

# Strategy

## Fly Forward Faster

REFINED FOCUS FOR PROFIT CLARITY



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## INTRODUCTION

There are three things to realise about successful strategic planning;

1. You need to know where you're going
2. You need to commit to changes
3. You need to take small steps every day to get there.

No matter who you are, what business you are in, or your access to resources, the rule is the same for everyone.

A great plan will declutter your daily agenda.

A great strategic plan, supported by the board, will help the CEO and her team manage their day-to-day agenda.

You'll know:

- WHAT to do
- WHEN to do it
- WHY it's being done
- With the RIGHT FUNDING....

...then REPORT BACK to the board each month.

You'll know what matters today and what to push to the non-urgent pile; what tasks to delegate and what to take on personally.

A lack of planning can show itself in several different ways.

It's the little day-to-day stuff, like getting distracted easily, chasing the wrong rabbit down the rabbit-hole, or employing the wrong team. It's the business stuff, like lack of profit growth, stagnation of ideas, and promotions and marketing that are missing the mark.

Then it's the big stuff... if you stand still you're going to fall behind, and the cold tap will never deliver hot water.

Planning is a mindset. It takes practice, and it takes an attitude of change. That change starts with yourself. No amount of planning is going to matter a squat if you are not prepared to do things differently, starting with the everyday small steps.

**This is the powerful mindset-triumvirate:**

- **Plan**
- **Commit**
- **Take small steps every day.**

## **FLY FORWARD FASTER**

Strategy: Fly Forward Faster model is divided into four sections, or the Four Pillars of Planning. I've developed this method as it is a market-based approach which is appropriate for organisations that are customer-driven.

The Four Pillars of Planning

- Pillar 1: Refined Focus for Profit Clarity
- Pillar 2: Future Orientated Vision and Values
- Pillar 3: Establishing Strong Roots through Strategic Objectives
- Pillar 4: Board and Business Action

## **THE BEST THING ABOUT THIS BOOK**

It gives YOU the power to understand your business. I help many people by doing this work on their behalf and you'll understand what I do, as a strategy and governance consultant. You'll have an amazing grasp on the planning process. This can only benefit all of us as we learn from each other.

Fly Forward Faster using my proven strategic planning model will help Community and Business Leaders to declutter their daily agenda and focus on the critical tasks that will move the

Now get ready to *Fly Forward Faster!*

## PILLAR 1: REFINED FOCUS FOR PROFIT CLARITY

## FOUR QUADRANTS OF FOCUS REFINES OUR PROFIT CLARITY

Strategy: Fly Forward Faster starts with understanding where your future growth is most likely to be. We undertake research to achieve a sharp and accurate picture of the people you do business with today, and the people you need to do business with in the future.

In the past, many businesses could ‘fly blind’ and still make a decent income. That world has changed. We absolutely need to know who and what keeps us in business, and how the customer landscape may alter so we can adapt.

I group my Foster Future Growth research into four focused quadrants:

- *People on the inside* include customers, members, staff, the hierarchy of the organisation and boards or investors.
- *People on the outside* may be the local population, other businesses, society, and the rest of the world.
- *Activity inside my business* is the internal operating environment. This includes your business’ products and services as well as processes and procedures.
- *Activity outside my business* is the local trading environment, industry shifts and megatrends.



## QUADRANT 1 | PEOPLE ON THE INSIDE

### YOUR LIST



One of the biggest mistakes community and business leaders make is that they don't know who is on their list.

Knowing how to collect and use customer information is valuable, and can lead the way to greater income. When you conduct business with your customer, this is an opportunity that you can use to learn more about them and their purchasing habits.

Who is on your list today is a compelling place to start working out who is going to be there tomorrow. Analysing your list is an example of what is technically called primary research.

Primary research involves collecting information about YOUR business. It is usually analysed through either quantitative (numerical) analysis, or qualitative (non-numerical) analysis.

Let me tell you that EVERY successful business person knows their list, the 'shape' of their list and why they have the people or businesses on that list. When I go into a consulting job, the first thing I ask for is THE LIST. I start by understanding the bedrock of your business and building from there.

Looking at the details of your list a number of different ways allows us to better understand our customers for three simple reasons:

1. **RETENTION** – Selling more to existing customers is around 15 times cheaper than marketing for new ones
2. **LIKE ATTRACTS LIKE** - You can understand what products and services your customers like and attract more of the same kind of people
3. **GAPS** - You can see groups of customers you may be missing.

The only right way to divide up your list is the way that will bring insight.

### ***Data Quality***

Data quality means the consistency and order which details are captured in your list. Many of you will need to spend time 'cleaning' your information, especially if there are quite a few people who input information.

For example, the (Australian) suburb of Wollongong may be incorrectly spelt as Woolongong, Woollongon or Wollingong. This will affect a sort and count on people who live or work in this area.

### ***Privacy***

You may need to abide by privacy laws of your country. The Australian Privacy Principles (APPs) are contained in the Privacy Act 1988. These principles outline how most Australian businesses must handle, use and manage personal information.

Check these out at [www.oaic.gov.au](http://www.oaic.gov.au) or search online.

### **QUANTITATIVE | NUMERICAL**

Quantitative information uses mathematical measurements. Using the percentages and graphs with your customer list in the next section is an example of qualitative information.

There are many programs that can present reports on your list. However, all you need to get a start is Excel. Many online programs use Excel-type spreadsheets as their fundamental building blocks. Plus, I'm betting you have Excel or similar right there on your computer today.

From Excel, make graphs so data can be easily understood in a visual way. For example, chart the gender and age distribution of your customers, and where customers live or work.

Common presentations of data include:

- Graphs
- Parameters (e.g. average, central point)
- Percentages
- Ranking
- Survey responses averages.

## **QUALITATIVE | WORDS**

Qualitative research helps us understand the behaviour of customers – the why and how of decision making. It deals with descriptions and observations, and is difficult to measure. There are many ways to collect this information.

### ***Conversations***

Have conversations with customers and write down any interesting ‘pain points’ you hear. These are great ideas for products and services that your market wants.

### ***Field notes***

Professional mystery shoppers have prompt questions that help them look at different aspects of your business without your emotional subjectivity or familiarity-blindness, like customer service, ambience, floor layout, value for money and many more. These can be analysed, themes emerge and action can be taken.

### ***Journals***

Ask a patron to complete a month-long diary of actions and decisions. I was once asked to do this so the researcher could look at my TV watching versus radio listening patterns.

### ***Observation***

Use mystery shoppers to shadow patrons (without being creepy!). Watch how they make buying decisions. For example, at what stage in the buyer’s journey do they make an impulse buy?

### ***Structured and unstructured interviews***

Surveys in person or online are always popular. Focus groups are a little more unstructured and can be filmed for later analysis.

### ***Other documents***

You may have incident reports or other business performance information that you can read.

**INSIGHT | THE GOLDEN INTERSECTION**

When you combine these three elements – your customer list, quantitative information, and qualitative information, you create the golden intersection. Here are your secrets to foster future growth, and it will be different for every business. This is where you can understand the people you serve, what product you serve best and which product makes you money.



***Fact into insight***

Currently, your list and your primary research are just a collection of facts. To turn this into insight, we need to closely examine the information. We cut up our information like a pie.

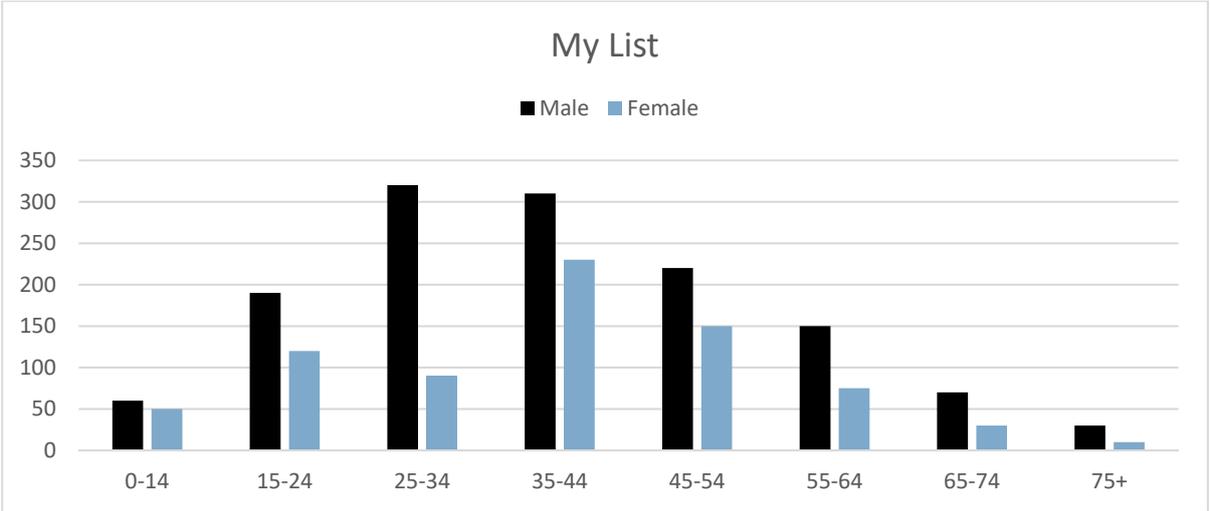
For example, I might tell you with certainty that you have *90 female customers aged 25-34 years old*. In isolation, you might think that’s a great result, but in fact it’s meaningless without context. How do we turn this fact into insight?

