

# Chapter 1

## Navigating by design

### Introduction

*As an ambitious leader you are willing to do what it takes to create more purposeful businesses that accelerate growth, profits and shareholder value. In this chapter I seek questions to explore how leaders can achieve this strategically by shifting their time, attention and habits. What can they do to break free of predetermination and distraction and secure a more creative outlook that will help set and navigate a simpler and more effective course in the river?*

It is the role of the business leader to navigate a successful course for business growth, profits, purpose and shareholder value. They are also responsible for overseeing its implementation and evolution, yet too often they can be trapped in the web of history or caught in management rather than leadership. By that I mean caught in legacy, the path the business has taken by design, accident, market force or inertia and managing 'hands on' rather than designing and leading improvement, 'hands off'. The strategy many leaders often employ is a pile strategy – over-layering new strategy on the old. I call this 'layer cake' because it is fattening! This generally creates incremental growth at best and, at worst, can result in decline as a result of inefficiency with too many elements poorly performing, worn-out or tugging in different directions and adversely affecting figures and increasing the need for constant management

resource. Yet studies and my experience show that fast-track businesses are achieved when leaders quietly analyse their businesses from the ground up, and design intelligently with no great adherence to history. In this they move from management to leadership, they design a business based on the likely future trends rather than tradition, and objectively allow no predetermination in creating fresh perspectives.

Today talent, that is being good at the job, is just an invite to the party and it can be enough if you want to create a 'reasonable' business, but an 'exceptional' business also requires crafted design – creating and designing the right platform (the processes, goals and direction) for that talent to be leveraged efficiently and effectively. Combining this with satisfying customers' needs and ensuring margin capitalises on the river's flow (the market) in the right way.

Overall, therefore, leaders need to take the time and care to strategically navigate and set the right course; a talented long-distance runner will be beaten to the finishing line by a walker over 25 miles if they are just two degrees off course.

Michael Gerber, in his famous book E-Myth, explores the idea that business owners are held back by working in and not on the business; further, that it is the curse of the entrepreneur being good at a trade which allows them to work in the business. The mantra instead is we should work on our businesses, think of the business as a franchise. In other words, build a business with repeatable and scalable processes that can be easily replicated. This is excellent advice and will increase shareholder value as it reduces the business's dependency on the leadership, increasing scalability and sustainability. In addition, because of the simplicity employed, it ensures the model can be duplicated. However in the 'lead' as opposed to 'manage' thesis we go beyond just good processes when

working ‘hands on’ in the business. Instead we move ‘hands off’ into the creative and research space, leading the business into the future-thinking arena rather than managing current trends and incremental change.

In the river concept, a better design will make things flow more easily, increase ergonomics and purposefulness. Too often, business leaders knee jerk to current circumstance – ‘managing’ businesses day-to-day with poor underlying incremental strategy rather than ‘leading’ with intelligent long-term goals and direction. As a result, they end up fighting the river (market) only to create dissatisfying, stressful and exhausting short-term wins requiring constant effort and long hours. With the right navigation, can we design and lead purposeful businesses where our customers and teams engage by influence and drive growth by reputation rather than persuasion, with values and a culture that make a difference? Imagine a carefully ‘designed’ map which shows, in a series of pictures, the ultimate direction with waymarks (goals) along the way. The map defines the specifications, strategy, model, infrastructure, parameters, costs, activities, and processes against the opportunity. It sets out how and what to do within environmental constraints in order to achieve that direction and opportunity.

- *If you had a blank script how would you choose to design your business afresh?*

Overall I contend that more successful businesses are created when leaders take the time and energy to research, design and then drive change with fresh perspectives. However, the river flows quickly today so that ‘design’ is now an evolutionary constant. Globalisation, digital communication and knowledge access now mean that markets move very quickly. If we accept this, we therefore need to find faster, simpler ways than tradi -

tional top-down, management-set strategy, which we simply don't have the time for and will always follow the market rather than lead the market. I therefore believe that, today, a team-driven model with the 'leadership' assessing the overall direction and waymarks and the team 'managing' and working out each specific with an adaptive approach is critical. Further, I have been careful to talk about design to direction as opposed to destinations. Fluid markets have a tendency to shift destinations and arriving actually creates pinnacles. Business, change and opportunity are a constant, so a clearly navigated direction rather than destination is usually more effective.

If a fast market current is a constant there are many options and opportunities – but how do we decide on the course? By designing a business that allows leaders to take time to muse, to ask questions and think about how to set an intelligent course. If you combine ample strategic free time with future thinking, research and great analytics on customer servicing trends, it becomes quite clear which design and course is right. Uncertainty is usually caused by a lack of strategic free time, a lack of research and development of trends data or failure to analyse past inefficiencies.

