“Be better than the competition at what is important to customers.”

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WHAT

Competencies

WHO

Customers

Strategy
Positioning

HOW

Culture

WHY

Calling



Why are we in business in the first place? What is our calling?

1. Beyond making money, what is the purpose of our organization?
2. What are the things we will always do? What are the things we will never do?
3. What do we preach? What are we crusading against? What do we fight for?
4. If our people were volunteers instead of employees, what would they be volunteering for?
5. What would we want to achieve if we knew we could not fail?



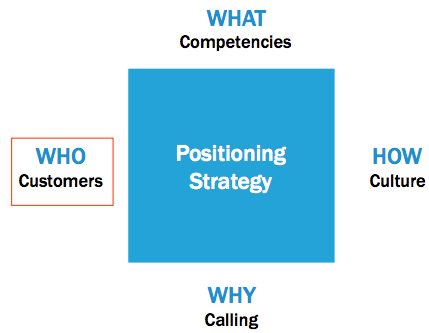
How are we differentiated by our culture?

1. How are we distinguished by the way we think?
2. What methods and approaches do we use?
3. What are our firsts and milestones?
4. What are the defining elements of our culture?



What are our core competencies?

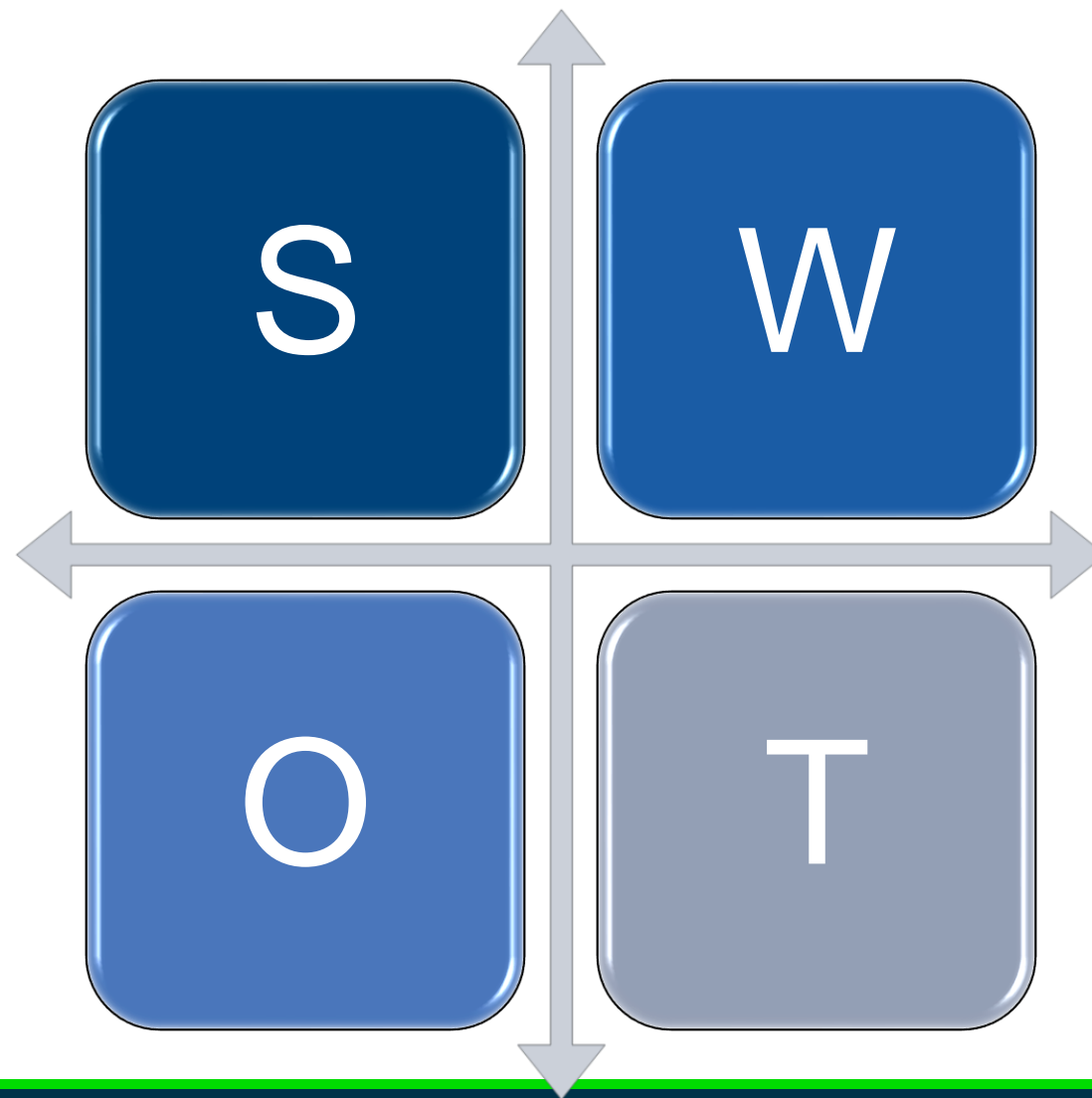
1. What do we do particularly well; perhaps better than most firms in our industry?
2. What's the one thing our firm is most known for?
3. What outcomes are our customers seeking?
4. What different or innovative services do we offer?
5. In which areas do we have specialized knowledge?
6. What strategic assets do we own?
7. What are we not?



Who is our best customer?