Let’s look at an example customer list. This business has a list of 2,105 customers and have products and service suited to a younger market. I would first divide it up into gender and age brackets.

Age	0-14	15-24	25-34	35-44	45-54	55-64	65-74	75+
Male	60	190	320	310	220	150	70	30
Female	50	120	90	230	150	75	30	10
TOTAL	110	310	410	540	370	225	100	40

Many people find it hard to read a table of numbers like this, so I put the numbers in a graph. This graph is created in Excel.

What do you notice about the age group *female customers aged 25-34 years old*?



**Gap in the core market**

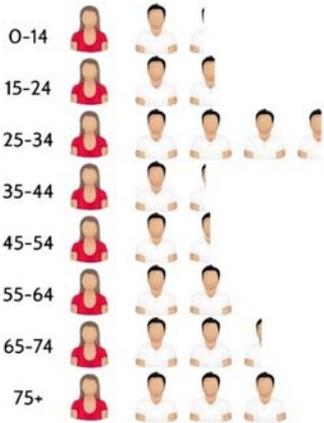
Can you see the **gap**? The female customers aged 25-34 years old is not performing well compared with other gender and age groups. This business could capture another 150 or so customers. It appears that this is the business’ CORE MARKET - see how males in the same age group are the largest group of customers? However, without analysing the list and reading the graphs, this business owner may never be aware of the profit they are foregoing.

We can also look at the list in several different ways. For example, ratios of males to females, pie charts and totals.

**Ratio: For every 1 female, there are x males**

Age	0-14	15-24	25-34	35-44	45-54	55-64	65-74	75+
Male	1.2	1.6	3.6	1.3	1.5	2.0	2.3	3.0
Female	1	1	1	1	1	1	1	1

This could also be presented using icons. I built this in Photoshop. It’s a little more interesting than the excel version, but took me eight times as long to build (and I’m good with Photoshop).

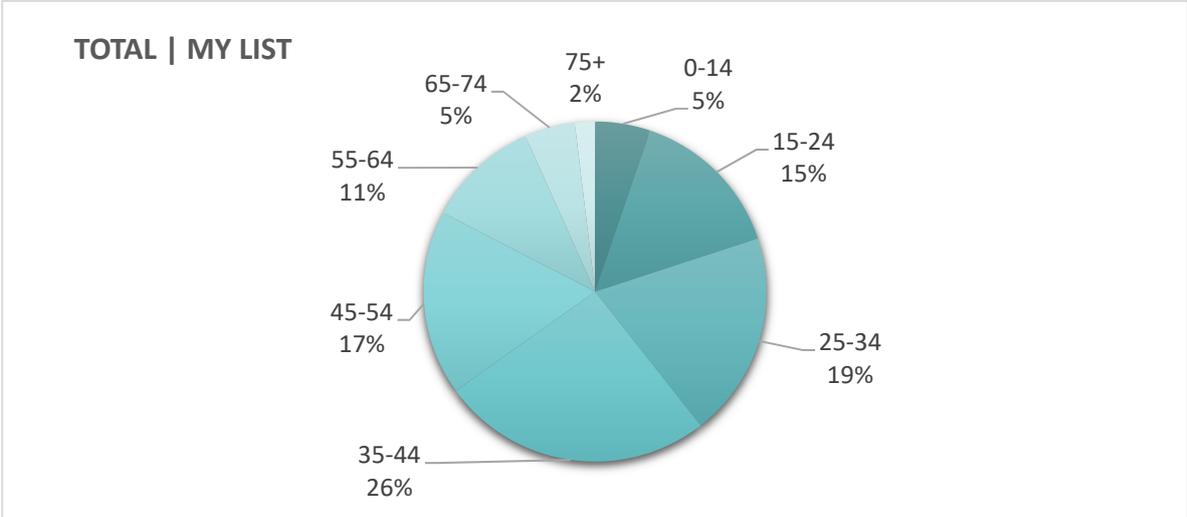


Looking at the pattern, we should have an expectation that female customers aged 25-34 years old should be a very similar number to male customers aged 25-34 years old, especially when considering it is that pattern in other age groups.

You might argue the same thing happens for the 75+ age group. However, the business owner only has 40 customers aged over 75 years old and 410 aged 25-34 years old – and we learnt earlier that this business generally caters for the younger market.

The 25-34 years old are the business’ core market where efforts should be placed to foster future growth.

Have a look at the pie graph below which shows the percentage break-up of the total customer list ages. Can you see that the 25-34 years old age group makes up 19% of the business’ customers while over 75+ only makes up 2%?



Many people would assume that we should focus on a small section of the pie and build it up. It is generally a better tactic to focus on customers who are **like** your best customers. This is commonly referred to as ‘picking the low hanging fruit’.

In this case, the customer group with the best representation is 35-44 years old at 26%. To foster future growth, this business owner could focus firstly on the 25-34 years old, then 45-54 years old.

In the longer future, they may start looking at 15-24 years old and over 55s, and this may require a specific strategy such as diversification of products and services. Attracting new markets often require significant investment.

### ***Identifying the target market***

We can determine that the female 25-34 years old and the male and female 45-54 years old age groups this business’ TARGET MARKET. The target market is where investment in time, money, and trial and error is made.

### ***Asking the Right Questions***

We’re not finished there. Now we ask WHY are these groups under-represented in this business? HOW do I get them back into this business? So, like a detective, we go in search of more information which we will do later in this section.

Now we have a much better idea of who we are targeting, we can use qualitative and quantitative techniques to ask excellent questions. I’ve given a very brief example of questions you may ask and remember that these are just a tiny, tiny example of the wealth of things you can do and your groupings.

QUALITATIVE TOOL	TARGET MARKET		CORE MARKET M   F 35-44
	F 25-34 and	M F 45-54	
Conversations	Talk to existing customers and find out where their girl-friends are going. Ask about what things they want to buy. Does this group come into the shop in large groups and doesn’t buy anything?		Ask this group what they like about the business and products. Ask about where their older friends and family may go?
Field notes	Hire a mystery shopper in the same age bracket to give a ‘warts and all’ assessment including sales staff.		Reflect on how you converse with this group compared to others. Are you more comfortable talking to this market... and why?

Journals	Ask a group of special customers to keep a 2-week long diary of how they make decisions about where to go including peer pressure, their frame of mind and feelings.	Keep a diary of when this group frequents your business compared to your target markets.
Observation	Have a look at where their friends are going and watch what they are buying	Look at how this valuable group moves through the shop. What products catch their eye first?
Structured and unstructured interviews	Invite a group for a special trial and ask questions	Throw a small event for top customers and ask questions

## OTHER PEOPLE ON THE INSIDE

Other people on the inside include your current staff and board of directors.

### *Organisational design*

The future success of your business is directly proportional to the quality of the people that you can get, grow, and keep on your team.

However, only a tiny, tiny percentage of CEOs and boards take this idea seriously and look at talent acquisition, talent development and talent retention as a strategic objective for both the board and the CEO. It is essential to have a deep bench of talent in every level of the organisation to run a successful business.

The organisational chart tells us how work is generally divided and who makes decisions in key areas. When reviewing the organisational chart, it is an interesting exercise to capture the way things get done and identify the influencers and politics of decision making.

Key strategies may be dependent on altering the leadership and relationship dynamics of the organisational hierarchy. You may find you need to make decisions to re-align the organisation to allow for the freer-flow of information, accountability and clearly delineate reporting lines. Some positions may be created while others disappear. You'll be focussed on organising a team who can **action** the plan.

Organisational charts carry emotional weight, because it defines reporting relationships that people might love or hate. If changes need to be made in the organisational chart to fly forward faster, the current situation needs to be understood, otherwise the power dynamic tends to revert to its earlier equilibrium.

### ***Performance and skills***

The annual performance review is a good opportunity to collect data on the people who hold key management positions on their growing skills, and career goals and desires.

Employees should be encouraged to continue to learn and grow in their positions to continually add value to your business. The task list given to a new employee on Day 1 should be very different to the task list expectation on Day 1,800.

The end result is matching talent, skills and goals with the business' strategic initiatives, or knowing where you may need to reorientate and recruit new managers.

### ***Leadership***

"Look around your organisation and find your lowest performing board member, manager or employee. Realise that these are the people who set the standard for acceptable performance for your entire organisation." (John Spence)

Without a talented board who can collaborate well, you won't keep an amazingly talented CEO. The CEO will advance to a better-led board. Without an amazingly talented CEO, you won't keep talented management and staff. Without talented management and staff, you won't have customers who lavish praise (and patronage) on your organisation. Without great customers, your organisation will probably fail.

Your best people are your best asset, and the pay-back on great leadership where the big decisions are made – that's on the board and management team – is immeasurable

Understanding the leadership of yourself and management will go a long way in addressing power dynamics and motivations.

I approach leadership using the Everything DiSC method (Keith E. Ayres). It's designed to help you understand behaviour in the workplace, understand the behaviour of others and how to use this knowledge in different work situations.

### ***Board of Directors***

I address the Board of Directors in a separate book, *Board Succession Planning*. Leadership, skills, performance evaluation, and understanding director's individual networks is critical.

