

Innovation: How the Millennial Manager can unleash its potential

By David Parmenter

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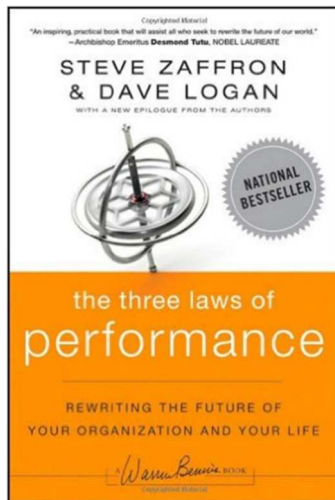
1. Barriers to innovation

Whilst we can never compare a small four-person start-up in San Francisco to a large government department or a multinational all of these organisations desire to be innovative.

For the small hungry start-up company working 80 hours a week, making innovation work is relatively painless as it is the only way they will survive. To the large multinational or the large government department the barriers to innovation are immense. The barriers include:

Institutional bureaucracy / lethargy being the default future	A large part of the problem is that the default vision of the future, is the status quo.
Bogged down by firefighting	Far too often talented resources are stuck in the revolving door. The processes that need to be challenged are the very ones that absorb all the time meaning no change can happen.
Untapped ideas	In so many organisations have talent staff live innovative lives outside their work environment. The key is to make a large organisation be as nimble as a small one.
Lack of understanding of magnitude of waste	Whilst there is a basic understanding of waste few people would be able to categorise the eight wastes that Kaizen attempts to address.
Lack of abandonment	Until an organisation embraces abandonment there is no hope for innovation. We need to free time for innovation through embracing abandonment.
Aversion to risk / a fear of failure (80-85% of all new fast consumer products fail) Neilson 2018	The paradigm shifters make it clear that it is up to the senior management team to make it clear that failing fast is often a step to success.

1.1. How the default future drives us



Steve Zaffron and Dave Logan have written a compelling book “The Three Laws of Performance” that explains why so many of these initiatives have failed. The first law is “How people perform correlates to how situations occur to them.” The writers examine the concept that the organisation’s “default future” which, we as individuals just know in our bones, will happen – will be made to happen. Thus, in an organisation with a systemic problem, the organisation’s staff will be driven to make initiatives fail, so that the default future prevails.

Daniel Goleman, of emotional intelligence fame, points out that the subconscious is a very primitive part of the brain, one that has not evolved for more than 100,000 years. If you place visions in your subconscious, it will work away at them and guide you in your waking hours towards those outcomes. Tony Robbins’ YouTube video The Magic of Visualization (Law of Attraction) Rhonda Byrne’s book “The Secret” and John Kehoe’s “Mind Power” explain further the power of positive thought.

Zaffron and Logan went on to say, “If you do not change the default future belief the more you change the more you stay the same”. The key to change is to recreate, in the organisation’s staff minds, a new vision of the future, let’s call it an “invented future”. More of this later in the selling change section.



Our default view can also radically limit our personal lives.

If we set off driving with a belief that parking will be a nightmare it surely will.



Likewise, if we say to ourselves don't go in the water, our subconscious will deliver the image you have planted.

2. A Perfect Storm

Never has there been a better time to unleash innovation in your organisation. There is a perfect storm that offers: an unprecedented amount of talented and entrepreneurial young people; accessible technology- many of it for free; and a colliding of ground-breaking knowledge which gives us a clear route forward. With the added advantage of customers who are accessible, around the world, because they are only a few clicks away from ordering.

There are two types of innovation:

1. Gemba Kaizen innovation which focuses on continuous improvement (Kaizen) in the workplace (Gemba).
2. Blue ocean shift innovation where an organisation moves away from the cut-throat, bloody red oceans of competition to the clearer, calmer and rewarding waters.

This working guide will penetrate into the great work of Jeffery Liker¹, *The Toyota Way*, Masaaki Imai author of *Kaizen* and his follow-up book *Gemba Kaizen* and show you how you can move towards Toyota's amazing achievement of 10 innovations, per employee, per year, worldwide.

The working guide will also go into the brilliant work of W. Chan Kim and Renee Mauborgne authors of *Blue Ocean Strategy*, and their follow-up book, *Blue Ocean Shift*.

The great paradigm shifters, Peter Drucker, Tom Peters, Jack Welch, Gary Hamel have also talked, for some time, about the significance of innovation and how to increase your odds of success. The key lessons are extracted and listed for easy absorption.

A major change of culture requires an understanding of the psychology of selling and leading change. John Kotter's eight step "selling and leading change" process have been further enhanced with Zaffron and Logan's *Three Laws of Performance* that offers a more in-depth look at the psychology of change.

3. Implementing Gemba Kaizen Innovation

The important use of Gemba “the real place” in front of Kaizen reminds us that we need to start in the operations. Kaizen stands for continuous improvement. The ten basic rules for practising Kaizen in the workplace were listed by Masaaki Imai in his book Gemba Kaizenⁱⁱ see Exhibit 3.1.

Exhibit 3.1: The ten basic rules for practising Kaizen

Challenge the old	Abandon conventional rigid thinking about how things should be done
	Think of how to do it, not why it cannot be done
	Question and abolish old, traditional concepts
Just do it	Do not seek perfection - do the improvements now
	Correct mistakes immediately
	There is no need to spend money on Kaizen
Use the wisdom of the crowd and research problems deeply	Wisdom is brought out when faced with hardship
	Find the root cause of a problem by asking 5 Whys
	Seek the wisdom of ten people rather than the knowledge of one
Never stop once started	Opportunities for Kaizen are infinite

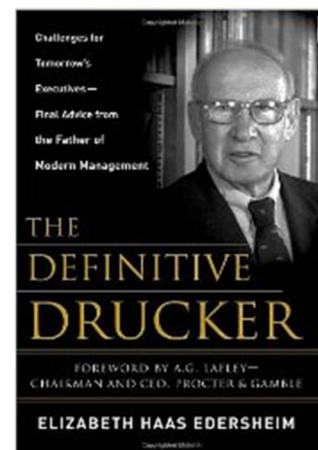
3.1. Challenge the old

Past processes need to be constantly challenged to ensure they are relevant for current and future operations.

Importance of Peter Drucker’s Abandonment

From the time we were at kindergarten we have had a fear of ever admitting we were wrong. If I was to go into a reader’s garage what would I find? Maybe an exercise machine that started off life in great excitement as we envisaged a leaner me. After a couple of weeks in the lounge it started its inexorable journey to the garage. There to rest under the dust cover for a day in the future when we would use it again, so we could say “I told you so.”

In the world of commerce this trait is equally damaging. We will hold on to systems, keep going with projects, keep



writing that report that nobody reads because to remove it would mean a loss of face. Let's get over it.

Management guru Peter Drucker who I consider to be the Leonardo de Vinci of management, frequently used the word 'abandonment'. I think it is one of the top 10 gifts Drucker gave us all. He said,

"Don't tell me what you're doing, tell me what you've stopped doing."

"If leaders are unable to abandon yesterday, they simply will not be able to create tomorrow"

"Without systematic and purposeful abandonment, an organization will be overtaken by events. It will squander its best resources on things it should never have been doing or should no longer do. As a result, it will lack the resources needed to exploit the opportunities that arise"

An organisation that embraced Peter Drucker's abandonment earmarked the first Monday of every month for "abandonment meetings at every management level." Each session targets a different area so that over the course of a year everything is given the once-over. This process would work well in the finance team except we should meet once a week to discuss at least two abandonments.

The act of abandonment gives a tremendous sense of relief to the finance team for it stops the past from haunting the future. It takes courage and conviction from the CFO. Knowing when to abandon and having the courage to do so are important leadership attributes.

I have included in the electronic media a book review of Elizabeth Haas Edersheim's *The Definitive Drucker*ⁱⁱⁱ. Read the book for more on abandonment and other great advice. I consider this book one of the top 10 management books I have read. I hope, like me, you will become a follower of the great Peter Drucker.

The Importance of Challenging The Status Quo



In an interview, called "The Lost Interview", Steve Jobs, was asked, "As a 22-year-old worth \$10m, and a 25-year-old worth \$100m, how did you get your business acumen?" He said that over time he realized that most business was pretty straight forward. He talked about when Apple had its first computerized manufacturing plant for the Apple II and the accountant sent Steve Jobs his first standard costing report. Jobs asked, "Why do we have a standard cost and not an actual cost?" The response was "That is the way it's done". He soon realized that the reason was the accounting system could not record an actual cost quick enough. When that was fixed, standard costing reports vanished.

In business Jobs believed that few in management thought deeply about why things were done. He came up with this quote which I want to share with you. I believe it should be on every wall and in front of every work station in the finance team work area.

"Your time is limited, so don't waste it living someone else's life. Don't be trapped into living with the results of other people's thinking. Don't let the noise of other's opinions drown your own inner voice." Steve Jobs

I believe this quote should be on every wall and in front of every work station in the finance team work area.

3.2. Just do it

Nike utilised the phrase “Just do it” in a very successful marketing campaign. With a commitment into training staff about kaizen much progress can be made with little further investment.

The great paradigm shifters featured in the later section all emphasize the importance of piloting rather than writing proposals. Thus, quickly testing assumptions with targeted customers and failing fast and moving on where necessary.

3.3. Use the wisdom of the crowd and research problems deeply

James Surowiecki wrote that “a large group of people are often smarter than the smartest people in them.” Hence the term “wisdom of the crowd was born” . In other words, a group’s aggregated answers to questions that involve quantity estimation have generally been found to be as good as, and often better than, the answer given by any of the individuals in the group. Involving a “crowd” in innovation will have a major positive impact on the process.

Use the five whys rule to get to the heart of the problem

HOT Tip

Six sigma and Toyota have adopted “The five whys” to get to the root cause of a problem. It is like peeling the layers off an onion. To each answer to a why question you then ask, “Why is that?” The rule states that by the fifth why you will have located the real problem, and if rectified, a permanent benefit will flow back to the organisation.

3.4. Never stop once started

The ultimate goal for Kaizen is to match what Toyota have achieved. Ten innovations per year from every employee, in every country.

4. The four foundation stones for Kaizen

There are some foundation stones in kaizen that should be adopted.

1. Muda (waste) elimination
2. Housekeeping
3. Visual management
4. Adopting Time Saving Techniques (Adopting SCRUM meetings from the agile movement and value stream mapping)

4.1. Waste (Muda) elimination

There are three steps in waste elimination.

1. Understand the eight wastes and identify examples of each of these eight wastes in your operation.
2. Post-it sticker re-engineer your main processes where they will be some easy wins
3. Learn how to perform value stream mapping and apply it to all main processes.

The Eight Wastes that Need Tackling

In lean methodology, there are eight types of waste. These wastes are seen within the whole organisation. I have outlined the eight wastes below in Exhibit 4.1

Exhibit 4.1: The eight wastes that need tackling

Eight types of waste	Reasons why the waste occurs
Over-production: Building batches of products larger than the customers' immediate need.	This waste typically occurs because we want to increase utilisation of large and important machines, are worried about rejects and absenteeism so we produce more to be on the safe side. In just-in time systems being ahead of the production schedule is regarded as worse than being behind it.
Waiting: Production operators waiting because a machine has gone down, or a component is not available. Or when the operators are simply monitoring the machine as it does its value adding task.	Whilst operators being idle is easy to measure, it is more difficult when they are looking busy. In one example in a German automotive manufacturer, the set-up time in the press shop was reduced from 10 hours a week to 3.5 hours.
Transportation: Moving materials around the factory. Any process that is physically distant from the main line should be incorporated into the line if possible.	Masaaki Imai points out a common sign of a problem with layout is the need for conveyor belts. He goes on to say, "The best thing a company can do with its conveyor belts is to sell it to

	<p>their competition, or send it to them free of charge.”</p>
<p>Extra processing: Processes that appear productive but are unimportant to the customer. Value stream accounting provides good guidance here. Do not include any costs and activities that do not add value to the customer.</p>	<p>There are many ways an organisation can have extra processing.</p> <ul style="list-style-type: none"> • Monthly reports that are prepared for accountability purposes but are not read or used by the recipient. • The majority of Excel spreadsheets that are a reprocessing of already recorded transactions. • The chart of accounts where it holds more than 50 codes for the P/I • Annual planning processes that take months and are useless as soon as the ink has dried. • Designing additional features into a product that the customers do not use e.g. many features in Excel are not used.
<p>Excess inventory: Having materials, components, work-in-process, and finished goods levels above the immediate need.</p>	<p>When an inventory level is high nobody gets serious enough to deal with problems like quality, machine downtime, and absenteeism, and thus an opportunity for Kaizen is lost.</p> <p>Also, with generally accepted accounting principles all finished goods carry prior months’ overheads into the future periods these goods were sold. Carrying forward costs to future periods leads to additional costs hitting the P/L when inventory levels fall.</p>
<p>Waste of motion: Any motion of a person ‘s body not directly related to adding value is unproductive. While very evident in manufacturing environments it is of equal importance in all other environments.</p>	<p>I recently witnessed a classic waste of motion activity in a hospital. I was in the the emergency department of Wellington’s largest hospital and my wife was having her blood pressure read. Because my wife’s records could not be brought into the room the nurse, who was wearing protective gloves, had to write the temperature down on a scrap of paper and then transfer it to the file when she returned to her work station.</p> <p>There are many ways an organisation can have a waste of motion</p> <ul style="list-style-type: none"> • Disorganized employees who do not have all their tools with them on a site visit

	<ul style="list-style-type: none"> • Health workers double handling patient information • Office workers who cannot access previous work files efficiently
<p>Waste due to rework and rejects that have to be scraped: Rejects interrupt production and require expensive rework (processing again to correct faults) or have to be discarded.</p>	<p>Reports that have to be rewritten are effectively rework.</p>
<p>Unused employee creativity: Employee ideas having to hurdle many obstacles before adoption and therefore not being raised.</p>	<p>Based on Toyota, we would need to have 10 innovations implemented per team member per year before we could say there is no waste in this area.</p>

While some of these types of waste, appear at first sight, to only be relevant to manufacturing you can apply many of them into other sectors. Since, as Dr Jeffrey Liker points out, “Most business process are 90% waste and 10% value-added work” there is a lot of scope in this area.

Post-it re-engineer your frequent routines

Re-engineering can be a complex or a relatively easy task—the choice is yours. Many organisations start off by bringing in consultants to process map the existing procedures. This is a futile exercise; why spend a lot of money documenting a process you are about to radically alter and when it is done only the consultants will understand the resulting data-flow diagrams?

The first place to start is to Post-it reengineer your common routines in a workshop. This takes a full day and involves seven stages.

Stage 1 Invitation

Having set the date, ask the CEO to send out the invites for the workshop; see electronic media for a draft. The finance team needs to send out instructions, a week or so prior to the workshop, outlining how each team is to prepare their sticky notes.

Suggested attendees include all those involved in month-end, including accounts payable, financial and management accountants, and representatives from teams who interface with month-end routines (e.g., someone from IT, payroll).

Set up a schedule to ensure all the main teams have a unique colour of notes (see Exhibit 4.2).

Exhibit 4.2: Allocation of post-it stickers so every team has a unique colour

Team 1	Yellow
Team 2	Green
Team 3	Blue
Team 4	Purple
Team 5	Pink
	Etc

Stage 2 Stand-up Workshop around the Whiteboard

With everyone assembled, go through the agenda items, starting off with an introduction to best practice. See the electronic media for the workshop agenda.

Assemble everyone to go through the agenda items, starting off with an introduction to best practice. You can access one of the many webinars I have recorded with accounting bodies and play this to the attendees. I recommend you only play ten minutes and then pause the webinar and ask attendees to pair off and discuss what they agree with and what they disagree with. These webinars can be accessed from www.davidparmenter.com.

