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PERSPECTIVES

Bringing ideas, people and data together to change the world

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THE ACCIDENTAL CIRCUMNAVIGATION OF SARK



Imagine you are on a long distance ocean racing yacht, sailing up to the start line for a 5,000 nautical mile leg across one of the world's fiercest oceans. If you ask the captain where you're going, she'll give you the name of the port at the end of the race. She certainly won't tell you that you're on a course of 243 degrees making your way towards a navigation mark. She also won't tell you that you're in a tacking duel with your fiercest competitor to secure the most favourable line to the start. Both these things may be true, but neither of them are your destination.

So it is in business.

Or rather so it should be. Many companies have some kind of aspirational vision – to be the biggest or best in some way or other. Nearly all have strategies for building their businesses and attempting to be more successful than their current closest competitors. And many listed companies are obsessed with the tactical considerations related to the corporate reporting cycle, driving up earnings per share quarter by quarter. But all too few have a clearly enunciated destination. In other words they can't say where they are actually going over the medium to long term. Nor will you necessarily ever know when they have arrived.

And to be clear, this destination really needs to be a place that is clearly different from where you are now. Simply staying the biggest in a particular market or segment is rarely clear enough to drive an organisation to improve, redefine and renew its core strengths. More likely this approach will encourage the supremacy gene to take hold, setting the business up for long term underperformance. And in a world that is

changing more and more rapidly, the status quo is simply not an option. As Groucho Marx famously said: "The problem with doing nothing is that you never know when you're finished."

As an example, think of all the organisations that are targeting "Asian growth". For many, this simply means that they have recognised that economies in Asia are growing more rapidly than economies in Europe and North America, and that they'd like to increase the proportion of profit that they make in the Asia region to differentiate themselves from their peers. But this is not a destination. It's simply an aspirational desire to spend a bit more time in another place where the corporate grass appears to be a little greener.

In practice, Asia isn't a place in its own right – you can't fly to the capital of Asia. More importantly, each country has its own particular characteristics and peculiarities. Each market operates very separately from the others, with different dynamics, different consumer preferences and different factors driving economic and social development. So "Asian growth" is little more than an after

dinner craving for something sweet. It isn't a strategy and it certainly isn't a destination.

The concept of strategy is, of course, nothing new. Unsurprisingly, many of the early texts on strategy relate to the building of nations and, in particular, the fighting of wars. Of course in a war the destination is very clear – it is simply to conquer the opponent and win the war, at more or less any cost, with the losers often paying the ultimate price. It is a life or death battle, with few shades of grey. Even a Pyrrhic victory is likely to be preferred by the survivors to dying on the front line.

In business, winning is an illusion.

Victory is only ever momentary, reflecting a confluence of factors that combine vision, strategy, skill and luck, not necessarily in equal measure. And as the pace of change continues to accelerate, the latest market darling can become yesterday's hero remarkably quickly. This is especially true if the company becomes over-confident of its market position, its strategy and its capability to deliver. The supremacy gene takes over, and the rot sets in.



It is much the same in government and politics. Although political representatives understandably complain about being caught up in an endless whirl of hourly media reports, and face the acid test of an election every few years, their real success is judged by their legacy of policy achievements.

In the long distance yacht race, the destination is always precisely defined. No matter what the weather, and no matter what the wind direction, the eventual goal is clear to the whole crew. Short term changes in course will be needed, by the minute, hour and day, to reflect changing environmental conditions. But whatever these changes are, the captain and her crew will be working together to ensure that the yacht crosses a finish line that is defined before the race starts.

Businesses and governments need concrete destinations too. Once you mark your destination clearly on the chart, you can be blown off course by the weather, but you will still be able to adjust course and continue to head towards your goal. Without a clear destination, the moment the environment changes, you'll start to wander off course. Each time you meet a new challenge, the navigational choices will seem more and more complicated, and the right choice will be harder and harder to identify.

Before you know it, you'll be lost, confused, and like as not heading for the

rocks of accidental destiny.

