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Agile Companies will Survive, Thrive

Steven Richards, The West
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Even detailed business plans can soon become obsolete in dynamic markets.

For all the midnight oil burned, and all the expertise and time poured into planning and developing well-formulated business strategies, it is a cold hard fact that most of them fail when they are eventually rolled out to meet the real world. It is suggested this could be as high as 90 per cent.

In all likelihood, the 10 per cent that are successful are probably no better than those that fail, except that they have access to information and insight that allows them to anticipate future events and adapt to them with speed and agility.

The reality is that even the most detailed business plan soon becomes obsolete in a dynamic market. To be able to make better informed decisions, assumptions and key business drivers must be continually updated to capture the impact of changing market conditions and assess the impact to the bottom line with confidence. Forecasts, rolling forecasts and scenario planning - all key aspects of continuous planning - are fundamental to this.

This is not new. But it is all too often forgotten. Famous Prussian military strategist Helmuth von Moltke recognised that even the most detailed, well-crafted battle plans were rendered obsolete the moment a military operation went into battle, because of the changing environment.

His observation that 'No battle plan survives contact with the enemy' sounds eerily familiar to the clever business strategy that fails when confronted with the real world.

As von Moltke said: "When your plan meets the real world, the real world wins. Nothing goes as planned. Errors pile up. Mistaken suppositions come back to bite you. The most brilliant plan loses touch with reality."

Barrington Consulting managing director John Barrington says that strategy is about change and the outcomes arising from that change must necessarily be measured.

Says Barrington: "To understand the difference in outcomes achieved as a result of strategy implementation, management must first make forecasts on performance in the absence of any new strategies. Two forecasts are generally required: optimistic and pessimistic. The delta can then be readily evaluated to determine whether the strategies have delivered the intended outcomes."

So the question is: How do you turn your business strategy into a real world sustainable business triumph?

In the first place you must accept the inevitability that failure to adapt and respond swiftly and cleverly to the constantly changing economic climate will see your business fail.

Business sustainability today is strongly influenced by market strength and global competitiveness. While you cannot always control market strength, you can improve your competitive position by controlling costs. And underpinning both is the notion of agility.

Stronger, smarter companies have started to embrace the notion of agility.

Many of our clients today have already taken that bold, first step, and are well on their way to implementing a culture of continuous planning, which will give them a better chance of not only surviving, but also thriving.

Leading global energy company Enrigi Group Corporation has streamlined its planning, reporting and consolidation process using the Aight Planning Software that integrates financial and non-financial data from its global operations. This has standardised and improved management reporting at a consolidated level, leading to better business insight for its Board of Directors.

Enrigi Group Manager Management Accounting Jon Howlet said this was the beginning of where the company intended taking its planning and reporting processes, highlighting that its financial transformation was more a step-by-step journey than a destination

Copper and gold producer, the WA-based Sandfire Resources, uses a combination of driver- and zero-based costing and rolling forecasts to manage costs.

According to Sandfire Commercial Analyst Andi Wolf: "Through a process of iteration, we are able to review forecast submissions and make changes quickly using the Aight Planning software, which provides better control of our expenses.

"This agility, combined with a multi-user interface and user security, allows us to manage our planning activities in a responsive, confident manner."

For rare earths producer Lynas Corporation, Aight Planning provides a consistent single source of information in their business, enabling them to extract information with minimal input.

Lynas Group Forecasting and Management Accounting Manager Richard Salmon said that this enabled the company "to focus on our key business drivers using automated processes.

The most powerful aspects of our planning solution are the ability to create different scenarios in real time, multiple currency for treasury burn and instant flow through to P&L, cash flow & balance sheet for any changes made to assumptions or inputs."

Each of these companies has taken the first steps towards world class planning, but success will be not so much about using the appropriate software as it is about adapting the right attitude.

Every executive should question their company's budgeting, forecasting and planning activities, how well they manage costs and their agility to remain competitive in today's economy.

When you consider that one statistical source has suggested that 60 per cent of companies don't link their strategic objectives to their budget, you begin to question just how many are following what should be basic business planning.

Agile companies will surely survive and thrive.

The question is: How agile is your company?

Steven Richards is General Manager, Dynamic Forecasting and Budgeting (DFB) division at Scope Systems.

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