When you get to the stage in the agenda for the Post-it reengineering, you ask a representative of each team to place the Post-it stickers in time order under column headings day -2, day -1, day +1, day +2, and so forth using a whiteboard. When all the stickers are on the board, it will look like Exhibit 4.3.



Exhibit 4.3: Post-it re-engineering on a white board

Then remove all desks near the whiteboard and ask all the staff present to come and stand in a semicircle in front of the whiteboard. All staff members need to have a clear view of the board. Having the attendees stand up is important, as it brings everybody in sight of the stickers and, more importantly, as the meeting progresses ensures swifter agreement, as nobody will enjoy standing for over two hours.

Stage 3 Missing Processes

Then you ask, "What is still missing from the list?" There will always be a forgotten process. I probe until at least two additional processes are put on the board, and I ask each person in turn to acknowledge that they are in agreement that the whiteboard represents all the processes.

Stage 4 Removal of Duplication

I then ask, “What processes have two stickers when there should only be one?” (We want to remove any duplication.)

Stage 5 Abandonment

The next question I pose is, “What processes do you not need to do anymore and therefore should you abandon?” There is often a pause here, as staff look bewildered. “Why would we do something that is not required?” they are thinking. At this stage, I talk about Peter Drucker, the great management thinker’s abandonment philosophy.

I recommend that you buy a dozen movie vouchers before the workshop so you can give one to every attendee who points out a process that can be removed because it is not necessary (the process was done because it was done last month)—each procedure that is removed is like finding gold because it means less work, fewer steps. After the first movie ticket handout you will notice a greater focus from the attendees!

I normally will, when running the workshop, spend up to two hours to ensure all the superfluous processes are removed; see Exhibit 4.4.



Exhibit 4.4: Abandoning processes by removing the “post-it” stickers

Stage 6 Rescheduling

The next stage is to reorganize the key processes and bottlenecks based on better practice. I start off by pulling off the AP close-off sticker and ask, “When could we finish this exercise if we were to adopt best practice?” The answer I am looking for is “Noon on the last working day,” which has been discussed in an earlier section.

With each rescheduling of a process it is important to seek consensus. Invariably, some members of the team will believe the world will end if the cut-off is moved earlier. I simply question the logic and allow a dissenting group to note objections. “If you are proved correct, next month, we owe you a coffee and donut. If, however, you are proved wrong you owe all of us a coffee and donut.” With that statement, I move the sticker to where the majority have agreed, see Exhibit 4.5.

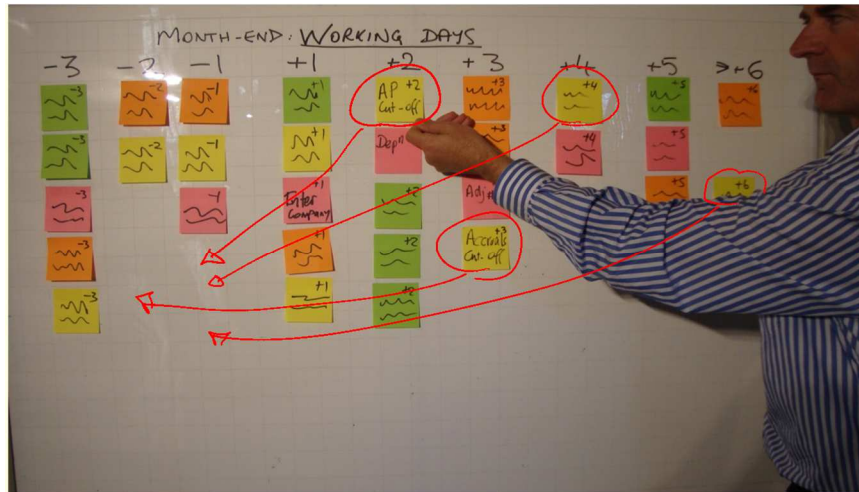


Exhibit 4.5: Moving the bottlenecks to the earliest time they can be completed

After 45 minutes of standing, these disagreements will recede due to peer pressure.

Stage 7 Spreading the Workload

Look at the Day -1 steps, as you may have too many. Move the non-time-critical ones between Day -2 and Day +1 to better spread the workload.

Document the stickers on a spreadsheet. This is the only record you need. Any person who for health reasons cannot stand for the couple of hours, can be assigned this documentation process.

You will find it hard to justify any task needing to be done after day 3! You can view a YouTube video of me demonstrating a reengineering exercise on www.quickmonthendreporting.com. Please note that this was held in a training workshop so the attendees were allowed to sit at their desks.

4.2. Housekeeping

Housekeeping is a surprising start to creating a new waste free process but one that is emphasized in all the case studies in the book^{iv}. The benefits of housekeeping are that it highlights problems, helps ensure everything is where it should be thus saving time, and brings teams together. Japanese organisations are known to start the day with a 15-minute tidy up where all teams work together both in and outside the premises. In a western culture this needs to be explained as the default future for all the staff is “Cleaning is the task for the cleaners”. Its significance is that it can be where 50% of the errors occur. There are five Ss in Gemba Kaizen:

- Sort: determine what is necessary and unnecessary and dispose of the latter.
- Straighten: Put essential things in order so that they can be easily accessed.

- Scrub: Clean everything, tools, workplace
- Systemise: set the standard, train and develop staff to follow procedures
- Self-discipline: maintain a culture where self-discipline comes to the front.

Practical steps to embrace sorting (The Red ticket day)

HOT Tip



1. Select an area in operations and hold a training session on Gemba Kaizen delivered by a local kaizen trainer.
2. All staff, after the training session, are given red tags to place on all items that will not be used in the next 30 days. The rule being if in doubt red tag it.
3. For those items that operations staff want stored in their area they have to demonstrate the necessity back to the group. Those hoarders will thus be challenged, and a compromise reached.

“At one company a red-tag campaign unearthed enough supplies for 20 Years”

Masaaki Imai, Author of “*Gemba Kaizen*”

Practical steps to embrace straighten

I will never forget visiting the garage of one of my friends. His dad had all his key tools hanging above his workbench with a stencil outline on the wall to show what tool was not back in its right full place.

Hospitals are particularly good at this as lives depend on it. During my visits to see my wife, who was in hospital for 105 days, I was impressed with the organisation of the blood extraction trolleys, nurses knew that everything was in its place.

In hospitals sensitization is very important. Having a hand cleaner dispenser empty is of no use. So, they have a sticker on each unit which says, “Turn me over if empty”. The label when turned over is red and says “EMPTY”. That is straightening at work.

1. Set out specific places where tools and supplies should be.
2. Label all areas where work in progress is placed, indicating the maximum permitted level

Practical steps to embrace scrub

When one cleans one’s car, the old-fashioned way with car wash and a soft bristle brush you get up and close to your car. It’s then you notice that your offspring have damaged your alloy wheels by poor parking manoeuvres, you have a nail in your front right tyre, and a chip on your window screen.

1. Make it a team exercise and have all staff including the executive team involved.
2. Institute a clean desk policy every night. Papers left on the desk having to be collected from the CEO’s personal assistant.

“At one company, while cleaning thick layers of dust, the finance director discovered naked electrical wires running along the walls. The vinyl cover had long since deteriorated. He marvelled at the fact that a fire had never broken out in the plant.”

Masaaki Imai, Author of “Gemba Kaizen” Gemba Kaizen

Before clean-ups can be a successful activity it is important that you organise training in Kaizen so that staff can understand why “Scrub” is so important.

Practical steps to embrace “systemize and self-discipline”

I have never seen an exceptional work place that credited its success on written policies and procedures. The key has been a common understanding and commitment to them from the top down.

1. Have a weekly exception report that highlights the best and worst performers with Sort, Straighten, Scrub.
2. Systemize also has a benefit in safety.

4.3. Visual Management

Toyota is famous for its “andon cord” if problems occur. Andon refers to the pull cord where any worker on the production line can stop production, and ask for help, if they see a fault that cannot be fixed by them or the next set of workers. If left unattended, the fault will be covered up by a panel. Immediately lights flash and that part of the production line is halted. The workers below are unaffected as there is a feed in line with about eight minutes of product in which to work. Trained engineers rush in and fix the problem within the eight-minute time frame. The ability of anyone to stop production and activate the flashing lights to get the roaming engineers to the spot quickly is a major advantage Toyota and other manufacturers have when using this visual control.

Visual control is an important principle for the finance team to master as many reports require the skills of a rocket scientist to read them. Whereas if we adopted this Toyota principle we would make:

- All reports so clear that nobody needs to ask questions about them – I call it passing the 14-year-old test
- Use some sort of “and on cord” like a “red cone” so staff, within the accounting function, can signal that they are having a problem that might delay an accounting process, at month-end / annual planning/ annual accounts
- Use of staff notice boards, screens in canteens to report progress

Kanban boards

Here we need to adopt visual control techniques that are part of the lean or agile movement. Creating a Kanban board to visually manage your work is a great way to increase your overall effectiveness and efficiency. Kanban is also a great way to instill a sense of accomplishment among a team. Let’s take a look at why this is the case.

A Kanban board is a visual process and project management tool that helps teams organize and manage their work. Kanban boards allow teams to visualize their work

and understand what is going on at a glance. Using note cards or sticky notes to represent work items, you can show any sized body of work such as a project (involving numerous tasks) or a task (usually involving only one person). Different colours are for different staff or work groups. The whiteboard is divided into three columns to represent backlog (to do), doing, or done. A small box is also set up for any processes that are stuck, as shown in Exhibit 4.6.

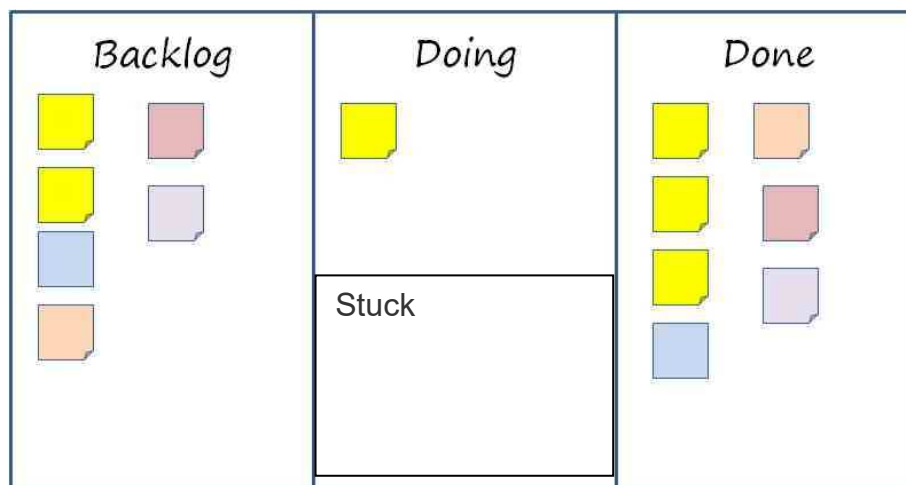


Exhibit 4.6 Example of a monthly report to the organisation's staff

Kanban boards visually show the work in progress. This way, everyone is kept in the loop and WIP is kept to a minimum. Kanban boards work well for any type of work. It's so flexible that you can start with whatever process you already have.

The Kanban method uses a pull system. Instead of trying to do 10 things at once, manage your personal tasks by "pulling" in new work only when you have completed the current work.

Kanban boards show a team's accomplishments. Have you ever had a hard time explaining to your boss what you're working on because you have so many things on your to-do list that you don't know where to begin? By showing your boss the Kanban, they will instantly see all of your work and understand your workflow.

A common misconception is that doing several tasks at once can save time. This is a myth, although millions of people every day try to juggle their work so they can "feel" productive. Yet in reality it leads to stress and inefficiency. A Kanban board can help you keep tabs on your tasks-in-hand limits e.g. the maximum number of tasks that any one person can be working on at any given time.

While limiting work in progress may sound counterintuitive, it can actually increase effectiveness and efficiency. By allowing team members to focus on a limited number of tasks at once (usually no more than three), less time is wasted in task switching, or the act of switching from one task to another. Task switching consumes not only time, but mental energy in the act of constant juggling priorities.

It should be obvious that finance teams need to use a Kanban board throughout the month.

Trello – an electronic Kanban board

A Trello board is a list of lists, filled with cards, used by you and your team. Trello is a task management app that gives you a visual overview of what is being worked on and who is working on it, see Exhibit 4.7.

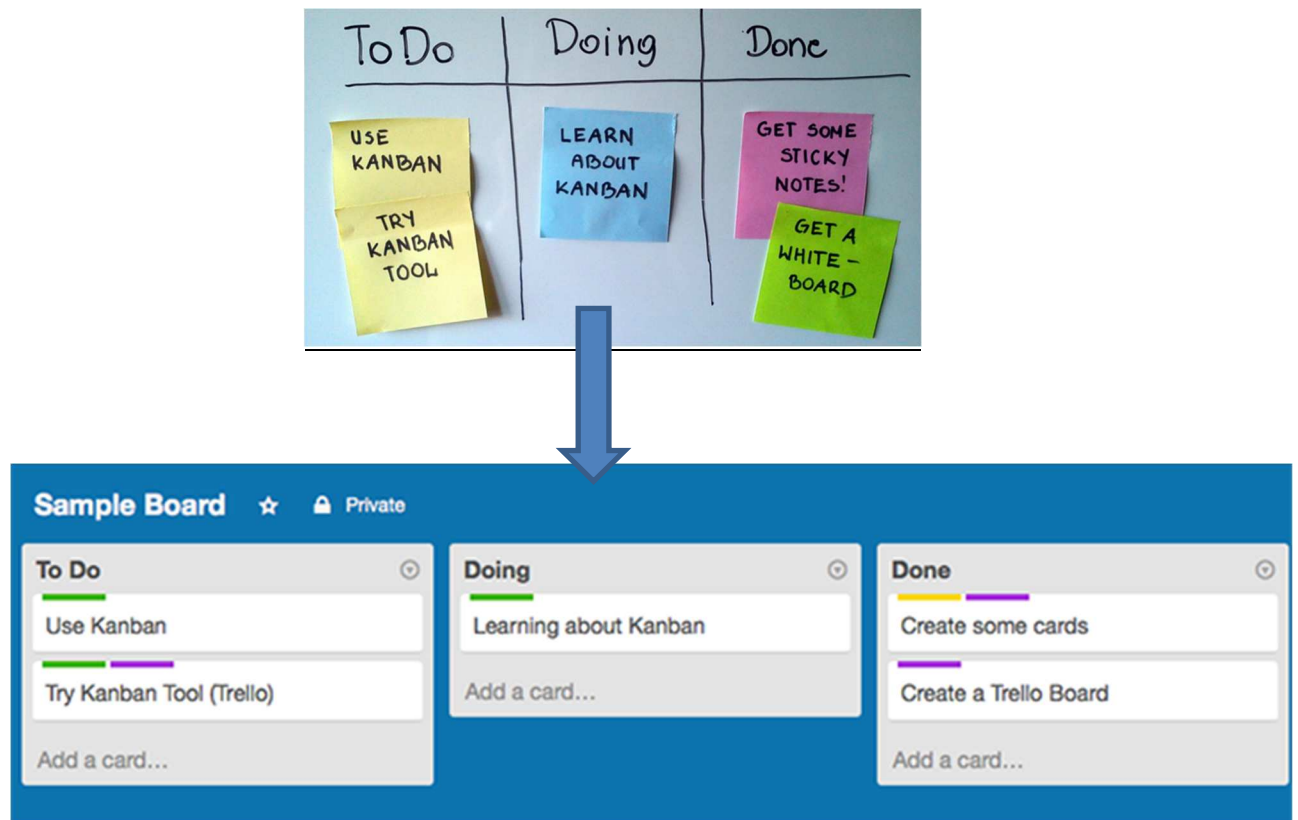


Exhibit 4.7 Showing how a Post-it Kanban board would be seen in Trello.

