

The Importance of Now

by Rich Horwath

“The central lesson we can take from business history is that context matters. The ability to understand the zeitgeist and pursue the unique opportunities it presents for each company is what separates the truly great from the merely competent.”

Nitin Nohria,

Professor, Harvard Business School

On a cold, gray February morning, a pilot wakes up at 4:00 a.m. and drives from his home in the northern suburbs of Chicago to O’Hare airport to captain a 6:30 a.m. flight to New York’s JFK Airport. When he arrives at the airport he’s handed the weather report which notes the wind direction, wind speed, temperature, precipitation, cloud ceiling, etc. He tosses the report into the nearest garbage can without even glancing at it. He enters the cockpit and immediately starts the engines without going through any of the nearly 70 items of the preflight checklist.

An hour into the flight, the plane makes a crash landing near Toledo, Ohio in which a number of passengers are injured. Later that afternoon the pilot was asked about his total disregard for the preflight procedures that are designed to help him fully understand the situation he is departing from in order to increase the probability of a successful flight. He replied, “Look, I’m much too busy flying as fast as I can from place to place to be slowed down by some preflight checklist. That may be fine for some pilots but I’m a ‘fly first and ask questions later’ type of guy.”

If you recall hearing about this near-tragic accident a few years ago, then please grab another cup of coffee because it’s made up. To

clarify, the details were fictitious but the issue of not having the time or using the tools to understand one’s context or current situation is all too real in the business world. Failing to think through our business context on a regular basis may not have the frightening result of a plane crash but it can result in losing one’s job, income, retirement savings, funds for children’s education and organizational bankruptcy.

Ask Kevin Rollins, former CEO of Dell, who was quoted as saying shortly before his firing: “The competitive environment has been more intense than we had planned for or understood.” Or go back to one of the most influential business leaders in history, Alfred P. Sloan, CEO of GM in the 1920s and ‘30s. Despite the fact that his ideas shaped the structure of the modern corporation, he was relieved of his duties because he failed to understand and acknowledge the emerging role of the United Automobile Workers union.

The importance of context can also be seen in entertainment and sports. Katie Couric, former NBC Today show star, was paid \$15 million a year to become anchor of the CBS Evening News. After 6 months, her telecast was mired in last place behind ABC World News (9.6 million viewers) and NBC Nightly News (9.4 million viewers) with only 7.5 million viewers. Her numbers are even down 400,000 viewers from the same time the previous year when interim anchor Bob Schieffer was in the chair.

How context can determine one’s success or failure can be seen in coaches moving from the collegiate level to the professional level as well. The following basketball coaches were extremely successful at the college level and then failed

miserably at the professional level as evidenced by their winning percentages (college vs. pro):

- Rick Pitino (.814 vs. .411)
- John Calipari (.731 vs. .391)
- Tim Floyd (.633 vs. .220)
- Jerry Tarkanian (.829 vs. .450)

What contributed to Couric's and the coaches failures? Their context changed. And as we'll see, a different context often requires different or enhanced competencies.

Unwrapping Context

Context is defined by the American Heritage Dictionary as "the circumstances in which an event occurs; a setting." In his 2003 Letter to Shareholders, Jeff Immelt CEO of GE, wrote: "Two important lessons were reinforced for me last year: the value of context and the importance of driving change. By 'context' I mean understanding important trends and their impact on GE."

Research by Yankelovich Partners showed that half of executives surveyed rated their organizations below average in their ability to identify critical issues within their business. As we've seen, the inability to understand context is at the heart of numerous failures. There are three primary pitfalls of context managers need to avoid in order to be successful:

1. Annual Assessment
2. Relative vs. Absolute
3. Prescription without Diagnosis

Annual Assessment—From a business planning perspective, context is often expressed as the 'situational analysis.' The problem with this is that business planning generally happens once a year in most organizations, if that (nearly 40% of organizations have no formal business planning process). This means that on a regular basis, the majority of managers don't have a solid understanding of the context of their business. This is like trying to map out driving directions to a destination without knowing where the car is leaving from. It's the "You Are Here" map at

the museum minus the big red dot indicating where exactly you are.

Relative vs. Absolute—The second pitfall of context is not understanding that your performance is relative, not absolute. This means that your organization's improvement in operations or customer service or new product offerings may mean nothing at all to the market if your competitors have improved or differentiated themselves at a higher rate. It's like watching a hamster run and run as fast as it can on the wheel trying to entertain its five-year-old owner only to hear the words, "Daddy, I want a turtle instead."

