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## **You don't have a strategic plan?--good!**

(BUT BE ABLE TO THINK STRATEGICALLY)

*Carl Long*

Management consulting is one of the fastest-growing professions worldwide, increasing by well over 20% per year, with the top 50 firms exceeding a growth rate of 27% in 1998. According to Consultants News ("Explosive Growth," 1999), the management consulting market reached \$89 billion in 1998 and was projected to exceed \$100 billion in 1999. In 1980, the total market for management consulting was only \$2 billion. Staffan Canback (1998) pointed out in a recent C2M article that in 1980 there were only about 18,000 management consultants worldwide. Today there are over 550,000, of which 60% are estimated to be in the United States. This growth rate, along with an increase in service offerings, having outstripped any increase in the number of clients, has led to increased competition for clients.

Where do all these consultants come from? Two main channels funnel new consultants into the profession. One channel carries graduates from MBA programs, primarily of the major business schools, into the larger consulting firms. This channel gets rather narrow at its spout. For example, Andersen Consulting receives four million resumes each year, while in 1997 only about 15,000 were hired, which gave an applicant a 1 in 250 chance of getting hired (Leonhardt, 1999). Recent graduates such as these usually look to starting a new career, typically with an established consulting firm.

The other channel carries experienced executives and professionals, primarily from the larger corporations affected by downsizing and restructuring. Some are people who have simply decided they could do better for themselves on their own by becoming a management consultant. Others have either lost their job as a result of cutbacks or have become dissatisfied with working in that kind of environment. The people coming through this channel usually are looking to start a new business. The role of strategy in new consulting businesses, whether started by those new to the consulting profession or by established consultants looking to reinvent their consulting practices is what this article is all about.

## "Great Ideas" vs. "Trying Lots of Things"

Consultants starting a new business are generally encouraged to develop a business plan, and indeed, such plans can be very helpful. A good business plan forces you to figure out what your expenses will be, your capital investment requirements, how much you need to charge, how many hours you will need to bill to get the income you think you will need, and so on. These are all-important issues, and useful for convincing a bank to loan you money (though actually taking that step is not necessarily recommended).

And, obviously, you need to think strategically about how you're going to get those billing hours. But how important is it, really, to develop a full-blown, traditional strategic plan? Let's look at the experiences of new business startups.

Many people who start a new business have acquired or developed a product or service they're excited about, while many others have simply convinced themselves they can create a successful business, even if they're not sure what they should sell. Let's call the first group's approach the "great idea" approach and the second the "try a lot of things and see what works" approach. People using the "try a lot of things" approach may well have a clear vision of what they want to accomplish and of the kind of business they hope to create—they're just not ready to put limits on their options for getting there and usually don't put much time into developing strategic plans.

One might think that startups that take the carefully planned "great idea" route would have an advantage. After all, they already have a product, the conviction that it will succeed in the marketplace, and a plan for making it happen. But interestingly enough, companies that try a lot of things to see what works—a kind of Darwinian natural selection approach applied to ideas—historically have been more successful than companies started with a "great idea."

When James Collins and Jerry Porras (1994) wrote *Built to Last*, they asked 700 CEOs across the United States to name the companies they thought had not only endured but had also been extraordinarily successful over the years. In other words, the best of the best. They ended up with a list of 18 companies, which they then compared to 18 other companies similar in size, age, products, and so on. The comparison companies were also good companies but had not made it to the CEOs' short list. Collins and Porras kept asking themselves, "What distinguishes the truly outstanding companies from the comparison companies?" Among the myths they destroyed as they pursued this question was the conventional wisdom that it takes a great idea and a good plan to start a great company. They found that only three of the 18 outstanding companies had started with what could be called a "great idea." Among the comparison companies, at least ten had started with a "great idea."