Trello creates a system that allows for individuals or teams to track a project and collaborate or contribute where they can be most useful or where it is most needed.

For how we effectively use Trello for project management, visit <https://wpcurve.com/trello-for-project-management/>

4.4. Adopting Time Saving Techniques

There are a number time saving techniques worth adopting

1. SCRUM meetings from the agile movement
2. Value stream mapping

SCRUM meetings from the Agile movement



Scrum meetings are stand-up 15-minute project update meetings held first thing each morning, where team members are asked to talk about:

- What they did yesterday on the project?
- What are they doing today on the project?
- What are the barriers to progress?

The debrief, for each team member, is to take no more than a minute or so. Some teams even have a dumbbell weighing 5-10kg to be held out horizontally, with the weaker arm. The rule being

you can only talk as long as you can hold the weight horizontally. At the end of the session, the group ends the session by bumping fists, a homage to the source of this technique.

The manager, renamed the scrum-master, notes all the roadblocks and immediately sets about removing them with an appropriate phone call or walkabout: “Pat, will you please make time this morning to see my corporate accountant? I understand Sam has been trying, for the last few days, to meet you. This is now holding up the _____ and the CEO and _____ will soon be on my and your back if we cannot resolve the issue today.”

This scrum stand-up meeting does many things: it replaces loads of emails, as the team members get to know what has been done and what is going to be done and by whom. It makes everyone accountable. There is no place for a cruiser.

Visit Jeff Sutherland’s YouTube presentation to understand more details. The following presentations will help you to understand more about this great technique. Search “scrum + Jeff Sutherland” on YouTube to learn more about the history of scrum, how and why to use it.



Scrum meetings can be used in innovation in the following ways:

HOT TIP

- Holding **Abandonment** scrum meetings, once a month, see abandonment section for how to run the monthly meeting.
- Holding **New Ideas** scrum meetings weekly to begin with then fortnightly

Value stream mapping

Value stream mapping is a great process to pin point waste. It is like flow diagram except that you focus on:

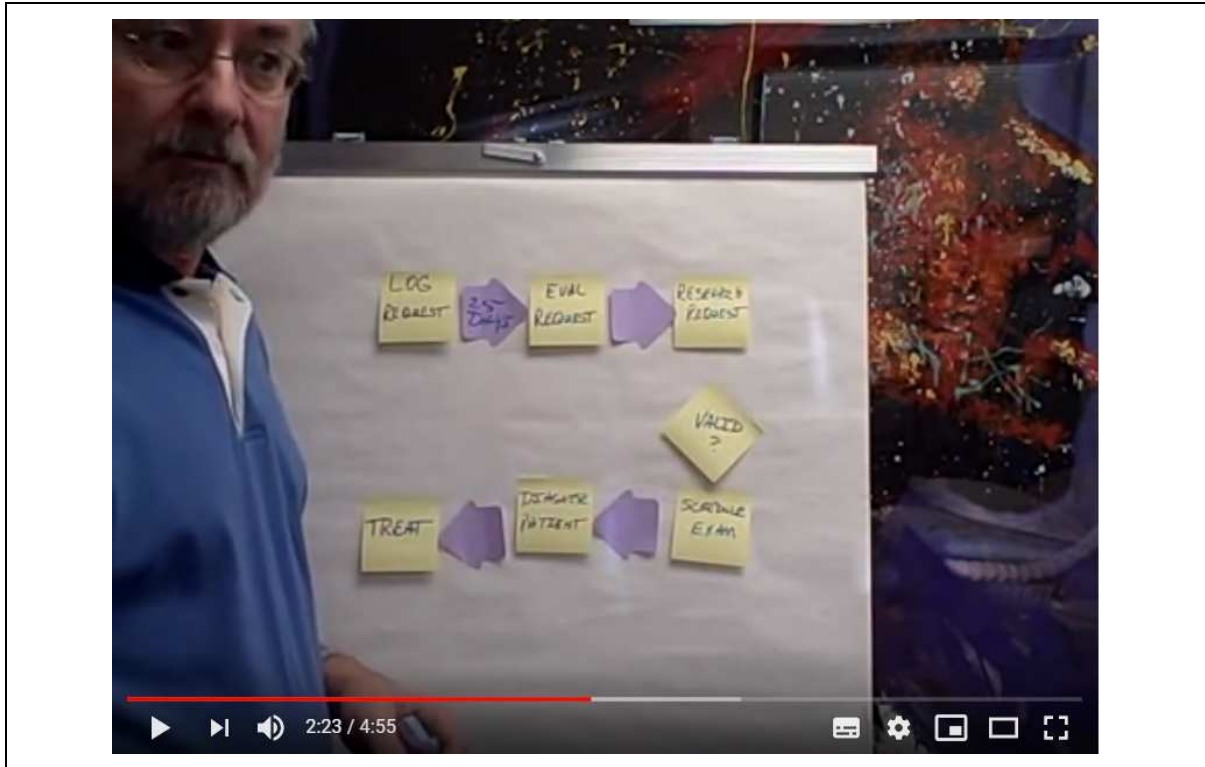
- Tasks that are non-value adding – the customer does not want them and they are part of the eight wastes as all ready discussed.
- Waiting time is separately identified, from the actual processing time for each task

- Tasks that have to be performed as they are mandated by regulation
- Tasks that add value to the customer

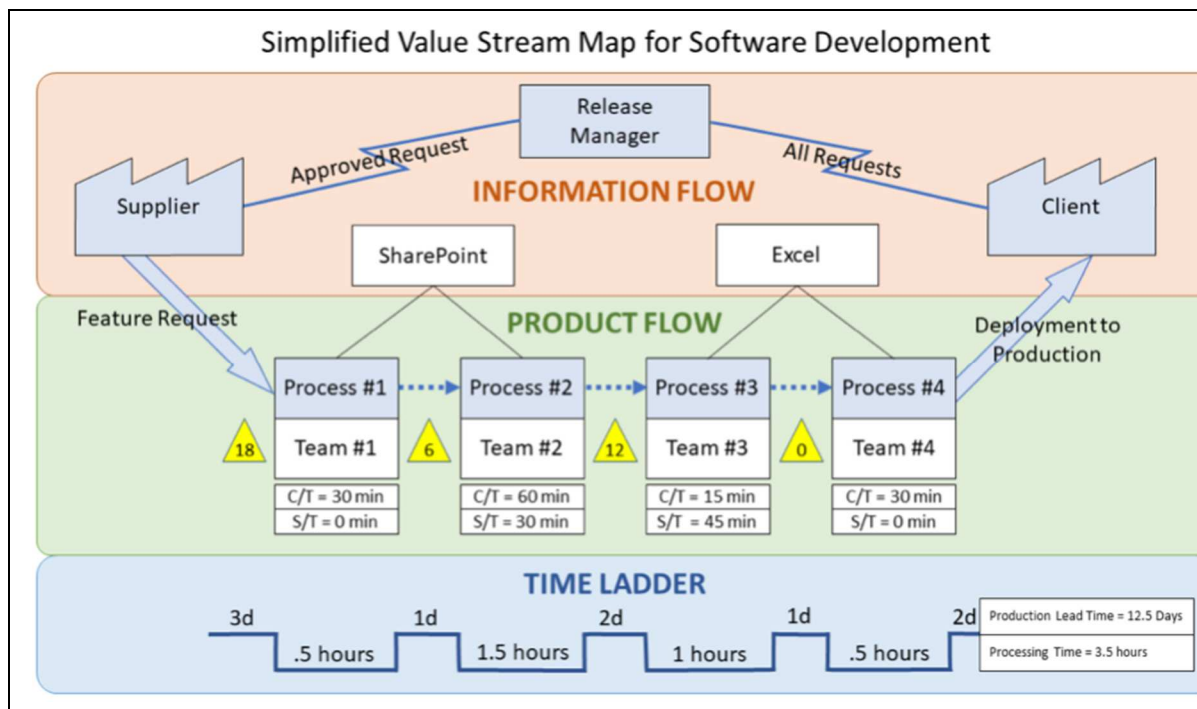
Value stream mapping should be undertaken on all processes that you have already reduced through the simple process of post-it re-engineering. At first, I recommend that you start with Jay Arthur's simple post-it sticker process, as you will have the stickers already. Visit

HOT TIP

<https://www.youtube.com/watch?v=3mcMwlgUFjU>



As you get more serious you can get further training, so you are able to utilise specialist software to further reduce unseen waste.



5. Implementing a Blue Ocean Shift Innovation

In the book the “Blue Ocean Shift” (BOS) process, W.Chan Kim and Renee Mauborgne have outlined a very practical five step process for moving from the bloody red oceans of competition to the clear, calm and rewarding blue oceans.

You know when you are there as there is little or no competition, customers have a higher perceived value and are thus fans; costs are considerably lower, as shown in Exhibit 5.1.

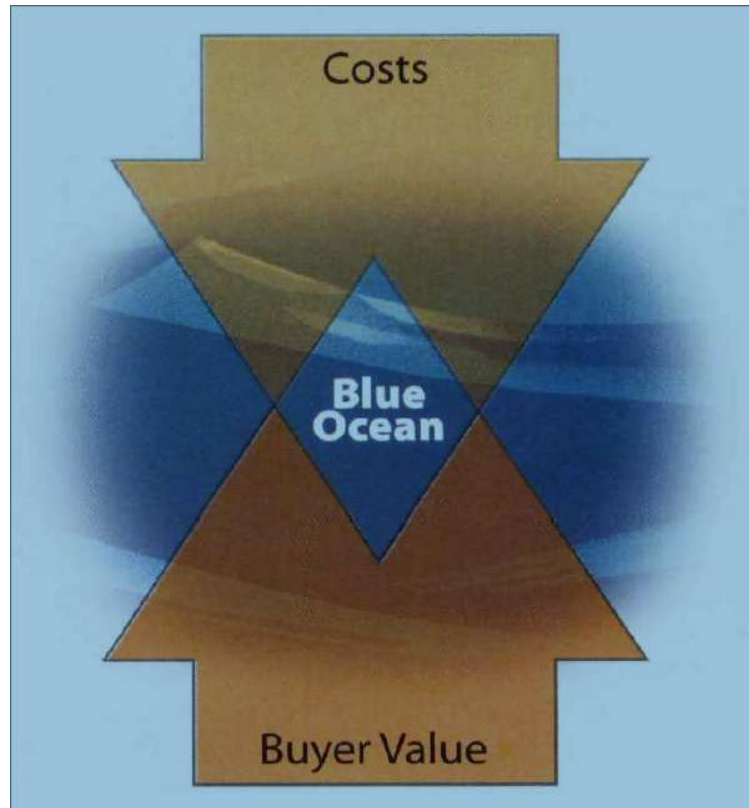


Exhibit 5.1 The desired outcome from a blue ocean shift

Kim and Mauborgne are very clear about their advice. They offer us these foundation stones for a blue ocean shift process, see Exhibit 5.2.

Exhibit 5.2 The foundation stones of a blue ocean shift process

<p>Focus on new demand rather than fighting over existing customers</p>	<p>This is a zero-sum game. In New Zealand the power companies knock on your door offering great deals to switch. It is an endless circle which the main beneficiary is the clever consumer who players them off against each other.</p>
<p>Do not take existing industry conditions as givens</p>	<p>“It is because they say it is”, All great products or services start by challenging this statement. Invariably nobody has asked the customer. The status quo is assumed by the management who have received</p>

	large bonuses from the existing environment and are not in a frame of mind to look for new possibilities.
Have a mantra that noncustomers' come first	Peter Drucker coined the phrase "non-customers". By focusing on all those customers who you would like to have but have not yet engaged, an organisation can challenge the past and look for new opportunities and new channels to reach this untapped potential.
Do not seek to beat the competition- aim to make them irrelevant	Fighting over the same customers is a meaningless task. You want an offering where your customers are fans. No amount of enticement will change their purchasing habits. Apple has succeeded with this time and time again.



Cirque du Soleil is an example of blue ocean thinking. Dance, opera and circus were merged together into an amazing new spectacle where there were few competitors. The added advantage was that all their performers are treated equally as they had moved away from billing star performers with their high costs and associated demands.

The five-step model

1. **Get started:** This step involves selecting a blue ocean shift (BOS) facilitator, who will be an outside consultant, selecting the core in-house BOS team, and training them. Selecting some mentors for the in-house team. Mapping out your current offerings in the pioneer-migrator-settler process.
2. **Understand where you are now:** This involves the BOS facilitator running a two-day workshop with the extended BOS team. The Strategy canvas is drawn. Expect this to take two-four weeks to schedule.
3. **Imagine where you could be:** This involves the extended BOS team doing field work and meeting up in a one day workshop where they share their findings on the buyer utility matrix and ascertain the magnitude of the three types non-customers' demand ("soon to be non-customers", "refusing non-customers" and "unexplored non-customers".)
4. **Find how you get there:** This involves the extended BOS team doing fieldwork and meeting up in a one-day workshop where they share their findings on the six possible paths, complete the "eliminate, reduce, raise and create key features" exercise and outline a number of possible new offering solutions.
5. **Make your move:** This involves the extended BOS team presenting the "new offerings" in a contestable environment (a blue ocean fair), where the chosen audience get to hear the various options and in a workshop environment explore their options .get to add their contribution and then vote for the best offerings from their perspective all on the same day. The executive team then

makes their decision. Piloting of the new product or service commences rapidly using carefully chosen responsive customers / regions.

5.1. Step 1: Get started

This step involves selecting a BOS facilitator, who will be an outside consultant, selecting the core inhouse BOS team, and training them. Selecting some mentors for the inhouse team. Mapping out your current offerings in the pioneer-migrator-settler process. Expect this to take 4-6 weeks of elapsed time.

Kim and Mauborgne advocate that you need to map today to see tomorrow, by looking at the existing offerings. It is a great wake-up call and gives an indication of the impending doom is action is not taken. They believe products /services fit into three categories:

Settlers - These products compete by offering incremental changes or special pricing. In my supermarket you see competing electric tooth brush manufacturers offering special deals at least six times a year. You therefore would never wish to pay the full price. Unless the industry is growing, and profitable settlers have a little or no prospect for growth.

Migrators – Offer a value improvement over competition. Customers are less price sensitive as you are best in class.

Pioneers – These products don't have customers they have fans. They offer unprecedented value in the customer's mind. There is little price sensitivity. Offer considerable potential for growth providing the fan base is big enough.

They call this process the pioneer-migrator-settler map, see Exhibit 5.3.

