



## Process of the Month: August 2008

### Upping the Ante

#### **Purpose:**

To execute the strategy and process of choosing high stakes investments in order to grow your business and create breakthrough results for your company or organization.

#### **Background:**

“Live out on the skinny branches...that’s where the fruit is.” This statement by Will Rogers has been used by many to symbolize the essence of taking risks. In Rapport Leadership classes, this idea is used as an anchor for you to step out of your comfort zones and develop your leadership skills.

Just as people take risks in order to raise their individual performances to higher levels, a company has the same opportunity. In his book, *The Breakthrough Company*, Keith McFarland calls this “Upping the Ante.” Most companies have limited resources, and when determining the initiatives in which they can invest these resources, it is like placing a bet. The larger the bet, the larger the potential return. One important difference between companies and poker players, however, is companies have the ability to be strategic regarding their bets. Unlike poker bets, a company’s bets can accumulate over time, setting a company up for greater competitive advantage and better odds of success.

Companies that strive to break through to their next level of performance demonstrate not only a willingness to place big bets, they also demonstrate an aptitude for placing the “right” bet at the “right” time. While some may attribute a company’s high levels of success to luck, a closer look at various breakthrough companies shows that they are strategic and purposeful in choosing which bets to place, when to place them, and, more importantly, when to “take down” their bets.

This month’s process outlines the steps you and your team can take to make more strategic and higher yielding decisions for your organization.

#### **Materials:**

- Flip Chart(s) and Markers
- Masking tape
- Worksheets (enough for one for each participant)
  - High Yield Analysis
  - Calculating the Odds



## **Process:**

There are 4 phases to this process:

1. Brainstorm
2. Analyze
3. Research
4. Strategize

Phase 1 and 2 can be combined into one session. We recommend allotting at least an hour for this phase.

Phase 3 requires preparation and research for completion. We recommend holding Phase 3 independently of Phase 1 and 2, allowing sufficient time to gather data.

Phase 4 is a separate meeting and may take several hours depending on the complexity of the research and the ideas presented.

## **Brainstorm: Place All Bets on the Table**

- Write the following 5 basic categories of “bets” on a page of a flipchart. Post it where everyone can see it:
  - Market
  - Process
  - Resources
  - Locations
  - Distribution/Customer Channels
- Let the team know you are looking for their ideas in all aspects of the business.
- Review the 5 areas as a refresher of the different business segments they can use for inspiration during the brainstorming session. (A description of each of these business categories is on page 74-75 of *The Breakthrough Company*.)
- Brainstorm all of the potential “bets” your team can think of that they believe will take your company or organization to the next level. (For tips on effective brainstorming, review the June 2008 Process of the Month: [From Conventional to Creative](#).)
- Write all of the “bets” on the flipchart(s).
- Narrow the brainstormed list(s) to the top 3-5 choices.



- One method of narrowing the choices is to give each person 3 votes. Once each person has voted for their 3 choices, the 3-5 ideas with the most votes are those you will use for this process.

### **Analyze: Determine the Highest Yielding Bets**

- Take a closer look at each of the 3-5 ideas by asking and answering the following questions:
  - Where are we headed?
  - What happens if we do not “place the bet?”
  - How does this bet relate to our other (past and future) bets?
  - Is there any way to hedge the bet?
  - How will we know when to “take down” this bet
- It is important during this phase for everyone to weigh in on his or her thoughts and feelings. Encourage open dialogue and effective listening.
- Use the “High Yield Analysis” worksheet to guide the group discussion and capture the thoughts and feelings of the team.
- Based on the dialogue of the group and the answers to the above questions, choose two of the most promising bets you feel your company will make in the next one to three years.

### **Research: Calculate the Odds**

- Review the worksheet: “Calculating the Odds” with your team.
- Assign one or two questions to each team member. Depending on the number of participants, you may be able to have more than one person working on one of the questions.
- Assign each person the responsibility of gathering the data necessary to answer the questions. The goal is to answer the “Identify the Risk” element with confidence.
- Depending on the composition of your team and the two chosen ideas, you may ask people to answer the question(s) for both ideas or you may assign different people to answer different questions for different ideas.
- Select a date for the meeting to “Strategize” (to review the research and determine the answer to the questions).

### **Strategize: Take Action and Commit Resources**

- At the meeting, have each person share his or her findings and make a recommendation for the score each feels best fits the criteria researched.
- Once presented, review the findings. Compare and contrast the scores.
- What, if any, surprises appear?

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- To complete the process, ask the group to identify 3-5 ways that the company spends money that does not produce the maximum results or that does not support the company's strategy.
- Take a hard look at these activities. These are the potential resources you can use to support your bigger bet and allow you to breakthrough and take your company, your organization, your business, and your market to another level!

## **Conclusion:**

As a company becomes more established, it is easy to become complacent. Because there is potentially something to lose, they stop risking and start protecting. Employees often follow this cultural norm and are less likely to provide new and innovative ideas.