## QUADRANT 2 | PEOPLE ON THE OUTSIDE



A big mistake many community and business leaders make is that they don't know how to target new customers or who to target.

To get information on people outside our business we can use secondary information. Secondary information involves perusing information that has already been collected by another party.

A very important piece of secondary information is to compare your customer list with the rest of the market. For locally focussed business, this may be limited to a suburb or region. For a larger business with a presence in many regions, it's structuring the same research many times over. B2B may look at industry sectors and their growth.

### POPULATION STATISTICS

#### ***United States of America***

For Americans, your starting point would be [United States Census Bureau](#). The U.S. Constitution mandates that a census be taken in the United State every 10 years. The Census Bureau also collects information for the Bureau of Labor Statistics. There is also the American Community Survey (ACS); an ongoing survey that generates data on jobs and occupations, educational attainment, housing and a range of other topics.

#### ***United Kingdom***

A census of the population of the United Kingdom is taken every ten years, the last census being held in 2011. The [Office for National Statistics](#) (ONS) is responsible for the census in England and Wales, the [General Register Office for Scotland](#) (GROS) is responsible for the census in Scotland, and the [Northern Ireland Statistics and Research Agency](#) (NISRA) is responsible for the census in Northern Ireland.

#### ***Australia***

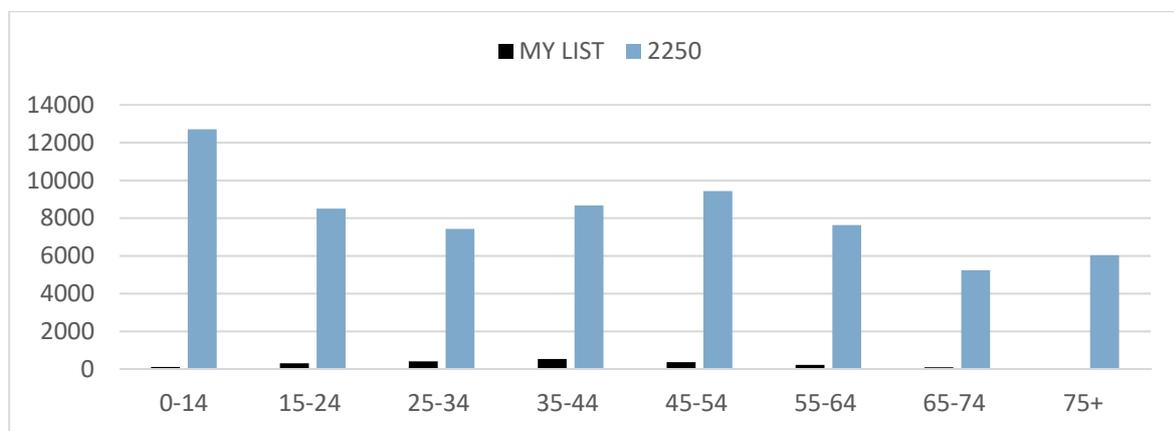
My starting point in Australia is always the [Australian Bureau of Statistics](#) (ABS). The Australian census is conducted every 5 years, usually in years that end in a 1 or a 6 (so 2011, 2016, 2021, 2026, etc.).

The ABS website has information collected from the census which you can use to calculate your market penetration. There is also lots of other information where the ABS staff write on

topics such as social trends, population growth, and industry. I love this site as it builds your confidence in getting a feel for the current trends and can often support or cancel out your ‘hunches’.

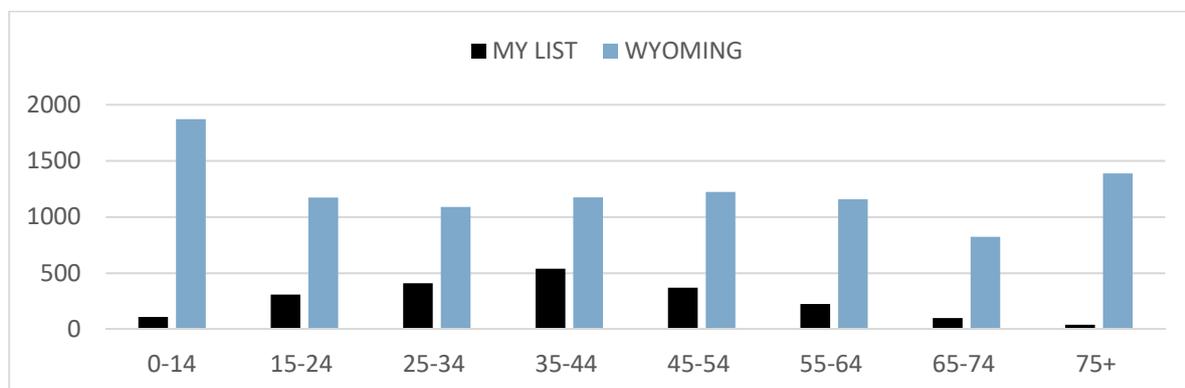
**ONE WAY TO CONSIDER GAPS**

One of my go to sections of the ABS site is [Community Profiles](#). You can download all the census information and compare it with your list. For example, let’s say the business whose customer list we used as an example in the previous section was in the postcode of 2250. I would compare my customer list to the census information as such:



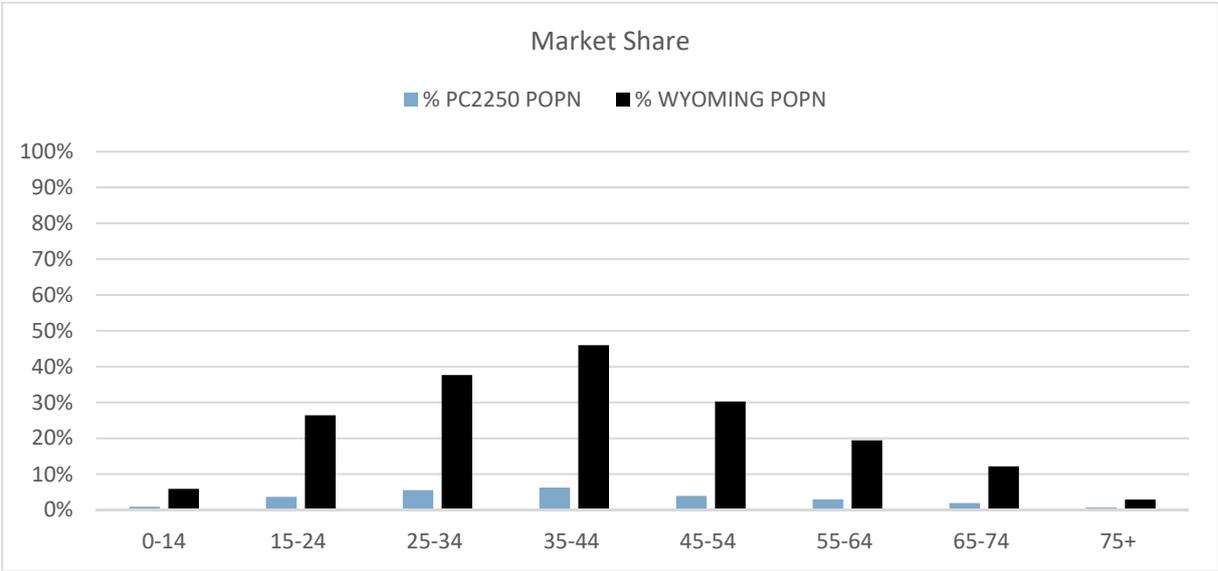
Can you see the amount of market penetration this business is having in postcode 2250? No wonder the 25-34 market is tough – there isn’t that many of them compare to the 35-44 years old market. However, the business could still foster future growth from this market.

Let’s say the business was in the suburb of Wyoming, NSW, which is in postcode 2250, and has a local focus. I would search for ‘Wyoming’ and download the census information just for this suburb, then compare to the customer list...



The market becomes even clearer. We can see that there is still terrific scope for growth. I've translated the above graph to describe the percentage of market share for that age group, then into another graph:

AGE	0-14	15-24	25-34	35-44	45-54	55-64	65-74	75+
My list	110	310	410	540	370	225	100	40
PC 2250	12,700	8,504	7,425	8,673	9,432	7,628	5,240	6,030
% Pop'n	1%	4%	6%	6%	4%	3%	2%	1%
Wyoming	1,871	1,174	1,090	1,175	1,223	1,158	824	1,389
% Pop'n	6%	26%	38%	46%	30%	19%	12%	3%



You can see that the 35-44 years old age group is still the core market at 46% locally. There is still lots of growth to be had in this core market. 25-34 years old still present as a growth market although there is more capacity (i.e. people) in the 45-54 years old market. Depending on what the business sells, it may decide which market to grow first.

If this business was looking to develop a new market, for example in the 15-24 years old, they may need to develop a new product or service to cater for this clientele.

### **ANOTHER WAY TO CONSIDER MARKETS**

Depending on your business or your competition, another way to look at who else is out there is to consider who is not currently being served.