A study by the National Federation of Independent Business that covered close to 3,000 business startups seems to support what Collins and Porras discovered. This study showed that the survival rate of entrepreneurs who had spent a lot of

time studying, reflecting, and planning how to exploit their business idea was no better than that of those who were wedded to no specific idea but remained watchful and seized opportunities as they came along.

People with a "great idea" can easily become overly committed to their idea or product, spend a lot of time planning how to make it work, and find it hard to let go when it runs into problems. (In other words, they are vulnerable to winding up with a solution in search of a problem.) The "see what works" approach, on the other hand, leads people to experiment, learn from their mistakes, and move on. They use the knowledge they gain to identify and evaluate other opportunities that might allow them to leverage their company's natural strengths and advantages. These companies rely on agility rather than on the thoroughness of their plans.

Amar Bhide (1994), who teaches entrepreneurship at the Harvard Business School, once interviewed the founders of 100 companies on the 1989 Inc. "500" list of the fastest-growing companies in the United States. His interviews revealed that entrepreneurs spent little effort on traditional planning. He found, for example:

- \* 41% had no business plan at all.
- \* 26% had just a rudimentary, back-of-the envelope type of plan.
- \* 5% worked up financial projections for investors.
- \* 28% wrote up a full-blown plan.

"Many entrepreneurs," the interviews suggested, "don't bother with well-formulated plans for good reasons. They thrive in rapidly changing industries and niches that tend to deter established companies. And under these fluid conditions, an ability to roll with the punches is much more important than careful planning."

And the big companies that do develop careful strategic plans seem to have trouble carrying them out. Henry Mintzberg (1998) reminds us that "Walter Kiechel, who long wrote about strategy for Fortune magazine, once pointed out a study suggesting that only 10% of formulated strategies actually got implemented (a figure Tom Peters called 'wildly inflated')!"

Bill Hewlett and Dave Packard started their company without a strategic plan. In fact, when they first started it, neither of them had any idea what they should make. In an interview Bill Hewlett (1984) said: "When I talk to business schools occasionally the professor of management is devastated when I say that we didn't have any plans when we started—we were just opportunistic. We did anything that would bring in a nickel. We had a bowling foul-line indicator, a clock drive for a telescope, a thing to make a urinal flush automatically and a shock machine to make people lose weight. Here we were, with about \$500 in capital, trying whatever someone thought we might be able to do:'

Bill Gates also started Microsoft without a breakthrough product and went on to build a multibillion-dollar business. Instead of a strategic plan, he had a vision of "a PC on every desk" and a keen eye for opportunities. When he saw the opportunity to get a contract with IBM to provide an operating system for its personal computer, Microsoft went out and bought an operating system from Seattle Computer Products and modified it into the MS-DOS system we all know. The rest, as they say is history.

The early histories of 3M, Marriott, Merck, Nordstrom, Procter & Gamble, and Motorola all have similarities to the HP and Microsoft experiences. And, to return to consulting, Alan Weiss (1992) says, in *Million Dollar Consulting*, that the worst piece of advice he'd ever received was the following: "Find your unique niche, then narrowly market within it. Otherwise the competition will eat you for breakfast. Differentiating your services is the key to success for consultants." In other words, develop a definite product and a detailed plan for positioning it.

He says this is terrible advice. First because it is very limiting. If your special niche is too narrow, you're always at risk of having your specialty be made to look irrelevant by the next big management idea, and you will spend all your time trying to figure out how to relate your niche to TQM or reengineering or knowledge management or branding or e-commerce or whatever turns out to be the next concept that excites management. And second because consulting is a relationship business, and to be an outstandingly successful consultant you need to strive to establish special relationships with your clients regardless of the products, services, or techniques you may decide to offer. Good client relationships are based on helping clients find ways to redirect and redeploy their organizations' talents, energy, and other resources toward opportunities for creating greater value for their customers and for achieving better business results. This requires strategic thinking rather than a strategic plan.

