

Briefing Papers and Presentations

Resource Management Common Issues in Strategy and Performance

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Consultants and Advisors to Management*

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*The content of this **Briefing Paper and Presentation** examines key issues in business theory and practice. Our intent is to provide useful insights as well as questions that should provoke leadership thought in management conversations about the subject. Related materials and references are available in our 2004 Business Notepad series, a collection of ideas and thought-starters.*

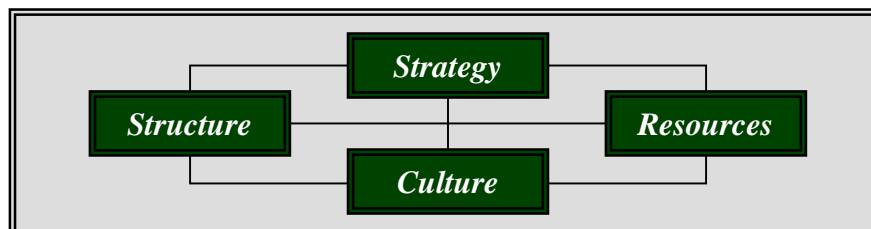
Introduction

Sustainable business performance depends on many things including the effective development and management of resources. This is a very important subject for anyone responsible for business planning and business results. It represents a cornerstone of business development and business performance.

This briefing book seeks to define resource management in practical terms that mean something to leaders at every level. For those in executive roles, corporate governance, middle-management and project management, **sound resource management sets a base for making strategy happen**. Weak resources tend to garner poor results. Strong resources tend to align with and power good results.

There are three main areas of this investigation. **Part 01** deals with the overall scope and definition of resource management. **Part 02** deals with the range of resource management methods. And finally, **Part 03** deals with the creation of economic value and business results through resource management.

Our context for resource management is relatively simple. We see resource management as one of four elements that shape, develop, drive and deliver business results. Here's the picture of those elements...



These four elements are the raw material for company performance. When they're **consistent** with realities of the business and **integrated** with each other, effective business development and positive performance are going to happen.

Part 01: The Scope of Resource Management

There are several ways to approach the definition of business resources. From our perspective, and in the everyday practice of most companies, resources of one kind or another are used to create economic value in the course of doing business. They are basic elements in the business model that help drive results.

From this very broad definition, let's get down to workable terms for resources. The following are often used as language that either defines or describes the resources we manage to create economic value and business results...

- ☑ ***Capital...indeed, the financial, operational and procedural capital of a company are key resources.***
- ☑ ***Systems and Processes...the basic and proprietary methods for doing things represent key resources.***
- ☑ ***Information...from data connectivity to advanced knowledge management, information is a key resource.***
- ☑ ***Competence...technical, operational, workforce and leadership competencies are very key resources.***
- ☑ ***Position...the company's evolving stakes with customers and the supply chain represent key resources.***

Without these key resources, companies really can't do much in terms of business development or business performance. These resources frame the boundaries of company evolution and adaptation. They define the opportunities for value creation, and they form the parameters of near-term and long-term business success. Resources may be captive or shared in collaboration.

What About the People?

Sure, people are essential resources in every company. Some of us would rather start with good people than a good business model. In this briefing book, we've addressed workforce and leadership competence as key business resources. But in the broader context of this briefing book, people are part of a more expansive resource equation, particularly when some of the more basic people issues can be effectively outsourced. A more focused analysis of workforce talent and leadership assets is the theme of our papers on ***Organizational Issues***.

Part 02: Common Resource Management Themes

Over the past 30 years, the disciplines of business management have evolved a great deal. Better management education, greater infotech usage, broader global markets, market category change and other factors have raised the temperature for the everyday work of resource management for companies in every sector.

Before we launch into any review of resource management methods and themes, we want to suggest a couple of things for perspective.

A. Beware of Fad Surfing...

In her wonderful book, *Fad Surfing in the Boardroom*, author Eileen Shapiro suggests that companies can become saturated with the latest and greatest methods for generating business performance. Many of these special “business elixirs” involve resource management, and many are suspect in application.

