

Freedom of Action.

A new way for CEOs to manage their company's business environment

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In the 21st century companies must learn to handle the challenges of fast and unpredictable change. Just as war and diplomacy will never be the same again, neither will business and our national and global economy. There are many who try to lull the business community into a denial of the dramatic changes. They try to make us see what happens as just another phase of 'business as usual'. Others, who recognise that we are in a time of fast and dramatic change still believe that we can muddle along with the same old and traditional management tools such as forecasting, trend analysis, extrapolation, discounted cash flow, net present value, real options etc. Instead of this, flexibility, agility and freedom to act will be the new conditions for success. One of the important new management tools, which is seen as 'pre-condition for existence' is competitive intelligence. The aim of competitive intelligence is to create the intelligent and alert organisation. Organisations achieve a stage of intelligence and alertness if they have been successful in transforming the vast flows of data, information and knowledge into intelligence, resulting in in-depth knowledge of the competitive arena. In too many cases organisations drown in data and information and are not able to reach the next level of



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knowledge and intelligence. This article will give a brief introduction in competitive intelligence and describe a new tool which will enable management to better manage the dynamics in the external business environment with the objective to realise 'freedom of action'.

Competitive intelligence

Competitive intelligence is the organisational means and analytical process that transforms disaggregated market, customer, technological, competitive and other data, information and knowledge into relevant and usable intelligence to users who can act on it. The aim of competitive intelligence is future oriented and actionable. Competitive intelligence deals with qualitative data, external information, tacit knowledge resulting in strategic intelligence for improved decision making and what the strategic impact will be for the organisation. It still is a rather new management discipline and not that many companies have professionally implemented competitive intelligence so far. Most companies with a competitive intelligence capability are large-sized international companies. The key to competitive intelligence is to get the data, information and knowledge from the outside dynamics and fast changes in the external business environment in a structured and consistent way outside in. The focus of competitive intelligence is always on the 'five drivers of change' every company is facing: markets, customers, competition, technology and legislation. Having implemented a competitive intelligence capability with a focus on these five drivers of change implies that management will never be surprised by any change in the dynamics in the external business environment. But so far, most companies don't have a competitive intelligence capability and they will be surprised in most cases by changes in market conditions, changes in the

competitive arena, new disruptive technologies and new customer needs.

Unfortunately CEOs lack the basic understanding of how much can be accomplished by having a competitive intelligence capability.

"The most important decisions are not taken inside but outside your company"

Top management requirements

Diagnoses of threats, opportunities and business risks in the present situation will be more important than prognoses. So how does management handle the big business dilemmas and the needs to make decisions about a future that is not only uncertain, but in reality also unpredictable? The requirements of management to successfully lead a business are the same as the objectives of competitive intelligence.

1. To pre-empt surprises from the external business environment
2. To have in time foresights on the threats and opportunities the organisation is facing and the way to transform these threats into opportunities
3. To make the right strategic choices
4. To continuously identify the gaps in the company's own strategies as well the gaps in the strategies of competition and beyond.
5. To monitor the emerging events in the industry sector and beyond
6. To identify the unforeseen emerging events
7. To track the early warnings from the internal and external industry dynamics

"My message to the business world is clear. We are moving very fast from managing what we know, to the management of uncertainty. To deal with this uncertainty, CEOs must understand the management discipline of Competitive Intelligence"

“Not even the US despite its position as the only remaining superpower can handle war on its own. They need more than ever to develop support, alliances, networks and relationships.”

8. To have consistently transparent the five key drivers of change in the competitive arena: markets, customers, competition, technology and legislation.

This means that competitive intelligence is the strategic management responsibility of top management. All the above listed top management requirements deal with the outside world.

Freedom of action

How can one establish a platform for decisions that are going to shape your company's future one way or the other? It is no wonder that business executives, just like all other human beings over the years have tried desperately to find ways to deal with the paradox, ways to look into the future, using anything from crystal-gazing to discounted cash flow, trying to escape from the futility of forecasting. We have to carefully examine the present, especially the quality and strengths of the company's business position and its relationships to have any chance at all to deal with the future. Strategic decision models that rely on accounting-based data, on trend extrapolation and forecasting & back casting have never been reliable. Today they are increasingly unreliable and irrelevant.

The need to understand and manage the company in its living environment, in a connected economy will call for a new focus on what is good for a company. First moving from a balance sheet focus to a relationship focus. Second, distinguishing between the good and the bad relationships.

A company with a heavy balance sheet including big investments in fixed assets, real estate, factories, machinery and more loses its freedom to act. It tends to be locked in the business it has chosen. In a world of no change that position can have its benefits. But only few companies, if

any, today live in a world without change. The demands of change and flexibility are at the top of the list for most companies. Only companies that prioritise relationships over fixed assets have a chance to adapt to new situations. But how to measure the dependencies the company has in its relations with other stakeholders and parties?