1. What kinds of customers have we been most successful attracting in the past?
2. What characterizes the types of assignments we have completed over the years?
3. Which industries or business categories do we know best?
4. What internal stakeholders do we know best?
5. What types of companies do we know best?
6. What are some “underserved” markets we would be capable of developing?
7. Who are our customers’ customers?

The oldest and most basic strategic tool



Another simple, but better tool

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We have known for years that:



Some questions for strategic planning



1. How can we educate our people better than our competition in both technical and people skill areas so that they will be more valuable than their counterparts at other companies?
2. How can we become more valuable to our customers by listening to the them and understanding their market, and applying the two together?
3. What three things would you change about your company's practices and policies?

Marcus Buckingham's 12 Statements

- I know what is expected of me at my job.
- I have the materials and equipment I need to do my job right.
- I have the opportunity to do what I do best every day.
- In the last seven days, I have received recognition or praise for doing good work.
- My supervisor seems to care about me as a person.
- There is someone at work who encourages my development.
- At work, my opinions seem to count.
- The mission/purpose of my company makes me feel my job is important.
- My co-workers are committed to doing quality work.
- I have a best friend at work.
- In the last six months, someone has talked to me about my progress.
- In the last year, I have had opportunities to learn and grow.

What is the likelihood that you would recommend our product/service to a friend or colleague?



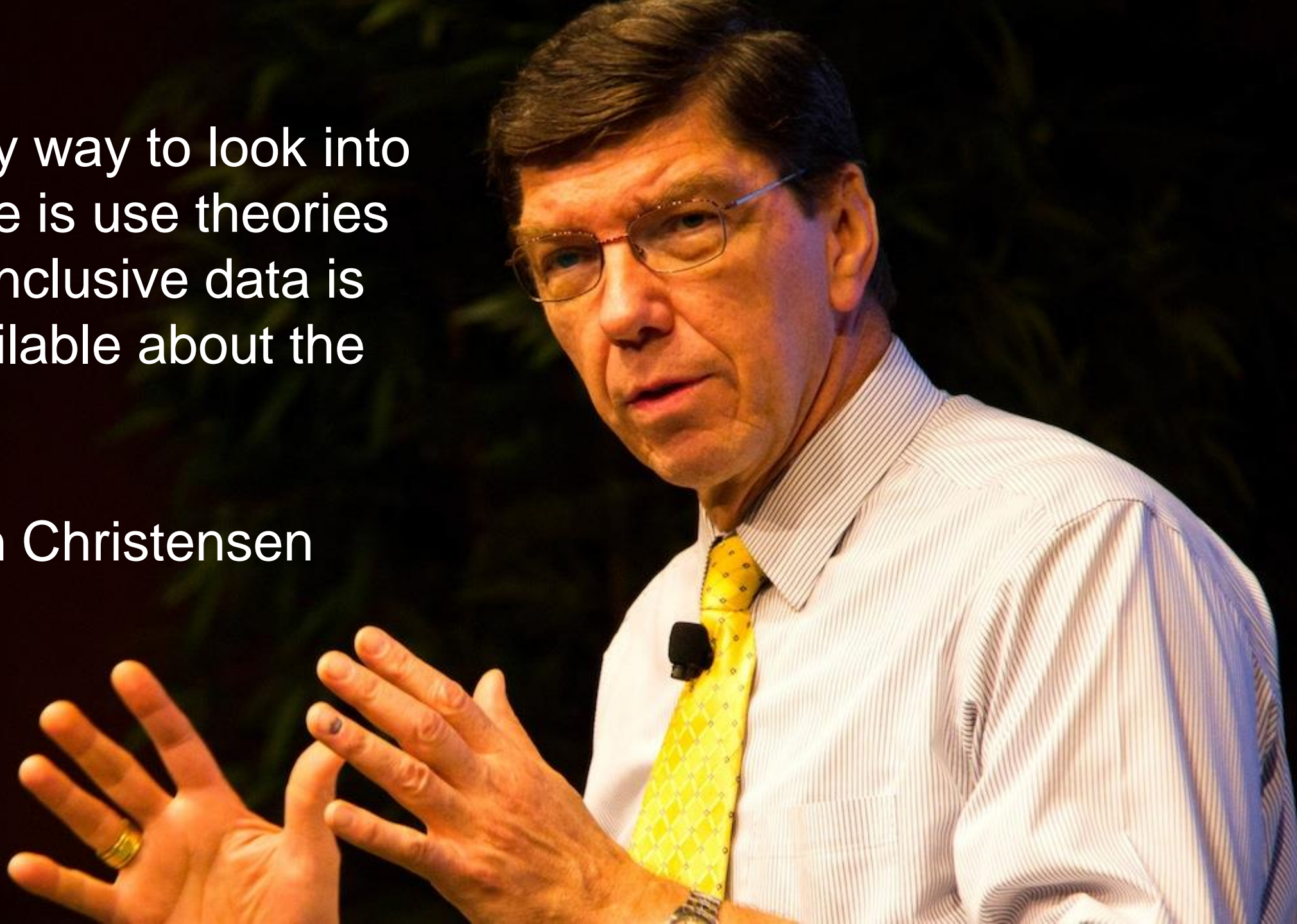
Economic classifications of key indicators



- Lagging (Unemployment, prime rate)
- Coincident (Sales)
- Leading (New orders, Building permits)

“The only way to look into the future is use theories since conclusive data is only available about the past.”