B. Remember, It's About Results...

Our research on business success and company performance cautions us to stay focused on business results. The potential for getting overwhelmed with new process initiatives, method compliance and system integration can derail a company's prospects for business outcomes and their business focus.

With these two caveats, we can examine the full range of common resource management themes in a thoughtful and practical manner. What follows is a general review of popular and integrated themes that we find under the resource management agenda of companies today...corporate entities and small business alike. Some of these are natural extensions of things that have worked well in business for a century or more. Others have more contemporary footings, supported by more recent developments in business theory, methods and practice.

☑ ***Capital Resources***

Modern business enterprise requires different forms of capital resources in order to function. Our punchlist of common capital resource management themes includes:

Economic Capital Access – Debt and Equity

Cost of Financial Capital to the Company

Working Capital and Cash Flow Dynamics

Economic Capital and Scope/Scale Issues

Major Operational and Procedural Assets

Intangible Factors and Capital Valuation

☑ ***Systems and Processes***

The basic and proprietary know-how and methods of a company represent resources that enable it to operate with relative productivity and leverage. The most important systems and processes involve:

Production and Operations Planning Methods

Logistical and Supply Chain Management

Marketing Systems and Distribution Networks

Product Planning and Development Systems

Talent and Leadership Development Systems

Administrative Planning and Control Systems

☑ **Information**

Clearly today, it's difficult to overstate the relevance of information resources in business management. Some of the most important aspects of information management are:

Customer Data, Intelligence and Knowledge

Operating Data, Standards, Controls, Metrics

Technical Data, Intelligence, KM Systems

Administrative Data, Standards, Applications

Analytical Methods and Information Conversion

Connectivity, Integration, System Automation

☑ **Competence**

Competence is capability that provides advantage, and it's easier to talk about than it is to create. Some of the most common business competence areas include:

Technical Product and Service Competence

Operating Capacity; Operational Capabilities

Intellectual Assets; Creative Asset Management

Talent and Leadership Assets; Human Capital

Marketing and Demand Chain Organization

Customer Relationships and Connectivity

☑ ***Position***

The term ***position*** is broadly interpreted as a combined stake and base of power in a market category. Some of the common resource considerations related to business position are:

Positive Within Supply/Demand Chain Structure

Relative Competitive Share; Brand Reputation

Position Within Market Channels and Networks

Perception by Customers; Stakeholder Equity

Internal Strength of Culture and Organization

Strength Relative to Evolving Market Conditions

We've chosen these five resource management groupings because they represent a commonsense audit of the practical drivers of company development and performance. Each area provides a sense of just how complex and dynamic a company can be, how it competes, and how it generates and delivers results.

Our research on company strategy provides ample evidence that resource management is a critical executive prerogative. The same research suggests that executives, managers and corporate boards are often misguided in their assessments of resource value, preparedness and strength. Perhaps it's denial.

We recently completed a review of ten client companies that do a very good job with resource management. Their assessments are disciplined and rigorous. The workforce knows what counts. The company directors and stakeholders are wired-in to the agenda. And ***consistently, these are excellent companies.***

Part 03: The Integration of Resource Management

The foundations of business resources can be traced to a handful of essential ingredients. Market reputation, business structure, company culture, leadership, innovation, productivity, business resolve, edge + energy, technical factors and other variables are often promoted by managers, consultants and advisors as part of the formula for sustainable performance.

We subscribe to the importance of ***clear and focused strategy, strong and active culture, and responsive, effective structure***. These elements combine with strong resource management to set the complete foundations for company success, over the long haul. This takes us to the issue of resource management integration.

