

Focus, Focus, Focus



THE THIRD COMMANDMENT

CONCENTRATE ALL AVAILABLE RESOURCES ON ACCOMPLISHING TWO OR THREE SPECIFIC OPERATIONAL OBJECTIVES WITHIN A GIVEN TIME PERIOD.

Enterprises have finite resources. A smaller company achieves competitive advantage when playing for limited, explicit gains in a marketplace of its own choosing. Specialization breeds an organization sensitive to opportunities and quick to act. But any advantage withers if follow-through is weak. It will be weak if resources are dissipated. Resource dilution is a sure formula for mediocrity, a state of being that aspiring growth businesses cannot afford.

MBO (Managing by Objectives) has been a popular phrase since the 1960s when the acronym and practice were gradually assimilated into the inventory of management techniques. In effect, when working with objectives, an entrepreneur or manager determines what he or she wants to accomplish, by when, and strives to reach that objective. The individual involved focuses on the end result and tries to make it happen. The alternative, working without objectives, typically leaves an individual engaged in day-to-day *activities*; she or he works hard, perhaps, and hopes everything turns out all right.

There are four major variations on how to manage a business *without* using objectives:

Managing by Extrapolation (MBE)

Users of this system operate as though the future will be an extension of the past. They tend to keep on doing what they have always done, and they often try to do it better and better. Sales and profit lines jog slowly upward and to the right in the planning documents. Some great businesses that are now defunct were probably victims of MBE. For example, what ever happened to Western Union? Encyclopedia Britannica? Pan Am?

Some entrepreneurs use extrapolation to show how their business will grow, but they often overlook challenges of scale. A young aquafarm company in Hawaii found that growing and selling a million abalone a year is quite different than dealing with "just" 100,000 abalone in a year. Extrapolation can be dangerous.

Users of MBE typically pay a lot of attention to becoming more efficient. Prolific management thinker, Peter Drucker, observed that business leaders need to strive for effectiveness, as well as efficiency. Effectiveness has to do with doing the right things, e.g., selecting the right markets, products, and processes for the times. Efficiency, then, has to do with doing those things right.

Managing by Crisis (MBC)

This system, long the specialty of the entrepreneur, has picked up a larger following in recent times for two reasons. First, business life is much more complex than it used to be. Thus there are more crises to be handled. Second, there are a great many technical people in positions of management responsibility today. As a group, technical people tend to be great problem solvers. Give them a crisis and they will smother it with energy and innovation. Should there be a gap in the flow of problems, chances are good that one can be invented—something nice and tangible that a manager can get his or her arms around, or teeth into. Management by crisis is popular. At the end of any given day, no one can say the boss didn't earn his or her pay!

Managing by Subjectives (MBS)

A dictionary definition of the word, subjective, is: . . . *existing or originating within the observer's mind or sense organs and, hence, incapable of being checked externally or being verified by other persons.*

As the cat said to Alice as she hesitated along the path to Wonderland, if you don't know where you are going, any road will take you there. There are companies that operate successfully this way, i.e., with very few people knowing where the is headed. Everyone does the best he or she can to accomplish what he or she thinks *should* be done. Somewhere up in the organization there is presumed to be a guiding star. And there could well be. As long as a given business lends itself to masterminding or central processing by a single individual or a small team, implementation is relatively straightforward and not much talent is needed below the top level. People just do what they are told to do. MBS may work

satisfactorily as long as the business is simple. For a growing company, however, complexity is a price that must be paid as the enterprise expands into new market segments and product lines. MBS can be a real limitation.

In particular, a subjective approach to building a business makes it difficult to attract and hold the caliber of people required to capitalize on a competitive advantage. Why? Because superior performers want to know: What are we out to accomplish? How are we doing in our quest? How am I doing? What's next? Almost by definition, early-stage companies seldom can do more than one thing really well. All available resources need to be focused on that one thing and the results expected. The presence of overriding business objectives can serve as a rallying point, if people know what they are. People tend to rise to meet expectations they understand and support.

Managing by Hope (MBH)

Most readers over forty years of age seem to agree that the pace of life in the corporate world has increased markedly in recent years. Each major business decision—a senior promotion, capital investment, addition of a new service or product category—to name just a few, seems to have many ramifications as we plow through the early years of the 21st Century. Certainties are hard to find. These uncertainties have led some management teams into willy-nilly diversification in the hope that by going in several directions at once, something will will work out. These same uncertainties have led other management teams into bureaucratic analysis in the vain hope that with enough study, Aha!s will turn up to point the way for the enterprise. MBH is, essentially, a form of reacting rather than acting, of letting events control you rather than vice versa. It is the other end of the spectrum from MBO, managing by objectives.

Sound operational objectives help entrepreneurs. A sound objective is one that is *measurable*, *dated*, and *vital* as a stepping stone, at a given point in time. For example, for any given week or month or quarter or year, objectives can be formulated for sales volume, profitability, cash flow, staffing, product development, production, or margin improvement. Business judgment, based on a combination of facts, advice, and intuition can guide people on the entrepreneuring trail via the process of setting objectives. Creative conflict among primary participants should ideally lead to agreement on the measures to be taken, by when, and also on accountability, that is, who “owns” each objective.