—Clayton Christensen



Constructing a Theory

- Observation (How do you know?)
- Categorization (Rank what's important - Occam's Razor)
- Prediction or Explanation (So what?)
- Confirmation/Falsification (If not, revise, start over)

Gedankenexperiment





am:

Satisfied

Dissatisfied

th my experience

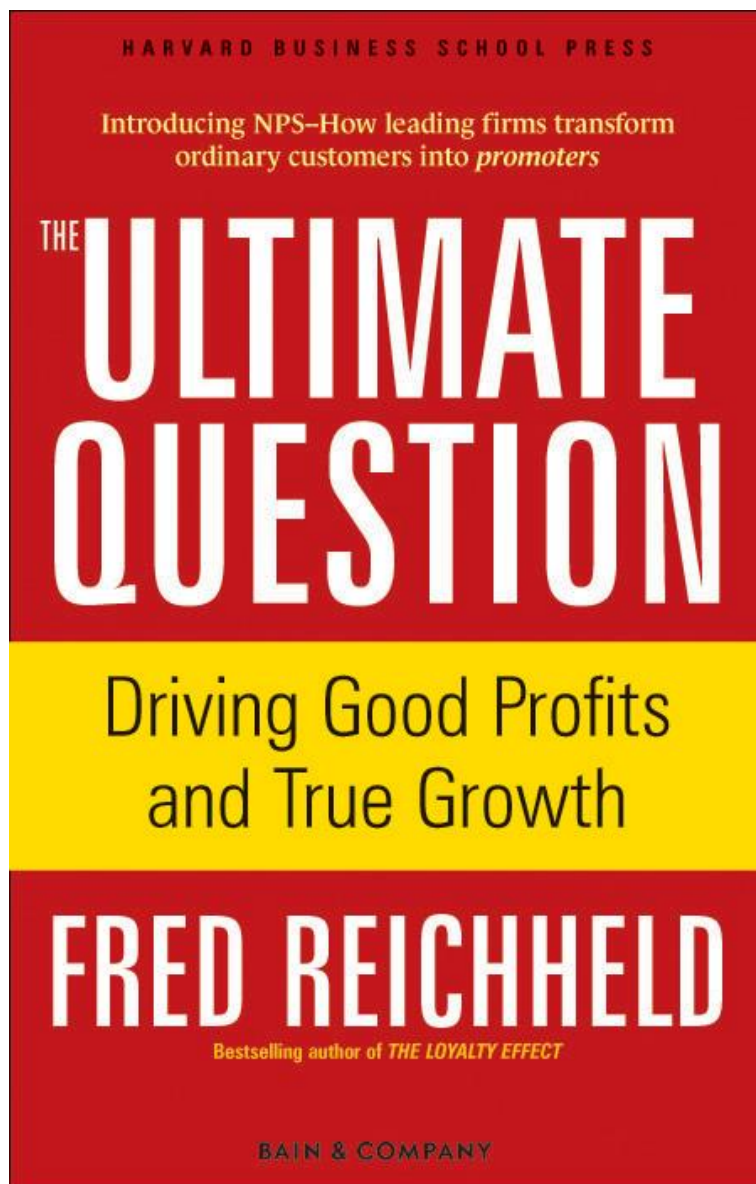


- On Time Performance
- Lost Luggage
- Customer Complaints

Predictive indicators define success the same way the **customer** defines success