Prescription without Diagnosis—The third pitfall of context is prescription without diagnosis. Imagine this: you're sitting in your physician's office and she walks in, takes one look at you, scribbles out a prescription and says, "Take one of these a day and call me in a week." You reply, "But you didn't even ask me what's wrong." She responds, "I gave these to my last three patients and they all got better so I know they'll work for you."

This sounds ridiculous in a medical situation but it happens all the time in business. A company's sales are declining and someone picks up one of the many "prescription books." The book says that if you do what these successful companies did (i.e., "break all the rules," "create a customer-centric organization," "innovate or die," etc.) that you too will rocket to stardom. What the majority of these books don't do is clearly *diagnose* the context that the organizations were in as they ascended their stairways to success. Without a keen understanding of their context or yours, it's impossible to determine if the business prescription will indeed "cure what ails you."

Navigating the Fog of Context

There are three tools you can begin using on a regular basis to effectively gauge the context of your business:

1. Strategy Tune-up Sessions
2. OODA Loop
3. Contextual Radar

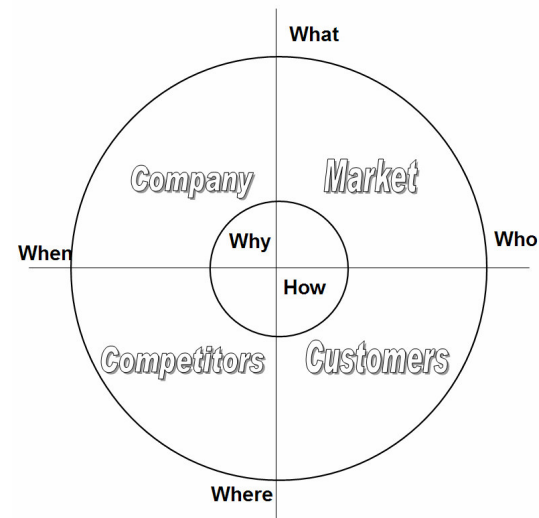
If you drive a car on a daily basis, you wouldn't dream of going an entire year without a tune-up to check fluid levels, gauge tire pressure, change the oil, swap out filters, etc. So while we regularly check our \$35,000 automobiles, we wait a full year (and sometimes longer) to do a diagnostic check on our multi-million/ billion dollar businesses. Now that makes sense.

A simple solution is to conduct periodic (weekly, monthly, or quarterly) strategy tune-ups to check on the context of the business. The focus of these sessions isn't to arrive at new conclusions but rather to openly discuss the areas that comprise the context of your business: market, customers, competitors and the company. The goal is to surface changes in the context of the business and use the resulting insights to leverage opportunities and blunt threats in a timely manner. Honda has used this technique (called Nimawashi sessions in Japan) with great success to act as the foundation for their strategic action plans.

A second tool that can be used to navigate context is the OODA Loop developed by former US Air Force Fighter Pilot and Colonel John Boyd. The OODA loop (observation, orientation, decision, action) is a mental framework that you can cycle through on a continuous basis to rapidly decode your environment, allocate resources and act decisively. The OODA loop reminds us to continually observe (collect data and facts in our environment); orient (analyze and synthesize the data to form an educated perspective); decide (set a course through resource allocation) and act (the execution of the decisions). Used regularly, the OODA loop can help us adapt to changing circumstances through

the heightened awareness and subsequent perspective of the situation.

The final tool for consideration is the Contextual Radar. As we know, radar in general is a method of detecting objects and determining their position, velocity or other characteristics using high frequency radio waves reflected from their surfaces. In a similar fashion, the Contextual Radar provides us with a visual snapshot of our business situation. If we picture a radar screen, the four primary components of business (market, customers, competitors and company) each represent a quarter of the screen. Surrounding the perimeter of the screen is the "What," "Who," "Where" and "When" that we need to address for each area. Finally, at the center of the radar, we must ask "Why" these things are happening and "How" will we deal with them?



Pilots run through preflight checklists, physicians conduct a battery of diagnostic tests and managers check their Blackberrys every five minutes. Not a completely fair assessment but perhaps closer to reality than we'd like to admit. To modify a popular adage: If you don't know where you're going, there's a good chance you have no idea where you are in the first place. □

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