

Reflection 24. Signposts for Change

A useful approach I've come across is the concept of 'signposts.' An American Economist James Galbraith realised that in much of what we do we are missing signposts that tell us if we are still heading in the right direction. He suggested, we have long term objectives and goals to achieve, and we have short-term indicators, and activities – but we have little that connects the present with the long-term.

This is where the concept of signposts comes in. The idea of signposts is to answer the question – are we still going in the right direction. It works by establishing a series of medium-term signposts for the objective to be achieved.

As an example, the objective might be “we need more customer responsive products and services”. The question would be in one (or two) years-time how will we know if we have more customer responsive products and services?

Answers could include:

- a) We will have increased our capacity in product development.
- b) We will better understand our products and services.
- c) We will have made refinements to some products, retired some products and be developing new products.
- d) Our team will change how they market our products and services.
- e) Product performance will be changing.
- f) We will have Increased customer uptake and lower dormancy levels.
- g) Improvements in net promoter scores.

Notice how the questions are outcome related rather than activity related. Activities are in the short term and are tracked. Signposts are showing us how we expect to change over time.

The advantage of signposts is that they should be easy to monitor and track over time. It should be evident through our activities that we better understand our products and services, and that we will have used this understanding to change our product mix, and our product marketing etc.

Another theme could be “we want to be a more learning financial institution” How would we recognise that this is happening?

- a) We will have modified policies towards staff development.
- b) We will have more staff engaged in learning activities (tracked through HR)
- c) We will have a capacity building plan that ties into our institutional strategy.
- d) We will have teams of staff engaged in activities to guide our institution.
- e) We will have improved management information systems.
- f) We will have improved market intelligence that informs our decision-making.

Activities will be undertaken to achieve these outcomes, but management and staff should be able to see these outcomes being achieved. If these outcomes are not being achieved, it will indicate that we need to change course.

It's a simple, but powerful way of looking at the medium term.

Because the tool is focused on identifying medium term outcomes, it can be adapted to many situations. It is also useful to track backwards from the medium-term outcome to activities.

"We will better understand our products and services" could be the result of a product mix review where product performance, and customer research is combined to identify products to refine or to retire.

"We will have improved market intelligence" could be the result of enhancing our business analytics team, conducting competitor analysis etc.

I trust you will find this concept useful, and one which you can build into your business planning and strategic review processes.

First Principles Consulting can help you to develop or review strategic plans, can help you to envisage outcomes using signposts which help to guide mid term performance. We are also certified in business planning following the strategic alignment methodology.

If this reflection speaks to you... speak to me so that we can inspire change, together.

David Cracknell

Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com