### **Strategic Thinking vs. Strategic Planning**

A friend of mine who worked for one of the big brokerage houses for a number of years and then decided to become an independent consultant provides a good example of what I mean. Alice (not her real name) had been a psychologist before going to work for one of the large brokerage houses. When she decided to become an independent consultant, she knew what kind of practice she wanted. She wanted to remain small and to use her experience as a psychologist, as a writer, and as an experienced member of the financial world to create value for companies in the financial sector. She had started by assessing her own capabilities. She explained to me that she knew she was a good writer, but a lot of people were better writers. She was a good psychologist, but many were better. And she knew a lot about the financial industry, but a lot of people knew more.

However,, when she looked at her capabilities as a package, she realized that she wrote better than most psychologists; she was a better psychologist than most people in the financial world; and she knew more about the financial world

than most writers or psychologists. By examining her capabilities with an eye toward being able to package them in the broadest possible way she was able to carve out a competitive advantage over other consultants.

Alice then was able to focus on finding opportunities where she could apply this particular mix of skills that set her apart. She listened carefully to what the companies she talked to complained about and worried about. She always explained her services in terms of what she could do to help the company in those areas. She soon found herself helping clients in the financial sector develop better negotiating skills, better sales skills, and better performance management and career development systems and skills. Gradually she expanded her range of subject matter, started getting referrals outside of the financial industry, and found endless ways to apply her writing skills. She has had a very successful career as a management consultant and author, and continues to find opportunities to improve and expand her capabilities and to apply them in new ways.

Alice has found that as the pace of change continues to accelerate, targets of opportunity emerge in increasingly sudden and unexpected ways. And taking advantage of these opportunities requires a high level of agility as well as an ability to discern which ones best fit the strategic intent of her consulting practice. This is the source of one of the major dilemmas facing consulting practices today: the need to continuously experiment and learn while at the same time keeping your efforts and resources sharply focused on key strategic goals that are compatible with your core capabilities. You need to be thinking strategically- and this is quite different from developing elaborate plans.

The challenge is to remain open to new experiences and be ready to move quickly, but to avoid scattering your efforts among too many elusive "opportunities." Having agility without a strategy is no better than having a strategy without agility.

The solution to this dilemma is to be not just agile but strategically agile. That is, not only to maintain the flexibility to respond quickly to changing circumstances and emerging opportunities but also to concentrate on a clear strategic purpose. In larger companies it requires strategic thinking by everyone involved in making decisions throughout the company rather than strategic planning by a select few who develop detailed plans for everyone else to follow

The difference between strategic thinking and strategic planning is significant. New consultants who develop strategic plans start with an intended strategy, which describes what they want to accomplish and how they plan to do it. After following their preordained plan as carefully as possible, they end up with a realized strategy, which consists only of those parts of the intended strategy that somehow survived all the changing circumstances that rendered much of their plan obsolete or inoperative as time went on (see Figure 1).

New consultants who are willing and capable of thinking strategically about their consulting practice get results that are often more complete and robust than any intended strategy they could have started with. This happens because they are able to identify unexpected opportunities compatible with their strategic intent and their capabilities, and to take actions that more than make up for elements of their original intentions that were lost to changing circumstances. This outcome is shown in Figure 2.

### **Developing Strategic Agility**

To operate with strategic agility and to consistently realize strategies even more robust and profitable than what you started with, you need to have a clear vision of your strategic intent that is understood and shared by your associates and that incorporates your sense of purpose and the values you want to be known by. It should also reflect your best estimates of current and future conditions.

In order to consistently move closer to that vision, you will need to look both within and outside of yourself. Looking within allows you to develop a clear understanding of your core capabilities—your skills and know-how and the processes you've developed for delivering them to your clients in ways that create value for them. Looking outside allows you to learn as much as possible about the industries and clients you hope to create value for and to learn as much as possible about the competitors who have targeted the same markets and clients you have. You also need to have a keen awareness of opportunities for improving your capabilities and for creating more value for existing clients and for new markets and clients.

