

QANTAS TALKING BUSINESS INTERVIEW

Graham Kenny, Managing Director of Strategic Factors, is interviewed by Peter Switzer for the Qantas on-board radio channel.

- Q Enlightened businesses pursue strategic management and author Graham Kenny has written a new book on this must do business strategy called *Strategic Factors*, published by President Press. Graham, thanks for joining us today.
- GK Thanks very much.
- Q Now tell us about this book *Strategic Factors: Develop and Measure Winning Strategy*.
- GK Well, we developed this book because there was a real need in the marketplace for a book that covered how to analyse where you are as a business strategically, how to write effective strategy and then how to link measures, which we call key performance indicators, back to a strategic plan.
- Q These sound like very academic type terms, but are you saying that this sort of book should be read by any kind of business, be they small, medium-size or big?
- GK Yes, and we do get a number of small businesses very interested in this. In fact I do presentations to Rotary Clubs on this very topic. When I start talking about strategic factors, which are those few things you need to get right in order to be successful, and start to explain them to small businesses in real estate, plumbing, whatever it might be, their eyes light up. They think, yeah, that's exactly what we should be doing and we haven't been looking at our business in that way.
- Q To use a classic example, maybe select an example like a real estate agent, and can you show how this could be applied.
- GK The example I use in the seminars and presentations is for a convenience store. It's something that we're all familiar with and we're all customers of. Now, what often happens in organisations is that they look at their performance from what we call the inside out, rather than the outside in. So what organisations tend to do is they look at their internal processes, their activities, their systems, and they get bogged down in all that. And in the end they start to write a strategic plan about improving methods rather than improving strategy. So what we say is look at your organisation from the outside in. Let's have another look at that convenience store as an example. If you start to look at a convenience store from the outside in and picture yourself driving home, that's the customer driving home after work, how do you decide to choose one convenience store over another?
- Q Parking, for starters.
- GK Parking, exactly. Location ...

Q ATMs

GK Well, all those things. I'll give you half a dozen. Location, hours of operation, store presentation, range of goods sold, customer service... and I always stop at this point and say "have I forgotten anything?", and they say "yeah, price". So what happens is that customers weigh up those, what we call strategic factors, and decide on the basis of that balance, they they'll go to that store versus that store. And so when you look at an organisation, whether it be a convenience store, BHP, Westpac, in those terms, you can then start to see the way in which you have to develop strategy and a competitive edge. And competitive advantage is then built on those things for customers. But what about employees? They have another set of strategic factors. What about suppliers? There's another set of strategic factors. And so in larger organisations we go through what we call key stakeholders — customers, suppliers and so on — and look at the strategic factors. We get an understanding of where the organisation sits on those factors and then work out where we need to develop a competitive edge. That's our approach.

Q Graham, does it happen sometimes that in getting it right for one stakeholder like a customer, you might make it a little bit harder for a supplier or a staff member?

GK Yes, it can be and that's why we look at all key stakeholders. The other thing that happens often is there's an emphasis on customers, which is good, but a blinding to how important suppliers are. Because if things don't go right with suppliers, then eventually things don't go right with customers — because the goods aren't there, there's something wrong with them and so on. Similarly, you can only do well with customers if you have the right employees. What's the employee strategy, as well as the customer strategy? What's the supplier strategy? So we progress key stakeholder at a time.

Q But how do you weight them up? I would have thought that ultimately the customer is king, but is that a naive assumption?

GK Well, actually these days many people would say that the shareholder is king, particularly if you're in certain industries, like banking. So you might say the shareholder is the driving force and to hell with the customer. I think what happens in industries is that there's a pendulum that swings in this way. Employees will be coming back on the agenda soon. Shareholders had dominance. Customers are coming back up. Employees will get more emphasis. These days in the literature, there's an enormous emphasis on employee strategy and getting the first choice of employees. If you're in retailing, for example, you can't achieve effective customer service if the staff aren't good.

Q Peter Switzer with you. Hope you're enjoying your flight. Most organisations only achieve 20% of their potential. Dr Graham Kenny is with me and we're discussing ways to revolutionise your thinking and your business potential. It doesn't really sound complicated, but the high falutin terminology of strategic management sounds as though it's something that can only really be done by academics or high powered, trained business leaders.

- GK Well actually it's been a real challenge over the years to make it simple. When we first started consulting some years ago, more than 15 years ago, we tended to work from the textbooks and the textbooks really are very messy. I had a background in the academic field, but what I found was that much of the theory just doesn't work when you come down to practice. There were too many terms — more terms than needed — there were conflicting terms. There's an enormous confusion out there in business when it comes to do this type of work. This is one of the things we're battling against all the time. So it's been difficult to make it simple. What we've produced is a few simple terms, simple concepts and as few concepts as possible. Otherwise I can tell you in most organisations it becomes just an awful mess.
- Q I know when it comes to business planning, which is a critical issue for the survival of many businesses, statistics suggest maybe one in five do business plans and probably one in twenty actually use them and monitor them and change those business plans. What are the numbers in terms of strategic management?
- GK Well, it's about the same. In fact, we've done some research that's quite alarming. I'll give you some more figures here. We believe, and we survey question in our seminars — it's a good question for any business. We ask: Would Cathy Freeman be satisfied with achieving 20% of her competitive potential? Of course the obvious answer is no. But our research shows that most organisations operate at that level. I became interested in this concept of potential through sport. I thought, "I wonder if we could apply this to organisations?" How can we look at an organisation and say "Is it like an athlete? Is it reaching its potential and how can we measure that?" So what we said was there's two ingredients to reaching your competitive potential. The first is that you must have strategy appropriately written, like the example we gave of the convenience store — focusing on the right things rather than focusing on irrelevant things. And the second element to the question that we ask business, and this is something that they filled out for themselves, was: To what extent are their strategies implemented? So we have two parts to the equation. The first part is: Do you have strategy that's going to give you competitive advantage? And on average the answer was only 40% of what people write down as "strategy" is going to give them a competitive edge. The second question was: To what extent is that strategy implemented? And that was 50%. So when you look at it, you've got 40% x 50%. In other words, when you multiply those two together, organisations are only reaching their potential to a level of 20%. Now we think this is quite alarming and we've embarked on trying to turn that around with clients now. We can see quite clearly the areas that need to be addressed.
- Q So I guess many business people who actually think about what you would call strategic management, but they haven't written it down and they haven't effectively implemented it. That's probably the bottom line issue, isn't it?
- GK Well, yes that's right, they haven't written it down effectively. In other words they haven't written it down in a way that's going to give them a competitive edge. I'll give you an example. We look at many strategic plans and in many cases what's listed as strategy is really actions by individuals. For example, I was having a look at something this morning. It had to do with enhancing the performance of an internal process. But it was labelled "strategy". Competitive strategy has got to be talking about those things such as price, customer service, range of goods sold, store

presentation and so on. So competitive strategy needs to be written around improving customer service.

Q It has external implications as opposed to internal improvement implications.

GK Exactly. Once you write down to improve customer service by installing a help desk for instance, then the next phase is how do we implement it. That's where actions come in. But most organisations leave the strategy bit out. They go straight to action and there's no focus to the action. So people are busy but are they producing a competitive edge?

Q Great stuff. We've been talking to Graham Kenny, the author of *Strategic Factors* and that's also the name of his business. It's been a very good insight to the way we should be running our businesses. Thanks very much Graham.

GK Thank you Peter.