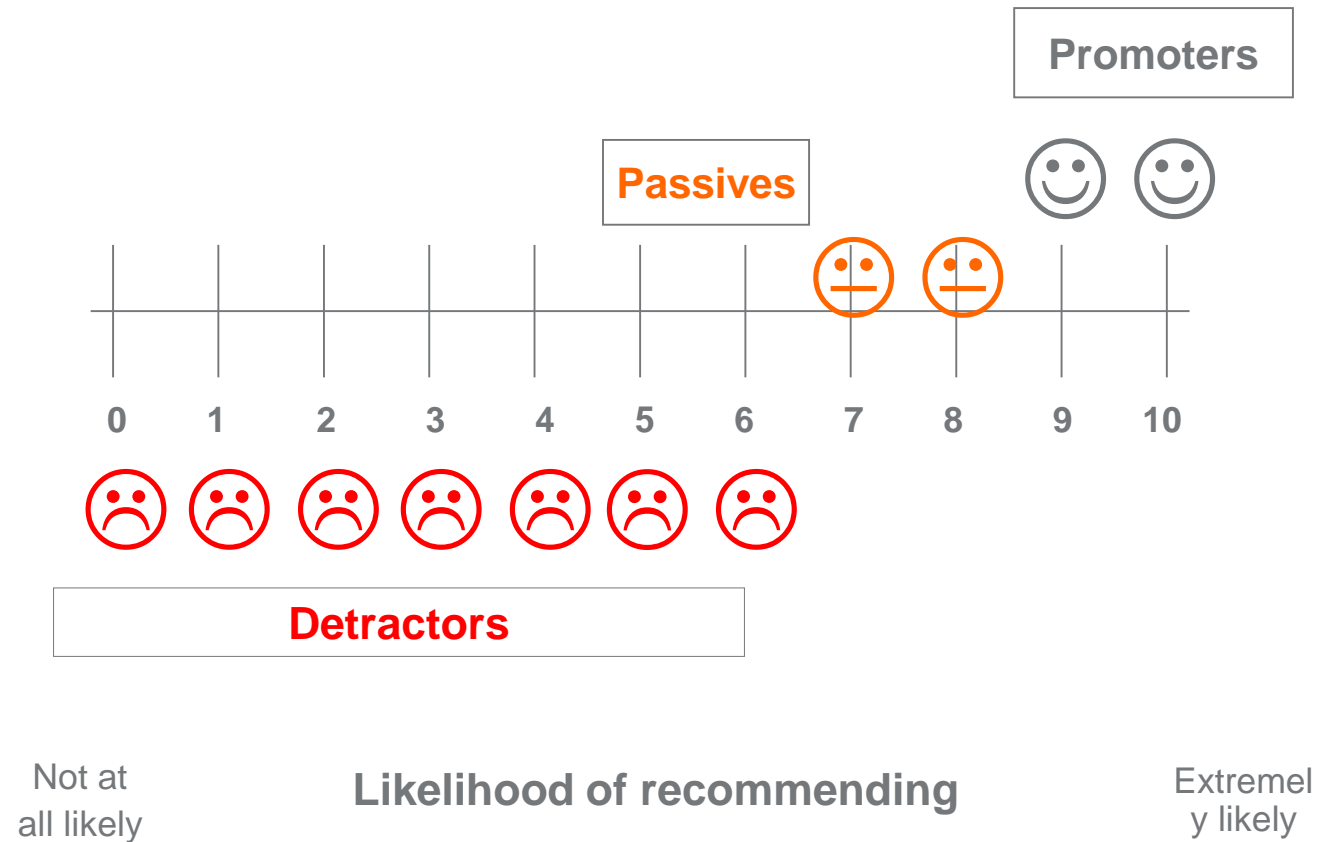
The Big Three: KPIs

- High Satisfaction Days
- Net Promoter Score
- The Value Gap



What is the likelihood that you would recommend us to a friend or colleague?

What is NPS?



Calculating Net Promoter Score

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%P	30%	30%
-0-	45%	35%
%D	25%	35%
NPS	5	(5)

“An increase in NPS of 5 increases
profits by 25 to 95%.”

Fred Reichheld
Loyalty Rules!

Getting Customers on The Grid

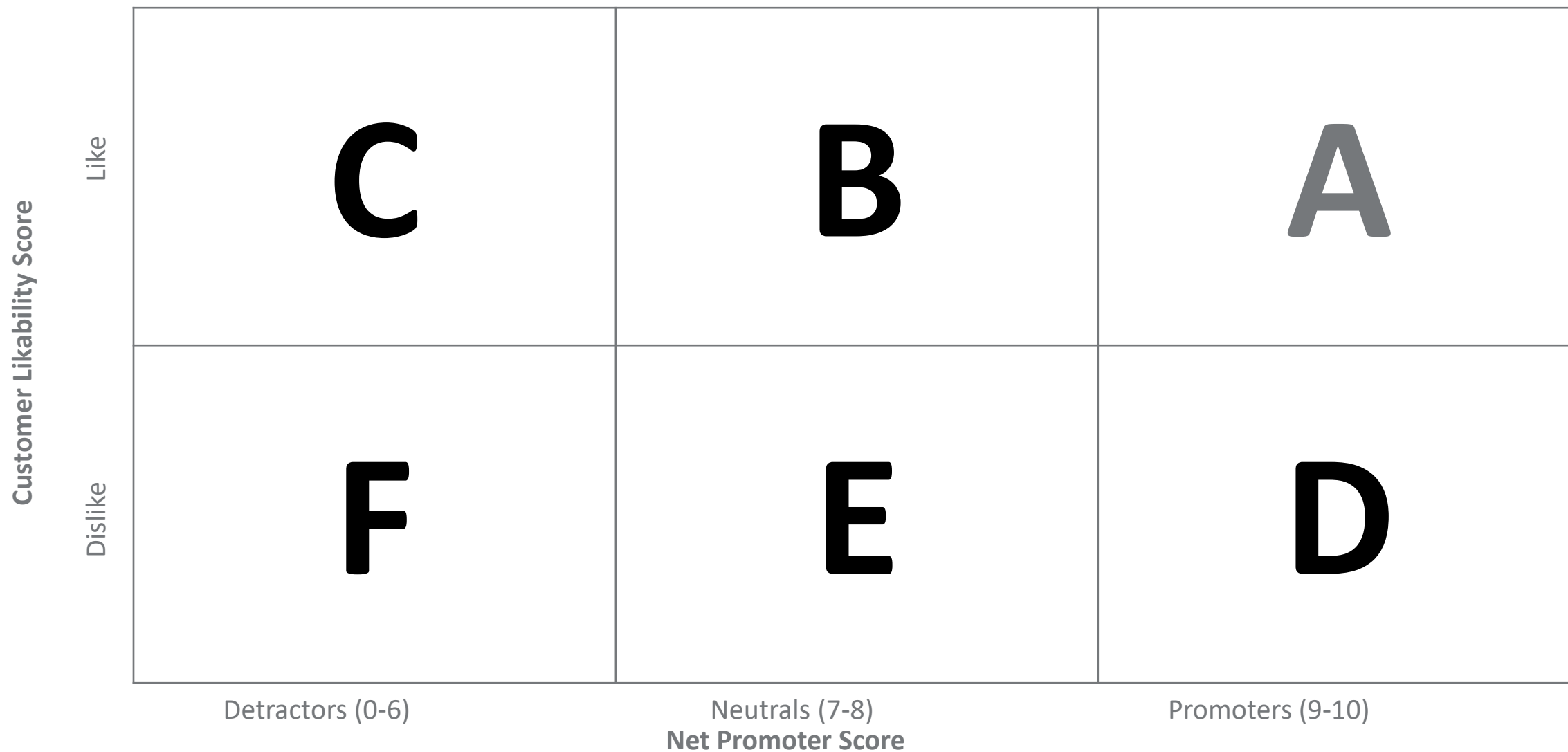
- Customer name
- Lifetime Revenue
- Net Promoter Score
- Customer Likeability Score (or other index)