- *How much research time do you have to dedicate to analytics?*

By taking the time to research and design a business model and system where the team and market create the drive, the pressure is taken off the leader so they have strategic free time. Strategic free time is not effortless; it requires significant input in research, listening, analysis and change management, ensuring the design and course is clear, confident and in purpose. It means confidently ignoring the negative pressures that we face daily and instead concentrating on the things we

care about beyond ourselves and self-interest; disciplined, flexible and with a sense of purpose to stay the course despite the many counter currents. Great business leaders charismatically lead the change via patient passion, clear intelligent strategy and absolute unswerving belief that there is a way to make a difference, and a reason to make a difference and be the best.

- *How much time do you spend on leading the business – setting the direction and waymarks – as opposed to managing the business?*
- *How team driven is your management?*

As in the example we looked at earlier, your car is better today by far than the one you had 20 years ago. This happened as a result of extraordinary amounts of research, development and competitive analysis. With hybrid and electric (and possibly hydrogen?), the future is radically different and this is happening by research, design, creativity, investment, change and imagination, which manufacturers are forced to employ to compete and protect the environment. Every business leader has in reality the same responsibility, yet if you ask how much time most business leaders spend on navigating ahead with ‘hands off’ rather than ‘hands on’, the answer is nearly always disproportionately in the managing space. This might explain why there are so few fast-track great companies: quite simply because the leaders are either too incremental in the changes they implement, too cautious in their decisions, or too ‘hands on’ to take the time to design. A great example of short-termism was when IBM, despite at the time working with Bill Gates to create MSDos, ‘perhaps’ because they thought hardware was the future, then allowed Bill to wholly keep the licensing in 1981, ergo Microsoft.

Almost every sector has a David and Goliath story, where small beats large; why is that? Case studies identify the nimbleness of the Davids, the smaller companies, but actually how much of this is because the small companies are younger, more agile and sometimes more naïve? This agility and fresh perspective enables them to seek instinctively and to anticipate the future market as opposed to seeking to dominate the current one.

Perhaps ultimately this is because the smaller companies (the Davids) radically just never understood the rules of the current market and are not beholden to the limited thinking this breeds.

Further, many business leaders are too close to their business or industry, which means they tend to think ‘specifics’ when it comes to their strategy, but ‘specifics’ can make us beholden to history and the fattening strategy ‘layer cake’. Being initially too caught in the specifics or the ‘how’ can be inhibiting or disabling and can result in a negative outlook, leaving us ignoring the big picture and future trends. The conversation falls into, “We can’t own that space because our competitors do” or, “We tried that and it didn’t work; yet maybe the timing or implementation was wrong, not the idea?” Or, “We don’t have the financial muscle, our team are not quite right for that.” It’s almost a form of creationism, an assumption by leaders that where the business is now is best explained by intelligent cause, and this is ‘right’ due to the complexity of the design, yet complexity is born of evolution which is a continuous process, always favouring those most adaptable to the environment.

A Business by Design strategy can guide you to achieve ‘next-level growth’ but it may require you and the business to face a period of disruption, fear and uncertainty before comfort is secured. These feelings can very heavily influence decisions, but business moves in cycles and usually the right direction with the market or ahead of the market will quickly result in comfort.

It is important that we become used to these cycles and actually embrace them rather than avoid them, because as soon as you secure comfort it probably means the next level is in reach and you need to look at significant further change. In this respect as leaders we learn to go with the flow (see Chapter 3) as opposed to fear, worry and overexertion to help us with uncertainty. As well as periods of discomfort, business design may also require consolidation before you can go forward to create secure foundations. Growth sought and over layered on poor design and foundations is at best slow and usually painful. Expansion against the right model is much less risky, but many leaders are so competitive that they only envisage 'forward' as progress, against all logic. I have never won a game of chess without sacrificing a piece or having to play defensive moves.

- *How can we help our customers more profitably?*

Design initiatives may also involve a temporary backwards strategy in terms of products or client types in order to create a clear stand-out position. This is known as the 'lose in order to gain' principle. Most businesses that fast track down the river get in a narrow current which is highly efficient and it drives them along. By this I mean they get known for being particularly good at something and customers start to seek them out, as opposed to their always having to seek new clients, which is hard work. Further, they have the intelligence and design to ensure they choose the right customers. The company knows the type of customers it wants (the high margin/least demanding) and does not worry when it chooses to say no to the other type. Indeed setting up your sales focus so that you can get to 'no' quickly is a critical part of design. Imagine you are a service business, and the customer you meet just does not understand the added value aspect, and is always looking for the lowest cost whilst still expecting you to maintain service

levels. That is the customer to say no to. Being clear which customers you don't want enables you to concentrate on finding the ones you do want. Retailers are actually really good at this. Have you ever walked into an outfitters and got the feeling you don't belong there, either too cheap or too expensive? This is the 'lose in order to gain' principle. Most retailers know who they want as customers and set out their stall accordingly. They rarely seek to appeal to all as they know the niche that works for them; trying to have mass appeal in fashion is almost impossible.