HOT TIP

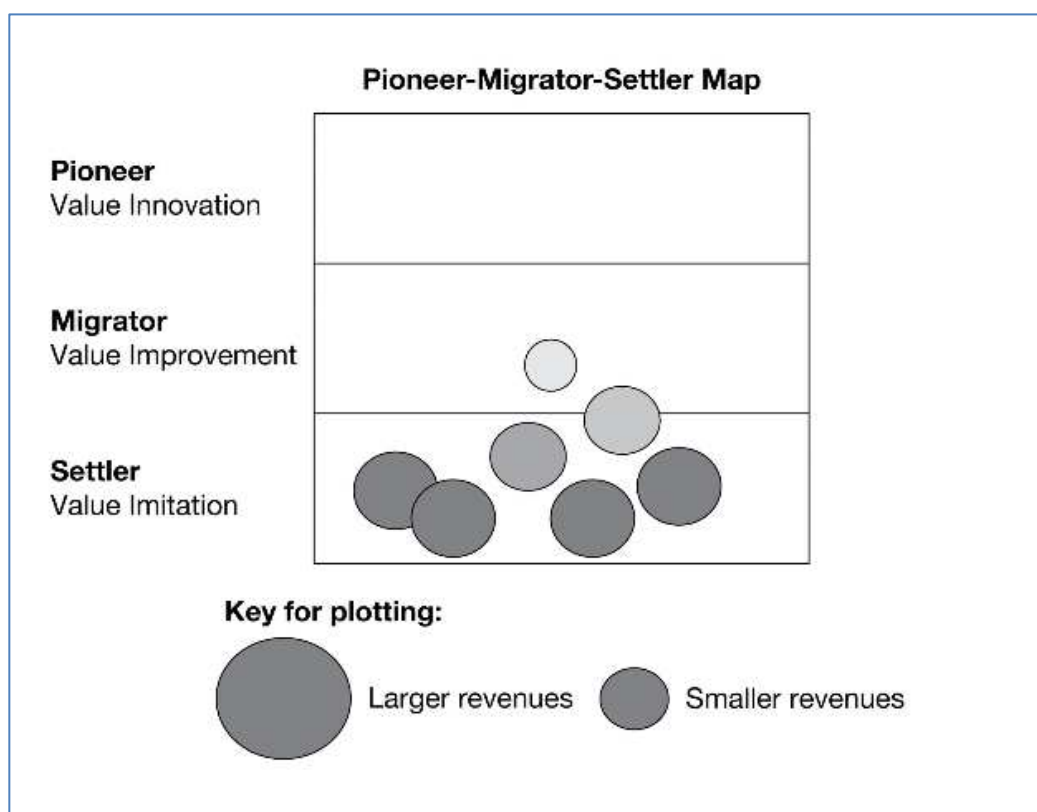


Exhibit 5.3 The pioneer-migrator-settler process

In this PMS map the organisation is strategically vulnerable because it is living on past success. With organisations with blue ocean offerings you would see small circles appear in the top row.

How to plot your PMS map

1. Purchase enough books so that each member of the Blue Ocean Shift team has one. Purchase the BOS suite to access the exercise templates from www.blueoceanshift.com/Exercise/Templates.
2. Prepare the existing products and services and rank the circles according to the current revenues over the last rolling twelve months. Give a code to each product/ service. Use product groups to limit circles to no more than 20.
3. Select a team comprising a mix of inhouse and external attendees. The mix is important as there will be a tendency for departmental heads to move their products higher up the list, they will rightly fear if their key product sits in the Settler row it may be left out to die.
 - a. Experienced staff who liaise with your customers
 - b. Experienced staff from stores who sell you products alongside your competition
 - c. Sales staff who have been working in the sector for over five years
 - d. The likely full-time members of the blue ocean team
 - e. The CEO and two to three other members of the executive team

4. Run a short training session covering the definitions and the rules around drafting the PMS map. The rules are:
 - a. The rankings should be based around the customer's view and not the ranking within the organisation.
 - b. The size of the circles is relative to the existing organisations' revenues. The product with the largest circle will have the largest revenue.
 - c. A pioneer product can be in two types; a "value pioneer" or a "technology pioneer". The latter is unlikely to grow unless a new unexpected market is found for the technological breakthrough.
5. Run a small workshop, breaking the attendees in to at least three groups with each group having no more than five staff. Using Microsoft products as a case study ask the teams to draft a BOS map for 2014 showing the position of the App store, iPhone, iTunes, Macintosh, iPod. Discuss their different versions and come up with a proposed collective view. Now compare to Exhibit 5.4. Discuss reasons for differences. For teams where the mapping was very different move some staff from the stronger group.

HOT TIP

Now using the company's products/ services get the groups to map the predetermined circles. Where there is a marked difference between teams get them to present their case to a panel comprising of The CEO and two to three other members of the top team. This challenge can occur in another room while you are debating the final position of other products.

6. The panel present the final picture to the group and the BOS team will present it to senior management and department heads in subsequent meetings.

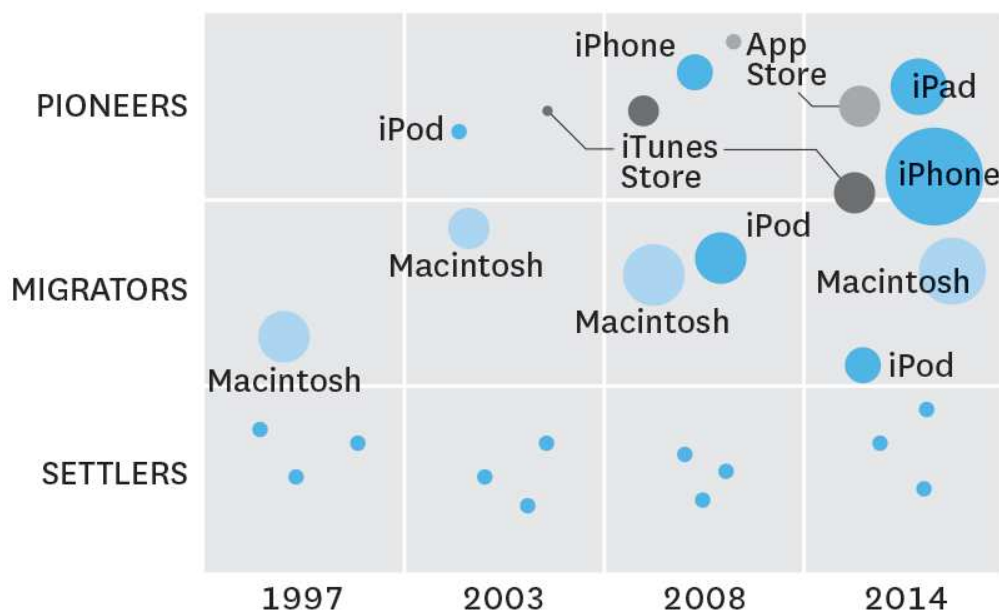


Exhibit 5.4 The pioneer-migrator-settler process

Establishing a BOS Project Team

Here are some guidelines for a BOS team selection:

<p>Full-Time Responsibility</p>	<p>In most of the implementations I have observed, the project leader's full-time commitment has been compromised. In every case this has delayed and put the project on the back foot. For organisations with over 250 full time staff the BOS team leader should and must be full time. In small organisations this duty must be at least half the workload with much daily operational activity reassigned so that the incumbent has a chance to focus and create some momentum in the project.</p>
<p>In-House Appointment</p> <div data-bbox="220 633 400 707" style="border: 1px solid black; padding: 2px; width: fit-content; margin: 10px 0;">HOT TIP</div>	<p>Peter Drucker said, "Never give a new job to a new person." We need to appoint an in-house person as the BOS team leader. Someone who is well respected in the organisation, has had success implementing projects and has a pile of "I owe you" favours which they can call upon when help is required. Staff, who are concerned about the change, are more likely to support the BOS initiative when it is led by a trusted in-house appointee.</p>
<p>Direct reporting line to the CEO</p>	<p>The person holding this position would report directly to the CEO, as befits the importance of the project to the future of the organisation.</p>
<p>Representatives of all departments</p>	<p>They must be selected for their ability to contribute, their knowledge of the sector and their accumulated respect in the department. There will need to be some abandonment of duties as they will be spending a minimum of 10% of a working week on the project, and in peak times up to 25%.</p>
<p>Include one or two known naysayers</p>	<p>Putting a devil's advocate on the team boosts the credibility of the process and the team's findings.</p>
<p>The BOS team to have a "cluster of mentors"</p>	<ul style="list-style-type: none"> ▪ Find a consultant who has credibility within the organisation, as they have most probably helped previously in a successful project. Pay for their wisdom and have a series of two- to four-hour sessions with them. ▪ Find an external BOS facilitator. They can be based overseas as many of your sessions will be held over web-based tools. ▪ Find a mentor in-house, an oracle who knows all the key players and how they operate, who is a master of politics, who knows who the big players and blockers are and who's hungry for change and likely to be one of the BOS teams' best supporters. This mentor may have retired recently and will welcome the odd long lunch as you examine the issues. They may help you solve them yourself or suggest alternative approaches. ▪ Build a peer group among like-minded BOS team leaders who are pushing the envelope. It will be comforting to know that someone else is going over the trenches and is still around to share the tales of adventure.

Select the In-House BOS team

A small well-trained team will have the best chance of success. A project team of two to four people is recommended, depending on the size of the organisation. The chosen project team members need to be committed full time, and they need to report directly to the CEO, as illustrated in Exhibit 5.5. Any layer in between the CEO and the BOS team indicates a lack of CEO commitment. This point is so important that the project should not proceed if the CEO does not wish to be involved in this way.

The external BOS facilitator /mentor should help the senior management team pick a team. Research into personnel records is recommended, as many talented in-house staff are found in obscure places, and some may already have some BOS experience. The BOS facilitator is looking for staff members who have a proven track record of excellent presentation and communication skills, a flair for innovation, the ability to complete what they start, knowledge of both the organisation and sector, the aptitude to bring others on board, and the ability to be cheerful under pressure.

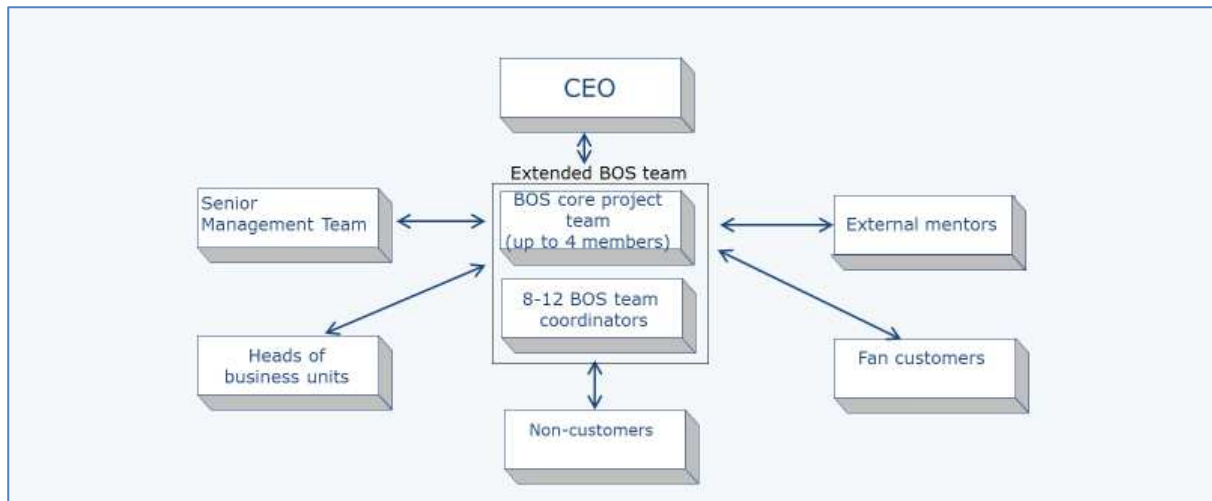


Exhibit 5.5 The Blue Ocean Team’s reporting lines

The BOS project team should be a balanced mix of oracles and young guns. Oracles are those grey-haired individuals whom you visit if you want to find out about what has happened in the organisation in the past. Young guns are your young, fearless, and precocious leaders of the future, who are not afraid to venture into the unknown.

All departments and service teams should appoint a person, as the team BOS coordinator, who is sufficiently knowledgeable about their operation to provide information and feedback to liaise with the BOS team. Ford Motors had a successful launch of the Taurus because 17 different departments were involved including legal and insurances companies advising on design features to minimise collision repair costs. If you are an organisation over 250 FTEs you should have representatives from a wide list of departments, see Exhibit 5.6.

HOT TIP

Exhibit 5.6 The Blue Ocean Team’s reporting lines

HR	<input type="checkbox"/> Yes <input type="checkbox"/> No
Training	<input type="checkbox"/> Yes <input type="checkbox"/> No

Marketing	<input type="checkbox"/> Yes <input type="checkbox"/> No
Finance	<input type="checkbox"/> Yes <input type="checkbox"/> No
IT	<input type="checkbox"/> Yes <input type="checkbox"/> No
Public Relations	<input type="checkbox"/> Yes <input type="checkbox"/> No
R&D	<input type="checkbox"/> Yes <input type="checkbox"/> No
Sales	<input type="checkbox"/> Yes <input type="checkbox"/> No
Call centre	<input type="checkbox"/> Yes <input type="checkbox"/> No
Store floor	<input type="checkbox"/> Yes <input type="checkbox"/> No
Customers who are fans of the organisation	<input type="checkbox"/> Yes <input type="checkbox"/> No

The interested stakeholders consist of those who can add a useful perspective to the project team, such as some members of the board, union representatives and some key supplier representatives.

Do not include members of the senior management team on the BOS team, as they will be unable to meet the time commitment required.

The checklists and questionnaire in the Appendix will help with the selection process. It is advisable to run some tests to assess the potential compatibility of prospective team members, such as personality and thinking preference, as it is likely they have never worked together on a large project before. The findings from these tests will help the BOS team members understand how to work better with each other as well as the Human Resources team, who are fully conversant with the effectiveness of the tests.

Full-Time Commitment of the BOS Project Team

The BOS facilitator needs to convince management that the BOS team staff members are required to be committed full time. A project office needs to be set up, and the BOS team moved in to it. They move their desk photos as well, because their second-in-command will now move into their vacated office and cover their duties. It is a myth that this project can be handled while continuing with other duties. If project staff members are still intending to start and finish the day at their workplace desk, this project should be terminated.

The BOS Facilitator Helps Train the BOS Project Team

The BOS facilitator will need to establish the knowledge gaps and set up training and some team-building exercises for the BOS team. If the team members do not know each other the BOS facilitator might organise a weekend team-building excursion.

Running good workshops is an acquired skill, and the BOS team should receive specific training in this area.

The training exercises might include:

- Preparing and delivering a presentation to sell an idea through the audiences' emotional drivers.
- A comprehensive understanding of the BOS book.
- How to pass on knowledge using better-practice teaching techniques.
- How to facilitate workshops which the BOS Project Team will be running.
- Better-practice communication techniques.
- Specific training to cover any experience and skill gaps that have emerged from the selection process.

This project is part of a larger topic called revitalizing performance. Fortunately, there have been some paradigm shifters (Drucker^v, Hamel^{vi}, Welch^{vii}, Peters & Waterman^{viii}, and Hope^{ix}) who have offered us guidance. The BOS project team need to improve their knowledge in this step.

Research for the BOS team (Key Reference Books & Websites)

The following books and templates are required reading for all BOS team members.

- W. Chan Kim and Renee Mauborgne, *Blue Ocean Shift* (Hachette Books, 2017)
- Elizabeth Haas Edersheim, *The Definitive Drucker: Challenges for Tomorrow's Executives—Final Advice from the Father of Modern Management* (New York: McGraw-Hill, 2006). This book should be on the reading list for any project leader. The reader will better understand the significance of abandonment after reading this book.
- John Kotter, *Leading Change*, (Boston: Harvard Business Review Press, 2012). A very highly rated book and a major influence in leading and selling change.
- Steve Zaffron and Dave Logan, *The Three Laws of Performance* (San Francisco: Jossey-Bass, 2011).
- Tom Peters, *Thriving on Chaos – Handbook for a Management Revolution*, (Harper Perennial 1988).
- *Loonshots: How to Nurture the Crazy Ideas That Win Wars, Cure Diseases, and Transform Industries* by Safi Bahcall, St. Martin's Press, 2019
- Purchase the Blue Ocean Shift Suite and download the tools from www.blueoceanshift.com/Exercise/Templates.

