Ready. Fire. Aim. Duh?!

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As businesses look toward 2012, many are developing ambitious plans in order to achieve their growth and profit goals. In conversations with many organizations, I hear of four themes that are included in many of these plans.

First, while globalization has been going on for quite a few years, many firms are planning to elevate activity levels a few notches. They know that most of the growth in their markets will take place in countries like China and India. They also recognize that new competition from abroad is emerging in their traditional home markets. Responding to both the opportunity and the challenge is a 2012 priority across industry after industry.

Second, many initiatives are designed to enable firms to evolve from “selling a product” to “becoming a solutions provider.” Such initiatives will be oriented toward stopping the commoditization that has been occurring in many of their product lines, with its adverse implications on prices and margins. Initiatives in this category often involve new service offerings and require a much closer set of relationships with customers.

Third, responding in part to the strong balance sheet many firms have developed since the 2008-09 recession, many firms are actively pursuing interesting opportunities for acquisitions and investments. The acquisition concepts will be ones that will create headroom for growth by expanding into adjacent product and market spaces. Many internal investments will be based upon opportunities associated with new technologies, such as the cloud and social networking, and others will respond to current-day challenges, such as security of the supply chain and information vulnerability.

The fourth theme that is being elevated in the 2012 plans of many organizations is that of sustainability. This topic has been around for some time, but changes are taking place. Sustainability is now viewed as an economic concept. If you can use less resources or shift to less expensive resources, you can improve your bottom

line. This gets the attention of the production and logistics managers within the firm.

All of these initiatives are responsive to the business environment of 2012. And all of them will pose major challenges for the firms that will be implementing them. In quite fundamental ways, initiatives within these categories will require changes to core elements of the business models of the firms that include them in their 2012 plans.

In my research on implementing changes to a firm's business model, I've seen over and over that successful firms think about their external relationships as part of their get-to-market plans. These best-practice firms emphasize the importance of getting input from customers about changes that are contemplated. But the source of valuable insight doesn't stop with customers.

For many businesses, supplier ingredients account for a significant portion of their product's value. And sales channel partners — dealers, distributors, wholesalers, integrators, contractors and others — often provide key services that are critical to end-customer satisfaction with these same products.

Anyone who is an avid reader of business literature would conclude that the points in the above paragraph are now so obvious that the appropriate response of a reader should be: "Duh!" But, sadly, obvious doesn't yet seem to translate into action in far too many instances. While not connected to the 2012 initiatives described above, I recently heard the following story from an executive in a firm that specializes in high-technology instruments:

"Our plan was to lower our overall cost by outsourcing design and manufacturing to suppliers in various low-cost countries. The potential for cost savings was real, but our plan had unintended consequences. In retrospect, we did not understand the value proposition that had previously allowed us to succeed with our customers. In the past, by manufacturing and designing the product ourselves, we insured the design and quality of the products met our customers' requirements."

After this firm implemented the change to their business model, substitutions and design changes were made by the companies to which they had outsourced responsibilities for this product line. Many of these changes were immediately visible to the firm's customers. And, as a result, their customers soon concluded that this company no longer provided the value that they had considered important. Some customers even recognized that they could easily purchase a similar product directly from the same offshore suppliers, with minimal resources or risk on their part.

The lesson cited by the executive who provided this case study was simple. In his words:

"We learned that business model changes always impact in many ways. A too-narrow focus, in this case on the costs of design and manufacturing, can yield adverse outcomes when the other impacts begin to surface. The team that, in this

case, saw the potential for cost savings on this product line failed to understand what had been valued by the customers who bought it. A significant level of business was lost as a result. The summary is simple: We failed to reach out to our customers and hear their inputs before we implemented this plan."

His story is all too frequent. In another case study, an executive provided a post-mortem to a failed initiative with the following comment:

"Getting our customers and key business partners on board was obvious in retrospect. But we never included doing so in the implementation plan, and our implementation project took six months longer than we had expected, as we had to bring them on board on an 'afterthought' basis."

Experience after experience suggests that there are few times when a change in strategy or in a firm's business model doesn't ripple through to impact customers and key third-party business partners.

Involving customers and key business partners is not just about avoiding clashes, although there can be clashes any time a firm pulls a surprise on its key customers, suppliers and sales channel partners. It involves ensuring that processes link correctly when they have to do so. It involves making sure that each party to a business relationship understands their own roles and responsibilities. It involves making sure the two firms are interacting often enough and at the right places to get ahead of problems and opportunities. It involves making sure that discussions are focused on the future, not looking in the rearview mirror.

Mike DeLano, executive vice president of Mitsubishi Electric Automotive America, said that when implementation success requires collaboration from third-party organizations (customers, suppliers, channel partners), the best approach is "to bring them clearly defined changes that are sure to work". But even then, he says that if you are going to ask them to spend more or redirect resources or change their processes, you have to have a compelling benefits statement and be ready to sell, sell, sell.

Doing so requires a careful examination of the strategy and implementation plan from the vantage of your business partner's perspective. Will the steps you are asking your customers or supplier or sales channel partner to take make sense in terms of their own business model and bottom line? If not, expect an uphill battle.

There is one other dimension to this lesson on involvement of key third-party organizations: Involve them in implementation *planning*, not just in the implementation *plans*. Over and over, we've seen examples of when customers or suppliers or sales channel partners spot an issue in the implementation plan, or suggest a shortcut that can save time and money. Many times, the vantage point of these business partners provides a perspective that isn't obvious to those in your own firm. Take advantage of their experience and insights. After all, they share a stake in the success of your plans.

One of the things we've learned is that strong leaders of implementation projects

carefully think about the impacts of their plans on their firm's customers and business partners. Then they bring them into the process and make sure both parties are aligned. The insights that can come from such conversations can ensure that your plans are well-aimed before you decide to fire.

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