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a newsletter on practical strategic thinking and action
issue #18: what's the best kind of data?

editor's message

The inspiration for this month's newsletter comes from our Reading List review of *Strategy Bites Back*. In a chapter entitled, "The soft underbelly of hard data," one of the co-authors, Henry Mintzberg, challenges our thinking on data. We decided to examine these ideas in a little more depth—this month, Strategic Thinking looks at the difference between hard and soft data, and Strategic Action offers some ways that will help you improve your skills at gathering soft data. Our Industry Spotlight looks at the very profitable intellectual capital of Imagitas.

strategic thinking

Hard vs. Soft Data

Being former bankers, we certainly understand hard data. On the lending platform (as it used to be called), we spent a lot of time dealing with concrete, verifiable facts. These included financial information, system reviews, inventory counts, physical audits and/or appraisals. But, there was an even more important part of our analysis—the character of a company's management, the outlook for their business, and the strength of their market position. These were not easily verified through hard data. To get a feel for these issues, we had to interview the management team and make phone calls to accountants, industry experts and customers.

Over the years, we have developed an increased respect for the value of that dialog. So, we were happy to read Mintzberg's observations on the value of the "soft" data that comes from oral communication. He points out that a single call with an unhappy customer can tell you more than a mountain of sales reports. At Trek, we increasingly are letting go of our affinity for "hard" data. We still look at the reports, but we spend much more time digging into the reality behind it. Numbers are very easy to distort; they only "look backwards;" and worst of all, they are accepted at face value far too easily.

Mintzberg said it well, "Overall, while hard information may inform the intellect, it is largely soft information that generates wisdom." We wish for you such wisdom.

-Mary Adams (adams@trekconsulting.com)

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strategic action

Getting Better Data

Mintzberg reports that, “managers of every sort rely primarily on oral forms of communication, on the order of 80% of the time.” Yes 80%. It seems surprising at first, but after you think about it, it sounds about right—the majority of us probably evaluate facts by asking questions and exploring issues through conversations with our colleagues and stakeholders.

So, if you have an important decision to be made and hard data are incomplete or unavailable, how can you improve your techniques of gathering soft data? Ask effective questions of your important information sources. In our Strategic Thinking course, we do active exercises to teach three types of questions as part of our “Gather Data” section on decision making:

- Closed Questions—these are the yes/no or a one-word answer type questions. “Was the sales presentation effective?” “Does it meet our needs?” “Is it a product we should buy?”
- Open Questions—these require a more expansive answer or opinion. “Can you describe how the product could help us?” “What problems do you see if we shift to this product?” “How might the product work in our process?”
- Follow-up Questions—these are the “why” type of questions. It can take as many as four or five “why” questions on one topic to get to the root of a problem or a real reason for something, so keep asking.

Try using the above types of questions in a pattern. Start by asking closed questions to warm up a respondent, continuing with open questions that delve deeper into their thought process, and then finishing with “why” questions to get even deeper.

Face the reality that soft data is critical to your success as a manager, and build your skills to maximize the quality of this data.

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Imagitas

As practioners of intellectual capital management, we were very interested in a recent presentation by the Chairman and Founder of Imagitas, Brett Matthews, and his wife, Ginger Salazar. They were young marketers coming out of P&G when they founded Imagitas (originally called Targeted Marketing Solutions, Inc.) in 1992. They were looking for an under-served market.

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Their initial target audience was people in the process of moving. A move is an occasion for a number of choices and expenditures. But, at that time, companies that offered telephones, home improvement supplies, truck rentals, or furnishings couldn't connect with these people until several months later, when they appeared in typical marketing databases. By then, many of their moving dollars had already been spent.

So, these two hit on the idea of working with the U.S. Postal Service. Imagitas would print the change-of-address kits and provide coupons for discounts from companies targeting these movers. It was free to the post office and didn't violate any kind of confidentiality. Imagitas would get paid according to the use patterns of the coupons. After twelve refusals from the post office, they finally won the business, and the rest is history.

We asked Brett what he viewed as the critical intellectual capital of the company and how they would use it going forward. He pointed to their people (human capital), their ability to manage complex relationships (structural capital), and the strength of their ties with key partners (relationship capital). Using this intellectual capital, they have begun to roll out new programs with the motor vehicle registries in numerous states.

A few months ago, Pitney Bowes bought Imagitas for \$230 million in stock. They were buying a real company with real earnings. But what they were really buying was this intellectual capital and its potential for the future. Brett says that, "among government agencies, from fishing licenses to social security cards, there are over two billion transactions a year that go on that all have to do with some additional spending." Imagitas stands a pretty good chance of getting a piece of the action. Do you know how to leverage your own intellectual capital?

reading list

Strategy Bites Back

By Henry Mintzberg, Bruce Ahlstrand and Joseph Lampel

Henry Mintzberg is our favorite strategy writer. He is simultaneously a leading authority (he is co-author of one of the major college-level text books on strategy) and leading gadfly through books like this one. Our favorite quote of his is, "strategic planning is neither" (think about it and call us in the morning).

The authors set the tone for the book by saying, "We did not want nutty stuff, at least for its own sake, but eye-opening stuff, which can sometimes appear nutty. Bear in mind that many of the great strategies of this world initially appeared nutty too." Anyway, this latest book is fun, easy to read and definitely worth the time. It is based on the much more serious *Strategy Safari*, by the same authors, which examines in depth ten schools of strategic thought. As the authors put it, "Safari

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was written for your head and this book for your heart." Bites Back still gives you a balanced view of differing perspectives on strategy with some fun but challenging short pieces. These bites and bytes, as they are called, are by a variety of authors.

We recommend this fun but thought-provoking book. Learn more about it by visiting the Pearson Education web site (<http://www.pearsoned.co.uk/bookshop/detail.asp?item=100000000074799>).

announcements

In next month's issue, we will relay some more news on the intellectual capital front.

about trek consulting

Since 1999, Trek Consulting has helped CEO's of early stage and middle market companies to face challenges of growth, change and succession. Our hallmarks are fresh information, disciplined analysis and practicality. We help you create specific action plans with metrics tied to revenues, costs or corporate value. Then we follow up to help you keep on track and/or adjust your plans as circumstances change.

Our clients report improved market focus, increased revenues, better margins and lowered costs. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.



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