Strategic agility has been described as being able to produce the right products and services at the right place at the right time at the right price for the right customers. There ought to be no separation between strategy development and implementation. Strategy is not a report or a formal plan; it is a clear conception of strategic intent supplemented with an array of tactics that are constantly adjusted to remain true to that intent as you respond to the various changing circumstances in your environment. A number of components make this possible. Their importance will vary of course, according to circumstances, but all are required:

- \* Knowledge of clients
- \* Knowledge of capabilities
- \* Clarity of vision
- \* Shared leadership
- \* Understanding of competition
- \* Strategic target selection

\* Action

Let's take a look at each of these components in more detail.

### **Knowledge of Clients**

This component is probably the most critical to most strategies. Without satisfied customers, it's almost impossible to achieve success in any kind of business. When new products or services are introduced, whether by a startup or an established company you need to know more than whether the product or service can be sold or not. You need to know what kinds of clients value it the most, why they value it, what they think about the way it is delivered or made available, and what features or attributes they would like to see changed. There are many ways to collect this kind of information, ranging from simply talking to your clients to conducting complex market studies. Most new consultants start by serving companies or a business sector they have already had experience with, as Alice did in our earlier example.

### **Knowledge of Capabilities**

In addition to knowing one's clients and what they value, it is also critical to have a good understanding of how to create that value. Know which skills, knowledge, and processes you rely on most to create those aspects of your services that your clients value most. Having a good grasp of your core capabilities makes you better able to assess new opportunities as they emerge. The simple test is: "Do my capabilities fit this opportunity? Can I apply what I am best at in a way that will give me an advantage over my competition?" Being able to quickly and accurately answer these questions adds immeasurably to your agility.

Two separate elements interact to form core capabilities:

Core competencies: the special skills, knowledge, technology, and know-how that distinguish your firm from other organizations PLUS strategic processes: the business processes you use to deliver your special know-how in the form of products, services, and other results that have high value to customers and other constituencies EQUALS core capabilities (Long and Vickers-Koch, 1995].

### **Clarity of Vision**

In addition to knowing who your most appreciative customers are and how you create what they value most, you also need a clear sense of purpose to guide and coordinate your actions. I stated earlier that you should remain open to new experiences while avoiding scattering your efforts by chasing too many "opportunities." The key ingredient in resolving this apparent contradiction is to create a vision that makes it clear to you and your associates how you want to work with each other and with your clients, and how you want your consulting practice to be seen by others. A clear vision provides the internal stability necessary to encourage the pursuit of change. A client once described the value of a clear vision by saying:

(I]t represents what people want to become. . . . it functions like a gyroscope- while events, customers, stakeholders, and the market are constantly moving, the vision keeps us centered and connected to our common destination [Long and Vickers-Koch,1994].

### **Shared Leadership**

A clear vision or sense of purpose that is shared with your client is an important prerequisite for developing shared leadership with clients and joint responsibility for the results of an assignment. For effective discussions to occur, people need accurate information about each other's activities, and they need easy access to one another. Having systems that provide this condition allows leadership to emerge where and when it is needed between you and the client organization to fulfill the company's purpose. No part of the client-consultant team should be left unconnected or uninformed as you work together and share responsibility for obtaining the results the client wants.

### Understanding of Competition

To be effectively agile in carrying out your strategic intent, you need to know where you want to go and whether you have what it takes to make the trip; you also need to know what dangers lurk along the way Knowing the competition is as important as knowing where the mines are in a battlefield and what kinds are being used. Michael Porter, the well-known writer on strategy development at Harvard, has listed the more common sources of competition

- \* New Entrants. New consultants that appear on the scene.
- \* Suppliers. One's own subcontractors may decide to bypass you and sell directly to your clients.
- \* Substitute Products or Services. New concepts or methods may be found for providing the same services or products better, cheaper, or faster, as when software companies became competitors of training consultants in providing learning experiences.
- \* Customers. Certain groups of clients may band together to share consulting resources to lower their costs, or a client company may decide to develop its own captive consulting group for its internal needs and market the group outside as well.

