



All the Right Moves: A Guide to Crafting Breakthrough Strategy

Constantinos C. Markides (*Harvard Business School Press, Boston; 2000*) \$27.50

Reviewed by Robert H. Schaffer CMC

The author asserts there are certain simple but fundamental principles underlying every successful strategy. Understanding these basic principles enables any manager or management consultant to design a successful strategy. The book aims to help us develop that understanding.

For Markides, the essence of a strategic position is the sum of the answers to three key questions: *Who* should we target as customers? *What* products or services should we offer them? *How* should we do this? To boil the subject of strategy down to these essential elements makes it possible to discuss strategy formulation in terms that are palpable and meaningful, and the author does so. He avoids the tendency of many writers in the field to become infatuated with the abstruseness of their dialectics; and frequently throughout the book interesting and pertinent vignettes are used to convey the essential ideas.

In the early part of the book, he quickly sketches some historic events in

a number of companies and industries. These demonstrate how companies that create innovative answers to his three questions are able to surpass companies stuck in an older set of answers. For example, in photocopying, Xerox served large-volume users and viewed Kodak and IBM as the competition. Meanwhile, Canon entered the market by focusing on small-volume users. This recasting of the answer was for a long time the basis for a highly successful Canon strategy. Later both companies pursued a series of strategic steps that led to counterproductive frontal warfare and the erosion of profits for them both. Markides uses this case and others to underline two key points: A successful strategy must represent a unique configuration of answers to three questions that he poses; and any such strategy is good only as long as this uniqueness continues and provides a competitive edge.

With this framework as background, the book moves through the various subjects that are essential to formulating and implementing a good competitive strategy. In a chapter on deciding what our business is, Markides criticizes the tendency of managers of established businesses to think in stereotyped terms; they keep answering questions about markets and products in ways that reassure them they are doing exactly what they should

ROBERT PERKINS

—An Appreciation—

Delayed news reaches us that Robert Perkins, former management consultant and one-time Book Review Editor of this publication, passed away in May of 1999 at age 77. In his last few years, he had found a new career as an author and was working on a new volume literally up until the day he died. According to sons Morgan and Charles, he was delighted to have his first book published prior to a final illness and was able to finish the final volume of a trilogy while in the hospital.

The books (historical naval fiction/mysteries) feature a character named Batholomew Hoare who is something of a cross between Horatio Hornblower and Sherlock Holmes. The first two have been published by St. Martin's Press under the name Wilder (his middle name) Perkins. The final volume will be out by end of this year. The three volumes are: *Hoare and the Portsmouth Atrocities*; *Hoare and the Headless Captains*; and *Hoare and a Matter of Treason*.

Bob Perkins, during his seventies, also completed two works of historical fiction, one set in post WWII China, the other in WWI Europe.

Those of us who knew and worked with Bob knew him as a man of considerable sensibility with a well-developed taste for literature. He served this publication well.

be doing. He urges established companies to be especially wary of mavericks, the unconventional competitors who move stealthily into a niche in the marketplace. These mavericks can gain significant momentum before established companies recognize what's happening. Constant, creative, critical examination of the business and its strategic positioning is the only way to avoid losing the game. And this advice is as valid for mavericks as it is for established companies.

The book then illustrates how to think creatively about selecting target customers and what should be offered to them. Entering the highly competitive car rental business, Enterprise Rent-a-Car decided to focus on people who rent cars at places other than airports and who were not being aggressively pursued by the competition. Dell Computers decided to aim at experienced computer users and not at first-timers, since the latter group would need costly support that Dell was not prepared to provide. In both cases, a novel target-customer definition was key to success.

Rather than offer formulaic solutions, the book provides a variety of approaches for each of the key steps being described. For example, there are several ways to develop the criteria for selecting target customers. And the same is true for the steps to design the internal operational configurations that will best match the requirements of the customers and the products being offered to them.

