

THE NEGLECTED FIRM

Every Manager Must
Manage Two Firms: The Present
One and the Future One

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MAIN IDEA

One of the central challenges of management is the need to strike the optimum balance between what a business currently does and what it will need to do to succeed in the future. Both facets of an operation are important for any business which aspires to excel over the longer term. In many ways, managers have to run the firm which caters to existing clients while simultaneously building a new parallel firm which will cater to the needs of the clients of the future.

Today, most managers seem to get so caught up in the day-to-day demands of current operations they neglect to plan effectively for the future. Or, to put that differently, managers generally tend to neglect their strategic planning departments, preferring instead to concentrate the majority of their attention on projects which are in the immediate future instead. While this approach may be lauded by Wall Street, it places the company at a potential competitive disadvantage to other enterprises which do a better job of preparing for the future.

Accordingly, every business manager should pay more attention to strategic planning. The firm of the future, as brought into existence by the strategic planning unit, needs to just as actively managed as is the current business. The potential successes of the future should not be squandered because of the pressing demands of the present. To neglect intelligent business planning or to fail to provide adequate resources to the planning department is unwise and short-sighted. A far better idea is to make strategic planning an integral element of everything the company currently does.

“Every manager must manage two companies simultaneously: the present one and the future one. If he manages just the first but neglects the future firm, the organization, given environmental change, will soon become obsolete. If he manages just the second but neglects day-to-day business, it will never reach the future. Consequently any corporate executive must be both a manager (to deal with the present firm) and an entrepreneur (to create the future one). This is the eternal dilemma of management – the urgent (day-to-day) and the important (the future) – which have to be reconciled. Only when both the present and future firms are well managed is good performance achieved. Otherwise, a manager will be doing only half a job.”

– Jorge Vasconcellos e Sa

1. The Concept of the Future Firm. Page 2

If the existing business of a commercial enterprise is designated as the “present firm”, the strategic planning department is like a “future firm” – it focuses on what the business will need to do to succeed in the future. Often, strategic planning gets pushed into the background and ignored because of the day-to-day pressures and demands. That presents a great opportunity for managers. The company that does strategic planning well will have taken a huge step towards securing a sustainable competitive advantage in the future.

2. How to Manage the Future Firm Pages 3 - 6

The Future Firm	1 Define...	..the current business strategy
	2 Analyze...	..effectiveness of strategy
	3 Generate...	..viable strategy alternatives
	4 Select...	..options with synergies
	5 Develop...	..the new strategic plan
	6 Implement...	..the new strategy
	7 Fine-tune...	..in search of more efficiencies

The step-by-step approach detailed above sets out how the planning department can and should be managed. The overall aim of this entire process is to ensure the future firm gets optimized for the benefit of the company. If this is then combined with astute management of the present firm, the enterprise will be well positioned to exploit all available near-term and future commercial opportunities.

3. Organizing the Future Firm Pages 7 - 8

In order for the future firm to function efficiently, it needs to be organized in a logical and coherent manner.

In practice, this will mean three key steps:

1. Appoint a planning manager with the requisite skills.
2. Organize the department efficiently.
3. Consider the formation of decentralized planning units as well.

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