Change is inevitable but progress is not!
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It’s been a pretty smooth ride for Irish business over the past decade and many of us have experienced really positive results on the back of a very healthy economy. But lingering back there, in the minds of many business owners are the doubts “will it last?” or, “what will I do if things change?”.

The stark reality is that change is always happening, it is inevitable, but the progress of your business is not. First off, lets take a broad look at the changes that are manifest in the Irish economy today and how it needs to shape up for the future.

Remember that our economy is dominated by small to medium enterprises with over 80% of all businesses operating in the SME sector. A substantial proportion of our economic growth has been driven by SME’s that have grown into a ‘premier division’ of SME’s, called POGE’s - Privately Owned Growth Enterprises. If our economy is to continue developing, then it is critical that SME’s keep moving up a division and become POGE’s and that the POGE’s keep growing, don’t stagnate or go into decline.

It’s a cold reality that the cost of doing business in Ireland has risen substantially over the last decade. While we have boasted excellent productivity in the past, it seems that we are at a point of fundamental change or strategic inflection in our ability to maintain competitive advantage in our traditional manufacturing sector – the input costs are simply too high! Every other week, news reports tell the story of yet another Irish manufacturing business that is relocating to countries with a lower cost base. And Ireland isn’t alone in dealing with this reality, other first world economies are experiencing similar or worse inflections; job loss was the key issue in the recent German election. Don’t think that one of the largest economies in the world is going to sit quietly and accept this – they will respond and we in Ireland will have to compete with them in the evolving market.

And what about the massive impact of globalisation? Two clicks of a PC mouse gets you anywhere in the world today – whether you are buying or selling; fit and logistics are the only limiting factors in modern commerce. There is an urgent need to be aware of what is going on out in the global marketplace or you can get left behind and be substituted. The flip side of the coin is that there is a massive opportunity to exploit, if we can create a robust pipeline into the global marketplace.

The validity of all these observations has been underwritten by the recent Eoin ‘O Driscoll report, “Ahead of the Curve”. For most business owners this is well worth a read, even if it does mean a sleepless night or two as you weigh up the consequences.
for your business. The Report states that the Irish economic focus needs now to move
to a knowledge based and value added economy where the emphasis is on doing
clever things rather than just producing things. That means concentrating on what we
need to be really good at – developing expertise in foreign markets, researching and
developing (R&D) new high value products and services. That’s what can give us a
competitive advantage, and it’s the services sector that is going to be a major driver of
GDP growth in Ireland. In short, we need to up-skill and develop our businesses in the
areas of R&D/Technology and Sales/Marketing and we need to ensure that we have
world class skills, education and training in place to underpin all of this. This needs to
happen right across the SME sector if they are to become the POGE's that drive the
economy of the future.

The crux of the issue is that SME owner managers can find this information hard to
relate to, never mind putting in place a strategy to deal with it. Why? Because they are
so busy! Intuitively they know it makes sense, but finding time to step back and
critically examine their business in this context may be important but it’s certainly not
perceived as urgent – so it gets sidelined. It's understandable. Take a look at your
typical SME business and its managers and you will begin to see why.

The first thing that you will notice is that they are constantly juggling and struggling with
a scarcity of resources, forever balancing a finite amount of time, money and people.
It’s a real tribute to them and their innovation and responsiveness that they manage to
produce some very impressive results. They make lightning quick evaluations of the
returns they get from the investment mix and allocation of resources in their various
businesses functions, and if it’s not readily apparent, they move on. This often means
that key business functions such as strategic planning and R&D don’t make the cut
because the returns are often perceived to be too long term and vague.

And maybe what all this comes down to is the capability of the SME or POGE
managers to stand back and take a more objective view of their own businesses. In
most SME's, the managers have an almost umbilical connection to their business,
through ownership, family or long service. They are usually robust characters that often
hold the view that nobody knows their business quite like they do, and that their
problems are unique. This perspective can range across a continuum that spans
everything from high sensitivity to downright suspicion when it comes to anyone
advising them how they might run their businesses better. The net result is that most
simply don’t have a strategic plan for the future, instead they tend to have loosely
formulated ideas (that can change from week to week), and they often post rationalise
how they have reached their current business position.

Maybe this is also why so many SME’s have also not faced up to the issue of planning
for business succession. Sooner or later every business has to deal with a transition or
succession issue. Statistically between 30% and 50% of Irish businesses will have a
‘turnover’ issue before 2015, some will be better prepared than others. That's a lot of
people hitting the finishing line at the same time – you can bet that it will be a buyer's
not a seller’s market. Those businesses that have a transition strategy in place will
intrinsically be more marketable and fundable. So if you’re not prepared to endure the pain of planning for your own succession then don’t expect that ‘your business will be your pension’ – you might be disappointed.

A balanced view to business problem solving is best!

But let’s be fair. It is hard to take long term strategic views when you are juggling pressing day-to-day business problems – most people would find it hard to think about competitive strategy and succession if their bank manager is biting at their heels or they are losing key employees.

This is where the concept of double vision needs to become a reality – keeping an eye on both the strategic and operational business functions. The pressing operational problems do need to be dealt with and they demand and deserve attention, especially if they are distracting you from the important strategic issues. But the strategic issues can’t be continually ignored - they need to be addressed also. Operational and strategic issues must not be mutually exclusive.

It’s important to remember that business problems aren’t unique. Every business problem has been solved before and the principles of good business management are universal. However, it is also important to recognise that SME’s are different, and what works for larger PLC companies, does not seamlessly translate down to work effectively in the SME sector. SME’s have a unique culture and they act and behave differently as we have seen, and those principles need careful adaptation if they are going to be made work for you.

Apply a proven approach to planning

So, how can you move forward, take control and pull this together into something that can work for you? Here is a brief action plan.

First off, engage an advisor or mentor that will help you form an objective view of your business - this will be critical when planning any future strategies. They should demonstrate tangible global awareness and reach; have a real understanding of what drives SME’s in your industry today; and be locally accessible and willing to work as an integral part of your management team. Finally, their services should be designed so that the benefits you receive outweigh the cost of your investment in them. Then, with your advisor in place:

1. Take some time out, think about your business and how it needs to serve you personally – this is critical before your start the work on the business itself.

2. Develop the plan for the business - identify growth opportunities and neutralise imminent threats; build on strengths and deal with weaknesses that will hinder your progress. Easier said than done! But it is vitally important
that you clearly identify what needs to be done; who is going to do it; and when.

3. Now the hard bit - work constantly on reviewing your progress towards the deliverables. Remember the plan is not carved in stone, it will change and need to be reviewed periodically; remember this is an SME on its way to becoming a POGE and we will still have to constantly juggle the investment of those scarce resources.

Finally, always keep that phrase “change is inevitable but progress is not” in mind – don’t become complacent. Change is happening, right now. It’s also happening to your customers, and your competitors. Your industry, technology and the economy are never static – you can’t afford to be either. It’s time to turn what you intuitively know is common sense into common practice.

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