A number of strategy pitfalls that companies frequently fall into are elucidated. For example, companies might develop very clear definitions of the customers they want to sell to, yet succumb to dealing with any customer who happens to show up in the line of sight. The book points out how lack of decisiveness in making clear choices can be self-defeating. One example cited is an international company faced with a choice of investing in one of two markets in different parts of the world. Since both markets were so promising, senior

management invested half of the available funds in one market and half in the other. The company failed in both.

In my view, one of the most important points made by the book is the need to build action elements into the process of creating strategies. This opinion will not be surprising if you know that over 30 years ago I wrote a piece for *Harvard Business Review* called "Putting Action into Planning." It emphasized the eternal verity that strategy formulation cannot be a purely intellectual process if it is to have real value. Markides says "the process of developing superior strategies is part planning and part trial and error, until you hit upon something that works." And he brushes aside as ridiculous the idea that companies cannot take the time for planning because the pace of change has become so rapid.

The book outlines a number of ways to approach the conceptual side of the process. Sometimes dedicated planning groups with formal planning methods can be very useful, but such specialists should not substitute for engaging large numbers of people throughout the organization. Once some attractive directions are identified, endless research, debate, and fine-tuning will not yield better results. Instead, Markides advises us to develop

BOOK AUTHORS

If you are a consultant to management and have had a book or books published, please make yourself known to our book review editor, Curt Kampmeier CMC, by fax: 614-488-9611, or e-mail: kampgroup@aol.com. We are building a database of published experts and want to be sure we're not missing recent titles that should be considered for review in C2M. Thank you.

early prototypes and go test them in various markets. This will help us decide which markets to focus on and how to tailor one product for those markets.

Various themes keep reappearing throughout the book; for example, the need to keep questioning our strategic positioning; the need to keep testing new views of who our customers ought to be; the need to keep creating new ways of thinking about our business; the need to test alternatives in the real world and not become enamored of strategic directions as a result of self-seduction; and the need to avoid orthodoxy in order to ensure the flexibility to create unorthodox strategies. This repetition of themes is not a defect. It is simply an effective way of sharing the key points in a variety of ways and from somewhat different perspectives.

There are some useful suggestions for winning support and enthusiasm for the implementation of company strategy. I enthusiastically endorse the notion that some early successes are critical to reinforcing the organization's support for a strategy. And the book emphasizes the importance of senior management being forceful in assigning clear accountabilities for implementation. Some of the ideas about winning the hearts and minds of the organization's membership, however, seem more like wishful fantasizing than practical advice. But that is a minor flaw in a book that is easy and interesting to read and that causes us to stop very frequently to think critically about the strategic projects in which we are engaged.

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Competitors: Outwitting, Outmaneuvering, and Outperforming

Liam Fahey (Wiley, New York; 1999) \$39.95

Reviewed by Bradley E. Hosmer CMC

Would you like to pay to compete for a valuable prize where the rules change without notice, the goal changes after the start, new contestants can join at any time, they can form alliances against you, and all strategies not specifically against the rules are permitted? Liam Fahey says that contest describes today's marketplace, and understanding changing markets is essential for survival. No doubt. The question is how to do it.

Since most companies do a miserable job of analyzing their competitors, and many market research consultants collect enormous amounts of data but provide no useful or actionable wisdom or knowledge, it doesn't take much to do better. Truth is, there is plenty of readily available information that can be used to predict where the competition is going. That point is not readily apparent if you read Fahey's book, since he uses many technical terms and seems to have gone out of his way to make his book difficult to understand. But he defines his terms, and he's worth translating if competitive markets are your field of expertise or the challenge you're facing.

If nothing else, we should begin by gathering published material about our competitors such as announcements, press releases, executive comments, annual reports, and newspaper and magazine articles. Then add whatever direct observations we can make about the competition. Then use open-ended questions to analyze that information. That is, think about it. Do qualitative analysis, not quantitative analysis. With that we are apt to see that some information is significant enough to signal changes in the marketplace—changes on which we can help our clients capitalize.