- *How and where do you need to lose in order to gain?*
- *How do you align services and products ahead so that the market drives demand?*

## **Leadership not management**

In the By Design concept, I have contended that leaders are often over-focused on management, stifling intelligent design and creativity, but why does this happen? Typically this is due to a mixed recipe – the ingredients being poor delegation, lack of clarity in job roles, ineffective second-tier talent and the leader - ship not giving themselves permission to take creative time out. An amusing metaphor with a moral is the one where a group of people are standing by a river. They hear a baby crying and rush to the riverbank to see a baby floating past, half drowned. One of the group immediately dives in to rescue the child. However, yet another baby comes floating down the river, and then another! Yet again, one of the group jumps in to save each baby. The group then see that the one person still on shore has started to walk away. Shocked, the group cry: "Where are you going?" The response? "I am going upstream to stop whoever is



throwing these babies into the river.” Being a leader requires you to step back, look at things differently, and not be afraid to stand out and to tackle problems at their cause or source.

Management will always steal time for leadership as it has a louder voice and is more obvious, and therefore on the surface more comfortable, but it rarely grows exceptional companies.

In respect of delegation and second-tier talent, this takes careful investment in recruitment, training resource and the right remuneration combined with clarity and accountability. Do your team ask you questions and bring problems that are actually within their remit? Are you answering questions they should or do know the answer to? Rather than telling people the answer, developing a quality second tier requires the leadership to shift to a coaching mindset as opposed to consulting. That is, instead of giving the answer, asking more often for the team to examine the question and generate the solution. This might be slower initially but ultimately increases second-tier initiative and quality dramatically.

Many businesses have been designed but more often, particularly in the small and mid-tier (less than 100 staff), they were started by someone good at a job with the ambition to make a lot of money. Because they were good at that job and still are good at that job, the business has grown and become quite successful, but at some point in my experience many of those businesses plateau, or hit void. That is they stop growing at the pace they were and occasionally even decline or fail. This is often because the entrepreneur who is good at innovation and deal making or the job/profession is rarely also good at processes and management. However, once a business gets to a certain size, management becomes more important. By their very nature, entrepreneurs are usually mavericks so all these words fill them with dread and instead they rant, “Why can’t

my team be more like me? Why are they not as motivated?" The simple answer for these entrepreneurs is that most people do not have the right skills or motivations. Many people do not have the risk appetite (even more so in Britain than say the US or China) or the ambition to drive business growth. Their ambition is family time, and metaphorically coaching the Sunday football team; they just are not that capitalistic or enterprising. That means a business can never wholly rely on employee self-motivation and instead needs to rely on tracking, clarity and responsibility.

As with species evolution (Darwin), it is not the strongest or most intelligent companies that survive, it is the ones that are the most adaptable to change. Too often, business owners focus on strength, maintaining market position incrementally rather than 'change', adapting fast to survive. An adaptive and flexible culture in fast-moving markets actually needs to be designed into the business. The core team need to have the free rein to 'give it a go', try and fail, not just to manage the status quo. There is always a much better way for you and your team, you just have to find it.

- *How adaptable and agile are you?*

## **Navigating further ahead**

Business leaders who better anticipate future trends and innovation – and align the business around these – succeed more often, but markets are now moving faster, and they are also increasingly complex. Research is therefore absolutely critical; however, it is often assumed to only be relevant in technical environments yet, what your customers, suppliers and competition are or will be thinking is or becomes the market's flow.

Sustainable companies are not being built by chance, they 'get over' their history, look ahead and down the river, anticipating the white water, the ebbs and flows. Interestingly, further studies show that the biggest strategic initiatives rarely bear fruit with 24 months so short-term profit needs actually undermine anticipation.

The strategy is to design a business that identifies new territories, products, alliances, models and infrastructures that enhance flexibility and scalability; a design that comes from historic analysis combined with future thinking and has lots of inputs rather than ideals. There is a danger in the leadership concept that the balance of work ends up in the thought space but once analysis has been carried out and the course set, it is vital as usual to initiate detailed and specific action plans.

