



Mandate for Management:

Design Strategies that can be implemented and which deliver on strategic objectives.

The business landscape is strewn with strategies that have never been implemented, as well as with those, which, though implemented, have dramatically missed the mark. As competition intensifies in an environment of growing economic uncertainty, it is increasingly important that strategic planners “get it right.” Plans must be implementable, and when implemented, they must be capable of achieving a firm’s strategic objectives.

Many strategic plans go awry because they are developed without a deep appreciation for the underlying business operating realities that must deliver on the strategic objectives. Strategies that conflict with “how the business really works” rarely succeed. Yet few planners have day-to-day contact with the business in all of its many diverse operating arenas. Planners need some way to build their understanding of a business’ cross-functional operating reality. They also need a framework for ensuring that any strategies, which they develop, are consistent with what that reality is capable of delivering.

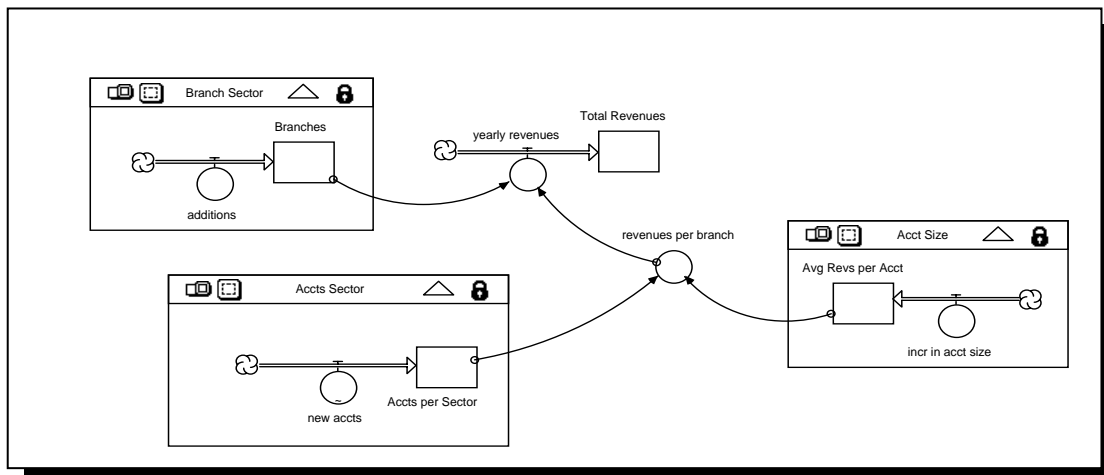
Case Study

The Setting: A large industrial products distributor.
The Need: Explore options for achieving growth goals.
The Venue: A 2-day off-site meeting for top management.

Step 1: Focus the Effort. The first step in examining a strategy with the *iThink* software is to make the strategic objectives explicit by charting them as a pattern over time. The model that subsequently is constructed can be used to answer the question: “Can we get there from here, and if so, how is this best achieved?”

In this case, the firm’s senior management team had little difficulty agreeing on a curve which projected substantial growth in total revenues over a five year horizon. However, it was a different story when it came to specifying how the growth was to be achieved. Some managers felt that the firm needed to rapidly expand its Branch network. Others believed the key was to increase the number of customer accounts per branch. Another contingent believed that success depended upon being able to significantly increase the average customer account size. Enter the *iThink* software.

Step 2: Map. Using the *iThink* software, the team was able to quickly lay out the “plumbing” responsible for generating total revenues. Not surprisingly, that “plumbing” included all three components, which had been identified during the previous discussions (see illustration below).



The map was a high-level, but exhaustive, characterization of how the firm actually generated revenues. It also made explicit the three key levers that the firm could exercise in order to grow its revenue base: add branches, increase the number of accounts per branch, and increase average account size. During the mapping process, senior managers made judicious use of the *iThink* software's document caches to verbally capture descriptions of the relationships they were including.

Step 3: Model. Once general agreement was reached on the structure of the map, the team concentrated on filling in the logic and numbers needed to produce a running model. Because the team had used the *iThink* software's sector tool in order to segment the three components of revenue generation, they were able to model, and then simulate each sector in isolation before combining them to examine interactions. The team made effective use of the *iThink* software's graphical function (illustrated above right) for sketching in its assumptions about the growth of branches, accounts, and accounts size.

Step 4. Simulate: Once an initial set of assumptions had been modeled, the team eagerly began simulating the model. First, each sector was simulated in isolation. Next combinations of sectors were simulated. Finally, all sectors were combined.

The team was surprised by a number of the results that the model produced. What seemed reasonable, and achievable, when simulated in the management team members' minds, did not always prove to be so when all of the interdependencies were rigorously combined by the software. A real eye opener occurred when the model was subjected to scenario and sensitivity analysis. For example, the *iThink* software's automatic sensitivity analysis capability was used to examine the impact of alternative growth rates for expanding the firm's Branch network. As the representative graph shown above suggests, growing the branch network too rapidly could threaten achievement of the firm's revenue objectives.

Step 5. Implement: After conducting numerous sensitivity and scenario analyses, the senior management team felt much more confident that the strategy which they were committing to made sense. Furthermore, the whole team shared this feeling because each team member had been involved in an active process of road-testing the strategy. The software's generic building block language meant that managers from across the functions within the organization were speaking and thinking in the same language.