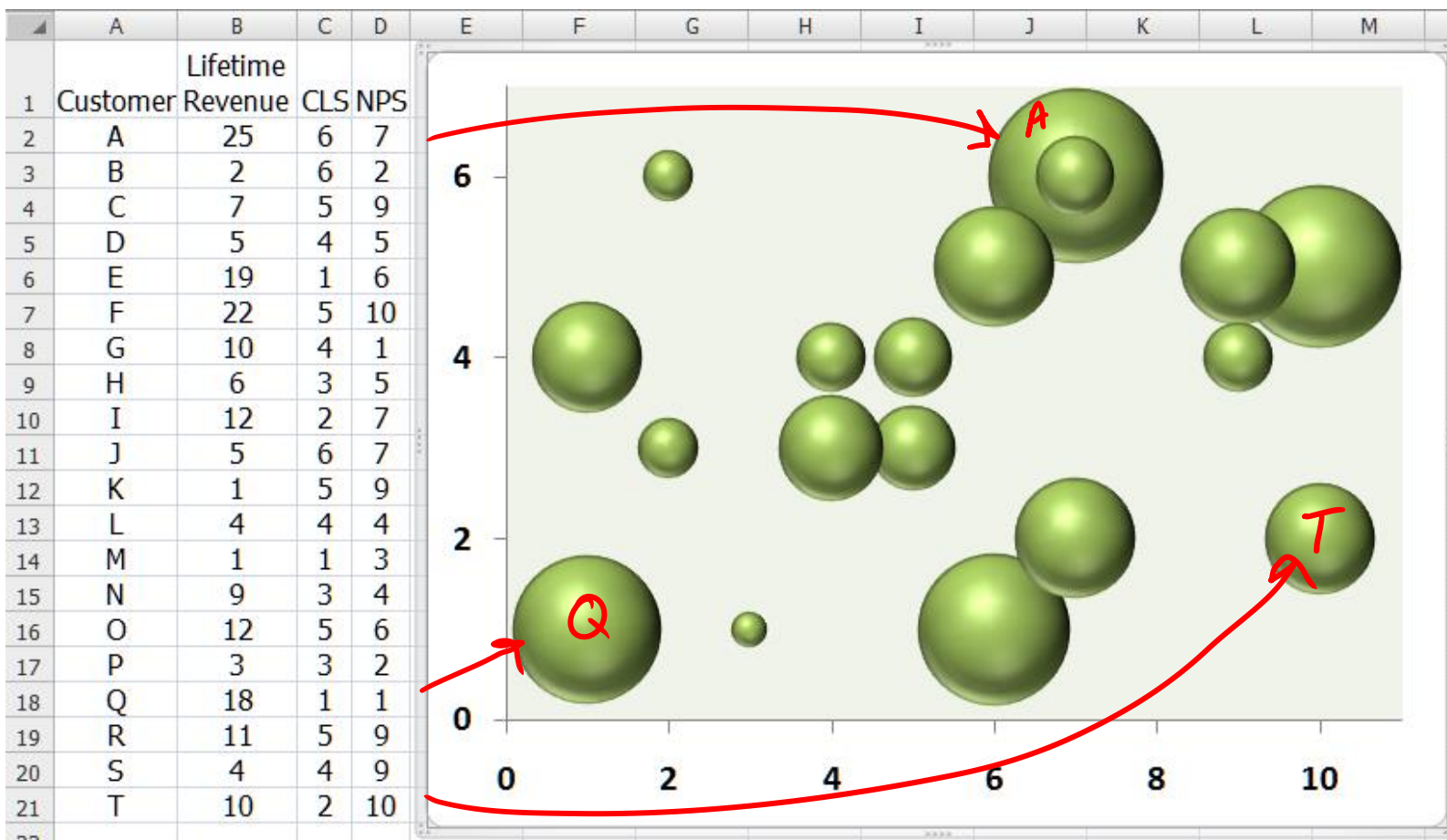
Customer Likeability Score (CLS)

On a scale of 1-6, please rate your level of agreement with the following statement:

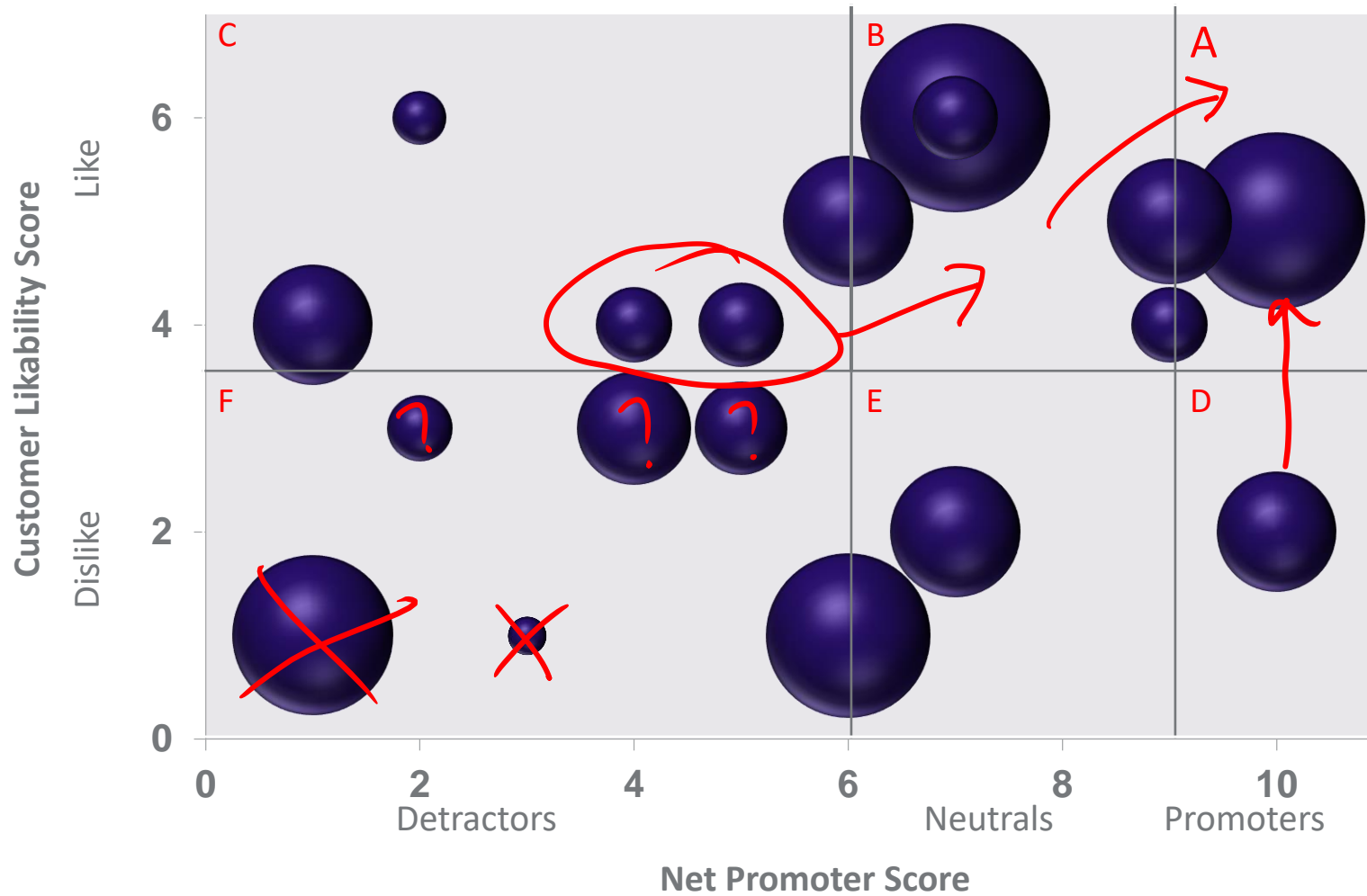
This customer is clearly a joy to work with.

- | | |
|----------------------|-------------------|
| 1. Disagree strongly | 4. Agree somewhat |
| 2. Disagree | 5. Agree |
| 3. Disagree somewhat | 6. Agree strongly |





On the grid



Value Gap

▶ Basic

- Customer name
- Revenue from the customer per some discrete period
- Value provided to the customer in that same period

▶ Advanced

- Value that *could* be provided over a future discrete period
- Possible acceptable price (revenue) for that provided value

Value Gap Analysis



Customer name	Value Provided	Revenue	The Gap		Potential Value	Potential Revenue	New Gap
Customer 1	1,000	500	500	500	2,000	1,250	750
Customer 2							-
Customer 3							-
Customer 4							-
Customer 5							-
Customer 6							-
Customer 7							-
Customer 8							-
Customer 9							-
Customer 10							-
Customer 11							-
Customer 12							-
Customer 13							-
Customer 14							-
Customer 15							-
Customer 16							-
Customer 17							-
Customer 18							-
Customer 19							-
Customer 20							-
Total	1,000	500	500	500	2,000	1,250.00	750.00

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**The value of measurement is
inversely proportional to its ease of
measurement.**

What to Do Next



- *If you are not going to commit to something, do nothing*
- Research various strategic planning tools and decide to which one you can commit
- Commit! Commit! Commit!



“The only sustainable competitive advantage is an organization's ability to out innovate the competition.”

- Nicholas Negroponte

What do you
think of
when you
hear the
word
innovation?



