

P O Box 898,
RANDPARK RIDGE,
2156, SOUTH AFRICA

TELEPHONE:
++27-(0)11-791-2327

CELLULAR PHONE:
++27-(0)83-251-6644

FACSIMILE:
++27-(0)11-791-5004

EMAIL:
JAR-A@infodoor.co.za

VOLUME 1 ISSUE 1

1 February 2001



INTRODUCTION

As part of our quest to deliver value, we have decided to produce a periodic Newsletter for Clients and Associates.

This Newsletter is intended to provide readers with concise technical information they can apply in their daily business activities. It is our hope that readers will find this useful and value adding. In this issue:

- Overview of our business direction.
- **Value based fees on risk.**

- Definition of '**Strategy**' and '**Tactics**' and their modern business relevance.
- Principles of Strategic Design.
- Corporate 'turnaround' and other 'buzz words'.
- Overview of our '**Strategic SnapshotSM**' service.
- Two case histories.
- **An international example of strategic failure** -- war or peace in the Middle East?

WHY READ THIS?

If your organisation is about to make a significant investment in corporate change, business process re-engineering, acquisitions, strategic planning or new information technology, this Newsletter contains information that may help you. If you have made such investment and it has **failed to deliver** an acceptable outcome AND ROI, you should also find information of interest. Our Chief Ex-

ecutive, Dr James Robertson, has been listed in '**Who's Who**' since 1998 for his pioneering work in identifying '**The Real Issues**' behind the 70% failure rate of I.T. and B.P.R. investments and the 90% failure rate of Strategic Investments. Our concise diagnostic procedures can deliver **an accurate assessment of the 'Real Issues'** **AND how to rectify the problem, within days!**

OVERVIEW OF BUSINESS DIRECTION

During much of the eleven years since **JAR&A** first came into existence, our primary business activity has been long term involvement in a small number of large concurrent projects.

Concurrently with these we have increasingly found ourselves undertaking short interventions for clients. These have typically involved a short on-site investigation followed by a '**Critical Issues**' workshop, more detailed analysis and the submission of a report. This approach has also proved effective in addressing specific components of larger projects. In all cases these short, intense, interventions have proved very fruitful for our clients and offered **a substantial return on investment**.

In the last decade we estimate that we have run about 100 Critical Issues workshops. From this we have concluded that **we can offer maximum benefit to clients through this form of intense, short term, high engagement consulting intervention. These interventions are focused on delivering premium quality, high value outcomes quickly and efficiently to clients with MAXIMUM bottom line business benefit.**

Accordingly, we have re-branded the company with a new Logo based on

Professor Malcolm McDonald's Strategy - Tactics Matrix and the by-line '**Strategic Business Solutions**'. A new corporate brochure was released recently and is available on request. A detailed 'Prospectus of Services' and 'Client List' are also available.

Having gained international exposure and recognition some years ago, we are now intensifying our international marketing. We have established that the services we offer are **globally competitive technically, financially and in terms of outcome**.

We have structured our fees to provide clients around the world with services independent of location. For example, clients in the USA will not be expected to pay for our travelling costs to bring us to the USA. **Our fees are therefore directly comparable with those payable to US based Consultants.**

Based on the Benchmark Gateways of London (LHR), New York (JFK) and Singapore, we are able to offer this same location independence in most countries of the world.