A new reporting system will have to provide us with methods and metrics to report and measure dependencies. This new intelligence based reporting system exists, however not in our traditional accounting system or in the traditional management tools. It's all about the ultimate strategic asset called 'Freedom of Action'. The strategic road to 'Freedom of Action' follows a step-by-step process which starts with relationships.



The new management solution towards four new fundamentals

Four new fundamentals and statements form the new management solution. It has been designed to show the company's performance, its strengths and weaknesses in terms that are relevant to our time. This management solution has the potential to considerably improve fair disclosure, transparency and accountability in management, reporting, analysis, auditing, investing and financing. Each of the statements reflects factors that are crucial to company success or failure in the fourth economy. Linked together they are more reliable and



considerable more relevant in decision making processes than traditional accounting data.

The **Business Idea** aims to answer the classic question "Which business are we in?". It is selected to ensure that the company has and keeps its clear focus that if you don't know where you are going, you are likely to end up somewhere else. It is also the most explicit way to express the management vision of where it wants to take the company. This new management solution suggests a carefully structured way to identify and present the business idea, mission and vision, of the company.

The **Business Position** aims to answer the crucial question "Who pulls the strings?" Surprisingly often, unexpected outside relationships exercise a high degree of influence and even control over a company. This new management solution offers a computer-supported way to thoroughly scan and access the company's relationships, to monitor and measure the dependencies and threats that limit or affect the company's most important strategic asset, its freedom of action.

The **Business performance** aims to answer the questions "What's on their minds?". In any free market economy, perceptions among stakeholders play a deciding role in making or letting a company grow and develop. It identifies and monitors a number of the most significant drivers of wealth creating decisions influencing in five relevant areas outside the company, indicators of company performance and success.

The **Cash Performance** starts with the traditional cash flow question "Where does the money come from and where does it go?". This management solution selects cash flow rather than other financial tools, partly because it is more relevant than profit but also since it is less subject to manipulation and consequently more reliable than income statements and balance sheets. The world's most important and respected

“Many complain about their memory, few about their judgement”

La Rochefoucauld

management consultant expresses this preference in no uncertain terms "Profit is secondary, cash flow matters most".

The four factors are strongly indicative of a company's success or

failure, consequently important to define, measure, monitor and report. The four factors are leading indicators that should be considered and evaluated in most decision-making situations that boards and management groups face today. These factors are also what analysts, investors, lenders, bankers, venture capitalists, risk managers, auditors and other stakeholders should monitor in a consistent and systematic way for the simple reason that they will offer more transparency, a more relevant and timely picture of the company than the lagging indicators of traditional reporting. They go beyond the catchwords of full or even fair disclosure to build a platform for relevant disclosure.

The four factors together represent a new overall perspective on what drives a company today. They meet a balanced all-inclusiveness test, are highly indicative of a company's chances of survival, earnings and growth.

They can be monitored regularly and measured to the desired precision level. They have been tested and shown to work in over 1500 companies of any size, in many different businesses and in many different countries across the world. This management solution comes with suggestions for reporting and suitable metrics. Parts of it are computer-supported for speed, reliability and consistency. Contrary to accounting, reflecting past performance, this new management solution points to crucial pro-active features. It offers to assess present threats and possibilities and finds ways to strengthen the company's strategic and operational position. To our knowledge no other reporting system can do this.

The Freedom of Action analysis uses the best source of knowledge available about the company, its management team or board of management. The process generates consistent results, a clear and easy to read report and it can not be manipulated.

The result of the process is a very



specific unique computer generated diagnosis of the current business position of the company that covers up to 140 aspects per business, complete with graphs, tables and text, with logic and conclusions explained in detail. The clue to the process is a clear structure of all important relationships. To establish this, all relevant relationships are defined and classified by kind and strength. The relationships will be defined and classified, they will be measured and finally combined with the result as presented in the schedule above. This new intelligence based management reporting tool "Freedom

"Most managers don't have the balls to make decisions. Instead of going to war to kill, they go to war to evade bullets"

Leopoldo Pujals of TelePizza in Forbes

of Action" does not lean on a traditional numeric analysis of financial details in company accounting. It does not force all information into just an income statement or balance sheet. Rather, the 'Freedom of Action' intelligence based management reporting system reports what is essential in and around the company, presents it and allows

conclusions from it. The focus is on relevance rather than precision. "The Freedom of Action" business solution is fully based on the statement that "the most important decisions are not taken inside your company but outside your company".

Do you as senior manager or CEO have the guts to work with this new and revolutionary assessment tool "Freedom of Action", successfully proven in over 1500 business cases, or is your choice to stick to the traditional tools?



Established in 1987, Rodenberg Tillman & Associates is recognised in Europe as the premier strategic competitive intelligence consultancy. The firm has been successful in establishing numerous competitive intelligence competence centres at international companies across Europe. Rodenberg Tillman & Associates core competencies are international research, implementation of competitive intelligence processes and strategy training/workshops. The Freedom of Action Strategic Assessment Tool Realbiz, represented by Rodenberg Tillman & Associates is the new and fast growing business solution towards the international business society.

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