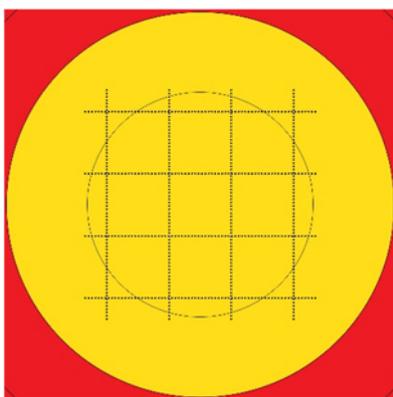
For small or new businesses that can't compete with large or established competitors, the concept of niche marketing allows you to create a primary target market that is not being served by your competitors.

For example, a large competitor that has secured the family market may be ignoring women aged 35-50 years. To dig into the niches, read the tips below about getting specific.

### **ONE LAST WORD ON TARGET MARKETS**

Many people get confused about target markets. Here is a simple analogy that describes the approach I used. I've used the term 'target market' like this picture of an archery board. The whole of the archery board is the MARKET.

Some parts of the archery board are more valuable than the others. For example, the centre may be your target market because you see value in aiming for this particular market. That's where you concentrate your focus. **You practice to refine your focus to reach the target market.**



While amateurs 'hope' to hit the bullseye and get maximum amount of points, professionals practice until they possess specific focus. This is when you break down your target market even further to get a **SPECIFIC FOCUS**.

A professional will take that big yellow dot in the centre and carve it into smaller sections in their mind's eye to further **REFINE FOCUS**.

This is the same as breaking your target market into smaller groups.

For example, living in the same suburb you may have one 26-year-old female who is a single, university student working part-time in a café while another 26-year-old female is a stay-at-home mum with 2 young children and a husband who runs the family plumbing business. These two 26 years old have the same age, gender and postcode, but may have very different lifestyle, buying behaviours, income and interests.

Have a look at the two example pictures.



*26-year-old university student*



*26-year-old stay-at-home mum*

To get SPECIFIC focus, once you have isolated larger target markets use the categories listed below to gather further insight about your markets.

The advantage to getting specific focus is that you will start crafting messages that suit your specific targets and minimise spending money on messages and markets that don't respond.

## **GETTING SPECIFIC**

### ***Demographic***

- Age and Gender
- Family life cycle
- Education level
- Occupation
- Socioeconomic (wealth, health and access to services)
- Nationality / cultural identity

### ***Geography***

- Postcode of customers
- Travel distance and your distance from sourcing products
- Transport and parking availabilities
- Type of urbanisation (retirees, high density)
- Distribution (local, national, global)

### ***Psychographics***

- Personality and lifestyle
- Values, opinions and attitudes
- Interests and activities

### ***Buying Behaviours***

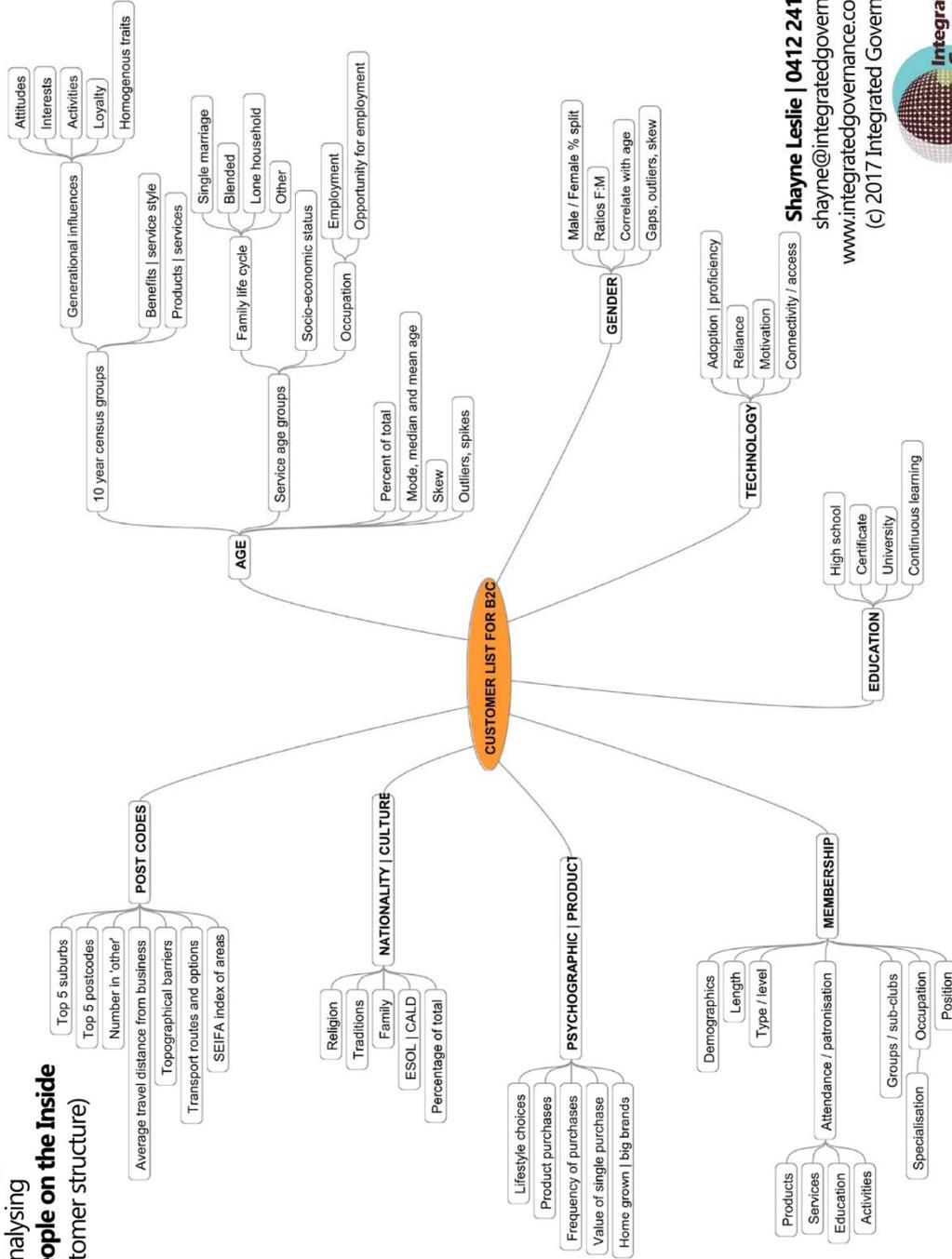
- Benefit sought from your product or service
- How often is the product or service used
- Brand loyalty and creating 'raving fans'

### ***Technology***

- Types of technology used and
- Influence on buying behaviours.

# Strategy: Fly Forward Faster

Mind Map for analysing  
**Quadrant 1: People on the Inside**  
 (business to customer structure)



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 www.integratedgovernance.com.au  
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Download this mind map at [www.integratedgovernance.com.au/mindmap](http://www.integratedgovernance.com.au/mindmap).

## QUADRANT 3 | ACTIVITY INSIDE MY BUSINESS



A big mistake many community and business leaders make is that they don't know what makes them money today, how to make more, and how important their personal leadership style affects the success of their business.

We have more control on what we do than we have control over external forces. In Quadrant 3, Activity Inside my Business, I break the business into four key areas, the same areas I will eventually use for Pillar 3 of Planning: Establishing Strong Roots through Strategic Objectives;

### *1. Leadership and Governance*

Includes board and management, and may include areas such as board succession, governance education, leadership and culture and strategic human resources.

### *2. Operational Profitability*

Includes all areas that earn revenue.

### *3. Community and Communication*

Includes marketing, technology, and community engagement.

### *4. Facilities*

Include masterplans, sports facilities, safety and security, and utilities.

For each business unit under the headings, I ask questions such as;

- What are the strengths
- What are the weaknesses
- What are the opportunities, now and in the future
- What are the risks, now and into the future
- What is the culture of prioritisation
- What is the business model
- How have all these aspects affected financial performance
- What may the business need to keep, or do differently?

We are looking at Operational Profitability in this chapter post.

## **OPERATIONAL PROFITABILITY**

There are two layers in beginning to analyse operational profitability. First is looking at the historic and high level performance of the organisation through annual reports. Second is the financial performance of individual business units.

### ***Annual Report Reviews***

The financial statements in the annual report provides information about the overall financial performance and financial position of the company. Understanding the financial position of the company is critical to ensuring we are selecting the right strategies to realise profitability and growth.

The four primary financial statements are:

#### **Statement of comprehensive income**

This statement provides information on the organisation's financial performance. It usually shows the total revenue, total expenses, and the difference between the two. The difference is a surplus or deficit (or profit or loss).

#### **Statement of financial position**

This statement, which is also referred to as balance sheet, shows the monetary measure of all the resources controlled by an organisation (assets) and all the obligations due by the organisation (liabilities) at the year-end. Assets and liabilities are classified as current or non-current in order of liquidity.

#### **Statement of changes in equity**

This statement reports all changes in the reserves (or funds) held by the organisation during the financial period.

#### **Statement of cash flows**

This statement shows the cash inflows and outflows for the financial period from operating, investing and financing activities.

### ***Analysis through Ratios***

Ratio analysis links the financial statements together. We develop a feel for a company's competitive position, financial strength, and profitability over time, and learn to understand past strategic decisions and their financial impact.

*Key questions to answer*

Through the analysis of a series of annual reports, say over the past six years, we seek to answer the questions below. We learn about which ratios to calculate in Integrated Governance's Applied Director Training.