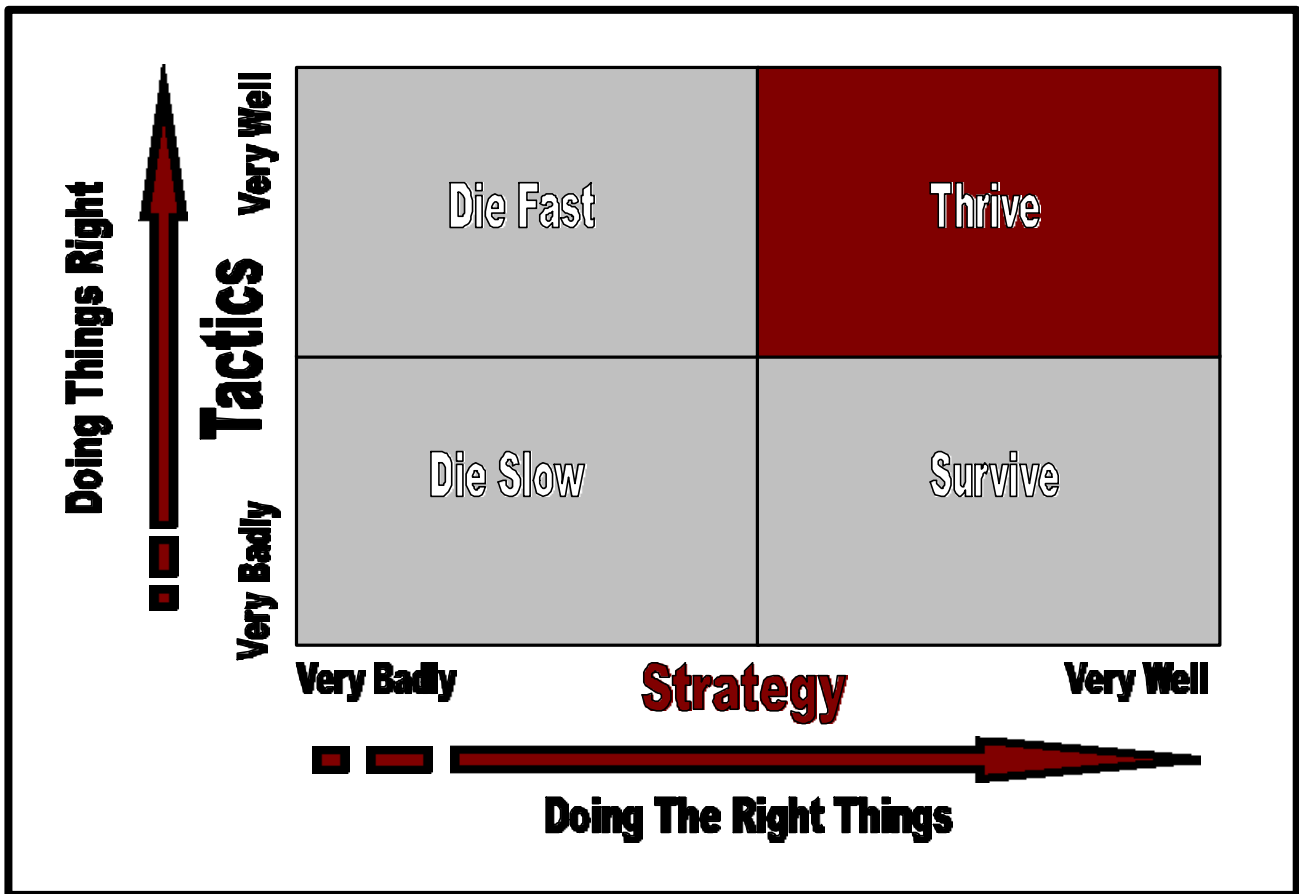
This approach positions **JAR&A** firmly in the domain of a global, **location independent**, service provider.

AN EXCITING DEVELOPMENT – VALUE BASED FEES – ON RISK!

Recognizing the dilemma faced by Executive Management in determining beforehand whether the fees for Executive Level Consulting services are equitable, we are offering a risk based option on our short high impact interventions. **YOU DETERMINE THE FEE**

on completion of the assignment. If you don't believe we have added value, then you only pay the travel and subsistence. If we have added value, YOU determine the fee based on YOUR perception of the value we have added!

**TECHNICAL NOTE:
STRATEGY AND TACTICS DEFINED**



In assessing project failures and under-performance of Strategic and Information Technology investments, we constantly find the lack of a clear understanding of the relationship between Strategy and Tactics to be a critical factor.

In understanding this relationship, we draw heavily on the Military and Engineering background of our Chief Executive, Dr James Robertson. With this, we incorporate principles from the work of Professor Malcolm McDonald, Professor of Marketing Planning at Cranfield School of Management in the early nineties.

We regard McDonald's Matrix depicting the relationship between Strategy and Tactics as being one of the cornerstones of Strategic thinking in this

age. For this reason, this diagram forms the basis of our new corporate logo.