Those companies that have created breakthrough results for themselves and for their stakeholders (customers, shareholders, etc.) understand that in order to achieve big gain, you must place big bets. These companies are not particularly big risk takers, they are, on the other hand, willing to take big risks. They are disciplined and they carefully calculate their risks by understanding their market, their competitors, their customers, and their capabilities. They are also very adept at understanding when it is time to shift their resources because the bet no longer pays off.

It is exciting to unleash the potential of your organization's performance. When you do so purposefully, you prepare yourself and your team for success now and in the future.

## **Sources:**

McFarland, Keith. The Breakthrough Company. New York, New York: Crown Business. 2008

## Worksheet: High Yield Analysis

<p><i>List one idea per column</i></p> <p><i>Write answers to the questions in the spaces provided</i></p>	<p><b>Idea #1</b></p>	<p><b>Idea#2</b></p>	<p><b>Idea#3</b></p>
<p>Where are we headed?</p>			
<p>What happens if we do not “place the bet?”</p>			
<p>How does this bet relate to our other (past and future) bets?</p>			
<p>Is there any way to hedge the bet?</p>			
<p>How will we know when to “take down” this bet?</p>			



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## Worksheet: Calculating the Odds\*

Based on the research and data gathered, identify the answer that best relates to each idea. The number next to each answer is the “score” for that answer. Write the score corresponding to each of the success criteria in the boxes below each idea.

Success Criteria	Identifying the Risk	Idea #1	Idea #2
How big is the existing market?	<ol style="list-style-type: none"><li>1. Small</li><li>2. Medium</li><li>3. Large</li><li>4. Huge</li></ol>	Score:	Score:
What is the current market or a related market's growth rate?	<ol style="list-style-type: none"><li>1. Stagnant/Shrinking</li><li>2. Slow</li><li>3. Medium</li><li>4. Fast</li></ol>	Score:	Score:
How attractive is the opportunity in terms of key financial measures, i.e., margins, ROI, cash flow, etc.?	<ol style="list-style-type: none"><li>1. Speculative</li><li>2. Solid</li><li>3. Very good</li><li>4. Excellent</li></ol>	Score:	Score:
How much do you stand to benefit or suffer because of any external market disruptions or discontinuities (major force of change outside the control of your business) relating to the bet?  <i>This can be economic, governmental environmental, etc.</i>	<ol style="list-style-type: none"><li>1. Suffer significantly</li><li>2. Neutral</li><li>3. Some benefit</li><li>4. Significant benefit</li></ol>	Score:	Score:

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Success Criteria	Identifying the Risk	Idea #1	Idea #2
<p>How strong are any advantages your company brings to this initiative?</p> <p><i>These could be product technology, people, location, channel, services, replacement, or business model advantages</i></p>	<ol style="list-style-type: none"> <li>1. Me-too product, no significant advantage</li> <li>2. Moderate or hard to communicate edge</li> <li>3. Strong advantage</li> <li>4. Clear, dominant advantage</li> </ol>	Score:	Score:
<p>If you place this bet, what kind of competitive response is it likely to trigger?</p> <p><i>Consider current and potential competitors, the importance of your company or this market to them, and how aggressively and effectively they could respond.</i></p>	<ol style="list-style-type: none"> <li>1. Little or no response likely</li> <li>2. Moderate competitive response</li> <li>3. Expect a battle, though not a war</li> <li>4. Likely to trigger all-out war</li> </ol>	Score:	Score:
<p>How close is the bet to something we are already doing or clearly understand or know how to do?</p> <p><i>Be honest here. A high score suggests you have the proven ability to execute on the key variables relating to the bet because of specialized knowledge, skills, relationships, or capabilities.</i></p>	<ol style="list-style-type: none"> <li>1. Significant concern</li> <li>2. Not sure</li> <li>3. Reasonably confident</li> <li>4. Highly confident</li> </ol>	Score:	Score:

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Success Criteria	Identifying the Risk	Idea #1	Idea #2
<p>How many of your available resources will you need to tie up with this bet?</p> <p><i>Keep in mind this might not just be money – include the cost of distraction from existing core business, stretching of key people, facilities, infrastructure, etc.</i></p>	<ol style="list-style-type: none"> <li>1. Will absorb most of our resources</li> <li>2. Will stretch our resources</li> <li>3. Can easily manage with existing resources</li> </ol>	Score:	Score:
<p>How comfortable are you with your company's current performance trends if you do not place this bet?</p>	<ol style="list-style-type: none"> <li>1. Uncomfortable. We need a win. Current losses or flat performance</li> <li>2. Not comfortable enough. Not enough growth</li> <li>3. Very healthy. Great results.</li> </ol>	Score:	Score:
<p>What will be the financial impact on your company if you place this bet and miss the projections by a third or more?</p>	<ol style="list-style-type: none"> <li>1. It could kill us</li> <li>2. Will hurt, yet we'll survive</li> <li>3. We could absorb it without much difficulty</li> </ol>	Score:	Score:
<p><b>Placing the Bet</b></p> <p>Tally the score for each idea.</p>			

**The bigger the score...the bigger the bet...the bigger the breakthrough, and the more your organization will gain!**