Establish a Just-Do-It Culture and Process

“Getting it right the first time” is a rare achievement. The senior management team and BOS project team need to ensure that the project has a “just-do-it” culture, not one in which every step and measure is debated as part of an intellectual exercise.

With this “just-do-it” culture comes a belief that we can do it; we do not have to rely on external experts to run the project.

Applications such as SharePoint Team Services enable the BOS team to set up intranet pages that everyone with an interest in winning BOS can access:

- Relevant memos and articles (programmed with expiration dates so only current and important pronouncements are available)
- Forums to discuss issues
- BOS documentation that requires collaborative input

5.2. Step 2: Understand Where You Are Now (by drawing a strategy canvas)

This step involves the BOS facilitator running a two-day workshop with the extended BOS team. The Strategy canvas is drawn. Expect this to take two-four weeks to schedule.

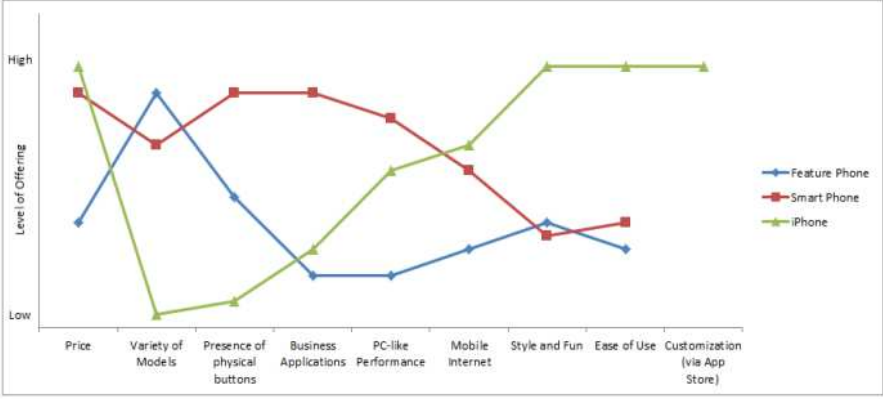
Kim and Mauborgne have developed a brilliant diagram called a Strategy Canvas to show where your products/services are against another high-end product.

Here are some rules for developing a Strategy Canvas:

HOT TIP

External BOS facilitator to run this important workshop	It is important to get this project off to the right start. The inhouse project manager will not be skilled enough to run this session. The chosen inhouse team leader can assist the BOS facilitator.
Access the Blue Ocean Studio templates	Free for seven days and USD \$99 for three months or USD \$299 for a year. This is the best amount of money spent and invested that your company has ever made in software.
Name the Industry you <u>are in</u> or intend to enter	The aim is that the extended BOS team have the same reference point. Avoid discussions about the industry you want to be in or should be in as these can be held later.
Get each BOS team member to identify the factors that your industry competes on	Examples are price, technical support services, ease of purchase, delivery lead time, customer financing, responsiveness and speed. Features that a major airline could demonstrate could be as follows:(airlines hub connectivity, seating classes, lounges, speed, friendly service, in service meals) For smart phones, the list could be: <ul style="list-style-type: none"> • Price • Variety of models • Presence of physical buttons • Business applications • PC like performance • Mobile internet • Style and fun • Ease of use • Customisation (via App store).
Record all factors on a white board grouping like competing factors together	For any competing factors overlooked by others get the BOS team member to explain their reasoning. It may just need rewording to become an additional important factor.
Reword the factors to reflect	A statement that avoids using meaningless, empty words sometimes referred to as “Weasel words.” Avoiding empty

<p>a customer's perspective and remove empty words (Limit the number of competing factors)</p>	<p>words, that are so common in management terminology, is not as easy as you might think. As we move up the management ladder, we increasingly use empty words such as:</p> <p>Accelerate, adaptive, balanced, barriers, best practice, collaborative, dynamic, effective, efficient, end-user, empowered, holistic, improvements, inclusive, innovative, integrity, optimized, outcomes, outputs, quality, recognition, reliability, renewal, responsibility, significant, solution, special, synergies, targeted, transformation, value-added, well-being, winning, world-class</p> <p>The word "brand" is for example, an empty word. It reflects the various competing factors as a whole. The words "Good people" gets changed to "customer responsiveness".</p>
<p>Rate your offerings using a five-point scale (avoid weighting the factors)</p>	<p>Form into three to four teams and get a rating performed. Using the five-point scale in the Blue Ocean Studio templates, each team uses an iPad or a laptop to complete the ratings on the templates.</p> <p>The core BOS team can compare ratings, in real time, and get the teams with outlying scores to argue their rating with the executive panel. The EP then make a final decision.</p> <p>A high price is indicative of a higher value and thus should be rated as a 4 or 5.</p> <p>It is a subjective exercise and weightings are unnecessary.</p>
<p>Draw the strategy canvas, after working out the correct sequence and compare against the industry leader</p>	<p>You put things that you score low in the customers eyes first and ensure you group them together. Aim for between 5 to 12 competing factors.</p> <p>Always start with price and then list the ones you score low on and then the higher scoring ones to the right. You therefore avoid a zig zag. See the two examples in Exhibit 5.7.</p> <div data-bbox="475 1400 1377 2000" data-label="Figure"> </div>

	 <p>Exhibit 5.7 Two examples of a Strategy Canvas</p> <p>If there is more than one, agree on two industry leaders. There now will be three strategic profiles.</p>
<p>Build a shared understanding of the strategic offering</p>	<p>Ask the BOS team:</p> <ul style="list-style-type: none"> • If potential customers saw the completed “as-is” strategy canvas, would it give them reason to be our fans? • If investors saw it, would it cause them to upgrade their estimates of our future profitability?

Benefits of a Strategy Canvas is that it communicates:

1. The key competing factors and the benefits customers receive
2. Your and your competitors’ strategic profile
3. Your relative cost structures
4. The risks of being in the settlers category when a newcomer has a compelling offering

5.3. Step 3: Imagine where you could be

This step involves the extended BOS team doing field work and meeting up in a one day workshop where they share their findings on **the buyers’ points of pain map** and ascertain the magnitude of the three types non-customers’ demand (“soon to be non-customers”, “refusing non-customers” and “unexplored non-customers”).

There is a need to understand better the customer points of pain. This is done through **the buyers’ points of pain map (buyer utility matrix)** and then by looking at the **three groups of non-customers**.

The buyers’ points of pain map is a matrix six by six, see Exhibit 5.8. Showing the six stages of a buyers’ experience (from purchase to disposal) against six utility levers (from environment friendliness to customer productivity).

The Six Stages of the Buyer Experience Cycle

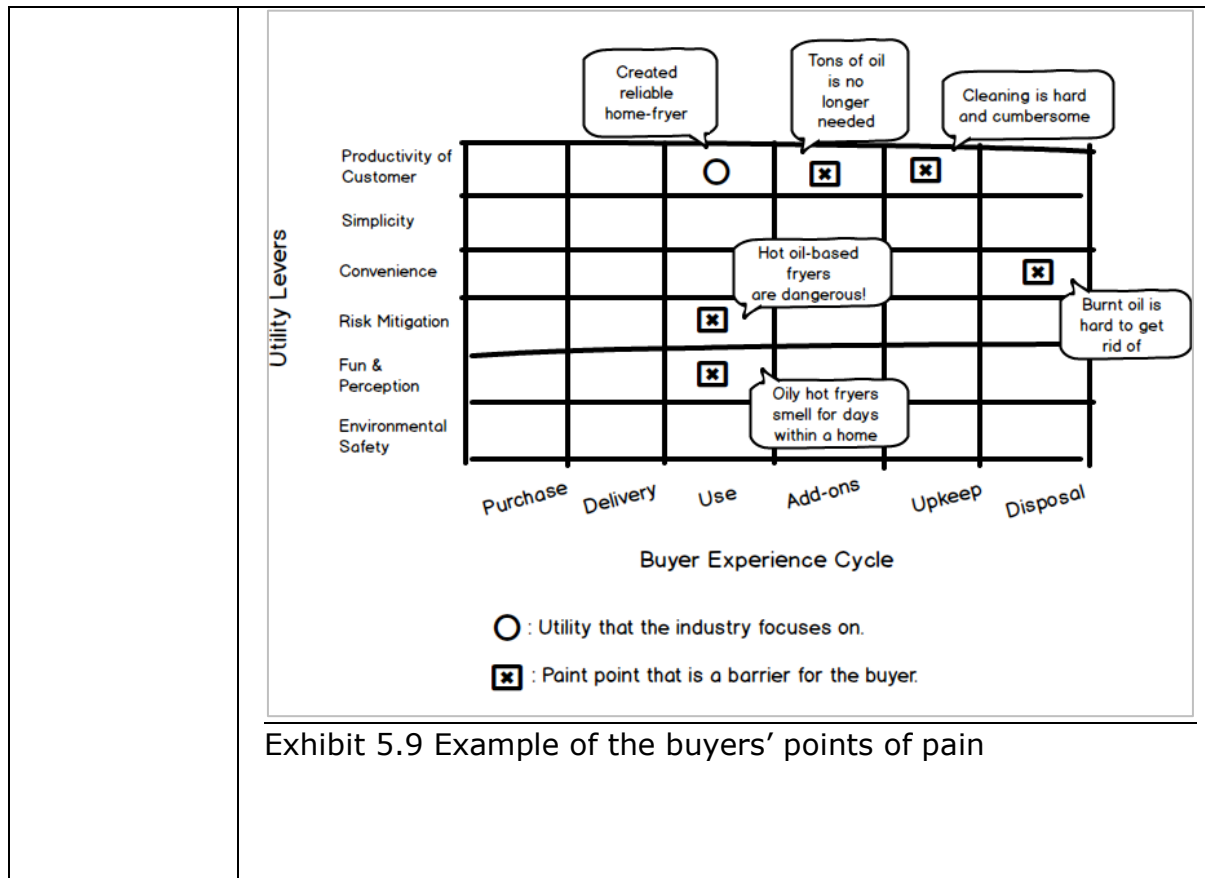
		1.	2.	3.	4.	5.	6.
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
The Six Utility Levers	Customer Productivity						
	Simplicity						
	Convenience						
	Risk						
	Fun and Image						
	Environmental friendliness						

Exhibit 5.8 Buyers' points of pain matrix

Here are some rules for developing **the buyers' points of pain map**:

HOT TIP

<p>Start by feeling customers' experience</p>	<p>The best way to do this is have the BOS project team actually carry out all the customer experience steps. For example, if in the PC industry the team would go to a shop to find out about options, buy a computer, take the computer to their car or use public transport. Then when at home set the computer up, including phone calls to the help desk. Each step being observed by the workgroup members.</p> <p>In one example a team member had to pretend they were sick and go to their doctor, accompanied by their team, and they then had to get the prescription and head home again.</p> <p>Nothing can replace the clarity you get when the full buyer experience is seen first-hand.</p>
<p>Record your findings on the Buyer utility map</p>	<p>Mark an "X" where there is a major point of pain. These offer blue ocean potentials.</p> <p>Mark an "O" where the industry is focusing on.</p> <p>Of the 36 spaces sometimes less than five boxes are marked, as shown in Exhibit 5.9.</p>



Here are the rules for ascertaining the magnitude of the three types of non-customers' demand:

<p>Cover some case studies from the book to explain how organisations tap into non-customers</p>	<p>Looking for non-customers is initially difficult as it involves going through the case studies in the book which will have given the BOS team some ideas.</p> <p>Questions to ask</p> <p>Who sits on the edge of our industry?</p> <p>What other uses could our products or services be applied to?</p>
<p>Now look for soon to be non-customers. Those who are reluctant customers.</p>	<p>These customers use the product or service because they have too. They have many points of pain and will jump ship as soon as a better alternative is available.</p>
<p>Now look for refusing non-customers.</p>	<p>Start by looking at parallel industries where customers are going instead of buying from your industry.</p>
<p>Now look for unexplored non-customers</p>	<p>These more difficult to find. These are noncustomers because they are unaware that their needs could be met by your products or services</p>

Research the relative size of the three non-customer groups	The key is to assess the magnitude of the non-customer groups. I don't believe these should be graphed, as suggested by the BOS methodology, as it is far too subjective.
In a workshop gather a consensus view of the relative sizes of three groups.	The key is to be aware of markets that are potentially lucrative if a new product or service was discovered to be attractive to the non-customers.

5.4. Step 4: Find how you get there

This step involves the extended BOS team doing fieldwork and meeting up in a one-day workshop where they share their findings on the **six possible paths**, complete the “**eliminate, reduce, raise and create key features**” exercise and outline a number of possible new products of services.

Three ways in which blue ocean shifts are made:

1. Offer a breakthrough solution for an industry's existing problem.
2. Redefine an industry's existing problem and solve it.
3. Identify and solve a brand-new problem or seize a brand-new opportunity.

The six possible pathways to systematically open new frontiers

1. Look across alternative industries	<p>The steam engine was designed to get water out of mines. Yet its most successful use was by the railways and cotton industry (powering the looms).</p> <p>A fact-finding trip will be necessary to visit people in these industries.</p> <p>Questions to ask them include;</p> <p>Who sits outside our industry but could benefit from using our product and service if it was reconfigured?</p> <p>Have you considered our product or service?</p> <p>The interviews will target “refusing non- customers”</p>
2. Look across strategic groups in your industry	<p>Understand why customers trade up or down. A field trip to meet these customers is required.</p> <p>Questions to ask them include:</p> <p>Why did you trade up?</p> <p>Why did you trade down?</p> <p>The interviews will target “soon to be non-customers”</p>

<p>3. Look at all those involved in the buying decision who have been traditionally ignored</p>	<p>Questions to ask them include: Who are the key influencers in the decision to buy? What are the key drivers that determine your decisions?</p>
<p>4. Look across complementary product or services offerings</p>	<p>The key is to see what happens before, during and after using the product in the customer's setting; often their home. You are looking for inconveniences which might inhibit the buyer.</p>
<p>5. Rethink the accepted view in the industry of how the offering is delivered</p>	<p>Ask customers and "soon to be non-customers" to describe the industry offering so you see it from their point of view.</p>
<p>6. Look to new innovations and their impact on demand</p>	<p>As Peter Drucker said the future is already here. You have to see what is happening and envisage what would the world look like if the new ideas took off. Netflix saw the growth in the availability in fast broadband and realised that downloading movies would be taking minutes, not hours, making cable offerings redundant. The interviews will target "unexplored non-customers"</p>

Here are the rules for finding a way forward:

1. Go through some case studies in the Blue Ocean Shift book.
2. The teams receive training on interviewing and what is expected from this exercise.
3. Break up into teams of no more than five and share out the six pathways between them.
4. Agree on the selection of customers and noncustomers are to be interviewed by all teams to avoid double up or omissions. Agree the questions that need to be covered in the interviews. Determine how the answers are to be documented so they can be available to the whole BOS team soon after the interview.
5. Teams should pair off in twos for onsite interviews so that nothing is missed. With one person there is too much going on to get all the right questions asked, while at the same time listening to the nuances in the interviewee's response.
6. Aim for between 10-15 interviews in each pathway.

Eliminate, reduce, raise and create key features exercise

In a workshop setting, the wider BOS team meets to discuss:

Which factors can be abandoned ?	Adopting Peter Drucker’s abandonment crusade. Some factors will be irrelevant to the customer and yet rarely questioned as they are offered as a long -held industry practice. Ask “What are the stupidest things our industry does?”
Which factors can be reduced ?	Reducing any costly overdesign in the customer offering.
Which factors should be raised above industry standard?	Based on a better understanding of the customers’ requirements, what factors will give your product and service an added advantage if standards were raised?
Which factors should be created ?	These factors are designed to attract non-customers. Ask non-customers “What factors that are not being currently offered might attract you?”