McDonald defines Strategy as 'Doing the Right Things' and Tactics as 'Doing Things Right'.

As shown in the diagram above, if an organization does the **'Right Things Well'** it will **'Thrive'** but if it does the **'Wrong Things Well'** it will **'Die Quickly'**. We continue to see major corporate disasters resulting from organizations striving to get better at the things they are doing when, in fact, the things they are doing are the cause of the problem. By the same token, we see many organizations with enormous potential failing to realize that potential because they are not prepared to

recognize that **the things that made them successful are not necessarily the things that enable them to remain successful.**

There are many further factors that relate to what is depicted in this diagram, some of which we will hopefully highlight in subsequent issues OF **STRATNEWS®**.

In planning and budgeting corporate change, we take into account that about 80% of organizational failures result from inappropriate strategies and only 20% from poor tactics. In any organizational plan **Strategic Analysis and Design should account for about 20% of the Investment but only about 5% of**

the Human Resource Input. BUT IT SHOULD account for about 80% of the Executive Involvement.

Conversely, tactical (technical) analysis, design, implementation, etc should account for about 80% of the Investment, 95% of the Human Resource Input and only about 20% of the Executive Involvement.

Incorrect allocation of resources between Strategy and Tactics is a major factor in investment failure. It is vital to recognize that good Strategic Architects are relatively scarce and therefore expensive. Cutting corners in Strategic Analysis and Design is false economy.

SOME CONSIDERATIONS IN STRATEGIC DESIGN

We constantly see that **in the world of corporate global competitiveness 'Strategy is as Hard as Concrete'**. A Corporation with a weak or inadequate strategy will fail just as surely as a building constructed with inadequate concrete. **A Corporation with a solid, practical, well designed and implemented strategy, will withstand all the storms that global competition can throw at it.**

In the same way that designing large reinforced concrete structures requires method, process and design expertise, developing a long term viable and profitable strategic plan requires method, process and design technique. We have expended considerable effort over the years in developing such method, process and design technique and **can now confidently say that we can bring the same rigor that characterizes structural design to the development and implementation of strategy.**

In the field of building construction, once the concept specification for the building has been agreed together

with the overall dimensions and the site has been identified and procured, detailed investigation of the foundation soils is essential. Such investigations are abstract and imprecise and require the use of experienced professionals to correctly develop a safe and economic foundation design.

Strategy is much the same. The construction site on which the Strategic Plan must be constructed is represented by the enterprise in the form that it has reached at the time the plan is developed. **The organizational structure, personnel, policies, customer base, product set, cash flow, investors, etc all represent aspects of the foundation on which the Strategy must be designed and implemented.** As in the construction example, failure to investigate and accurately measure the attributes of this foundation will either give rise to failure or to a design which is beyond what the organization can bear in terms of cost and complexity.

Fundamental to the education of Engineers is a focus on identifying those aspects of a design which will give rise to failure. All Engineering designs are developed against either a **'Factor of Safety Against Failure'** OR a **'Probability of Failure'**. **In ALL Engineering failure is acknowledged as being possible** and therefore design is based on the economic parameters within which failure can be managed.

In order to do this, the first thing an Engineer MUST DO, is to identify those factors in the design with the highest probability of failure and focus his design attention on minimizing the impact of these factors. This **'weakest link'** approach is directed at ensuring that **all links in the 'chain' are, of equal strength within the limitations of practical economic constraints.** Strategic design requires the same approach. Recognizing that most Strategic Projects result from real or perceived weaknesses in current operations or competitive position, it is vital that the Strategic Architect FIRST assess where these weaknesses lie. The Architect must then determine what is required to design these weaknesses out of the solution. **We call this 'Designing for Success by Engineering Against Failure'**®.

As with structural design, there are MANY components that will NEVER have the potential to contribute to failure and there are a FEW components that will determine the success or failure of the design. Strategic plans are the same. **We call these factors 'Critical Issues'**.