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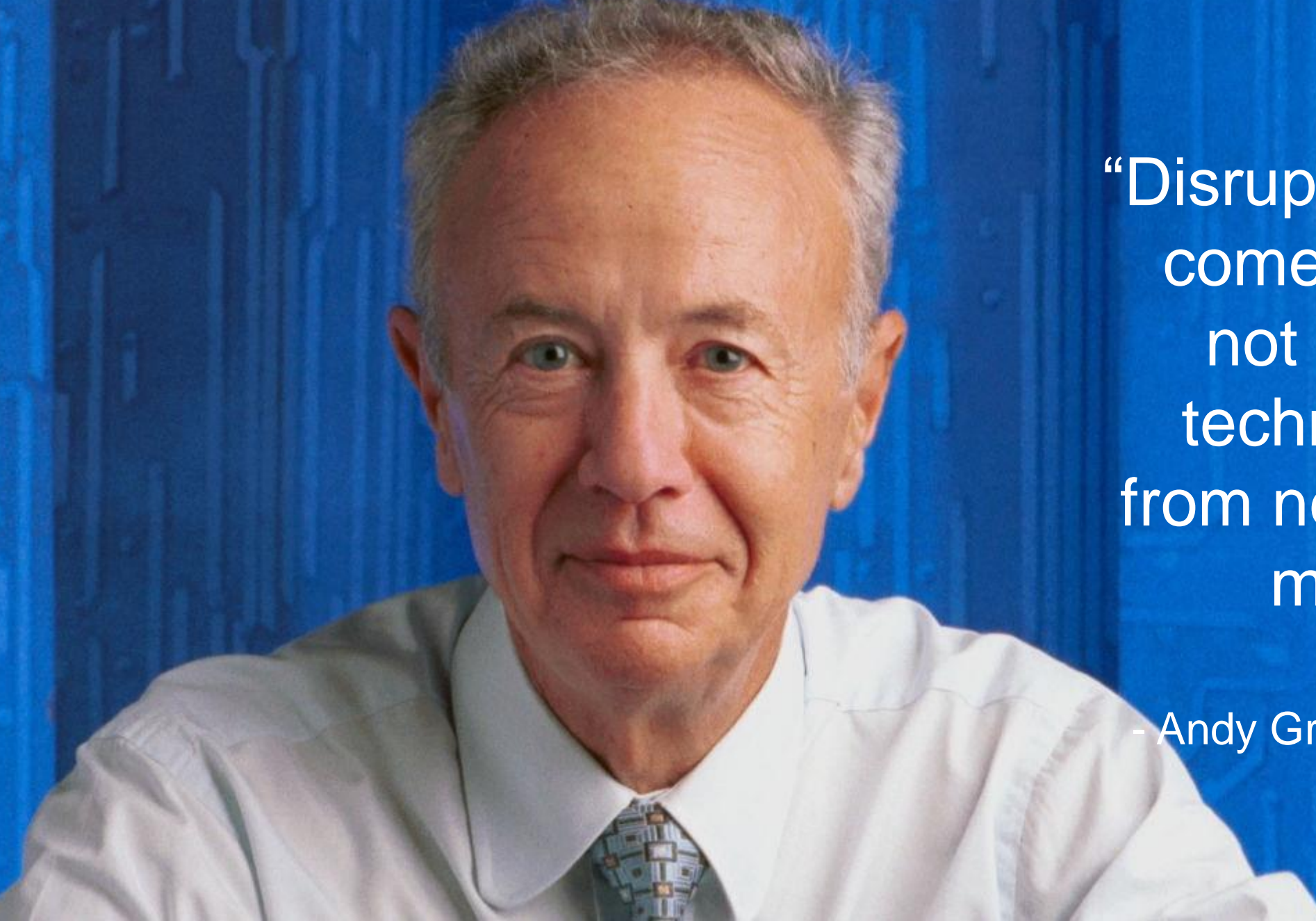
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BE SAGE. BUILD ON.

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“Disruptive threats
come inherently
not from new
technology but
from new business
models.”

- Andy Grove, Founder, Intel



U B E R

Innovating pricing

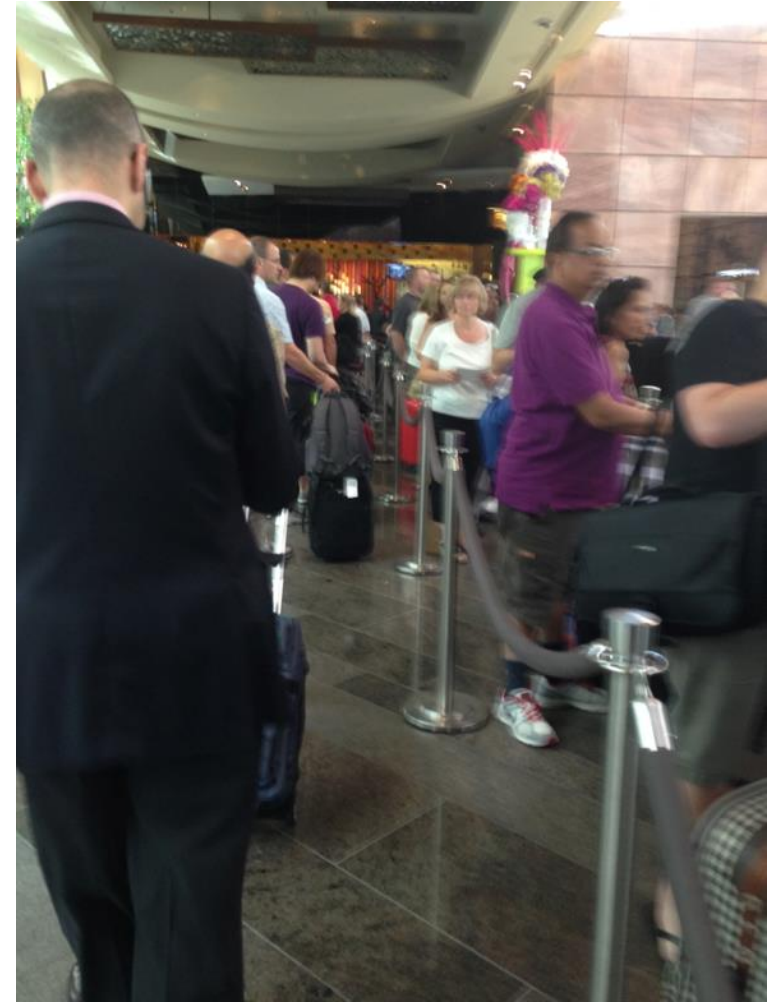
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Sticker price	\$34,000
Discount	3,000
	31,000
Trade in	7,000
Final price	\$24,000
Sticker price	\$34,000
Trade in	7,000
	27,000
Trade in bonus	3,000
Final price	\$24,000