The authors call it the **four-action framework**. When the MacDonald brothers first set up their fast food burger enterprise their “eliminate, reduce, raise and create key features exercise”, had they carried it out, would have looked like Exhibit 5.10.

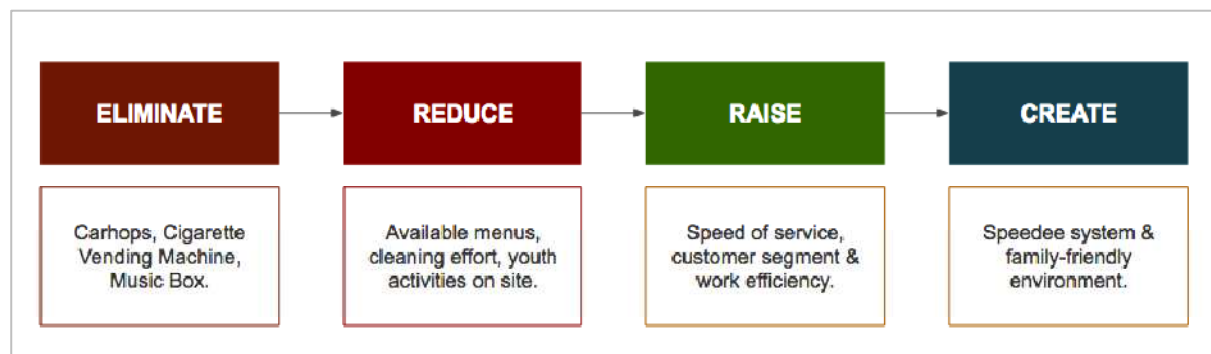


Exhibit 5.10 Example of a four-action framework

How to do this

1. In a workshop setting, with the largest BOS project team, go through the CitizenM hotel case study on Page 222-227 in the Blue Ocean Shift book.
2. Break up into teams of no more than five and all teams to prepare at least three to five points in each of the four areas.
3. Share this information when the big group reconvenes.

Outlining a number of possible “blue ocean offerings”

From the above work new services / products will emerge that offer significant potential. The greater BOS team will discuss a number of new offerings. These ideas will have emerged from earlier work.

How to do this

1. Returning to the smaller workgroups, each team will discuss one or two offerings they believe will be in the Blue oceans.
2. Back in the larger group these are reduced to between four to six different options.
3. Now, allocate a suitable champion for each of these options and ensure the rest of the project team are assigned across these options. It is important that all options have at least a team of two.
4. The product/ service teams then check to ensure that there is differentiation and overall lower costs with their option. Next, they redraw the strategy canvas with the adjusted factors. Placing the factors that are being eliminated on the left (now rated a zero) then with price and then move to the new factors where your competitors will not be scoring.

The redrawn Strategy Canvas if it had been done for Netflix would have looked like Exhibit 5.11. (Note there is no need for a 10-point scale, as a 5 point scale is adequate)

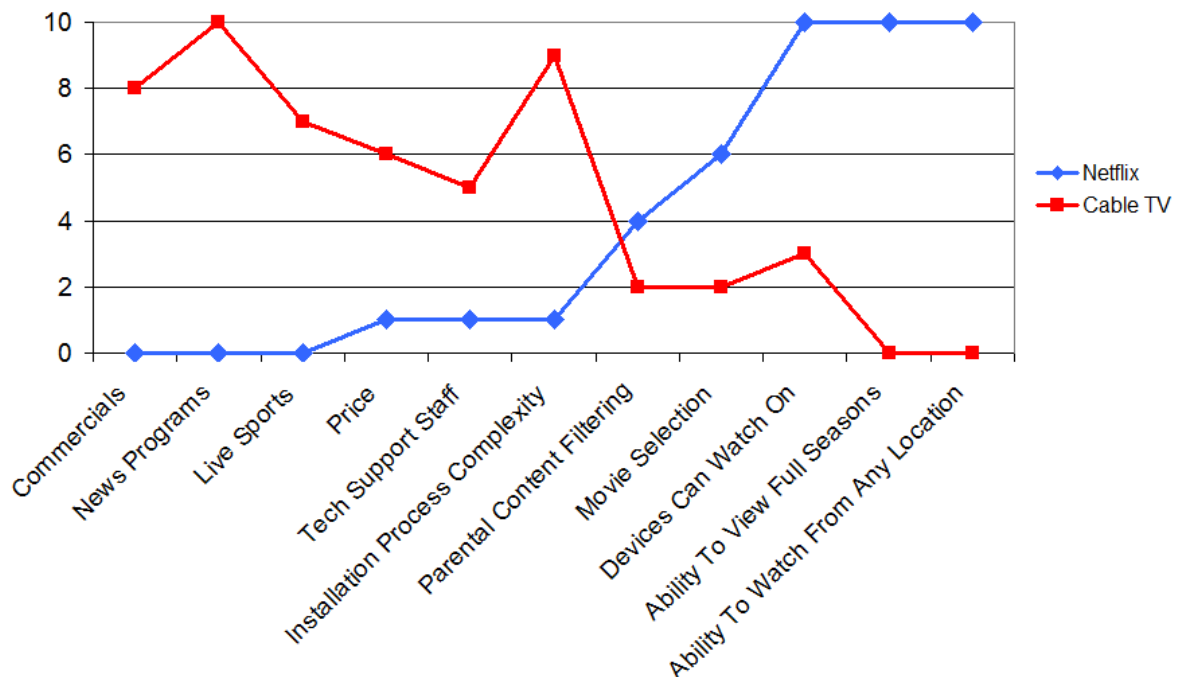


Exhibit 5.11 Netflix’s redrawn Strategy Canvas

5. The product/ service teams will engage with the finance team and get them to explain their numbers about the overall savings.

5.5. Step 5: Choose and make the blue ocean move

This step involves the extended BOS team presenting the “new offerings” in a contestable environment (a blue ocean fair), where the chosen audience get to hear the various options and in a workshop environment, explore their options, get to add their contribution and then vote for the best offerings from their perspective all on the same day. The executive team then makes their decision. Piloting of the new product or service commences with colossal speed with carefully chosen responsive customers / regions.

This is done in a carefully orchestrated workshop with between 40 -100 people attending, in addition to the extended BOS team members. The invited attendees comprise:

- Representatives from top two to three layers of management
- Representatives from every division
- Representatives from any head office function not represented in the extended team or already invited attendees
- Customers and non-customers hand selected from those already interviewed
- A local cartoonist, who has already attended the practise session, is on site to summarise each pitch on a flip chart.

In the book the authors call it a Blue Ocean Fair which is a remarkably good name.

How to do this

1. Each team has been trained in delivering a compelling 15-minute presentation in the week prior to the fair. Each presentation is to follow the same format:
 - a. Describe the offering
 - b. Show the “to be” strategy canvas
 - c. Walk through the changes to the competing factors (abandon, reduce, raise, create)
 - d. Summarise the benefits to the customers (existing and non-customers)
 - e. Outline the economic benefit to the organisation
 - f. Show the cost customer value relationship
 - g. Limit of 8 to 10 slides
2. The teams now are given 15 minutes to deliver their practised presentation.
3. After each presentation the MC summarises while the audience write up their points. Due to the significance of the project the CEO would be the ideal person to be the MC, failing that the BOS project team leader would be the next best person at the presentation.
4. The cartoonist’s work is now placed on the walls of the room and the audience is asked to walk around and review the pieces.
5. Each team sits at a large round table where a poster shows their “to be strategy canvas”, and the audience are allotted a table to start at. In this session the team answer questions, give further explanations and listen to

further suggestions and points of concern. After around ten minutes a one-minute bell signals the oncoming move to the next project team table.

6. Each attendee is given three post-it stickers with their name and phone number on it. They are asked to vote by placing one or all stickers with a chosen option. They can also note suggestions, raise further concerns, ask to be involved etc.
7. The MC then holds an open discussion starting with the most popular option. . To determine why people chose it, the MC will ask a few of the audience to talk about the features that attracted them to vote for the option.
8. While this process is happening, the executive team retreat to discuss their final decision.
 - a. How many of these options should be given the green light?
 - b. Are any factors on the strategy canvases requiring modification?
 - c. Are there any missing factors that could further increase the viability?
 - d. Have they eliminated enough factors?
 - e. Is there a better value cost equation?
 - f. Are there any capability gaps?

6. Selling and Leading Change

As we will know from past experiences this sales process is not easy and can be prone to failure. I would argue that more than half the initiatives that are declined, at the concept step, were under sold. In other words, given the right approach the initiative would have gone ahead.

If you are not prepared to learn the skills to cover the common deficiencies in a selling change process, I would argue that you are resigning yourself to providing the same service level for years to come. Selling change requires a special set of skills and we all can, and should, get more proficient at selling change..

Three books have opened up the way for us to rethink change and to apply techniques that will get change over the line.

6.1. Why You Need To Undermine The Default Future

Steve Zaffron and Dave Logan, as already mentioned, have written a compelling book “The Three Laws of Performance” that explains why so many of these initiatives have failed. The first law is “How people perform correlates to how situations occur to them.” The writers examine the concept that the organisation’s “default future” which, we as individuals just know in our bones, will happen – will be made to happen. Thus, in an organisation with a systemic problem, the organisation’s staff will be driven to make initiatives fail, so that the default future prevails.

Zaffron and Logan signal the importance of language (the second law), without language we would not have a past or a future. It is the ability to use language that enables us to categorize thoughts as either the past or the future. Without language we would be like a cat sunning itself for yet another afternoon, thinking about its next meal without the ability to process complex thought.

The next point they raised was that in order to make change we need to use a future-based language (the third law). It is interesting, if you listen to the outstanding orators of the past like Sir Winston Churchill, you will hear future based language at work. These skilled speakers knew, intuitively, about the power of future-based language.

“We shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields and in the streets, we shall fight in the hills; we shall never surrender.”
Winston Churchill

6.2. Importance of Self Persuasion

Harry Mills, a multiple business book author, has written extensively about persuasion. In his recent work “The Aha! Advantage” he talks about the significance of self-persuasion.

“Self-persuasion is fundamentally more powerful than direct persuasion essentially because of the way it reduces resistance.”

Mills articulates about the four faces of the Aha moment, as shown in Exhibit 6.1.



Exhibit 6.1 The Four Faces of the Aha Moment Source: The Mills Group

Mills' work is very consistent with Zaffron & Logan. We need to get the staff in the organisation to have, for themselves that Aha moment, that "Hell no" we do not want the default future. When the staff come to this point, change is inevitable.

This means we need to structure our workshops so there is more involvement, more chance for staff to have that Aha moment, and less dogmatic rhetoric about the facts.

6.3. John Kotter's Leading Change

In 1996, John Kotter published "Leading Change," which quickly became the seminal work in the field of change management. He emphasized that effecting change — real, transformative change — is hard. Kotter proposed an eight-step process for creating major change; a clear map to follow when persuading an organisation to move. I will discuss each Kotter step while at the same time, embedding Zaffron & Logan and Harry Mill's thinking. If you follow these steps, you will increase, many fold, the chances of change projects.

Establish a sense of urgency— Here we need to appeal both to the intellectual and the emotional sides of the executive team. There are two steps. First, ambushing the CEO with a compelling elevator pitch so you get to step two. Second, delivering a masterful sales presentation, of around 15-20 minutes, aimed at obtaining permission to run a focus group to assess, validate and scope the proposed initiative.

Create a guiding coalition— In every organisation you have oracles; those individuals everyone refers you to when you need something answered (e.g., "You need to talk to Pat"). These oracles exist right across the organisation and might hold, seemingly unimportant positions. Do not be fooled.

An investment at this step is paramount. In one case study, an organisation held three, two-week workshops which were designed to progress their planning tool implementation. Yes, that is six weeks of workshops. The CEO was present for part of each of the workshops and the wisdom from the oracles was channelled, by an expert facilitator, into a successful blueprint for the project.

No project will ever succeed without a guiding coalition of oracles behind it. In "The Three Laws of Performance" Zaffron and Logan point out that when you present the "burning platform" you are aiming for an overwhelming "Hell no" response. Upon

asking the question “Do you want this future?”the oracles want the alternative future, which you have also articulated.

However, Mills has warned us to be patient, give time for the staff to discuss, think and mull over the content. In most cases a two-day workshop will be more beneficial in giving staff time to let self-persuasion work.

Develop a vision and strategy— In order for the journey to be seen and resources made available, we must master future-based language that is compelling and motivational. As mentioned Zaffron and Logan have signified the importance of language (the second law) and that it is crucial that you talk using a future-based language (the third law).

Communicate the change vision — Kotter emphasized that it’s not likely that you will under-communicate a little bit; you will probably under-communicate a lot, by a factor of 10 to 100 times. This will undermine your initiative, no matter how well planned. During a project, the project leader needs to obtain permission from the CEO to gate crash any gathering in the organisation and have a 10-minute slot to outline the project and progress to date. One sure fire way to failure is to believe that staff will read your project newsletters and emails.

Empower broad-based action— Early on the need for change and the right to change must be handed over to teams within the organisation. Zaffron and Logan concur with this view. Once the invented future is set in the minds of the organisation’s staff, the staff will march toward this future. All the great writers have emphasized that some chaos is good so let teams embrace the project in their own way.

Generate quick wins— Obvious to us all but frequently missed. Always remember that senior management is, on occasion, inflicted by attention deficit disorder. Progress in a methodical and introverted way at your peril. We need easy wins, celebrated extrovertly, and we need to ensure we set up the CEO to score the easy goals.

Consolidate gains and produce more change — This is the fly-wheel affect so well put by Jim Collins in his books “Built to Last” and “Good to Great”. When the staff are working in unison the fly wheel of change will turn quicker and quicker. This was very evident in the case study I referred to earlier, where they had six weeks of coalition building workshops.

Anchor new approaches in the culture— Make heroes of the change agents, make sure their values are embedded in the corporate values and now ensure we weed out those in management who have not embraced the change and who, over time, will be dowsing the fire at night when nobody is looking.

6.4. Selling A BOS Project to the Executive

The process of getting the senior management team (SMT) on board requires first, an understanding of the need to sell through the buyer’s emotional drivers, a well-prepared elevator pitch, and a masterful sales presentation. The object of the sales pitch is to obtain permission to run a focus group to assess, validate, and scope the proposed initiative.

Learn to Sell by Using the Emotional Drivers of the Buyer

It is through your audience's emotional drivers, and not through logic, that a story is sold. Failure to appreciate this has undermined many an accountant's pitch to the board.

All major projects need a public relations machine behind them. No presentation, email, memo, or paper related to a major change should go out unless it has been vetted by your PR expert. Do not get offended when they rewrite most of your content. Just admire their genius and claim the credit when the PR process works – that's what everybody else does.

Selling by emotional drivers: How a car sale is made

Three customers arrive on the same day to look at a car that has been featured in the local newspaper. The first person is a young IT professional, generation Y, and wearing latest designer clothing. The salesperson slowly walks up and assesses the emotional drivers of this potential buyer. Having ascertained that the young man is an IT guru, working for a major search engine organisation, the salesperson says, "I hope you have some track racing experience. You need to be a Lewis Hamilton to handle this beast. This car has 320 BHP, a twin turbo, and corners like it's on railway tracks. Only a top driver can handle this beast. It's a real driver's car." The young man responds that he was the under 15 National Go-Karting Champion. SOLD.

The second person could be me, with my grey hair visible. The salesperson might say, "This car is five-star rated for safety, with eight air bags, enough power to get you out of trouble, unbelievable braking when you have to avoid the idiots on the road, and tyres that will never fail you." SOLD.