- Is the company in financial jeopardy?
- What is our income – total revenue, operational and comprehensive?
- What are our personnel wages and liabilities?
- Are we growing?
- Can we take advantage of opportunities?
- Are we prepared for sudden disaster?
- What are the significant monetary events coming up?
- Are we compliant (e.g. tax, superannuation, etc.)?

Once the historical financial narrative is clear, we can answer questions, like the following examples, which will help us shape specific strategies;

- Do we need to consolidate our business – e.g. selling off property to raise cash?
- Could we expand our footprint or make better use of our physical assets – e.g. master planning, or purchasing additional businesses?
- Should we invest into additional assets – e.g. purchasing property
- Do we need to reduce, restructure, or realign our workforce?
- Do we need to cut operational expenses?
- Should we make sure we have enough cash for disasters?

***Trading Statement Review***

Trading statements are segmented income statements for the different trading areas that generate revenue within the organisation. We look at these over the period of minimum 12 months looking at monthly income (total revenue, operational income, and net income), trends, financial impacts of previous decisions, and labour costs.

The next layer of analysis for each trading areas crosses over to research we conduct as part of Quadrant 1, People on the Inside. We can look at top products items using parameters such as popularity and profitability. (The same can be done for lowest products which then can be removed).

There are many more ways you can conduct a business review, and a lot of it is dependent on the style of business you operate. There are no statutory limitations, and using customer data in conjunction with sales data will assist discovering more of your business secrets.

*Key questions to answer*

Again, once the historical narrative is clear, we - or our management team - can answer questions like the following examples, which will help us shape specific strategies;

- How does my historical financial performance inform future considerations?
- Where do I see sales trending in the next 12 – 18 months if I do nothing differently?
- What are my input variances (e.g. cost of goods, cost of subscriptions) and output elasticity (e.g. price customers are willing to pay)?
- What inputs are under threat of fiscal variations (e.g. cost of fuel)?
- Is my cost of production compatible with my revenue?
- Can I save money per transaction?
- What is the best use of cash; how will investment into this trading department fund future growth?
- Who are my emerging competitors in this product or service line?
- What part or aspect of the trading is giving me the most trouble now, and possibly in the future?
- What part of the business is being ignored that has more upside potential?
- What are the catalysts that will affect trading departments?
- What do I need to make \$ and % to reach our overall financial targets?
- How am I measuring results beyond the basic ratios of profit and loss to include such measures as return on assets, return on education and long term value of customers?
- How do I invest the money I have saved?

**DIG DEEPER INTO ACTIVITY**

Once we have looked at the financial performance, activity on the inside can expand to looking at;

- Customer results
- Strategic and business results
- Innovation.

The following questions are a stimulus for critical thinking about your business units.

***Customer Results***

Customer results looks at your business through the customers’ eyes and through your customers’ behaviours. You can ask yourself;

- Are my investments meeting customer needs?
- Do I drive profitability at each customer touch point?
- What does my customer see as ‘value’? How does this affect my pricing?
- How do we decide what to measure with customer surveys?
- How do we measure and manage customer survey results – do we create a business plan based on results?
- If my customer purchases A, will they purchase B?
- Why are they responding to my marketing and promotions? Or not responding?

***Behaviours***

In the following qualitative example, I have moved away from measuring the demographic characteristics of my customer list, like age and gender, and am now asking questions about what my core and target market are buying – the behavioural characteristics.

QUANTITATIVE TOOL	TARGET MARKET	CORE MARKET
	F 25-34	M   F 35-44
Graph	Calculate the total value of purchases per visit and compare with other age and gender groups – does this group buy a lot at once or a little.	Look at the product bundles this group buys. For example, if they buy A do they also buy B? How can you use this info to bundle products for other age groups?
Parameters	What is the average price point for this group compared to your product average price point.	If you have two similar products, does this group tend to buy the more expensive or cheaper version?
Percentages	What is the product purchase break-up for this age group?	What percentage of this group are local to my business?

Ranking	What is the number 1 product and price for this age group?	What are the top 5 price points for this group? What is my net profit?
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*Customer experience versus expectations*

You can also break down the customer process and introduce strategies for reducing errors. Errors can come from people, technology, equipment, layout (e.g. service design areas) or procedures, and cost money each time they occur. There is a need to understand the margin for error between peak times and normal trade.

Error reduction is a strategic consideration, as delivering services with few errors results in a quality standards and differentiation from mistake-prone businesses. Providing exceptional service, which means meeting customer expectations with few or no errors, will make it harder for other businesses to win over your customers.

**STRATEGIC AND BUSINESS RESULTS**

A successful strategy means **continuing to build our strengths into a competitive advantage and doing the things we don't do well differently.**

Our strategic goals are reflected in the business plan. To measure business results, we need a direct line of sight to the strategic goal. In the following diagram, I present a way to look at the planning cycle; the role of each plan and how we may measure results.



You can ask yourself;

- Is my business action (today) leading to a strategic goal (for the future)?
- Is there another organisation that could be doing this work better, more efficiently or at lower cost leaving me time to do my best work elsewhere?
- When I set my previous strategic goals, what were the barriers I encountered that I wasn't expecting?
- What are my biases that prevent me from innovating?
- What is certain and uncertain?
- Where is the fragility in my supply chains?
- How am I capturing what I do (e.g. reporting)?

### ***Barriers***

When we set our strategy, and enact it through business action, we invariably come up against barriers which prevent us from achieving profitability. Part of an operational analysis is unpacking those barriers.

Your barriers may be undercharging, under-resourcing an action, over-estimating results in budgeting, over-estimating your skill to complete a task, not dedicating sufficient expertise to new product development, and poor sales and marketing. Unpacking your barriers will assist in developing strategies that realise profitable business performance.

A method to identify barriers is to take a product and look at;

- Revenue, gross profit, and net profit (loss)
- Look at the operational cost breakdown
- Look at the connecting business units.

Let's have a look at an example at the granular level with the Rump Steak.

*The Rump Steak*



Rump steak (250g), chips and salad: \$22

<b>Steak, Chips and Salad</b>	<b>\$22</b>
LESS: COST OF SALES	
Opening Stock	-
Purchases	\$8
Freight & Cartage	\$0.10
Closing Stock	-
Cost of Goods Sold	\$8.10
GROSS PROFIT	\$13.90
Gross Profit %	63%

Q: Did we make money from this sale?

The correct answer is, we don't know yet! What we need is the NET PROFIT.

<b>Steak, Chips and Salad</b>	<b>\$22</b>	<b>%</b>
LESS: COST OF SALES		
Opening Stock	-	
Purchases	8	
Freight & Cartage	0.10	
Closing Stock		
Cost of Goods Sold	8.10	
GROSS PROFIT	13.90	
Gross Profit %	63	
LESS: EXPENSES		
Wages	7.04	32.0%
Payroll Tax	0.42	1.9%
Workers Compensation	0.18	0.8%
Repairs & Maintenance	1.10	5.0%
Rental Equipment	0.44	2.0%
Gas	1.65	7.5%
Cleaning	1.10	5.0%
Catering Waste	1.32	6.0%
Points	0.13	0.6%
Promotions	0.55	2.5%
Depreciation	0.55	2.5%
Total expenses	14.48	
<b>NET PROFIT/ (LOSS)</b>	<b>- 0.58</b>	
Operating Cash %	0.03	-3%

Q: Did we make money from this sale?

The answer is no. While we made a Gross Profit, we did not make a Net Profit.

Depending on other factors, we may consider strategies in the following key areas;

<b>Steak, Chips and Salad</b>	<b>Strategy</b>
<b>LESS: COST OF SALES</b>	<b>Marketing</b>
Opening Stock	
<b>Purchases</b>	<b>Catering</b>
Freight & Cartage	Value chain procurement
<b>Closing Stock</b>	<b>Catering</b>
Cost of Goods Sold	
<b>GROSS PROFIT</b>	
Gross Profit %	GP% benchmark
<b>LESS: EXPENSES</b>	
Wages	Human Resources
Payroll Tax	
Workers Compensation	Human Resources
Repairs & Maintenance	Facilities
Rental Equipment	Facilities
Gas	Facilities
Cleaning	Facilities
Catering Waste	Facilities
Points	Marketing
Promotions	Marketing
Depreciation	
<b>Total expenses</b>	<b>Operational profitability benchmark</b>
<b>NET PROFIT/ (LOSS)</b>	
<b>Operating Cash %</b>	<b>Target 12%</b>

## ***Bias***

As individuals, we have a wealth of experience and knowledge that can be helpful to planning. The same experiences and knowledge can also act as a barrier to planning. Recognising our bias will help us open our minds to do things differently, and may open the way to increased profitability. Here are some common biases;

**Cognitive:** A tendency to make errors in judgment based on the use of 'rule of thumb' or 'this is what is always done'.

**Emotional:** Occurs when we are inclined to believe something that has a positive emotional effect and gives a pleasant feeling, even if there is evidence to the contrary, or to be reluctant to accept hard facts that are unpleasant.

**Confirmation:** A tendency to search for or interpret information in a way that confirms your preconceptions.

**Hindsight:** An inclination to see events that have occurred as more predictable than they in fact were before they took place. "I *knew* that would happen if I did this..."

**Rosy retrospection:** When we remember past events more positively than when the event occurred.

**In-group:** We give preferential treatment to others we perceive to be like us. For example, people of similar age, race or residential area.