I like Fahey's observation that capitalizing on this knowledge comes in three forms: Outwitting the competition, outmaneuvering the competition, and outperforming the competition. We *outwit our competitors* when we detect, investigate, understand, and anticipate changes in the marketplace more quickly than our competitors. We *outmaneuver our competitors* when we think about that information, act on it, make mistakes, learn from our mistakes, and act again more wisely; and, in so doing, preempt, reshape, and redefine the competitive arena. We *outperform our competitors* when we create new demands for new products and services, when we create those new products and services, when we create new businesses altogether or new ways of doing business. Again, readily available information carefully considered may be enough for us to help many companies outwit, outmaneuver, and outperform their competitors.

If readily available information is not sufficient to compete and win, then more information is needed. Fahey recommends we collect information in six areas and sort it that way to make it easier to analyze and understand. Note again that most all of this is qualitative work, not quantitative; as such, these are recommendations that fly in the face of conventional thinking and most of what's taught in business school. Here are six areas to study:

- First, marketplace strategy. As we consider the competition, we're advised to look at what products they sell, who they sell them to, and how they sell them. Then get all the information we can about those products, relationships, and methods. Look at features, functions, service, availability, image, reputation, selling techniques, pricing, and all other variables or factors that are directly related to products and customers and how those are brought together in the marketplace. Then ask how the competitors posture themselves: For example, no

frills, high-end, one-stop shopping, superior performance, distinguished support, customer involvement, customization, or what? And then ask why they employ the strategies they do. What is their vision, their goal, their objective? What are their strategic thrusts? Where are they investing? What can we decipher about their motivation that will enable us to predict their behavior in the marketplace?

- Second, study what competitors do to add value to their products and services. What do they do internally? For example, do they focus on research and development, improving quality, reducing costs, customizing, line extensions, making products more useful, or what? And what do they do externally? How do they work with their customers to design, develop, test, deliver, install, and maintain their products? And to what extent do these attempts to add value work?

- Third, consider the competitors' assets. At the least, these would be financial, human, knowledge, physical, perceptual (image, brand, loyalty), relationships, and organizational strengths. Think about these assets in terms of availability, specificity, sustainability, replicability, and substitutability. For example, regarding the availability of a particular asset, is it increasing or decreasing?

- Fourth, consider what alliances the competitors have. These may be joint ventures, contracts, licensing agreements, various methods of ownership, and more. The competition is using these alliances to acquire assets, capabilities, and competencies they think will enhance their position in the marketplace. We need to know about these if we are to understand the full extent of their resources.

- Fifth, consider their capabilities and competencies. How good are they at manufacturing, logistics, and product

development? How competent are they at moving from R&D to the marketplace, or providing unique solutions to individual customers? And what changes are they making? Have they just hired a high-level marketing executive, and might that signal their intent to develop more marketing capability and competence?

- Sixth, consider culture. Look at the beliefs, values, norms, styles, and behaviors that distinguish one company from another. Consider how a competitor's culture drives its strategies in the marketplace, and how understanding that can help predict competitor behavior in the future.

It's hard to imagine any company or consultant being able to gather, analyze, understand, and use all the potentially pertinent information in all these areas. But it's not at all hard to imagine that the more information and understanding we have, the more appropriate our activities in the marketplace will be, and the more likely it is that we can outwit, outmaneuver, and outperform the competition. So even though this book is dense and the task is daunting, the work is necessary and useful. This is not user friendly, but the marketplace isn't either. Those of you who speak of competitors in every other sentence, get the book. Don't try to read it through cover-to-cover, but keep it at hand, dip into it often, and know that doing so will enable you to help your clients outwit, outmaneuver, and outperform their competitors.

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Flawless Consulting: A Guide to Getting Your Expertise Used (2nd Edition)

Peter Block (Jossey-Bass/Pfeiffer, San Francisco; 2000) \$39.95

Reviewed by Charlton R. Price CMC

Since its first appearance in 1981, this book has been one of the most informative and practical explanations of how to do consulting, useful to all kinds of consultants. This second edition, totally revised, adds material on "whole system strategies" for bringing about change and for implementing decisions jointly determined by the consultant(s) and the client organization (and why "the client" is not just "management," but the whole organization). Block also candidly discusses the "shadow" side of consulting, such as the motives and emotional needs of those who engage in "the commercialization of service."