The third person is wearing stylish clothing and is impeccably well groomed. The opening sales line might be, "This car has won many awards for its design. Sit in the driver's seat and see the quality of the finish. Everything is in the right place. You look a million dollars in that outfit you are wearing and every time you drive this car you will feel like a million dollars!" SOLD.

The Elevator Speech

Having now understood why prior initiatives have failed through poor selling let us now look at how we get the SMT motivated. The key is to have a 20 second elevator speech that is designed to capture their attention. It must be ready so that when we next bump into the decision makers we are practised and ready.

The 20 second elevator speech is designed to capture their attention. The term came about in management books describing how you need to be able to get a point across in an elevator ride, as sometimes this is the only chance you may have to have a one on one with the decision maker. The aim is, as you walk away, that they ask you to come to their office in the next few days to discuss this further.

An elevator interaction might go like this.

In answer to the question "How are you?" you might say. "I am troubled". "Why is that?" being the natural response from the CEO. To which you reply, "I have been looking at future projections of our five major products and I have estimated that over the next 10 years we will be witnessing a decline of \$__million and \$__million in revenues if we do not find some more offerings. I have been researching the blue ocean shift approach, which has been tried and tested elsewhere, that would

generate these new offerings. I just need 15 minutes of your time to explain the way forward.”

The key is to fine-tune the elevator speech so that it is compelling. I recommend you practise your elevator speech at least 10 times so that it is focused and no longer than 20 seconds. As Kotter says, we need to create a sense of urgency and connect both intellectually and emotionally.

Deliver a Compelling Burning Platform Presentation

Assuming the elevator speech has given us an audience, we need to prepare and deliver a presentation that will get the senior management team to agree to holding a focus group workshop with the organisation’s “oracles”.

A sales pitch to the senior management team and the board should go as follows:

- Make sure you have an advantageous proposal and one with a sound focus on the emotional drivers that will matter to your audience.
- Focus on selling to the thought leader on the senior management team and board before presenting your proposal. This may take weeks of informal meetings, sending copies of articles, telling better practice stories, and so on, to awaken interest. Remember that the thought leader may not be the CEO or board chairperson.
- Make sure you prime the thought leader to speak first after your presentation has been delivered. This gives your proposal the best chance of a positive vote.
- Go for an easy next step, the running of a one-day focus group with the organisation’s oracles. You state, “If I can convince the oracles that this project will work, and get their involvement in the project plan, I will be able to present to you a project that has a greater chance of success.”

It’s important to get this presentation right, because you will probably not get a second chance. Thus, one needs to embrace the better practices around delivering “killer” presentations. I have recently read “The Presentation Secrets of Steve Jobs: How to Be Insanely Great in Front of Any Audience” by Carmine Gallo . It is a compelling read. I have incorporated his work along with the work of Nancy Duarte’s “Slideology: The Art and Science of Creating Great Presentations” and Garr Reynolds’ “Presentation Zen: Simple Ideas on Presentation Design and Delivery” in creating a list of the top tips to deliver compelling presentations. This checklist is included in the attached electronic media attached to this paper.

7. Innovation Advice from The Great Management Thinkers

Renowned leaders have a thirst for knowledge and are constantly looking at ways to improve their learning. Jack Welch, ex CEO of General Electric, was an avid reader of the financial and management press and journals. He makes it very clear that it is a leader's role to be up to date. He went on to give this advice to leaders, "Read, read, read".

The father of management, Peter Drucker, sadly passed away in 1997. His work contains many gems that have been overlooked. Alongside Drucker there are some brilliant writers like Jack Welch, Tom Peters and Robert Waterman. Gary Hamel and Jim Collins have now taken over the batten. The only problem is that many of us are too busy to read and absorb their work.

All leadership issues that a leader will ever face have been discussed in the following books. Become a disciple of their work and your leadership will flourish.

Author	Book title
Elizabeth Haas Edersheim	The Definitive Drucker: Challenges for Tomorrow's Executives—Final Advice from the Father of Modern Management (New York: McGraw-Hill, 2006).
Jim Collins and Jerry Porras	Built to Last: Successful Habits of Visionary Companies, HarperBusiness 1994
Jim Collins	Good to Great: Why Some Companies Make the Leap and Others, (New York: HarperBusiness, 2001). How the Mighty Fall: And Why Some Companies Never Give In (New York: HarperCollins, 2009).
Jack Welch with Suzy Welch	" <i>Winning</i> " HarperBusiness 2005
Thomas J. Peters and Robert H. Waterman	"In Search of Excellence: Lessons from America's Best Run Companies" Harper and Row, 1982.
Gary Hamel	" <i>The Future of Management</i> " Harvard Business School Press 2007
Tom Peters	Thriving on Chaos – Handbook for a Management Revolution, (Harper Perennial 1988)

7.1. Peter Drucker's Advice^x

I have split Drucker's work on innovation into Embracing abandonment, finding your blue ocean, and the process to becoming an innovative organisation.

Embracing abandonment

The first step in a growth policy is not to decide where and how to grow. It is to decide what to abandon

Innovation often means giving up the very skills you are proudest of.

Searching for the potential of opportunity in an organisation's vulnerabilities is likely to be resented by its most accomplished people as a direct attack on their position, pride and power. E.g. Kodak invented the digital camera and gave the invention away as it was attacking their core film business. Digital cameras went on to destroy the organisationorganisation.

Embrace Kaizen

Enterprises need to build into day-to-day management.

1. Abandonment of products, services, processes, markets and distribution channels that are no longer an optimal allocation of resources.
2. Systematic continuing improvement into processes.
3. Continuous exploitation of successful products.
4. Systematic innovation to create a different tomorrow that makes obsolete even the most successful products of today.

He loved everything Japanese; in fact, it was a passion, a safe haven for him. The rise in importance of the Japanese business methodologies would have brought a smile to his face. One of the most important Japanese principles is Kaizen. The introduction to staff that every day they should look to perform something better, to innovate, to eliminate unnecessary steps, to question the past and to assume everything can be improved. You just have to find the way. Toyota is famous for their commitment to Kaizen.

Drucker believed that management should invest the necessary mental horse power to find better solutions. The solutions should be relentlessly discussed with all teams affected "that every brain in the game" was used. Once a solution is found it should be implemented in three pilots (Drucker loved doing things in threes) to ensure the benefits would meet expectations.

Drucker's Advice on finding your Blue Ocean

Look for opportunities as if your life depended on it.

Drucker realised the importance of innovation. He was aware of the many barriers put in front of staff that would inhibit innovation and performance. Drucker was a great advocate of change, of management going with ideas when not all the detail was known. He was prepared to make mistakes rather than establish a feeling of paralysis.

Which of your noncustomers should you be doing business with?

Only Drucker could coin a phrase, "non customers" (Desirable potential customers), yet it gets right to the heart of the fundamental issue. Every private sector government and not-for-profit organisation is missing customers it should be servicing. This is particularly relevant in the government and not-for-profit sectors where members of the public, who should receive a service, are either unaware or too proud to ask for help. By constantly focusing on non-customers, an executive team can find these customers and look after their needs.

Today's advanced knowledge is tomorrow's ignorance.

Drucker saw it as very important to harness knowledge in every aspect of the organisation.

Drucker's seven sources for innovation:

1. The unexpected- the unexpected success, the unexpected failures, unexpected outside event. These are signs that the future is happening now.
2. The incongruity- the incompatibility between reality as it actually is and reality as it is assumed to be. Look for differences between what customers want and what the market thinks they want.
3. Innovation based on process need- where everyone in the organisation knows that there is a missing link that needs fixing.
4. Changes in industry or market structure. Where a small new player comes into the market and starts changing it with an ever-increasing market share.
5. Changes in demographics- Drucker specifies that changing demographics is both a highly productive and dependable innovational opportunity. E.g. the aging population.
6. Changes in perception, mood and meaning by customers- this often leads to unexpected success or failure.
7. New knowledge, both scientific and non-scientific- is not the most reliable or predictable source of successful innovations because there is a large time lag.

Take advantage of unexpected and unseen markets

When a new venture does succeed, it is in a market other than the one it was originally intended to serve. Aligned with unexpected products or services, bought in large part by customers who we didn't know existed, and used for a host of purposes besides the originally intended intentions.

Look for the future that has already happened.

Look for a major trend, a break in the pattern rather than just a variation, and anticipate its impact on consumers. Once you have seen the future, then what could or should be done is not too difficult to discover.

Prediction of future events is futile.

The task is to manage what is there and work to create what could and should be happening

Four entrepreneurial strategies aimed at market leadership

1. "First with the most" – Offers potentially the highest reward but also the riskiest one.
2. "Hitting them where they ain't" – This is creative imitation targeting areas where the market leaders are not considered.
3. "Ecological niche" – Where you create a virtual monopoly in a small niche market
4. Changing the economic characteristics of a product, a market, or an industry – This is where the innovation is a strategy itself, e.g. Yahoo giving email addresses for free to create a customer-base for advertisers.

Separate out the budget for the future

Around 10-12 % of total funding should be assigned for the future initiatives. Unlike budget for ongoing operations it should never be reduced in hard times.

You cannot market research the truly new

The key is to have an inhouse, passionate champion who pilots the new with a few chosen reliable customers who really want the new.

Look for the unexpected market.

There is a law of nature that anything that is truly new, whether product or service or technology, finds its major market and its major application not where the innovator and entrepreneur expected, and not for the use for which the innovator has designed.

Drucker's Advice on becoming an innovative organisation

Ideas are like frogs' eggs - of the thousands hatched, only one or two survive to maturity

They are born small, immature and shapeless. They are promise rather than fulfilment.

Successful innovators are not risk focused they are opportunity focused

They try to define the risks they have to take and to minimise them as much as possible.

Exploiting success

List your key opportunities then list your most capable people and then allocate the best performers to the top opportunities.

Have three test sites

Peter Drucker pointed out that one pilot site is not enough testing of a new process. If you pick a large operation then the small ones will say that the result is not relevant, and vice versa. So, test in three different sizes, hand picking the operations that have the most forward-thinking senior management that will give the new idea, a fair chance.

Keep new products in the nursery

Drucker was adamant that new products and services need to be protected. Away from the monthly reporting cycle regime where negativity often slips in due to progress delays or over optimistic forecasts. The CEO should have one to one session during the month and only require financial information periodically or on an exception basis,

Measure innovations by what they contribute to the customer

Innovation means the creation of new value and new satisfaction to the customer. A novelty only creates amusement.

Assess your innovation against the market

Ask which innovations in the market were truly successful, how many of them were ours, Is our performance commensurate with our objectives, standing in the market, with our research spending? Are our innovations in areas of greatest growth? How many truly important innovations did we miss and why?

7.2. Jim Collins's Advice on Innovation ^{xi}

Try a lot of stuff and keep what works

Collins points out that visionary companies often made their best moves not by detailed strategic planning, but rather by experimentation, trial and error, opportunism, and in some cases, by accident. Collins compared innovation to branching and pruning. Clever gardeners let a tree add enough branches (variation) and then prune the dead wood (selection). The CEO and senior management team need to encourage innovation. The number of innovations by a team should be measured. The benchmark is Toyota, which has an average of ten implemented innovations per employee per year.

The silent creep of impending doom

Collins warns us about the first step of decline “Hubris born of success,” excessive pride leading the management team down the slippery slope. An organisation always needs to focus on its economic engine, make sure its flywheel is turning and maintain a profound understanding of the fundamental reasons for success.

Is the risk above or below the waterline?

Collins specifies that, when making decisions, you need to know if they will affect you above or below the waterline if they go wrong. Those risks that affect you below the waterline can obviously sink the organisation.

7.3. Jack Welch's Advice on Innovation ^{xii}

Have innovation workshops where Yes / No decisions are made

Welch was a champion of innovation. He wanted innovation to be part of the culture. Workshops were held called “work-out process” where groups discussed better practices and at least 75 percent of all recommendations, from the brainstorming sessions, had to be given. A yes or no by the manager at the close of the workshop and the remaining recommendations had a maximum 30-day gestation period before a decision had to be made. This technique forced the decision makers to apply innovation practices, which allowed for some failure but ensured much success at the same time.

De-commoditize your products

Try desperately to make products and services distinctive and customers stick to you like glue and are fans.

Imitate and improve the offering

The reluctance to imitate is a common phenomenon - its human nature. Procter & Gamble broke the “not invented here” syndrome and scoured the world for “garage” inventors with cutting edge ideas. They took the electrostatic technology used to paint cars and applied it to their cosmetics business. transforming the way its products go on to the skin.

Exploit your service advantage over distant competitors (China)

Your challenge is not just to improve. It is to break the service paradigm in your industry or market so that customers aren't just satisfied, they're so shocked that they tell strangers on the street how good you are.

Your aim should be to drive down costs and drive up quality and service

7.4. Gary Hamel's Advice on Innovation ^{xiii}

Continuous management innovation.

You need to have a process for continuous management innovation. To be an organisation that is capable of trauma-free renewal rather than one that is moved to change through a crisis.

Creative apartheid

Hamel points out that most human beings are creative in some sphere of their lives. The point he makes is that this creativity needs to be embraced at the workplace. He believes that creativity can be strengthened through instruction and practice, e.g., Whirlpool has trained more than 35,000 employees in the principles of business innovation.

Embrace differences

Gary Hamel is very consistent with the need to embrace irregular people; their irregular ideas can be very valuable.

Aggregate collective wisdom

Hamel points out the compelling evidence that "large groups of people are often smarter than the smartest people in them."

7.5. Jeremy Hope's Advice on Innovation ^{xiv}

Innovation has moved from the exclusivity of the R&D department to anyone, anywhere, anytime.

Targets and incentives stifle innovation and growth as well as drain energy and demotivate people.

There is an inverse correlation between top executives pay and innovation.

Design the organisation around many small teams

The objective is to create a more innovative business climate and this requires multiple units that give younger managers the opportunities to use their creativity and entrepreneurial skills.

7.6. Tom Peters' Lessons for Innovation ^{xv}

Aim for ten new differentiators with a products / services each 90 day

The barriers to trying new products/ services need to be lowered in the organisation. Failing quickly and cheaply should be seen as a success.

You should imitate nature, start small and grow by small amounts

Embrace multi-functional representation on product development

Single most important reason for delays in development activities is the absence of multi-functional representation on development projects.

What ten ideas have you swiped and implemented with appropriate enhancements from competitors and noncompetitors in the last 60 days?

If you've adopted / adapted fewer than ten, beef up your "creative swiping" programme immediately.

Make innovation a way of life for everyone

We must learn- individually and as an organisation to welcome change and innovation as vigorously as we have fought it in the past.

Revenues from new products/ services should be around 50% of total revenues in any two-year period.

Encourage pilots of everything

"Piloting" rather than the constant rehashing of abstract proposals, must become a way of life. Substitute pilots and prototypes for proposals.

Learn to fail fast

Doing it right the first time is totally consistent with fast failure. The former demands that we are constantly trying new solutions to improve quality. The goal is to be more tolerant of slip-ups.

8. Other Working Guides

I do hope this working guide has been useful and set out below is the current list of working guides you can purchase from my website. Each guide comes with electronic templates.

30 smarter ways of working
Attracting and recruiting talent
Future-ready technologies for the finance team
Getting performance bonus schemes to work
How to lead and selling change to the finance team, budget holders, and the senior team
One-page reporting
Quick annual reporting: within 15 working days post year-end
Should I stay or should I go?
Techniques to adopt from the lean movement
The hidden costs of reorganizations and downsizing
Time is on my side, yes it is
Unleashing innovation in your organization
What you need to know before undertaking a takeover or merger
Winning leadership: a Viking with a mother's heart
Wisdom from the great management thinkers

9. Writer's Biography



David Parmenter is an international presenter who is known for his thought provoking and lively sessions, which have led to substantial change in many organisations. He has spoken in 31 countries and in most continents in the world. Besides delivering in-depth workshops he has been a keynote speaker for the IBM Finance Forum, The World Capability Congress, TEC Malaysia, and Profiles International Romania.