**Projection:** We unconsciously assume that others share the same or similar thoughts, beliefs, values, or positions. "I like it and so will *everyone* else!"

## **INNOVATION**

The need to keep invigorating your products to keep up with market changes, and the pressure for them to succeed, is becoming more urgent in a disruptive environment. In my business, I have seen products that were profitable a few years ago become 'value-adds' forcing me to keep developing my products, developing my skill set to deliver better results for my customers and get the marketing right (including pricing). You might be seeing this in your business as well.

Creating new products or developing current products to a new standard is one of the best options to establish, or re-establish pricing power. Innovation requires ideas, planning and

investment, but product failures are common. To increase the probability that your new idea will work, and be profitable, you need to start with customer value and pricing from the get-go.

In an operational analysis, we look at the previous innovations introduced into the business and measure from the viewpoint of customer results, business action and financial performance.

Taking what we have learnt from the quadrant, *Activity Inside My Business*, you can ask yourself these (and other) questions;

- Customer results: Will my new product satisfy my current or targeted customers? What is the value/price relationship?
- Strategic and business action: Will my new product lead to a strategic goal? What barriers and biases do I need to consider? How will I market and sell the product?
- Financial performance: What is the investment? When will my new product become profitable?

## **WORKING TOGETHER**

One problem I see with many strategic plans is that there may be a lack of connection across business units, and a big wish list without considering the organisation's capacity to resource the wishes (financial, human, time, etc.) or calculating the probability of success.

When we set strategy, we also need to prioritise organisational direction. We ask ourselves;

- Where is the biggest impact?
- How does this effect other departments?
- How do we work together to take advantage of the impact – does what my department want to do line up with the other department's goals, priorities, expectations, and resources?

## **SUMMARY**

While it's tempting to do a surface analysis of your activity, insight is gained from digging deep and challenging your business.

Your business may be progressing profitability, yet there are risks in the cultural aspects of leadership. Your business may have a great culture, but you can't work out why the business isn't making more money. Business growth may be challenged by a competitor wooing customers away, which may mean a change in direction on what you do, and who you do it for. It may be that your board and management need to upgrade skills, processes, and leadership for a changing society.

Reviewing activity inside your business is where it helps to have a third party with fresh eyes, and few of the biases we outline in this chapter. This chapter could have been many, many more pages of analysis examples and approaches!

**QUADRANT 4 | ACTIVITY OUTSIDE MY BUSINESS**



While it is a huge risk to take a silo mentality to your business, it is an equal risk to become so overwhelmed with what everyone else is doing.

When considering activity outside your business, there are two levels; Macro level and specific focus level.

**MACRO LEVEL**

There are many techniques to view the environment of your business. One of the most popular is subdividing the outside environment into political, economic, social, technological, and legal/regulation. Depending on your business, you may add other categories like ecology and diversity.

The secret in conducting this assessment it to divide your environment analysis into a *risk management framework* and *severity of harm matrix*.

You will start to see that what most people may call an obstacle is, in fact, a low priority that is virtually out of the business’ control to influence.

I often hear these headings as ‘threats’; tax, change of government, laws, finding good staff, and social change. They’re big headings, so let’s look at an example.

*Risk Management Framework | Example 1 | Macro*

<b>Threat</b>	<b>Change of government</b>
Context	Macro - Political
Identify	Political risk can be defined as the effects caused by the intersection of political decisions, socio-economic events and the market that may impact our business and industry
Analyse	The current government is supportive of our industry. If government were to change, they may not be as supportive of our industry. Our business does not enjoy any relationship with our MP or other government representatives

Threat	Change of government
Treat	Reduce risk by establishing relationships with our local representatives. Finance risk by maintaining membership with industry associations so they can lobby on our behalf, and reading the notices issued
Monitor and Review	Ensure regular reporting in the board meeting and make decisions as appropriate

*Severity of Harm Matrix*

Probability	Catastrophic	Serious	Moderate	Minor
Very Likely	High	High	High	Medium
Likely	High	High	Medium	Low
Unlikely	Medium	Medium	LOW	Negligible
Remote	Low	Low	Negligible	Negligible

**Megatrends**

In my book, *Foster Future Growth*, I wrote about seven megatrends. If you cultivate an appreciation for the larger cycles in the world, you can achieve a better point of focus when considering a long-term strategy.

I've divided the seven megatrends into three 'worlds' – and I've put a copy of these from *Foster Future Growth* into the Appendix of this book:

- **Natural World:** Going, Going... Gone?
- **Man-Made World:** Mega Urbanisation, The Silk Highway and the 'Switzerland' of Asia, and The Innovation Imperative
- **Individual World:** Forever Young, Virtually Here – Connectivity and Convergence, and Great Expectations

**SPECIFIC FOCUS LEVEL**

What you may find with the Macro Level analysis is that you're worrying about aspects of business which you have little control. You should keep in touch, but not at the expense of the Specific Focus level.

What generates *Specific Focus* is discovered in our other three quadrants; people on the inside and outside, and activity on the inside.

For example, if you have identified that there is a talent gap through your People on the Inside | Organisational Design analysis, you may look at what other similar business are doing to reduce their risk. You may read about best practice and contemporary recruitment or learning and development techniques. You could learn about the employment market and what makes a great employer.

Another example is that, through your Activity Inside My Business you have found that you need to expand your operations. Here, you may research alternative commercial sites, mergers and acquisitions, master planning and working with council. You may research the latest trends in interior design.

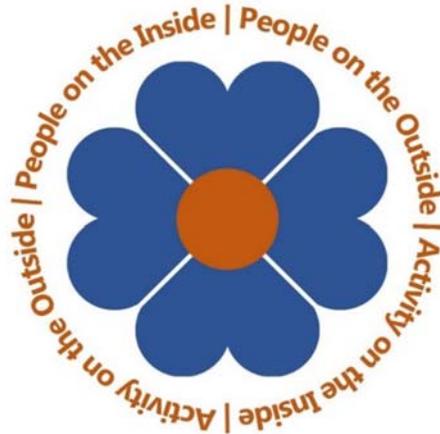
### **SUMMARY**

If you are in business, you are part of a vibrant economic community. We can blame macro forces when we hit difficulty in our business. It's an easy way out as, though we may have a tiny gram of influence, we don't have a lot of control.

The harder road to take is to look at what we can control; our own behaviour, lead the behaviour of other people, and understand the errors inside our business. Conduct specific external research that will cause us to change our business behaviour to affect growth where we need it.

Expecting other people or the world to change for our benefit will almost never happen, and lead to disappointment. Basing our changed business behaviour on evidence and accountability will lead to better results.

## FOSTER FUTURE GROWTH



It's time to look back through all your research and summarise your compelling findings.

Research doesn't happen just once. For the best results on continuous future growth, your process of fostering future growth should be an ongoing event.

I am always reading about other consultant's secrets and insights as well as case studies of successful, and not so successful change. There are many, many books, blogs, podcast and so forth about understanding your business. You keep learning, keep adapting what you've learned with what works, keep sharing, and keep staying ahead of the curve.

## SUMMARY OF YOUR COMPELLING FINDINGS

Using a matrix is a standard strategic tool to summarise your compelling findings.

Quadrant	Strength	Weakness
<b>People Inside</b>	1	1
	2	2
	3	3
	4	4
<b>People Outside</b>	1	1
	2	2
	3	3
	4	4
<b>Activity Inside</b>	1	1
	2	2
	3	3
	4	4
<b>Activity Outside</b>	1	1
	2	2
	3	3
	4	4

<b>Quadrant</b>	<b>Opportunity</b>	<b>Risk</b>
<b>People Inside</b>	1	1
	2	2
	3	3
	4	4
<b>People Outside</b>	1	1
	2	2
	3	3
	4	4
<b>Activity Inside</b>	1	1
	2	2
	3	3
	4	4
<b>Activity Outside</b>	1	1
	2	2
	3	3
	4	4

## **EXAMPLE FEEDBACK QUESTIONS**

*From your point-of-view, please tell me what has worked this year, what didn't work, why things were successful and barriers to success. To help you, if you could briefly answer the following as accurately as you can.*

### **What do you see as the top 2 to 3 internal strengths of the organisation right now?**

Leadership and Governance | e.g. skills, education, vision, HR, recruitment, etc:

Operational Profitability | Gaming | Bar | Catering | Functions:

Community and Communication | Marketing | Entertainment | Technology | Community:

Facilities | e.g. Masterplan, procurement, etc:

### **What do you see as the top 2 to 3 internal weaknesses of the organisation right now?**

Leadership and Governance:

Operational Profitability:

Community and Communication:

Facilities:

### **What do you see as the top 2 to 3 external opportunities for the organisation right now?**

Leadership and Governance:

Operational Profitability:

Community and Communication:

Facilities:

### **What do you see as the top 2 to 3 external threats to the organisation right now?**

Leadership and Governance:

Operational Profitability:

Community and Communication:

Facilities:

### **What do you think are the top 2 to 3 most important areas of focus over the next 18 months?**

Leadership and Governance:

Operational Profitability:

Community and Communication:

Facilities:

**What is your single biggest concern about the business right now?**

Leadership and Governance:

Operational Profitability:

Community and Communication:

Facilities:

**What do you want your business to be 'known for' in 5 years' time?**

**What do YOU want to be 'known for' in 5 years' time?**

*Download the strategic review on the following page at [www.integratedgovernance.com.au/strategicreview](http://www.integratedgovernance.com.au/strategicreview).*

© 2016 Integrated Governance   Shayne Leslie   www.integratedgovernance.com.au   shayne@integratedgovernance.com.au   0412 241 773 BSP Strategic Review	URGENT	PRIORITY	SECONDARY	NICE TO HAVE	NOT ON RADAR
<b>Strategic Area</b>					
<b>Leadership &amp; Governance</b>					
Board and CEO Performance Evaluations					
Financial Literacy Education					
Governance and Boardroom Operations Education					
Leadership Education					
Policy and Company Law					
Risk Management					
Strategic Planning					
<b>Operational Profitability</b>					
Set Performance Ratios					
Business Planning					
Change Management					
Human Resources					
Risk Management					
Workplace Health and Safety					
<b>Community and Communication</b>					
Communication / Public Relations					
Community Relations					
Information Technology					
Marketing - Digital					
Marketing - Traditional					
<b>Facilities</b>					
Facilities Management					
Building and Construction					
Interior Design and Architecture					
Master Planning					
Stakeholder Engagement					
Joint Ventures and Partnerships					
Merges, Acquisitions and Amalgamations					

# MEGATRENDS

## NATURAL WORLD: GOING, GOING... GONE?

Increasing effort has going into exploring new ways of ensuring quality of life for current and future generations within the confines of the natural world's limited resources. Part of modern business decisions is considering the world's ecological habitats and biodiversity as well as the issue of greenhouse gas emissions and climate change.

Extraction of raw materials, even to the long-term detriment of communities, arable lands and aquifers, sustains our current society. We rely on energy to power the technology in our lives but are disconnected from the landscapes that must be exploited to yield that energy.

New megatrends are emerging, such as a *Zero Concept World*<sup>†</sup> which will drive the development of zero emission technologies. We've seen the growing use of wind power, Travelling Wave Reactor (TWR), Solar PV panels, Third Generation Bio Fuels and batteries. Nuclear energy is making a resurgence. Electric will gradually replace petrol cars. Smart meters and remote control will better control black energy (coal, oil and gas) use. Many businesses and homes will try to move to 'off-grid' utilities.

Environmental factors also include water and waste. The humble water tank may evolve into massive private underground dams, in turn affecting architectural designs to capture, hold and build above water reservoirs. Public water will rise in expense.

As the developing world continues down the path of rapid techno-industrialisation and the human population increases, the many species, habitats, and ecosystems on the brink of extinction are imperilled.

QUESTION	YOUR THOUGHTS
1. What's my general attitude to preserving the natural world?  <i>Little care or saving every penny and teaching others to do the same</i>	
5. Is Going, Going... Gone? a mega opportunity or risk for my business?	

## **MAN-MADE WORLD: MEGA URBANISATION**

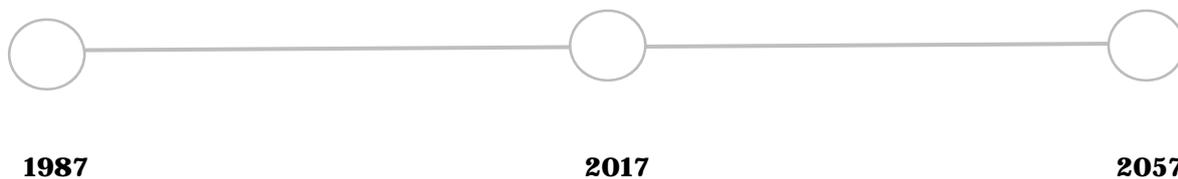
We've recently started to see the mega urbanisation trend in NSW through the amalgamation of smaller Councils into mega-Councils that are to be 'fit for the future'. Already we have a number of opportunities and risks for businesses. Risks include businesses whose licences are affected by local government area (LGA) restrictions or who rely on local councils as their primary source of income.

We're seeing the rise of mega regions and mega corridors which has huge impacts for regional Australia. Vital services and job creation are being pulled from small (and once thriving) towns and relocated to larger regional centres.

How will your business be positioned for the way resources and wealth are or declining and growing population? Does your business have the capacity to capture emerging markets?

Understanding where and how people live will give your business enormous opportunity to position gradually over the next decade. Look at this time continuum – how would you have positioned your business in 1980 to be ready for today? That's the opportunity now – by 2050 population will have doubled in some Australian cities.

### **If I only knew then what I know now...**



Australia is argued to have three regions that will gradually unfold into mega regions in the coming decades;

- East-coast Australia from Brisbane, down the East Coast to Melbourne
- West-coast Australia from Caraban to Dunsborough with Perth at its centre
- The 'New North' of Darwin, reaching out to Kalumburu - a new city that is populated by refugees, an Asian gateway and an educational hub.

QUESTION	YOUR THOUGHTS
1. Is my business reliant on any kind of urbanisation? <i>E.g. a café, fashion boutique, provision of roads, food distribution, transport, property...</i>	
2. Is my business in an established city, region or remote area? Is the area changing? <i>E.g. Brisbane, Central West QLD or Windorah</i>	
3. Is my business in a major corridor or a predicted corridor? <i>E.g. Melbourne to Mildura – Calder Highway</i>	
4. Has the population of the area around my business generally increased or decreased? Or changing?	
6. Is mega urbanisation a mega opportunity or risk for my business?	

**MAN-MADE WORLD: SILK HIGHWAY AND THE ‘SWITZERLAND’ OF ASIA**

The world economy is shifting from west to east and, to a much lesser extent, from north to south. In 1980, the hot spot was in the Atlantic Ocean in between the economic powerhouses of the United States and Europe. It has now shifted between India and China.

BRIC countries are a select group of four large, developing countries, Brazil, Russia, India and China, distinguished by their demographic and economic potential to rank among the world’s largest and most influential economies in the 21st century. Together, they comprise more than 2.8 billion people or 40 percent of the world’s population, cover more than a quarter of the world’s land area over three continents, and account for more than 25 percent of global GDP.

The International Monetary Fund forecasts that other emerging economies are Poland, Turkey, Egypt, South Africa, Thailand, Vietnam, Mexico and Argentina.

Australia is potentially well-positioned to take advantage of the new world economy including the potential for increased investment and tourist flows out of Asia. Chinese

residents will remain the most common visitor to Australia for some time. There has also been a significant increase in the number of Indian residents visiting Australia. In addition to tourists is the flow of investment money.

As Asia develops, there is much tougher competition in the local market. Things previously made or services provided in Australia can increasingly be delivered in developing countries faster, cheaper and to the same quality standard.

In future decades, we may need new industries. Switzerland, like Australia, is a small, stable and wealthy economy with a small population within a much larger region. With no commodity exports, it has developed niche industries such as financial services, pharmaceuticals, furniture, tourism, watches and chocolates. How can we become the ‘Switzerland of Asia’?

QUESTION	YOUR THOUGHTS
1. How will my business change with a shift in global economic power?  <i>For example, your customers may need to change which may affect your business...</i>	
2. Is my business reliant on a UK or European model?  <i>E.g. business or pub, bed and breakfast, education</i>	
3. How can my business be adapted to suit an Asian market?  <i>E.g. service, product, vision, layout, offers, collaborations</i>	
4. Is Silk Highway a mega opportunity or risk for my business?	

**MAN-MADE WORLD: THE INNOVATION IMPERATIVE**

The most recent megatrend to arise is about accelerating technological advancement and the importance of innovation. This megatrend argues that Australia and advanced economies need risk-taking, new ideas and blue-sky scientific research. Promising areas for such

research and development include regenerative and personalised medicine, energy storage, artificial intelligence, autonomous systems and informatics.

Old-school whiteboard-dreaming and strategic plans that treat your business as an economic silo are extremely high risk.

Economies generated wealth last century by exploiting high grade and easily accessible mineral ore deposits or opening up new areas of land. Industrial revolution versus the creative revolution. The fuel source for growth in an advanced economy are ideas. Ideas that allow us to do more with less.

When multiplied across the economy, ideas allow us to increase productivity, and productivity is the underlying driver of wealth creation. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.

Productivity will be achieved by a return to deeper innovation. Bold and new ideas for digital technologies combined with rapid income growth in emerging Asian economies sets the scene for a boom in knowledge and creative industries. Innovative thinking starts here – pulling together the threads of possible futures and aligning with what we can offer in new ways.

QUESTION	YOUR THOUGHTS
1. How do I encourage people with divergent ideas and perspectives to express themselves	
2. How do I learn about new ideas, or how can I improve my learning?	
3. Are my actions and words acting like an anchor holding my business in a stationary position?	
4. Is Innovation Imperative a mega opportunity or risk for my business?	

## **INDIVIDUAL WORLD: FOREVER YOUNG**

Australia's ageing population is an asset with challenges. It will require a change in society's attitudes to the skills, knowledge and wisdom held by older persons.

Many older people would prefer to maintain a form of reduced employment in retirement rather than cease work altogether. This might be a necessity rather than a choice as, when the ageing population is combined with longer life expectancy, there is the challenge of the retirement savings gap. An estimate of Australia's retirement savings gap puts the figure at around \$79,200 per person.

