

Welcome to *My 2 Cents*
by Creative Action Marketing, LLC
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Hope that 2010 is providing you with bright, new opportunities. Based on what I've been reading businesses are moderately optimistic. To start the New Year off on that note I've chosen 2 articles from the January 2010 McKinsey Quarterly newsletter.

First, here are some highlights from "*Competing through organizational agility*" by Donald Sull (December 2009).

The author defines organizational agility as "the capacity to identify and capture opportunities more quickly than rivals do". He goes on to outline 3 distinct types:

1. Strategic agility - ability to spot and seize game-changing opportunities. (e.g. Carnival Cruise Lines)
2. Portfolio agility - capacity to shift essential resources (cash, intellectual expertise and/or management focus) quickly and effectively to more attractive business opportunities. (e.g. TPG Capital, a private equity firm)
3. Operational agility - talent to exploit opportunities within a focused business model. (e.g. Southwest Airlines)

It is an invaluable tool that can generate higher revenues, faster time to market, better efficiencies as well as more satisfied customers and employees. Many companies excel in one type of agility. It's recommended to lead with your strength while developing and applying one of the other types of organization agility as well.

Strategic agility

Companies rarely come across a golden opportunity such as a major acquisition or opening within a major emerging market. Companies can select several small and mid- sized opportunities while waiting for that golden moment. This takes a balance of boldness and patience. This is not an easy task and Donald Sull offers 3 guiding principles:

- Probe for opportunities (take small steps such as minority stakes, alliances, small acquisitions)
- Mitigate risk (systematically minimize downside risk)
- Staying in the game (being viable until a big opportunity emerges)

Portfolio agility

This type of agility is often thought of as developing rigorous evaluation processes and applying them unilaterally to each business unit (BU). The author states that portfolio agility needs managers to base decisions on logic and data for each opportunity, and to have the courage to implement unpopular choices. It's also important to admit mistakes and reverse previous decisions when objectives are not met. Top executives need the power to control and distribute critical resources (cash and people) at the group versus BU level.

Operational agility

The focus here is on identifying and implementing revenue-enhancing and cost-cutting measures more consistently and effectively than your competition. To do so requires:

- Systems to gather and share information to spot opportunities. It encompasses the combination of real-time data, quick analysis, and first-hand knowledge that is openly shared and discussed. It's important to include your workforce; often savings ideas can come from their first-hand experience. Also, getting them on-board early will go a long way towards success.
- Processes to generate focused action towards key company priorities. Here the goal is to be and stay focused on a limited number of objectives (3-5 typically). These are the "must wins" for the company. Managers and employees work together to tie the "must wins" to measurable team and individual objectives.

The executive team can keep focused by consolidating company initiatives into a single list, making the tough choices and then communicating the information throughout the company. A list of the initiatives no longer key to the company should be included to ensure time and resources are focused on what matters.

I turned to a second article for a general view of the economic climate for 2010 - "*Economic Conditions Snapshot, December 2009: McKinsey Global Survey Results*" (December 2009). The worldwide executive survey stated:

- Nearly 70% expect better economic conditions by mid-2010.
- 54% expect to see an increase in customer demand near term.
- 38% are creating plans for 3 years or more while proceeding with caution.
- 17% of North American companies and 30% worldwide indicate exchange rates have a significant to extreme effect on their profits and expect continued volatility. (43% expect rate volatility will increase over the next 2 years.)
- Cost controls continue to be a top priority for the months to come. Budgets now include several business scenarios.
- Workforce expectations remain stable with 25% of companies to increase slightly. (European based companies (39%) and manufacturing entities (34%) expect to experience continued decreases.)

So things are looking up though the business picture is not entirely rosy just yet.

Complete articles available at:

"*Competing through organizational agility*" by Donald Sull (December 2009, McKinsey Quarterly) - https://www.mckinseyquarterly.com/Strategy/Strategic_Thinking/Competing_through_organizational_agility_2488

"*Economic Conditions Snapshot, December 2009: McKinsey Global Survey Results*" (December 2009) https://www.mckinseyquarterly.com/Economic_Studies/Productivity_Performance/Economic_Conditions_Snapshot_December_2009_McKinsey_Global_Survey_results_2490

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