With more precision and detail than in the first edition, Block explores and analyzes the issues that must be faced in the five phases of every consulting assignment:

- Entry and contracting
- Discovery and dialogue
- Feedback and decision to act
- Engagement
- Implementation.

To force our attention to these issues, he has added useful new checklists for planning and then assessing the results of each of these necessary steps. A master reference list at the back of the book converts these checklists into an ingenious, more than customarily helpful index. These and other features new in this edition should lead you to keep *Flawless Consulting* handy near your desk, to look into almost as often as you check your business calendar.

Block doesn't claim that we can ever consult flawlessly, only that we can and should try to do so. He shows how our

consulting can be less flawed, our service more effective, and our success greater if we use the skills, methods, and standards he advocates.

What is "success" in consulting? Here are some of Block's criteria:

- Expertise better used
- Recommendations more frequently implemented
- More partnership with clients
- Fewer "no win" situations
- Clients more motivated and committed to carrying through with changes jointly agreed upon with the consultant
- Increased leverage or influence with clients
- Client support for taking action
- More trusting relationship with clients.

"Consulting is basically education and capacity-building," he continues. "Don't measure success by sales volume, your r.o.i., or your profit margin."

He shows convincingly how the most basic, essential body of knowledge in consulting is understanding how to manage projects and relate to the clients. The core body of knowledge in consulting is not technical, such as engineering or industry expertise. Nor is it just common sense or being good with people. Instead, the body of knowledge in consulting consists of specific, mutually reinforcing methods, skills, and standards to follow in relating to one's present, prospective, and past clients, and for managing projects in collaboration with the clients. Peter Block maintains and explains why:

[I]t is our authenticity, the way we manage ourselves, and our connection to our clients, that is our methodology, our marketing strategy, and the fruit of our labor . . . that is the heart of the matter.

Obtaining real partnership and collaboration with the client is probably the

most demanding and the least often fully accomplished aspect of consulting. True collaboration or partnering is when consultant and client take joint responsibility for both the “diagnosis” (identifying, understanding, and agreeing in detail upon what needs to be done, how, and why) and the “therapy” (jointly agreed-upon decisions, plans, commitments, and actions). To help the consultant to move a client relationship toward collaboration, Block provides specific statements to make to clients in various situations, and tells how to interpret and respond to statements clients often make—for example, in initial negotiations, and in planning the job.

One of the many reasons true collaboration is so difficult is that both clients’ and consultants’ understandings of what the problem or need is, and what to do about it, will almost certainly change as the project proceeds. Furthermore, the role of the consultant vis-à-vis the client can, and probably will, change during the course of a project. The reasons for this may be neither understood nor acknowledged by the client or by the consultant.

To convert the fact of life that “the client is the organization” into an asset, Block recommends that the consultant focus, from the beginning and throughout the project, on creating “engagement.” He defines engagement in the following way:

[B]uilding emotional commitment to implementation . . . when members of a system collectively chose to move in a specific direction. . . . Implementation of any change boils down to whether people at several levels are going to take responsibility for the success of the change and the institution. This is it. Period.

Finding ways for people in the client organization to wish to come together in order to make changes is the aspect of consulting requiring the most insight and skill. Block explains persuasively why

consultants must know how to do this. It’s because bringing about “engagement” is really the only way that a consultant can make a positive difference, and thereby contribute to the client organization’s success. So, says Block, “Be a support system for your client’s self-sufficiency.”

This advice flies in the face of much current conventional wisdom both in management and in consulting. Concepts such as *intervention*, *change management*, *change agent*, and *empowerment* tacitly assume that it is leaders (guided, of course, by insightful and experienced consultants) who cause change to occur in organizations. However, Block asserts, “leaders can no more induce action on the part of their followers than consultants can induce action on the part of their clients.”

