

# Concepts...

"Concepts" is published by Daedalus Oversight to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.

## Substance & Balance

"Anyone who claims to have found the *laws of business physics* either understands little about business, or little about physics, or both."- Phil Rosenzweig, author The Halo Effect.

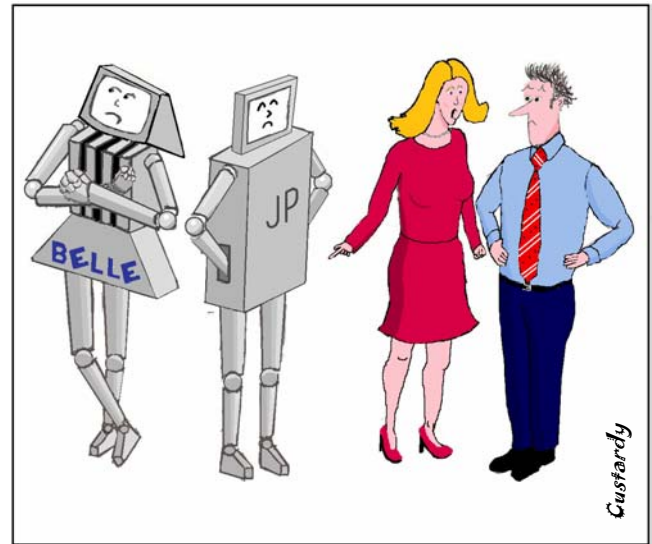
In his comprehensive and concise book, Rosenzweig clearly demonstrates the flaws and errors in management books from In Search of Excellence to Good to Great and many management tomes in between. He describes nine delusions which include the poor collection, review, interpretation and use of management data. He demonstrates the reverse causality that many company traits, thought to create good performance, are really a consequence of that good performance. I have written on the potential flaws in statistical modeling and pervasive uncertainty in the complexity of our world. With all these natural tendencies for errors and problems are we just arming people with "Get out of Jail free" excuses for mistakes or poor performance? Is there a solution?

Previously I had postulated that: *rather than being able to control any situation, resources, process or organization, you only have a strong influence over a limited, finite environment.* You cannot guarantee anything absolutely but, effectively, you can put probability on your side while also preparing for the unexpected. The key is to translate that into meaningful actions and explain how the solution can be reached and maintained.

There would be no surprise if I outline following, four, key, substantive priorities for businesses to focus on, namely: Profits; Growth, Innovation and Feedback. This looks great! There is money to be made now; we can make even more money with growth and new products; we will listen and monitor our progress. These are direct priorities for the success of a business. Paired with each of these direct priorities is a balancing indirect priority.

profits	→	sustainability
growth	→	scalability
innovation	→	flexibility
feedback	→	reliability

The direct substantive priorities tend to be goal oriented whereas the indirect priorities are about optimizing the result. The irony with many businesses is that the 'balancing' influences are the focus of new companies or investment justifications but once an enterprise or new product is started, the emphasis tends to move quickly to the direct influences which causes problems even if the goals are well intentioned. An aggressive company creates differentiating products, pursues revenue relentlessly, emphasizes process control, sales and marketing and client customization. Without the balancing priorities, an organization can quickly find itself with: difficult and over budget new product launches; sales over promising and under-delivering; unfocussed priorities and increasing fire-drills; expense bases rising faster than revenues; emphasis on service to make up for poor delivery; less adaptive



*"Our Neural Networked Process Analysts feel misunderstood and are not talking to each other!"*

platforms and longer time-frame estimates; reactive management and ever more draconian procedures.

The worst part is that rather than addressing the fundamental issues, there is a temptation to put individual managers in charge of these separate but interdependent problems, which only leads to more chaos. Daedalus Oversight addresses the direct and indirect priorities in more detail in its consulting materials but in summary, the problems above can be avoided with: disciplined investment justification and prioritization; linked strategic business and sales plans; business, product and relationship margin analysis; flexible product and infrastructure planning; holistic product design including 'design to manufacture'; interdependency analysis and non-financial performance measurement.

It is only through the management of *substance and balance* that a strong performance can be achieved with a good probability that it will be sustained. However, complementing this we also recommend a centuries old technique that is pervasive throughout all business though woefully under-utilized, as its value has been discounted to utilitarian servitude. That is the topic of the next newsletter.

Paul F. Dowding

*Daedalus Oversight would be pleased to discuss the realization of these concepts with you further. We thank you for your consideration.*

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