Where structural failure is experienced, be it in large buildings, aircraft,

dams or other multi-million dollar systems or structures, **it nearly always results from the failure of some small and apparently insignificant component, generally in a position of low visibility.**

By way of example, let us consider the Walkway failure in a major Chicago Hotel which killed over a hundred people about twenty five years ago. This accident came about because the suspension rods were not continued through the upper level, thus supporting both levels on the same rod. Instead, the rods terminated at the upper level and the lower level was suspended from the upper level. **A bracket costing a few dollars failed with serious loss of life and economic disruption.**

Strategy (and Information Technology) Investment failures frequently have comparable roots. These are not necessarily as easily identified but **an effective investigational approach and analytical technique should highlight such 'minor' issues consistently and reliably.**

All our consulting interventions are predicated on these principles. **Our investigational and analytical techniques, founded as they are on 'Engineering Principles' and the principles of the 'Military Quick Attack', are consistently effective in rapidly identifying the root causes of incipient strategic failure or under performance.** Once accurately diagnosed, formulating a design to address them is relatively straightforward, albeit time consuming. That is a subject for another issue of **STRATNEWS**®.

TURNAROUND; RE-ENGINEERING; OPTIMIZATION; I.T. INVESTMENT AND STRATEGY

In discussing strategy, we frequently encounter uncertainty as to how strategy relates to current 'buzz words' like 'turnaround', 're-engineering', 'business optimization' etc. Others see a new I.T. System, as the answer to their problems. Many seem to regard '**strategy**' as something abstract and devious and things like 'turnaround' or 'New I.T. System' as concrete and absolute – it seems obvious what turnaround or 'new I.T. system' means. Millions are spent on 'turnarounds' to recover from bad strategic planning but strategic planning is still regarded as something that never delivers. **The fact that most turnaround projects, most business process re-engineering projects and most I.T. system investments also fail to deliver seems to escape many.**

The reality, viewed in terms of the diagram above, is that a '**turnaround**' is merely the **reversal of a defective strategic decision**. An organization that has decided to do the wrong things, and possibly done them really well, decides that they are 'dying fast' and recruit a 'turnaround specialist' to 'turn them around from doing the wrong things to do the right things. A turnaround specialist is therefore, by this definition, anyone who has managed to take a company that was going in the wrong direction and turn it around to go in the right direction. Unless the person concerned has robust and reliable methods and processes, such as those offered by **JAR&A**, there is, however, no guarantee that they will get it right the next time.

Most aircraft, ships and major buildings undergo major refurbishment or 're-engineering' once or twice in their lifetime. In the case of an aircraft, it

will probably be stripped to the bare skeleton, all components will be minutely inspected and those that have reached certain limits of wear and fatigue will be replaced. The aircraft will be repainted, probably have new engines, navigation and control systems fitted and may have new seats, etc installed as well.

However, it remains essentially the same aircraft as it was before. In many cases, that is all business process re-engineering achieves. Frequently, an organization which is not correctly aligned with the strategic realities of it's environment, resorts to 're-engineering', often with massive corporate trauma and cost, only to produce '**essentially the same aircraft!**'

A short, sharp strategic Snapshot for a fraction of the cost, identifying critical weaknesses, key opportunities, key strengths and critical threats **and formulating and effectively implementing** a detailed Strategic Action (**STRATACTION[®]**) Plan, is often all that is really required.

If an I.T. system is under performing, a new system will OFTEN produce the **same result** UNLESS something materially different is set as the strategic objective for the investment. In the vast majority of cases, refurbishment of the existing I.T. system will offer far more valuable benefits. If the major driver for a new I.T. investment is NOT an appropriate strategic driver, the investment will almost certainly fail. ***Concise diagnostics, of the sort offered by JAR&A, will deliver far greater value in far less time for far less effort in the vast majority of cases.***

OVERVIEW OF OUR 'STRATEGIC SNAPSHOT^ā' PRODUCT

It is apparent that there is a serious need in many corporate situations for a concise and effective process for rapidly diagnosing the causes of sub-optimal strategic operation and formulating an effective solution. Our '**Strategic SnapShot^ā**' service and our related '**Executive Information Technology Audit^ā**' service have evolved over the last decade into concise highly effective interventions. These ensure that client's obtain a **rapid and reliable diagnosis of the problem**. Thereafter, we are in a position to formulate a concise and effective Strategic Action (**STRATACTION[®]**) Plan directed at achieving the agreed Strategic Outcome.