To this reviewer, the most original and insightful new parts of this book begin at Chapter 15, with the discussion of Implementation and Engagement. Block goes on to force consultants to admit some little-acknowledged reasons why we want to and like to do what we do. He asks us to reflect that:

[T]here is a self-serving aspect to each act of service. Consulting at its best is an act of love: the wish to be genuinely helpful to another . . . The cost of our generosity, though, is that it carries within it our wish for dominance and gratitude. To be seen as wise and right, to be first with the insight, to claim credit for the changes in another are not gifts. They are subtle demands on a client to pay for our help with currency more costly than money . . . When we as consultants find ourselves selling our answer, we have to ask for whose sake this is being done.

The fundamental message throughout *Flawless Consulting* is “know thyself” as a consultant and as a person, and, by accepting and using this self-knowledge, to be authentic in establishing and maintaining relationships with colleagues and

clients. Peter Block says he’s still learning how to help others to learn how to take responsibility for themselves and their organizations. Wouldn’t you like to become such a resource for your clients? This new edition of *Flawless Consulting* will help you find out if you are on the right track.

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Techniques of Financial Analysis: A Guide to Value Creation (10th Edition)

Erich A. Helfert (Irwin McGraw-Hill, Burr Ridge; 2000)

Reviewed by Stanley Press CMC

The essence of management can be viewed as making sound resource allocation decisions—namely, the determination of how many of which resources are to be committed to what efforts in order to accomplish identified goals and objectives. Allocated resources can be physical, such as existing facilities, plants and equipment, or people. They also can be financial, such as available cash or lines of credit. Whether or not organizations have abundant (though presumably not unlimited) resources, severely limited resources, or something in between, effective resource allocation is a critical responsibility of management.

Moreover, the foregoing applies to every organization, whether for profit or not-for-profit, public or private. It applies to organizations large and small and to those with highly structured and disciplined decision-making processes, as well as to those with informal, nonorderly, and even intuitive decision-making processes. And since resources are almost universally defined directly or

indirectly in financial terms, financial analysis is a pervasive technique for arriving at resource allocation decisions as well as assessing the effectiveness of past allocation decisions.

That’s why Erich Helfert’s book is a candidate for every consultant-to-management’s bookshelf. Now in its tenth (millennium) edition and in paperback, the book was first published in 1963 when Mr. Helfert was on the Harvard Business School faculty. The preceding nine editions reportedly have sold more than half a million copies in nine languages.

While this paperback provides a comprehensive discussion of concepts and tools of financial analysis, the underlying agenda is financial *management* as it pertains to effective resource allocation decisions. (This is not your typical treatment of accounting and control issues, often referred to as “finance.”) Framed in a dynamic model of the Business System, the beauty of Helfert’s presentation lies in its treatment of subsystems that differentiate between investment, operations, and financing decisions, but which are also integrated into an overall managerial fabric.

As the title of the book indicates, the author takes matters a step further by focusing the decision making on value creation. The author defines this as achieving “positive cash flows in excess of the cost of capital over time.” Put another way, the cumulative economic benefits of resource allocation decisions must exceed the economic cost of providing and supporting these resources over time. Helfert’s point of view is that an appropriate application of financial

analysis tools and techniques leads over time to consistent and mutually reinforcing resource allocation decisions, providing the basis for managing an organization’s long-term success.

The value of the book to the non-financial consultant is potentially significant. For example, with just a modest grasp of the book’s fundamentals, a consultant-to-management is better positioned to understand evaluations and tradeoffs that a client (or prospective client) may need to work through in arriving at resource-allocation decisions or in assessing the results of prior such decisions. *Included in the spectrum of possible decisions is the process of deciding whether or not to engage a consultant.* Similarly, the selling and managing of a client engagement can be enhanced through an understanding of the process and techniques a client (or prospective client) uses to evaluate the prospective impact and value-added of a consulting proposal.