David is a leading expert in ; the development of winning BOSs, replacing the annual planning process with quarterly rolling planning, quick month-end processes and making reporting a decision based tool.

John Wiley & Sons Inc have published his four books, including “The Financial Controller and CFO’s Toolkit”, “The Leading-edge Manager’s guide to success – strategies and better practices”, “Key Performance Indicators – developing, implementing and using winning BOSs” and “Key Performance Indicators for Government and Non-Profit Agencies”.

David has also worked for Ernst & Young, BP Oil Ltd, Arthur Andersen, and Price Waterhouse. David is a fellow of the Institute of Chartered Accountants in England and Wales.

He has written over 50 articles for the accounting and management journals. He has won two ‘article of merit’ awards from the International Federation of Accountants. (2007 and 2009). His published articles titles include: “*Quarterly rolling planning - removing the barriers to success*”, “*Throw away the annual budget*”, “*Beware corporate mergers*”, “*Implementing a Balanced Scorecard in 16 weeks not 16 months*”, “*Convert your monthly reporting to a management tool*”, “*Smash through the performance barrier*”, “*Is your board reporting process out of control?*” “*Implementing winning Key Performance Indicators*”, “*Quick month end reporting*” “*Conquest leadership- lessons from Sir Ernest Shackleton*” “*Should we abandon performance measures?*” “*Putting the finance team on the map*” etc.

10. BOS Project Team Checklists and Questionnaires

The checklist in Exhibit 10.1 can be used as an aid to the BOS project team, ensuring that important tasks are not overlooked. The BOS team, with the mentors, should amend this checklist before use to suit the organisation and desired approach.

Exhibit 10.1 Establishing a “winning BOS” project team

1. Have a maximum of four staff been appointed to the BOS core team?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Are at least half of the BOS team working full time on the project?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Is there a representative from the following groups included in the BOS project wide team?	
HR	<input type="checkbox"/> Yes <input type="checkbox"/> No
Training	<input type="checkbox"/> Yes <input type="checkbox"/> No
Marketing	<input type="checkbox"/> Yes <input type="checkbox"/> No
Finance	<input type="checkbox"/> Yes <input type="checkbox"/> No
IT	<input type="checkbox"/> Yes <input type="checkbox"/> No
Public relations	<input type="checkbox"/> Yes <input type="checkbox"/> No
R&D	<input type="checkbox"/> Yes <input type="checkbox"/> No
Sales	<input type="checkbox"/> Yes <input type="checkbox"/> No
Call centre	<input type="checkbox"/> Yes <input type="checkbox"/> No
Store floor	<input type="checkbox"/> Yes <input type="checkbox"/> No
_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Has the BOS team received all designated training?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Has the SMT to step aside from BOS’s project team responsibilities?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Are BOS project team members a balanced mix of oracles and young guns?	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Has the project team developed their intranet page to include:	
• Photos, CVs, interests, contact details of the BOS team members?	<input type="checkbox"/> Yes <input type="checkbox"/> No
• Useful BOS reference material (articles, etc.)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
• Contact details of all the business unit coordinators?	<input type="checkbox"/> Yes <input type="checkbox"/> No

• Implementation programme and details about each step?	<input type="checkbox"/> Yes <input type="checkbox"/> No
• A forum for sharing ideas, answering questions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
• Progress reports	<input type="checkbox"/> Yes <input type="checkbox"/> No

The questionnaires in Exhibit 10.2 and 10.3 are to be completed by the proposed BOS team members and their peers and managers. Training gaps that are highlighted will need to be addressed before the project gains too much momentum.

BOS Team Applicant Questionnaire

Exhibit 10.2 BOS Team Establishment Questionnaire.

It is important that you answer these questions honestly so that any training gaps can be rectified quickly. Comments are an especially helpful part of the feedback process. Please take time to make comments as specific as possible and include examples where appropriate.

Please return no later than by e-mail to _____.

1. Have you ever worked with key performance indicators (BOS) on a daily or weekly basis?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Are you prepared to work full time on this project?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are you prepared to set aside at least 16 weeks for interviews, site visits, liaison with BOS facilitator and in-house coordinators, research, analysis, presenting findings, making recommendations etc.?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have you had experience at	
▪ Problem-solving?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Running workshops?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Information display and charting?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Delivering presentations to the SMT?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Interviewing?	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Completing large implementation projects?	<input type="checkbox"/> Yes <input type="checkbox"/> No

5. What is your skill base?	
<ul style="list-style-type: none"> ▪ Are you a self-starter? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Have you demonstrated innovation in the past? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Have you advanced communication skills? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Are you an “active” listener? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Do you have a good track record in finishing projects you start? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Are you able to maintain a big picture focus while working on a project? 	<input type="checkbox"/> Yes <input type="checkbox"/> No
<ul style="list-style-type: none"> ▪ Do you have the flexibility at home to be able to work overtime at critical times? 	<input type="checkbox"/> Yes <input type="checkbox"/> No

What are the three main strengths you bring to the BOS project team?

What are your three main “skills and experience” gaps?

BOS Team 360-Degree Questionnaire

Obtaining a 360-degree feedback on the short-listed team members will be most valuable in assessing their strengths and weaknesses. This questionnaire (see Exhibit 10.3) should be completed by their manager and up to five of the peers they work with.

Exhibit 10.3 BOS Team 360-Degree Questionnaire

_____ has been short-listed for the team. It is important that you provide an unbiased response about _____'s experience and skills so that any training gaps can be rectified quickly.

Comments are an especially helpful part of the feedback process. Please take time to make comments as specific as possible and include examples where appropriate.

Please return no later than by e-mail to _____.

1. Has _____ demonstrated problem-solving skills?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Is _____ calm when in a crisis or under pressure?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Is _____ proficient at writing clear and concise reports?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Is _____ adept at delivering thought provoking presentations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Has _____ competent interviewing skills?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Has _____ demonstrated project management skills?	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Is _____ a self-starter?	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Has _____ demonstrated innovation in the past?	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Does _____ have advanced communication skills?	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Is _____ an able listener?	<input type="checkbox"/> Yes <input type="checkbox"/> No
11. Does _____ have an expert track record finishing projects s/he starts?	<input type="checkbox"/> Yes <input type="checkbox"/> No
12. Is _____ a good team player?	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Does _____ work overtime to meet agreed time frames?	<input type="checkbox"/> Yes <input type="checkbox"/> No

What are _____'s three main strengths?

--

What are _____'s three main "skills and experience" gaps?

“Just Do It” Culture and Process Checklist

The checklist in Exhibit 10.4 can be used as an aid to the BOS project team, ensuring that important tasks are not overlooked. The BOS team, with the BOS facilitator, should amend this checklist before use to suit the organisation and desired approach. This worksheet helps the team to do just that!

Exhibit 10.4 Establishing a “Just Do It” Culture and Process Checklist

1. Is the BOS project being managed by in-house resources?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Have you ensured that the process will help cultural consistency?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are the BOS project’s foundation stones acceptable to the SMT?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Has the SMT openly supported and promoted a “just do it” culture?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Has the project intranet page emphasized the “just do it” culture?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Have you introduced a moratorium on new product / service development that has not already started?	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. Have the SMT ensured that the stakeholders have been consulted and have contributed to the thinking on:	
▪ Initial purpose of the introduction of BOS	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Pace at which new products and services will proceed	<input type="checkbox"/> Yes <input type="checkbox"/> No
▪ Training and education required to empower employees to become product/ service champions	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Have the appointed BOS coordinators in business units and teams been given an induction to the processes?	<input type="checkbox"/> Yes <input type="checkbox"/> No

11. Job Description for the BOS Team Leader

The BOS team leader would be responsible for:

Continually selling innovation	Assisting in communicating the importance of BOS to all members of the organisation.
Making the CSFs come alive	Ongoing support for the BOS project team.
	Planning and running the BOS workshops.
Working in other related areas	Recommending Kaizen process improvements that maximize efficiencies.
Promoting the organisation	Publicly representing the organisation at conferences to create external branding around the progress made. This is designed to attract like-minded individuals to apply for positions in the organisation.
Research	Learning about the latest thinking in BOS including work by professors W. Chan Kim and Renée Mauborgne.
	Learn the BOS methodology.
	Managing and cultivating relationships with BOS organisations.
BOS team management	Maintaining BOS team morale.

Skills and experience

It is unlikely that the organisation will have many staff who can undertake this role. In addition, the role will be very difficult for someone coming in from outside as they would not have the business understanding nor the credibility within the organisation, which would be fundamental for this role. Thus, it is important to sell the significance of this role to the few individuals who have the capability to fulfil the role. These individuals are likely to be in high demand and thus a decision needs to be made as where the BOS project fits among the organisation's priorities.

For organisations over 500 employees there will be enough talent to find someone who:

- Has tertiary qualifications and thus is able to absorb new methods and practices swiftly.
- Has a success track record in project management.
- Is known for well thought out and interesting presentations.
- Is well respected within the organisation – has favours to call on.
- Is an analytic and decisive decision maker with the ability to prioritize and communicate to staff key objectives and tactics necessary to achieve organisational goals.
- Can be freed from their role and sent on a sabbatical to up skill their understanding of their role.

- Has been able to sell change within the organisation successfully.
- Has advanced interpersonal skills and an understanding of human behaviour.
- Has strong written and verbal communication skills being a persuasive and passionate communicator with excellent public speaking skills.
- Is action-oriented, entrepreneurial, flexible, and demonstrates an innovative approach to operational management.
- Has passion, humility, integrity, a positive attitude, mission-driven, and is self-directed.

Any gaps in their experience gaps can be filled by one-to-one training with a suitable mentor.

12. Workshop Preparation Checklist

Here is a checklist (see Exhibit 12.1) I use when I deliver workshops around the world.

Exhibit 12.1 Workshop preparation checklist

	Site 1	Site 2
Tasks to do before sending material for print		
Footer and page number on slides		
Workshop instructions prepared		
Workshop exercise sheets prepared		
Confirmed data projector at site		
Confirmed whiteboard at site		
Sent seating plan		
Week prior to workshop		
Handouts sent and have been received		
All presentations on laptop		
Tested presentations loading on to laptop		
Back-up presentation and handout copies on USB stick		
Web site loaded with reference material, if necessary		
Day before travel		
Hotel booking details packed		
Pack laptop		
Pack power cable for laptop		
Pack wireless mouse (with laser pointer)		
Pack phone charger in briefcase		
Pack spare HDMI data projector cable		
Pack workshop handout master		
Pack electronic flight tickets		
Pack background material in brief case (reading on plane)		
Pack business cards		

13. Guidelines to Running Workshops

When I am running a workshop, I follow some basic rules. I set these out more as a guide rather than an instruction. Experienced BOS facilitators will no doubt have their own successful methods.

- Try to limit any presentations to 40 to 60 minutes; after that time, commence a workshop.
- After complex issues have been raised, ask the audience to discuss in groups of twos and threes what they agree with, what they disagree with, and what they do not understand. This two- to three-minute breakout gives attendees the chance to learn from each other, as some will understand the points that have confused other attendees.
- Always have detailed workshop instructions on a handout and read them out twice and give attendees an example. You will be amazed how instructions can be misunderstood.
- Avoid speaking three days in a row, particularly if you are the sole presenter. You will be speaking for most of the day, so you will need a break. You may think you can do it without affecting quality but, I assure you, your enthusiasm cannot be sustained.
- While the workshop is being presented, get the invitation sent out by the CEO, and ensure acceptances are either monitored by the CEO's personal assistant or reported directly to the CEO. You need a full workshop.
- It is best to have a venue away from the office. If the workshop is held on-site, you run the risk of people disappearing to their desks during the break and never returning.
- If you send out pre-reading material, do not expect it to be absorbed. Many will have read the material quickly, on the way to the workshop.
- Place cryptic notes on the slide to trigger a story, and place a (Q) when you want to trigger a question to the audience. Best to show the slide rather than bringing in material point by point—attendees can read three times faster than you can talk, so utilize this benefit.
- Never read the points on a slide; the attendees have already done that. Your role is to amplify each point. Thus, you never need to have long sentences on the slide; cryptic phrases are best. Keep the sentences to the handouts.
- I always have a discussion paper that contains all the complex slides in a larger version. If I am showing a financial statement, I will show it on the slide and then direct the audience to the appropriate page in the accompanying paper.
- Follow the basic PowerPoint slide rules, 'Delivering Bulletproof PowerPoint Presentations'.
- Print out the slide handout, three slides to a page, as the detailed slides are shown in the attached paper.
- While the groups are in workshop, leave the room and reflect how it is going, what has been omitted, what needs to be changed, and so on.
- Over coffee breaks, chat briefly with attendees to ask how the workshop is going for them, the pace of the workshop—is it too fast, just right, or too slow.
- Set up the workshop in classroom style (e.g., with a table in front). This is better than conference style (e.g., using a round table) as some attendees are sitting at an awkward angle through the presentations.
- For larger groups, have small notepads available and ask the audience to write their questions on them. I then have a question and- answer session

after each break. The benefits of the notepads are that the more introverted members, who often have pertinent questions, get a chance to raise them.

Note

- ⁱ Jeffrey Liker “The Toyota Way McGraw-Hill; 2003
- ⁱⁱ Masaaki Imai, *Gemba Kaizen: A Common Sense, Low-cost Approach to Management*, (McGraw-Hill 1997)
- ⁱⁱⁱ Elizabeth Haas Edersheim, *The Definitive Drucker: Challengers for Tomorrow’s Executives — Final Advice from the Father of Modern Management*, McGraw-Hill, 2006.
- ^{iv} Masaaki Imai, *Gemba Kaizen: A Common Sense, Low-cost Approach to Management*, (McGraw-Hill 1997)
- ^v Elizabeth Haas Edersheim, *The Definitive Drucker: Challenges for Tomorrow’s Executives—Final Advice from the Father of Modern Management* (New York: McGraw-Hill, 2006)
- ^{vi} Gary Hamel, *The Future of Management* (Cambridge, MA: Harvard Business School Press, 2007).
- ^{vii} Jack Welch and Suzy Welch, *Winning* (New York: HarperBusiness, 2005).
- ^{viii} Thomas J. Peters and Robert H. Waterman, *In Search of Excellence: Lessons from America’s Best Run Companies* (New York: Harper & Row, 1982).
- ^{ix} Jeremy Hope, *Reinventing the CFO* (Boston: Harvard Business School Press, 2006).
- ^x Elizabeth Haas Edersheim, *The Definitive Drucker: Challenges for Tomorrow’s Executives—Final Advice from the Father of Modern Management* (New York: McGraw-Hill, 2006)
- ^{xi} Jim Collins and Jerry Porras, *Built to Last: Successful Habits of Visionary Companies* (New York: HarperBusiness, 1994). Jim Collins, *Good to Great: Why Some Companies Make the Leap and Others, (New York: HarperBusiness, 2001).* *How the Mighty Fall: And Why Some Companies Never Give In* (New York: HarperCollins, 2009).
- ^{xii} Jack Welch and Suzy Welch, *Winning* (HarperBusiness, 2005).
- ^{xiii} Gary Hamel, *The Future of Management* (Boston: Harvard Business School, Press, 2007).
- ^{xiv} Jeremy Hope, *Reinventing the CFO* (Boston: Harvard Business School Press, 2006). Jeremy Hope and Robin Fraser, *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap* (Boston: Harvard Business School Press, 2003).
- ^{xv} Tom Peters *Thriving on Chaos – Handbook for a Management Revolution* (Harper Perennial 1988)