The following is a brief overview of our '**Strategic SnapShot^ā**' Service:

- The Strategic SnapShot is directed at identifying specific internal strategic threats or weaknesses.
- Such threats and weaknesses can result from critical weaknesses in Corporate Strategic Plans, as outlined above, but can also result from deliberate sabotage, breakdown in communication between executive and staff and a diversity

of other operational (tactical) factors.

- The format of the intervention and the facilitation techniques deliver **highly quantified measurements of strategic status which lend themselves to thorough analysis**.
- This highlights anomalies in a manner which **gives rise to action**.
- **These process strengths are present in all the products offered by JAR&A** but are particularly relevant in the area of the strategic SnapShot.
- The Strategic SnapShot process typically comprises:
 - A one-day site investigation with executive and staff interviews.
 - A one or two day critical issues process.
 - A one-day gap analysis which results in the initial Action Plan that lays the foundation for a comprehensive **STRATACTION^ā** process if required later.

The first case history indicates the effectiveness of this technique.

CASE HISTORIES

- '**Strategic SnapShot^ā**' for **Human Resources division in a major Government Department**.
 - The process identified major non-conformities in the conduct and ratings of a particular senior staff member.
 - The process made these non-conformities visible in a numerically quantified manner.
 - On closer investigation and consultation with senior personnel it was found that the staff member concerned held political persuasions hostile to the new government and had for-

mal training in espionage and sabotage.

- The process resulted in this conduct being brought into sharp focus in front of the entire management team and the hidden agenda of the operative was exposed.
- A three-day intervention confirmed a reality that had been suspected for three years.
- '**Executive Information Technology Audit^ā**' for a leading **International Courier Corporation**:

- The Client had invested four hundred million Pounds Sterling (US\$550 million) in a major new system operating around half the globe.
- The implementation team was experiencing serious problems.
- In one day the process established that there were certain aspects of Corporate Govern-

ance inherent in the new system design which had not been addressed with the Corporate Executive.

- **A simple solution was provided to avert a looming investment failure that could have crippled the organization instead of enabling global competitiveness.**

AN EXAMPLE THAT AFFECTS US ALL – PEACE OR WAR IN THE MIDDLE EAST?

While preparing this issue of **STRATNEWS^a** and seeking an example that would have relevance to all readers, I was struck by the current Middle East Peace process:

- In the early 90's a peace accord between Israel and the Palestinians was announced with much fanfare and, on the face of it, held for about seven years until 2000.
- In late September 2000 hostilities flared into open conflict and today all-out war is being touted as an inevitable outcome unless a new Peace Accord can be achieved.
- Israel finds itself standing alone in the United Nations Security Council with even the USA abstaining.
- **Nuclear capability is rumored and people speak of 'World War III'.**

What has this to do with Strategic Design? **EVERYTHING!**

STRATEGIC FAILURE IS INDICATED

Clearly, the strategy of the last decade HAS FAILED, otherwise there would not be a low-key war in Israel right now!

Since the existing peace accord has broken down, there **MUST** be a weak link in the Strategic Design. What could it be? Consider the following:

- The present low key war broke out at 'Yom Kippur' in September 2000

after a visit by Ariel Sharon to the Temple Mount in Jerusalem.

- Tensions had been building regarding access to, and activities on, the Temple Mount for at least a year previously.
- Religious 'extremists' on BOTH SIDES regard the Temple Mount as a profoundly Holy site and regard control of it as non-negotiable.
- Israel ceded control in the previous Peace Accord but allegations of breach of the terms of that control have become increasingly strident.
- While it may not be particularly apparent from public pronouncements, it appears to us that the issue of control of the Temple Mount is THE ISSUE hindering the peace process.

