

THE REALITY TEST

ROBERT ROWLAND SMITH began his career as a Prize Fellow of All Souls College, Oxford. He went on to become a partner in a management consultancy. Today he works independently with the leaders of some of the world's foremost organisations, helping them tackle the realities of business. As well as writing several books, Robert has been a columnist for both the *Evening Standard* and *Sunday Times*. He is on the Faculty of the School of Life and the London Graduate School, and sits on the board of the Tavistock Institute of Medical Psychology. Robert also works with Oxford Business School on client engagements.

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STILL RELYING ON STRATEGY?

ROBERT ROWLAND SMITH

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PREFACE

‘No strategy survives contact with the enemy.’ It’s a proverb I first heard while helping to run a discussion among the top brass of the Ministry of Defence, in London. Because it’s based on estimates, a strategy is essentially a work of fiction. It can’t stand up to the reality of war.

Business strategies are no less vulnerable than their military equivalents. Even strategies that are exemplars of analysis cannot account for all that will happen in the heat of business. Why? Because such strategies assume that business is as rational as themselves. Unfortunately, it’s a lot messier than that. What gets in the way of the strategy’s seamless execution is reality. That’s what this book is about.

The obvious solution, you would think, is to load the strategy with as much reality as possible. But how?

You have to get beyond the typical strategy questions. Questions such as ‘What is our revenue target?’ or ‘What is our market proposition?’. Being typical, they’re easily replicated by the ‘enemy’, the competition. The result is that most strategies are variations on a small number of themes: grow, divest, diversify, consolidate, focus. And so the market fills up with companies pursuing very similar goals. Yet since some companies falter where others flourish, it’s probably not those strategies that make the difference. They don’t provide enough of a variable. Macroeconomic factors aside, the real

reason businesses fail is that they run out of energy, or they don't believe in their product, or their leaders are too vain to heed advice, or they treat their customers like idiots, or they are sabotaged from within. Such are the realities that 'strategy' is too rational to account for.

The purpose of this book is to bring such realities into focus so that anyone leading a business will be equipped to deal with them. In order to make it easier for leaders to apply them to their own business I have explored these realities by answering a number of pointed questions. Three quick examples from the chapters ahead:

1. 'Did the past never happen?' I have seen too many organisations repeat mistakes because they don't take the time to learn lessons. Again, that's partly due to the obsession with strategy, which is all about the future; it's as if the past didn't exist. But because it actually happened, the past is more real than the future, which hasn't happened yet. It's a far more reliable source of information. I tell the story of a fashion house that keeps making the same errors because it only ever looks ahead.
2. 'Why isn't everything perfect?' Strategies often forget that organisations aren't perfectly honed delivery machines, but are made up of real people. I relate my experience of the organisation that tried to automate every possible process, only to realise that some decisions just couldn't be left to a machine. Only humans could compute the complex issues thrown up when what the strategy predicted fell foul of the reality that actually occurred.
3. 'What do you tell yourself?' As in real life, people in business sometimes believe things about themselves that

aren't true. In the case of one senior executive I coached, the gulf between his self-perception and the reality was vast. It was only as a result of being confronted with the reality that he could achieve the level of self-awareness necessary for him to change and for his colleagues to get behind him once more.

Real, pointed questions like these drive at the heart of what makes a business viable. They flush out the issues that most strategies do not. The issues can then be addressed and resolved. Conversely, if such questions aren't raised, the issues fester, and that can have disastrous consequences. Unasked is unarmed.

For example, I remember the law firm, now defunct, that every year vowed to shift from a model of 'premium services to premium clients for premium fees' to one of high-volume, low-margin transactional services for all and sundry. Their 'strategy' was to grow, and they didn't know how else to do this. Over the years, they edged towards the new model, but each time they edged a little further, one of the partners would leave. They might have wanted to grow, but they'd never posed the key question that growth implied: 'Do we want to change?' The answer would have been no – they liked their premium ways. Small wonder they died a slow death.

What I have done is pull together the most widely applicable of such questions from my experience of working as a consultant to boards and senior management teams (needless to say, I've disguised organisations and individuals to preserve confidentiality). The questions are designed to touch on the reality that strategy doesn't reach. As my background in philosophy taught me – in my twenties I was an Oxford don – asking one good question can shed more light than answering lots of bad ones.

The Reality Test

Each question has a short chapter attached. The chapters can be read in any order, but I have grouped them to narrow in from the macro to the micro. The first group asks about how your business stands in the grand scheme of things; the last one probes what it's really like to be a leader. And although all of them suggest practical ways of changing your approach, they can be read simply as food for thought. Business is about doing, but the best doing is based on the best thinking.

PART 1

**IN THE GRAND
SCHEME OF THINGS**

INTRODUCTION

As its title suggests, this first part looks at your business in the widest possible perspective, the point being that businesses exist not only in the market but also in the real world. They are much more than players in a game of business strategy. They provide jobs for people, they make an impression on their customers, they pay tax to governments, they must satisfy their shareholders, they give to or take from society, and they are remembered or forgotten when they disappear.

One of the things that defines a business leader, as opposed to a manager, is that he or she is uniquely positioned to take in this broader perspective and hold it in mind. Not all leaders do so, of course: many become immersed in day-to-day management and forget that not all of business is about business.

It's not just the pressures of the day-to-day that impinge. The preoccupation in business with strategy means that the question of what the business is going to do leaves little room for questions of equal importance – not just *how* the business is going to deliver what the strategy demands, but *who* the business is, the character it has, the role it plays in the community, and so on.

So what kind of a business do you, as a leader, wish to be identified with? A successful one, for sure, but success is ultimately measured on more than making money – the widespread distaste for banks being a case in point. Why, after all,