This happened to me once in real life, aboard a yacht in the English Channel (a Sigma 38 called Steamy Windows, for what it's worth). We left Guernsey to sail for Jersey – an easy day sail of around 30 miles. Our captain had planned the route and called for a south easterly course to be set. Before long, the island appeared, and we began to make our way around to the southern side, where the main port of St Helier lies. But as we did, the compass bearings started to wander from what we expected from the chart. The landmarks didn't quite make sense. Our captain and the crew became more and more confused, not sure whether to trust our collective eyes or the wandering compass. Soon we were travelling at 90 degrees to our original intended course. We knew something was wrong, but we struggled to understand what. We had a strategy – travel South East! But we didn't really know where we were going.

The truth is, as we'd left the harbour, we'd never been able to see our destination clearly, nor did the crew really understand precisely where we were going. It was early in my sailing career and I was still learning the basics of navigation – which is particularly challenging in the English channel due to the very strong tidal currents. We needed to sail slightly South of East, and hold that course for at least 20 miles. We shouldn't

have expected to see the island in question for at least the first hour, and maybe two. If we knew our true destination, then when we spotted land quite quickly, just a little to the left of its anticipated location, we would have known it was not where we were going. We would have ignored the distraction, and held our course in the Easter sunshine.

In fact, we were accidentally circumnavigating Sark, a much smaller island surrounded by many small, treacherous rocky outcrops. At some point, one of the crew stood back from the noise, trusted the instruments and the chart, and figured out rapidly exactly where we were. Sensibly, we all listened, including the captain (CEOs and Cabinet Ministers please note). Luckily we avoided the disaster of hitting the many submerged reefs – it was March, meaning that the survival time if you ended up in the sea was only minutes. We completed the circumnavigation and headed back to St Peterport, having learned salutary lessons in navigation and leadership. If you don't know where you are going, no amount of strategy, expert captainship or teamwork will get you there. **P**

Nigel Lake is CEO of Pottinger and author of *The Long Term Starts Tomorrow*. He has previously lived and worked in most of the world's top thirty economies.

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Latest issue from Pottinger Perspectives:



Australia is in crisis. Not economically – despite slowing growth, the domestic outlook is still one to which nearly all other major economies can only aspire. As one senior diplomat put it last week, “Australian growth is slowing to a pace that we are still striving to achieve”. Whether judged by economic growth, or the budget position, or debt to GDP, Australia is enormously more resilient than many other major nations. Of course this is no cause for complacency – it remains important to bring the budget back into balance in due course. But when it comes to the country’s mindset, it is surely time to hit the reboot button.

<http://www.pottinger.com/australia-in-crisis.html>

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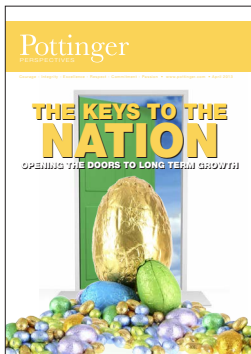
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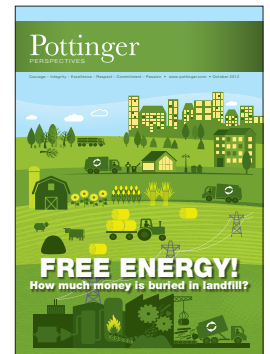
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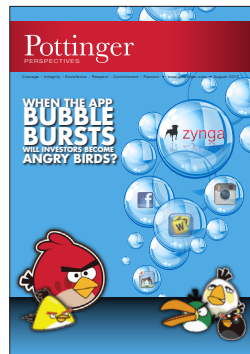
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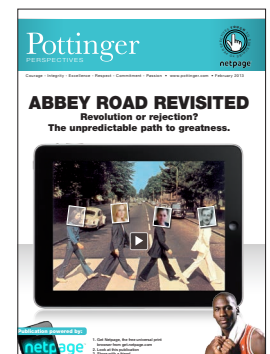
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