HYPOTHETICAL CRITICAL ISSUES

For the sake of demonstrating the process, let us make a few assumptions:

- It appears to us that some of the six 'Critical Factors' for Middle East Peace (with our guess of relative weight to both parties in brackets) might be:
 - Occupation of the Temple Mount (40%)
 - Access to the Temple Mount (30%)
 - Permitted activities on the Temple Mount (20%)
 - Repatriation of 'refugees' (4%)
 - etc (3%)
 - etc (3%)

- This hypothetical rating to demonstrate the approach derives from:
 - Both parties are expecting a MAJOR Spiritual Event to take place ON the Temple Mount at any time.
 - Both expect that this event requires the building of a New Temple ON the Temple Mount.
 - Both believe that there will be serious Judgment from Heaven on those who are disobedient.
- None of the above is tangible, none of it is provable and not much of it is actively discussed or spoken about in the communities to which we are referring.
- Whether the underlying religious beliefs are valid or not, they exist and are passionately held by 'fanatics' on both sides who are willing to die for the cause.
- BUT, those who consider these matters to be important probably take them as 'given' and do not feel it necessary to communicate them widely.
- Those who do not share these beliefs, and therefore dismiss them, cannot conceive of the level of Religious Fervor that is building behind the scenes.

HYPOTHETICAL CONCLUSION

IF this approximates the reality to even some degree, it will be apparent that:

- Any peace accord that fails to address these issues will FAIL and war will be inevitable.
- A peace accord that addresses these issues successfully will succeed irrespective of all other conceptual, political and logistical weaknesses.
- Superficially, based on the hypothetical critical issues, the only so-

lution which is likely to work is one in which:

- A completely impartial United Nations presence with rotating headship assumes government of the Temple Mount and possibly all of Jerusalem.
- Each party is given occupation and utilization of a HALF share of the physical area.
- Visiting rights to the other half are granted under supervision of the UN presence.

It seems that this solution could be rated by both parties at better than 50% -- resulting in sustainable peace.

SUMMING UP

This example is an extreme case. Hopefully it serves to demonstrate how **an enormous amount of activity may, in fact, be MISSING THE POINT** in such a drastic manner that a **Third World War** could result.

Hopefully it also demonstrates that in even such a tense and seemingly intractable situation a systematic '**Critical Issues**' analysis may identify a seemingly viable option which, as far as we can determine, has not been explored.

Our experience is that Corporate Strategic Failure is frequently MUCH CLOSER TO THE ABOVE EXAMPLE than most executives would like to believe. Frequently, there are intangible, poorly understood and often ignored 'soft issues' involved. If overlooked, these can cause catastrophic corporate failure or at least serious financial loss.

CLIENTS

Following release of our brochure, it was suggested that we include information on clients:

- **HealthCare**
 - Medicross Healthcare Group; Fedsure HealthCare Clinical Trials (QDot).
- **Banking and Financial Services**
 - Price Forbes Group; Bank in Menziken (Switzerland); APBCO Insurance Brokers; ALJB Investments.
- **Government**
 - South African Police Service; National Crime Prevention Strategy; Department of Trade and Industry; Department of Education; Office of the President; South African Post Office; Department of Correctional Services; Promat; Honeydew Community Police Forum.
- **Mining and Industry**
 - Shell and B.P. Refineries; Iscor Group; Omnia Group; Wilson,

Bayley, Holmes Construction; Rennies Group Ltd; Lonrho Platinum Division; South African Federation of Civil Engineering Contractors; Smith Mining.

- **Professional Services and other sectors**
 - IBM Consulting Group; DHL Worldwide Express; Compuware; Ariel Technologies; Adams and Adams Inc; Business Against Crime; AIC Training; Wates, Meiring and Barnard Inc; School of Project Management; The Headache Clinic; Tolcon; Anchor Yeast; Graduate Institute of Management and Technology; Kelly Personnel Group Rennies Travel; Qdata; Ateo; Keeve Steyn and Partners; Run and Walk for Life; Ninham Shand Inc; V3 Consulting Engineers; HHO Inc; GFJ Inc.

CONCLUSION

I hope that this first issue of **STRATNEWS^a** has contained some information useful to you and has stimulated you to think differently

about your corporate strategic situation.

We look forward to being of service to you.

Dr JAMES ROBERTSON
Chief Executive, James A Robertson and Associates