Whether you look at Australia, the OECD or the whole world the data reveal an increasingly elderly demographic. Australian Bureau of Statistics (ABS) reveals that in 2011, 14% of the Australian population was aged 65 years and over. By 2056, this proportion is predicted to rise to between 23% and 25%. The world population as a whole is ageing and is forecast to reach more than 2 billion people over the age of 60 years by the year 2050.

Retirees in 2050, which is only 30 years away, will be better educated and more technologically proficient. Younger workers will still value leisure time more but have less appetite for hard work and career paths that help others. Everyone will feel 'entitled' and there will be more instances of mental illnesses and an increasingly medicated workforce as a result.

Another aspect to consider is that the Baby Boomers, who are enjoying retirement right now, are not an indication of the future. There may be separate groups of retirees.

Due to a range of factors, including national wealth and advances in medicine, Australians will need to work longer into their old age and less able to pack up the caravan for the Around-Australia trip. People will still need a break and short breaks will become more common place, especially escapism and experiential tours.

People who cannot make the retiring age due to illness or lack of appropriate employment will drop out of work early and may have to go on the lower dole payment or disability payment. They may need to sell assets and live a 'small' life, and rely on family which is not as strong as it once was.

There will be those who can make retirement age, have prospered in their career with no extended unemployment breaks or 'bad' years, and retire wealthy.

QUESTION	YOUR THOUGHTS
1. Who is my business catering for today? <i>E.g. What average age is my key bread and butter customer or client?</i>	
2. How old will that customer or client be in 5 years' time / 10 years' time?	
3. What problems will my future customers or clients have that I can solve? Do I need to do something differently in my business to solve these future problems?	
4. Is Forever Young a mega opportunity or risk for my business?	

**INDIVIDUAL WORLD: VIRTUALLY HERE, CONNECTIVITY CONVERGENCE**

We are increasingly moving online to connect, deliver and access services, obtain information and perform transactions. Digital media is allowing people to form new connections and selectively access information through multiple channels with subsequent erosion of trust in traditional information sources.

I have worked from my home office since 2011. It's possible because of increased connectivity. I'm not alone. Over 85% of business in Australia is micro (under 5 employees). For those with 'real' jobs, around 6% of employees 'telecommute', generating the bulk of their income working online from home or an off-site location.

Information technology will take a much more significant driving role in reshaping cities of the 21st century. Often referred to as a *third space*, many work-hub facilities are receiving increased interest and investment from government and private companies. Urban design and transportation systems may change.

The rise of the virtual world is also leading to change in the retail sector. Changing consumer preferences, shifting expenditure patterns and growing online sales are all contributing to a structural shift within the Australian economy. In 2012–13, over 75% of Australia's 16 million internet users made a purchase or order over the internet. Travel, accommodation,

memberships or tickets of any kind were the most common type of purchase. The two most popular activities performed on the internet at home were paying bills or banking online and social networking. Digital disruption is transforming education, creativity and business design.

Many businesses were painfully slow to realise the true impact of the World Wide Web. Beyond the seemingly unlimited access to information, www has fundamentally changed our behaviours relating to memory, knowledge, storage, research, creativity, leisure and ownership. Since 2010, the global use of Smartphone technology has been exponential. Online games, app payment and the way people communicate through their Smartphone has already made an impact.

QUESTION	YOUR THOUGHTS
<p>1. Is my business set up for connectivity today? <i>E.g. digital collateral (website, online payment), flexible work arrangements, monitoring stock</i></p>	
<p>2. How do I communicate with my customers or clients now? <i>E.g. mail, email, text, social media, newspaper ads</i></p>	
<p>3. How will my customers or clients want to connect with me in the future?</p>	
<p>4. Do I need to do something differently in my business to solve these future problems? <i>E.g. create a third space</i></p>	
<p>5. Is Virtually Here a mega opportunity or risk for my business?</p>	

**INDIVIDUAL WORLD: GREAT EXPECTATIONS**

The rising demand for experiences over products and the rising importance of social relationships creates great expectations. People want personalised services that meet their unique needs and wants while being delivered en-masse.

People feel happier after an experiential purchase compared to a product purchase and will continue to seek more and more higher-end experiences. For example, 'eco experiences' which make customers feel good about helping the environment, alleviating poverty and making an impact without sacrificing their comfort at the best possible price.

In China, more than one billion people will transition out of poverty and into the middle-income classes. These people will be able to look beyond the basic necessities of life in search of higher level services and experiences. Over the past two decades, Australian households have substantially increased weekly expenditure on art, culture, and entertainment. Film, digital media, and literature have experienced the biggest jumps.

Another angle on great expectations is the desire for real-world face-to-face human interaction. Single person dwellings are growing most rapidly of all household structures and friendships people have on social media sites are not as fulfilling. This means finding new ways to bring people together and create a sense of belonging, even if it is for a short period of time.

The Great Expectations megatrend is written from the perspective of a wealthy people. Many of the world's people, including Australians, live in survival mode. They have an expectation for basic necessities (food, water, shelter, clothing, personal safety). Part of the experience culture and mindset of doing good sees a growing trend in delivering services directly to this group and avoiding the mega-charities.

QUESTION	YOUR THOUGHTS
1. How can I turn products into an experience? <i>E.g. it is no longer just about a beer, but understanding the 'beer experience'</i>	
2. How can my business solve people's problems of wanting more experiences?	
3. Is Great Expectations a mega opportunity or risk for my business?	

**RANKING MEGATRENDS**

How would you summarise the Megatrends’ impact on your business’s future growth?

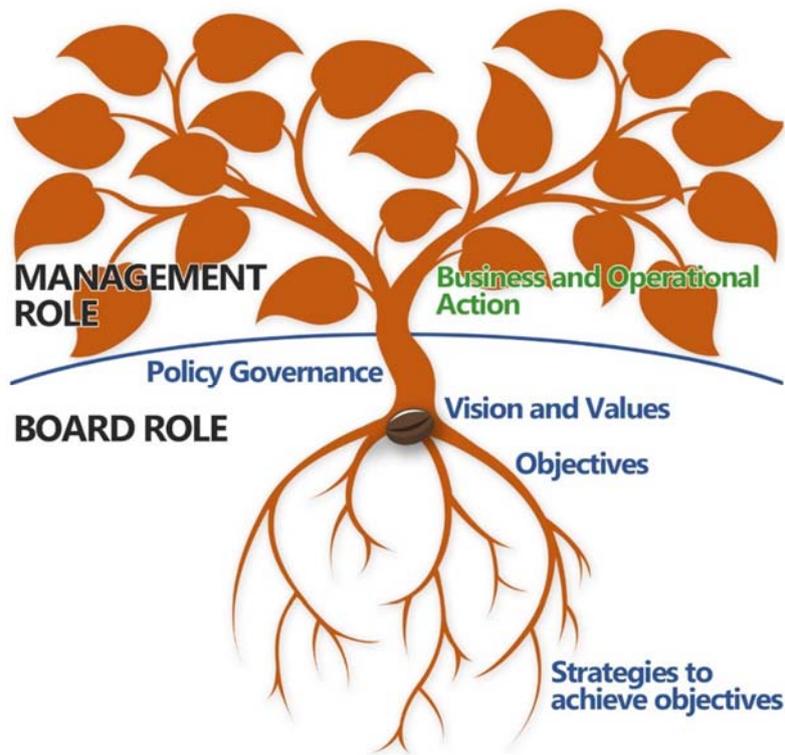
MEGATREND	Next 12-18 months	2+ years	5+ years
Going, Going...Gone?			
Mega Urbanisation			
Silk Highway & Switzerland of Asia			
The Innovation Imperative			
Forever Young			
Virtually Here: Connectivity Convergence			
Great Expectations			
<i>Convergence Points</i>			

## PILLAR 2: FUTURE ORIENTATED VISION AND VALUES

## STRATEGIC ECOSYSTEM

**Strategy is an engagement; a way of thinking, a way of learning, a way of connecting your actions today with your vision for the future.**

The image below is the blueprint for the strategic ecosystem that has worked for all my clients. The boards role sits under the blue line. Management's role sits above the blue line.



The vision and values are the seed from which the tree grows. The vision and values should be deeply embedded and central to every organisational action and decision. From the seed, we set our objectives, then break them down into smaller strategies. These are the roots of the tree. The strategy implementation is governed by board policy. This is the trunk of the tree.

The leaves and the limbs are the business and operational actions. They are easier to see than the roots, and more interesting than the tree's trunk. Some boards find this difficult and like to get involved with leaves and limbs of the tree. However, that is not the role of the board.

As the organisation grows, the strategic planning becomes more complex and more roots are grown to support the growing limbs and leaves.

If there are no roots of the tree – no strategy – what happens to the tree? It falls over, usually in bad weather. If there is a diseased trunk – or zero to little policy governance – what happens? The tree snaps, again usually in bad weather. If the soil turns bad – no nurturing through learning, good reports and excellent insights – what happens to the tree? It dies.

When the wind blows in bad weather, and the limbs and leaves are moving about, breaking off and causing chaos, it is tempting for board members to be distracted rather than having confidence in the vision and planning they have set in place.

Trees are not alone. They are part of a vibrant and diverse ecosystem. I could sit here all day and tell you about the analogies between trees and governance... but I'll leave that for another time.

*To be continued...*