The book is organized into logical groupings of topics. These range from funds-flow cycles and their variability for the major functions within an organization, ratio analysis, and financial projections and budgets, to the time value of money, analysis of investment decisions, cost of capital and its impact on business decisions, and managing for shareholder value. The end of each chapter provides a summary of the key issues covered, a recap of the chapter, references for further reading, and self-study exercises. Several appendices are included at the end of the book with additional reference and glossary information.

The text is easy to read and should

be readily understandable by anyone who has had even modest exposure to the principles underlying conventional financial reporting and financial statements. The experienced financial management practitioner will find it to be both a quick read and a useful refresher. For those who normally don’t involve themselves in financial analysis, the book’s tools and insights can provide an understanding of the financial framework within which virtually all decision makers function (or would be well advised to).

One of the appendices includes an overview of a proprietary financial software package, Financial Genome™, developed by an affiliated company. (Note: It is available for purchase and can be downloaded on the Internet.) The software is built around a professional financial analysis model designed for general use, one that contains a number of interactive templates. It can yield a wide range of financial and analytical statements that are tightly integrated and logically consistent. Thus, the neophyte to financial analysis can, by use of the templates, generate financial statements and analytical reports without having to either build the computer models or fully understand the intricacies and idiosyncrasies of accounting, finance, and the computational underpinnings of the different analytical techniques.

Stanley Press CMC, based in St. Helena, California, USA, consults to organizations on mergers and acquisitions and other strategic decisions involving significant financial analysis. He can be reached at spco@napanet.net.

**RECENTLY PUBLISHED
AND RECOMMENDED
BOOKS ON CONSULTING**

Reviewed by Curt Kampmeier CMC

■ **The Business of Consulting:
The Basics and Beyond**

Elaine Biech (Jossey-Bass/Pfeiffer, San Francisco; 1999) \$39.95

A practical introduction to the business side of consulting by a veteran trainer, writer, and consultant. Covers what consulting is, what skills are required, how to start, how to develop clients and business, what to charge, how to make money, how to stay in business, how to add staff, what ethics work, what's a professional, how to keep growing, and numerous subtopics under each of those. The book itself is more elegant than its contents, but almost all the material is relevant and useful. Numerous forms in the book are also on disk, ready to print and use.

■ **Reinventing Work: The
Professional Service Firm**

*Tom Peters (Knopf, New York; 1999)
\$15.95*

Subtitled "Fifty Ways to Transform Your 'Department' into a Professional Service Firm Whose Trademarks Are Passion and Innovation" and part of a series on reinventing the work of knowledge workers, this pocket book

teaches how to turn internal staff departments into internal professional service firms. That is, service providers that do work worth paying for, every time; that have a recognizable signature and distinguishing approach to problems; that leave a legacy of work that matters and lasts; that are proud of their capabilities, want the world to know about them, and aren't afraid to sell; that have a client list to envy; that dump dud clients; that attract exceptional talent; that provide superb growth opportunities for those people; and that are exciting and vibrant places to work. Upbeat, informal, hokey, and clearly designed to arouse enthusiasm. Nonetheless, the ideas and suggestions are mostly good ones.

■ **How to Write a Proposal
That's Accepted Every Time**

Alan Weiss (Kennedy Information, Fitzwilliam, NH; 1999) \$149

To win proposals, collaborate and agree with your prospects and then (and only

then) put it in writing. Effective proposals do not begin or explore; they summarize and culminate a process that shows others how to get what they want so value exceeds cost. Weiss defines proposals and shows how to: identify the people who can buy, get to them, develop good relationships, establish outcome-based objectives and measures of success, and determine the value of projects. Then: nine components of good proposals; ten golden rules for presenting them; how and when to follow up; how to avoid lawyers, contracts, and purchasing departments; what to do with requests for proposals; when to negotiate further; how to expand current projects; and more. This book is clear, specific, concise, and well illustrated with short case histories and full sample proposals (in writing and on disk). This exceeded all our expectations. Worth many times its price.

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