Exercise

PART I.

Picture a start-up company in which three co-founders have left their previous jobs, scraped together \$50,000 from personal sources, and spent four months working day and night designing a new device that they think will revolutionize the way paper labels are applied to cans and bottles by food and beverage companies. As the trio completes its fourth month, the product prototype clearly works in the shop—a garage, naturally. At a Saturday morning meeting the entrepreneurs congratulate themselves on coming so far so fast. We did it! They then properly turn their thoughts to: What next? They discuss a number of areas in which objectives could be set. Possible objectives are formulated and listed on a four-by-eight-foot piece of plywood, which has the company name, Widgetronics, Inc., carefully lettered across the top.

Please examine the list that follows and decide which of the entrepreneurs' ten objectives are sound, given the criteria outlined earlier.

| | Yes | No |
|---|-----|----|
| Sound? | — | — |
| 1. <i>Field test the prototype.</i> | — | — |
| 2. <i>Obtain some orders.</i> | — | — |
| 3. <i>Prepare a business plan.</i> | — | — |
| 4. <i>Identify, interview, and hire a bookkeeper.</i> | — | — |
| 5. <i>Line up more money by end of quarter.</i> | — | — |
| 6. <i>Get minimum of 1,000 full-load hours on each of three devices by September 30. (Keep detailed maintenance log.)</i> | — | — |
| 7. <i>Obtain two firm purchase orders for trial installations by October 31.</i> | — | — |
| 8. <i>Draft a twelve-month plan and submit to Board by August 15.</i> | — | — |
| 9. <i>Add a part-time bookkeeper no later than end of quarter.</i> | — | — |
| 10. <i>Contact enough potential investors before September Board meeting to find at least three interested in Widgetronics.</i> | — | — |

To repeat an earlier statement, a sound objective for a new enterprise is one that is *measurable, dated, and vital* at that point in time. How many of the ten objectives shown above are measurable and dated as stated?

Only the last five of the above objectives are measurable and dated. The first five are pleasant statements of good intentions or ideas. Numbers six through ten, however, have some bite and lend themselves to accountability. By September 30 did someone specific get a minimum of 1000 full-load hours on each of three machines? With such an objective, a person can succeed or fail, be rewarded or reprimanded, and keep his or her eye on the right ball, in a manner of speaking. When an entrepreneuring team has a small, coordinated set of vital objectives, the chances of moving a company successfully from nothing to something are vastly improved.

What are "vital" objectives?

Exercise

PART II.

Here are objectives numbered six through ten from the list above:

6. *Get minimum of 1,000 full-load hours on each of three devices by September 30. (Keep detailed maintenance log.)*
7. *Obtain two firm purchase orders for trial installations by October 31.*
8. *Draft a twelve-month plan & submit to Board by August 15.*
9. *Add a part-time bookkeeper no later than end of quarter.*
10. *Contact enough potential investors before September Board meeting to find at least three interested in Widgetronics.*

Assume it is early August and you are advising the Widgetronics founders on how best to use their limited resources. Further assume that for some good and sufficient reason the Widgetronic management team has decided it will formally adopt a maximum of two operational objectives for the next phase of building the business. Which two of the six would you recommend?

Hard to say, isn't it? From the limited information on Widgetronics available to you it is very difficult to decide what is vital to the health of the enterprise in the fourth month of its first year. Arguments can be advanced for completing the product testing, getting a solid order or two, laying out a plan, adding staff to keep the paperwork in order, and cultivating investors. There will also most likely be compelling arguments for doing everything at once. However, doing, or trying to do, everything at once is a common failing of entrepreneurs. The only practical safeguard is the active presence of one or two primary participants with the desired dedication and discipline to managing with objectives. As stated earlier in the exposition immediately following Commandment Three, *Resource dilution is a sure formula for mediocrity...*

Why only two operational objectives for Widgetronics? There's nothing magic about two. Why not one, or perhaps three—one per founder? The point is that it should be a small number. When everybody does everything, nothing is done well. But when everybody concentrates on just one or two prime results, there is a better chance those prime results will be achieved. And, there's normally room for getting some other things done, too. The trick is to make sure the other things don't divert resources needed to accomplish the prime objectives.

There are many distractions in entrepreneuring. For example, there are a lot of fun things to do such as design letterheads, pick out offices, surf the web, go to service club luncheons, and chat with your banker. There are a lot of satisfying and comfortable things to do, too, comfortable in that you have done them well in the past. For example, you may feel really excell in product engineering, working at the computer, selling, hustling investors, or whatever. It's easy to use up the lion's share of your time doing what you do best, whether or not it is what the the business really needs at the moment. And then there are the often, less-than-pleasant new challenges such as producing quality goods without the right tools; cold-calling on potential customers who have never heard of you, your company, or your spectacular new service; phoning a venture capitalist for the umpteenth time to see if he or she has even read your business plan yet; and taking prospective key employees to dinner with your own money. How does an effective entrepreneur go about making the right trade-off decisions between the different demands on his or her finite time? There is no formula, but experience indicates that having crisp, agreed-upon objectives helps one avoid distractions and focus on what is central to the health and development of your fragile, young enterprise.