What do we really mean by resource management integration? The practical aspects of integration come down to these factors:

- ☑ *Company-Wide Understanding of Key Resources*
- ☑ *Management Selection of Resource Priorities*
- ☑ *Commitment to Resource Development Efforts*
- ☑ *Specific Resource Management Agenda, Metrics*
- ☑ *Connection of Strategy, Culture, Structure, Resources*
- ☑ *Accountability for Resource Leverage, Results*
- ☑ *Collaboration Throughout the Organization*
- ☑ *Sense of Leverage in Every Resource Application*

Integration is dynamic and collaborative by nature. As such, there are leadership issues in every aspect, every facet of resource management. Resources are the lifeblood of a company. Without well-integrated resource management, the health and prospects of the enterprise will be foreshortened. Collaboration is a specific and challenging discipline, and one that we are addressing in a joint program on collaboration behavior.

Beyond the Obvious

In their trek through everyday business and business planning, it's not unusual for companies to treat resource management issues with speedy and sometimes superficial review. For example, the common place "SWOT" analysis in strategy discussions rarely digs deep enough into the realities of resource management. There are operational issues as well...

- ☑ Few companies fully understand the realities of their operating capacity and the implications of increases and decreases in operational mix or the relationship of resources and margins.
- ☑ Few companies fully understand the relative strengths of their resources against peer companies in their served markets and peer companies in other market categories that could make sense as target comparative factors.
- ☑ Few companies fully understand the prospects for creating and destroying economic value in their business entities via moves in resource management and resource application.
- ☑ Few companies are able to get much beyond lip service when it comes to growing the strategic and economic value of intangible assets. What is resource appropriability?

In two recent engagements, we've evaluated companies with different resource management attitudes. This won't come as big news to M&A professionals, but the integration of tangible and intangible resources has a significant impact on valuation and market values for companies in transition. Unfortunately, this lesson is often learned the hard way, when managers fail to look beyond the obvious. ***External development deals generally fail to meet integration goals.***

In another case, we have a company with constrained resources that has severe capital and systems limits. However, through a combination of clever product development efforts and connections with the marketplace, they were able to get a blockbuster product established in a category in a timeframe that waxed the competition. ***Constrained but highly energized companies get great things done.***

Some Related Thoughts

In other fields – politics, agriculture, warfare, the arts and sciences – resource management has both similar and unique concerns. For example, in agriculture, we have sensitivities related to the environment, world health, geopolitics, commodity prices, federal support and land use practices. In warfare, we have very distinct images of the human resource issues that can be involved as we develop and deploy the instruments and applications of warfighting. In politics, we have the ideological and partisan debates that surround government roles, functions and goals, as well as funding sources and service delivery.

There are two points worth noting here. One involves the everyday, commonsense realities of resource management:

- A. Resources don't often appear by themselves. They're scoped, discovered, cultivated and applied in some kind of deliberate management effort, with some kind of leadership effort.
- B. Resources may be static or dynamic in nature. Fortunately, most resource management options are *not* constrained by zero-sum games. Options overlap and they have leverage.

Another key point is about relativity. In any given market category, there is generally only one resource management leader. That company is more productive, more responsive, more adaptive, more innovative and more profitable. However, as market conditions change, the nature of resource management will likely change as well. The rules change, and leadership in the market category will change. Andy Grove of Intel suggested that *Only the Paranoid Survive*, and this is part of what he meant – the conditions for resource management and company performance are dynamic and complex. The rules change.

Epilogue

In more than 25 years of business practice and research, we've learned that resource management often distinguishes winners from losers. Small, focused business units have taken on and toppled much larger, more established competitors, because they had the right resource agenda in place. Likewise, larger resource-rich companies have built sustainable positions in their market categories, by reforming and remixing their capabilities to compete more effectively and generate economic value.

As a parting comment, we would like to suggest that senior managers and board members put resource management near the top of their review and oversight list. They won't be disappointed with the effort.

About Dewar Sloan

Our business management practice deals with common issues in company planning and performance. Since 1982, we've provided executives and staff operatives with information, evaluation services and decision support. We also serve directors and trustees in their respective governance roles. In our role as consultants and advisors to management, we provide services in eight related areas of practice.

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More information is available at www.dewarsloan.com. This and other briefing books are available on that website under references. For further information, contact dwolf@dewarsloan.com.

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