- *How do we widen our thinking?*

### **Think like an investor**

Redesign also involves financial investment and risk. In this respect, I urge business leaders to think like an investor when investing in design and strategic change to grow a business. Investment in growth is usually tax deductible, yet capital on sale in most regimes is usually highly tax efficient. Building up a company for sale is a highly tax efficient method of creating wealth, but 'investments' need to generate a Return on Investment and thorough ROI analysis should be carried out. It's important to consider ROI for both profit and shareholder value (possible sale). The return should be analysed against the return from comparative investments and thus the timing of the return considered. However, many strategic initiatives don't typically generate a yield inside 18 months so short-term thinking in this equation should be avoided. The risks against other initiatives

should also be reviewed as well as the lifecycle of the investment and return.

Objectivity is critical; many businesses have failed because the leadership has too much ownership or passion for their own 'bad' ideas and not enough listening to the river's flow and learning to spot the good currents (ideas). An investment panel and decision-making process also increases shareholder value as ideas become tested, simply and quickly around an agreed mechanism. Board members nearly always have very different risk profiles and energy is lost via debate rather than analysis. The analysis forms part of the equation. Great entrepreneurs develop this by instinct and this should not be ignored in the decision-making process. I am just suggesting that both spectrums - analysis and instinct - should be utilised in decision making, with increased objectivity on whose idea is right. In business leadership, there are no wrong questions, only unasked ones. Without asking, we cannot listen to and receive answers. It is your responsibility to ask. No one else can do that for you.

Thinking like an investor may also require you to be clearer on when to say no in order to ensure focus. I have noticed that many leaders are rightly optimists, but this often makes them easy to sell to. Many strategic initiatives come out of enthusiastic sales or agenda meetings where the persuasive outsider over-influences the strategy – no, no and no! I call these initiatives 'kites'; they might look as if they will fly but they have a high risk of blowing away. If you are considering something new, how much is it relevant to your business design, purpose and destination? There are some quite dynamic businesses held back because the Managing Director is not totally clear on the direction, and this is where such external influences easily

knock them off course. Stay clear of kites. Stay disciplined and keep focused on your course.

## **Looking ahead**

I am looking forward to my hydrogen-fuelled driverless car to take me to meetings. I will still insist on old-fashioned meetings as reading body language is essential to negotiation success and increasingly I have found people using body language overwriting filters. En route I will acquire some more tree planting credits, for pleasure, via the net – I enjoy the live webcam forest feed of my previous investments. I no longer shop for goods or food as my computer and fridge automatically maintain my stock for me and, further, I have lost interest in consumerism despite being a capitalist. Instead I spend my time being a humanist (human self-choice morality/awareness) and tackling the environmental and poverty gap in the vacuum left by the decline in religious belief. Next, en route, my ‘voice book’ translates my client call to Growth Africa (previously Kenya) into Swahili, after which I close my eyes and the car anticipates my favourite meditative light/sound mood environ. Look, I don’t know, and I may already appear outdated (the super-rich are already much closer to this lifestyle), but what are the big picture consumer/client trends and how are you future-proofing your business design to account for them?

- *Objectively how good is our intelligence?*
- *How good are our analytics and research resource?*

Being busy incrementally improving profits, operations and recruitment are all important parts of the strategy, but they are the ‘managing’ parts and should not be confused with the ‘leadership’ parts. Incremental strategy rarely creates shift changes,

and often it can result in ‘busy fool’ syndrome; that is, too busy doing what you have always done because your habit, history and plan tells you it’s right, rather than what you need to do to future-proof the business. Interestingly, many business plans are lengthy reiterations of today, lacking vision about new initiatives and new ways of doing things. Often they talk about goals without identifying the inputs required to achieve them. The concept of By Design is to create a business structure that gives leaders free space to spend more time to gain, via research, the right intelligence to create better decisions and navigate a clearer, more effective strategic course and, in its achievement, look forward to where the market is going – not where it has come from.

- *What new products, acquisitions, strategic alliances and routes to market should we consider?*

In effective design, we have no predetermination that controls what we are or what we do, and we are radically free to act independently of influences. Therefore, we can create the business, purpose and values we want through our choices. We can create the businesses we want by design. So the leading premise of By Design is the idea that we should put aside the past and present, look at the future and ‘play’ with being absolutely radical. I am not suggesting by the way that we all completely disband the current activities, as incremental initiatives still have a firm contribution. I am, however, suggesting that for strategic work, the less beholden we are to history and short-term needs, the more insight and the better design and strategy you will ultimately achieve... openness and flexibility as opposed to narrowness. What structure should we aim at, who are truly the right people to work with, and where is the market going; how do we align our services and products ahead so that the market drives demand?

## **Summary**

In Business By Design we lead rather than manage, and we are beholden to the past only in analysis, in research and in understanding the currents and flows. Through quiet determination and with absolute belief and focus, we navigate – little by little – a better, more intelligent and easier course, sharing and leading. We have no predetermination that controls what we are or what we do; we make the difference; we create the business, purpose and values we want.