Innovating experience

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Innovating packaging

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Innovating customer usage

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Innovating customer-focused process



<http://www.fastcompany.com/1147825/300-million-continue-button>

Innovating nothing



Innovating ~~nothing~~, errr, I mean marketing

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NEW

Diamond Shreddies

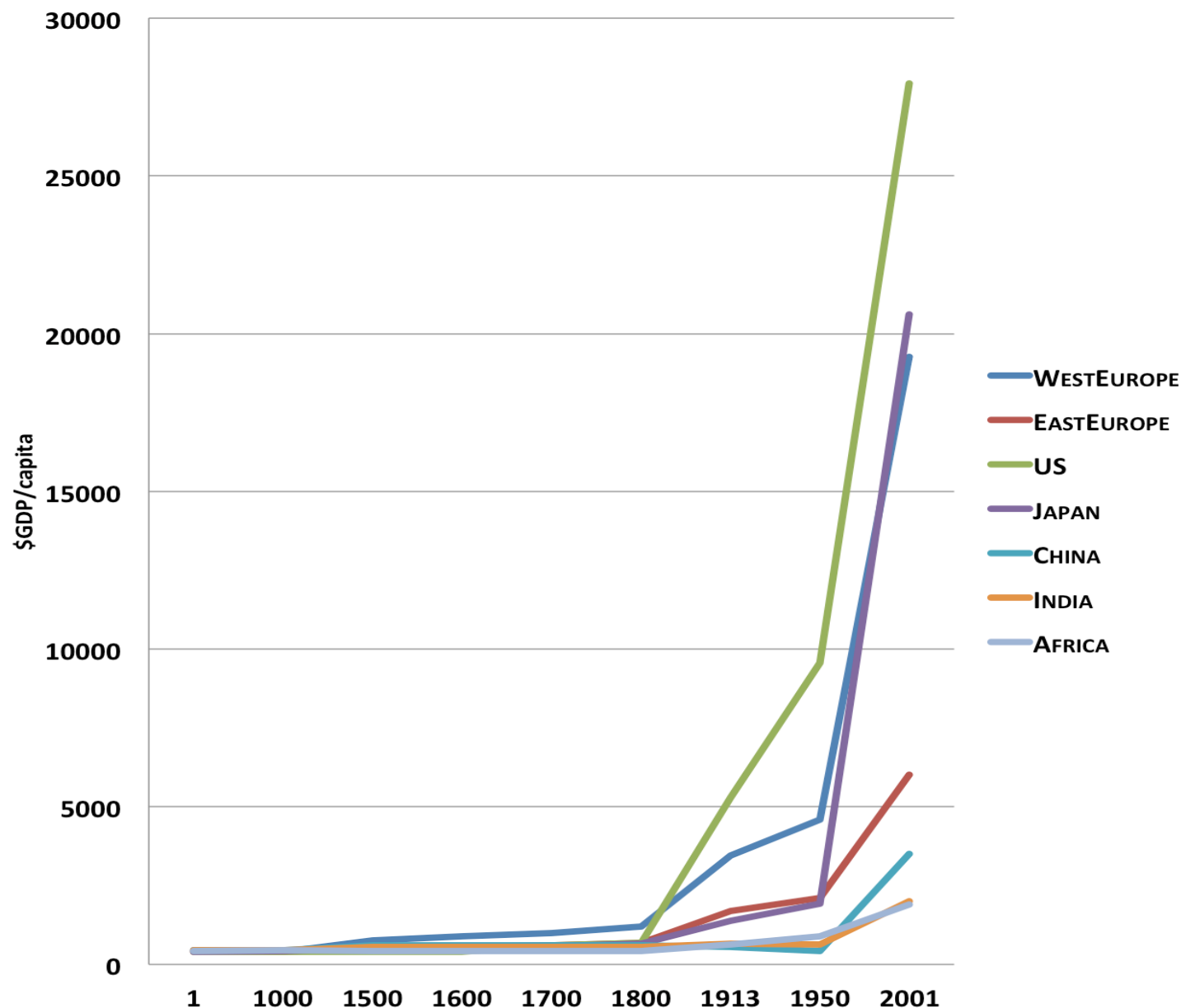


OLD
(Boring)



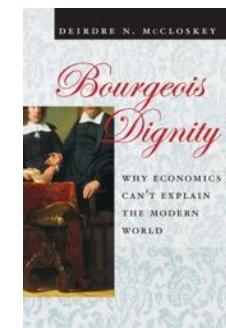
NEW
(Exciting!)

The World Until 2000



“A big change in the common opinion about markets and innovation, I claim, caused the Industrial Revolution. That is, ideas or ‘rhetoric’ enriched us. The cause, in other words, was language, that most human of our accomplishments.”

-Deirdre McCloskey



Innovating language

Old		New
Training	→	Education
Fee/billing/rate/cost	→	Price
Discount	→	Preferred price or promotional price
Client or customer	→	<u>C</u> ustomer or <u>G</u> uest
Change order	→	Change request
Services/Output	→	Results or knowledge or judgment or outcome
Staff	→	Colleagues
Efficiency	→	Effectiveness or better efficaciousness
Time capacity	→	Emotional capacity

“All transformation is linguistic. If we want to change our culture, we need to change our conversation.”

- Werner Erhard



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Thank you

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