



Getting in Shape for 2006

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This is the time of year when health-club memberships soar. Following the holidays unfit, over-weight business executives determine that they are going to shed those kilos and get back in shape; but what about the companies that they run? How often do executives stand back and take a critical look at how they are running their business?

This is our guide to getting your business in shape for the new year.

1. Start with a higher purpose

Annual plans always include goals and objectives for the year but how often do they start with a review or restatement of the company purpose? Increasing market share may be desirable but will it make a difference? Opening up operations in a new geography may be an important objective but without answering the basic question "Why are we in business?" it is simply a measure of activity.

The best organisations set their sights higher and determine a business purpose or brand promise that encapsulates the difference they want to make. Harley-Davidson's purpose is to *'Fulfil dreams'*. Microsoft recently articulated its mission as; *'To enable people and businesses throughout the world to realize their full potential'*. Goals may articulate the work that your people need do but it is meaning that motivates them to do it. Bill Gates was reported as saying "When people come to work, it's important that they feel connected to a dream".

So if your company has a purpose or promise start the year by restating its importance to your people. Insist that your managers set their goals and objectives by showing how these will impact the achievement of your company purpose. If your company does not have one, start worrying!

2. Listen to your most profitable customers

This is also the season for re-connecting with our best customers. Yet for many organisations for 'best' read 'biggest'. These large accounts, whilst important, are often less profitable due to discounts, marketing support and the like. Few organisations focus on those customers who are truly most profitable; those who buy across multiple channels without the company realising their worth, those who pay the full price or maybe even a premium, those who keep coming back and, most importantly, refer others just like themselves. Yet for most businesses 80% of the profits come from 20% of the customer base and yet these customers are often ignored. In fact in some cases these loyal customers receive worse treatment than new customers. Many banks, insurance companies and mobile phone network operators have a policy of offering better deals to prospective

customers in an attempt to woo them than they do to existing customers in the naïve belief that these customers are locked in.

So research who your most profitable customers are and what they think of you. Our CEM+ survey is an excellent way to find out what your customers really value and the extent to which they think you are differentiated. Perhaps interview some customers yourself. Identify how the experience you create for your best customers can be enhanced and set out to implement it.

3. Nurture your internal critics

Margaret Thatcher was one of the U.K.'s greatest prime ministers. Yet in her third term she was thrown out. Why? - Because she surrounded herself with 'yes' men and refused to listen to dissent. In fact she coined the pejorative term 'wets' to describe her critics and banished them from her government. As a result she lost touch with reality, the mood of the people and, finally, her job. Executives do this too. The more powerful and successful the CEO or President the more vulnerable they are to being fed good news. As time goes by the senior person surrounds him or herself with their own hires who are often just like them. Eventually the senior team starts thinking and acting as one even in the face of data to the contrary.

So analyse your diary, you will probably find that you spend most of your time with the people you like - your most trusted lieutenants, and least with those whom you find challenging or disagreeable, talented though they may be. Resolve to spend more time with your critics and ask them to tell you their opinions without pulling any punches. You don't have to agree with them but you do need to hear them.

4. Think the unthinkable

Ten years ago the major retail banks worried about losing a few points of market share to one another. Today supermarkets and the internet are the fastest growing channels for retail financial services. Five years ago mighty carriers like British Airways, TWA and Swissair ruled the skies. Today some famous brands have disappeared; others like BA are going through major transformations in order to compete against the highly profitable new carriers that have sprung up. Airlines like Jet Star, Virgin Blue and OzJet are rewriting the rules and economics of the airline business. Who will rewrite the rules in your industry? For sure it won't be a current competitor. It is much more likely to be a brand that hasn't even been heard of yet.

So think the unthinkable. What would Richard Branson do if he entered your industry? Resolve to reinvent your business before someone else does. Lou Gerstner did exactly that at IBM transforming the company from a hardware manufacturer to an IT services provider and in the process making 'Big Blue' even more successful.

5. Place training and development higher on your agenda

It will not have escaped your notice that the fastest growing economies are China and India. They are each recording GNP growth rates of 7% or 8% and are likely to continue doing so. In fact their economies are predicted to overtake the U.S by 2050. Part of this growth is being fuelled by the

migration of manufacturing to China, and outsourcing of white-collar jobs to call centres and software houses in Bangalore. Even some basic accountancy and legal services are being outsourced to lower cost countries. So what is the answer? Trade embargoes? Protests? Strikes? None of these is likely to work. In fact the migration of lower skilled jobs need not be a problem if companies focus on building their brands, developing new products and increasing value for customers. Companies like Nike are now producing win-win outcomes by creating lower skilled jobs in developing countries and management, marketing and product design jobs in their home markets. There will always be a role for organisations that can spot gaps in the market, develop new products to fill them and train and develop their people to increase the value they create. Upgrading the skills and talents of your people and increasing value for customers is the only true way to sustain your company. By doing this it is estimated that the U.S imports twice or three times as many jobs as it exports and these are the high skill, higher-paying jobs.

So resolve to identify how the needs of your customers are changing and determine how you can improve your competitive offer through innovation. Upgrade the skills of your people and focus them on increasing value for your customers whilst outsourcing back-of-house, lower skilled jobs to stay cost-competitive. Treat training as an R&D expense and place the development of your people high on your agenda in the coming year.

I started by talking about health-club memberships. Fitness centres earn most of their profits from the 80% of members who join, attend twice or three times and then lose interest. If any of these ideas stimulate you, forward this article to your team today and schedule a meeting to plan how to implement at least one idea. Then, and most importantly, review progress regularly. In so doing you will ensure that your business stays in shape for the whole year not just for the first quarter.



About the Author: *Shaun Smith is an internationally acclaimed expert in customer experience management. He has developed some of the latest thinking and practice around this subject, focusing in particular on how organisations can achieve brand differentiation and long-term customer loyalty through the customer experience. He is also co-author of two best-selling business books, **Uncommon Practice and Managing the Customer Experience.** His latest book is **See Feel Think Do.***

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