Studies of small firms have shown that the most successful among them share a number of common characteristics: low overhead, specialized capabilities, strong management, a skilled workforce, high employee productivity specialized products developed specifically for their markets, a focus on growth markets, and a strong survival instinct. The key to maintaining a competitive advantage, however, seems to be the ability to develop and enhance one's own core capabilities and to find new opportunities for using them to create value in new and existing markets.

## **Strategic Target Selection**

Selecting targets effectively requires a good knowledge both of competitors and of the landscape in which the targets exist. An attractive looking target might in fact be centered in a hostile environment filled with bogs, poor roads, and bands of roving, dangerous competitors. Determining which market/client segments to go after with which products/services is always an important issue. In addition to assessing the friendliness of the landscape, there are a number of other targeting questions that need to be answered:

- \* Which market/client segments most value what you can provide?
- \* How can you enhance your core capabilities to create more value for new or existing customer segments?
- \* Which new products and services would offer the best match between your core capabilities and the market opportunities you have identified?

Figure 3 indicates the various possibilities for matching capabilities with opportunities.

## **Action**

Placing action at the end of the list of requirements for strategic agility is clearly a case of "last but not least." No matter how well all of the other requirements for achieving strategic agility are met, nothing happens until action is taken. But it can't be action of the "Don't just stand there, do something" variety. It needs to be action with direction, guided by a clear vision and strategic thinking. This allows the implementation process to unfold while the strategy is still evolving. The strategy evolves as you adjust your actions to take advantage of opportunities presented by changing circumstances while remaining true to your overall purpose in starting a new company or in reinventing your existing consulting practice.

## **Summary**

Amar Bhide's (1994) observations about the way astute entrepreneurs operate are very relevant to starting a new consulting business. He points out that "businesses cannot be launched like space shuttles, with every detail of the mission planned in advance." Instead, he suggests that you "play with and explore ideas, letting . . . strategies evolve through a seamless process of guesswork, analysis, and action."

Alice provides a good example of what Bhide describes. When Alice started her consulting business, her overall vision was to be able "to grow while remaining small" by increasing the value she could create for her financial industry clients with her special blend of capabilities. She had no elaborate plan. Instead, she concentrated on remaining true to her vision by anticipating changing conditions, evolving new strategies, and refining her capabilities to take advantage of

emerging opportunities. In other words, she relied on thinking strategically as she went along rather than on developing a detailed strategic plan from the outset.

For example, she provided outplacement and counseling when the financial industry was contracting. When it started to expand, she emphasized her abilities to recruit and coach new executives. A consistent feature of her services always has been her ability to provide written materials designed to help clients become more self-sufficient and take over as much of the implementation as they can.

Alice has grown her business by learning to constantly increase the amount of value she can provide and by being strategically agile, not by adding staff to repeat past successes. You can do the same. The ability to think strategically and act with agility-rather than the "best laid plan"-will allow your new consulting practice to survive and prosper in today's fast-growing and highly competitive management consulting profession.

Thanks to readers who spotted and reported the error, a corrected version of an exhibit appearing on page 35 of JMC 10:4 in the article "Understanding Clients: Fact or Anecdote?" by Dallas M. Kersey appears below. The exhibit was altered inadvertently in the course of production. The editors apologize for any inconvenience.

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Consultants contemplating striking out on their own have some compelling reasons not to create a strategic plan-but don't put that pad of paper away yet.

Les consultants en gestion qui contemplent leur propre autonomie ont de tonnes raisons pour ne pas élaborer un plan stratégique, mais ne jetez pas le manche ovens la cognee!

Berater, die erwagen, es auf eigene fault zu versuchen, haben oft ihre Grande, keinen Strateoan zu erarbeiten - tegen

Sie jedoch nicht gleich den Notizblock beiseite!

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