Hong Kong Institute of
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Giving up is a way to gain

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Would you ever consider giving up to be a smart move? To give up sounds so negative, but it could well be the result of a very strategic thinking process. If you have watched the movie 127 Hours, you will understand what I saying. This real story is about a mountain climber who was trapped in no man's land but who got himself rescued by his own sheer determination and courage in cutting his own arm off...

You can be experienced and skillful in certain business but this does not guarantee your work will be free of mistakes and risks. The macroeconomic environment is out of anybody's control. We have seen a number of crises in the last 15 years including the Asian financial crisis in 1997, the burst of the dot-com bubble in 2000 and the global financial and economic crisis which started in late 2008. Few people were able to predict these events. If you have personally experienced these most terrifying moments, you can understand that blindly holding on one particular stock which is no longer valuable can cost you more than giving it up altogether!

So, how can we be smarter by giving up the right things at the right moment? The answer is to exercise a prioritization and continuous review process. Prioritization is the best way of strategic planning as well as budgeting. However, we need a continuous review process to ensure we are on the right track as well as looking out for potential risks and macro environmental changes.

There are different tools for prioritization. The following are some of my favorites:

1. Weighting table
By far, I think this is one of the simplest kinds of prioritization tool as it is so easy to adapt and expand to multiple dimensions, if you know how. The idea is first to list your options in no particular sequence. By giving a score to each option in accordance with its level of importance within an area of interest, you can instantly sort out your priorities. If there are multiple interests, then we can do the same exercise by allocating the percentage weighting to each interest area, making a total of 100 percent. There's no limit to the number of areas of interest but the more there are, the less significant they are. I suggest that the maximum number of areas of interest should not exceed five.

	Interest Area 1 70% Score 1-5	Interest Area 2 30% Score 1-5	Total Weighted Score
Option 1	3	2	2.7
Option 2	4	1	3.1
Option 3	3	4	3.3
Option 4	2	5	2.9
Option 5	4	2	3.4 Highest Score

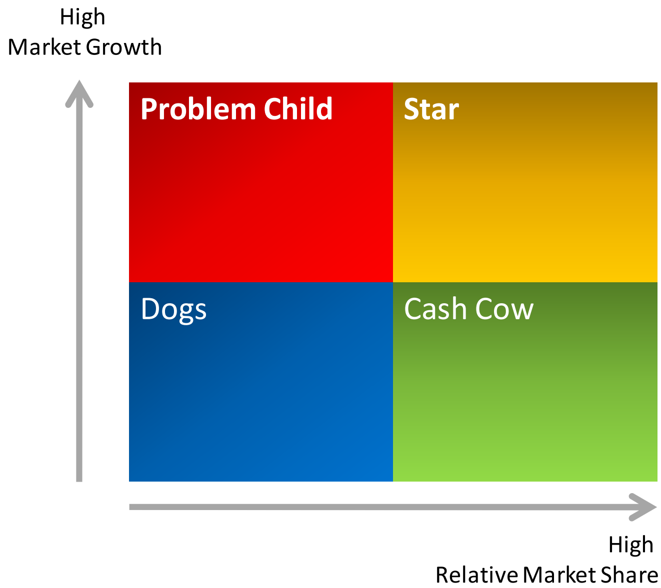
2. Zero-based budgeting
I learnt this great tool during my good old days of working at Intel. It is particularly useful when you have to draw a clear line during your business planning due to a limited budget. Provided that you already know your priority list (which you could achieve by using the results from the weighting table exercise), you can then draw up a budget per item on the list. Next, you just need to draw a line on the priority list when you hit the limited budget amount. When you move the line to a bigger or smaller budget to see the impact on the potential return-on-investment (ROI), you will be amazed to see the huge variance of ROI in certain cases.

	Interest Area 1 70% Score 1-5	Interest Area 2 30% Score 1-5	Total Weighted Score	Budget $	ROI $
Option 5	4	2	3.4	20K	100K
Option 3	3	4	3.3	50K	200K
Option 2	4	1	3.1	30K	300K
$100K Total Budget Line					
Option 4	2	5	2.9	20K	600K
Option 1	3	2	2.7	15K	400K

3. Management by objectives (MBO)
Peter Drucker, father of management theory, came up with this wonderful tool in 1954. It has been adopted by countless corporations all over the world as a management and performance review process for many business matters. The simple idea is to assign a priority to the list of objectives for a given project or person. Hence, the focus for time and effort should be applied according to the relative priority. Though it sounds simple, I personally think it requires a great deal of discipline to make it work.

4. Boston matrix

This is a very nice way of segmenting your business lines or products. It shows you which really have relatively better market growth and market share potential as a bigger picture in terms of the four dimensions of the matrix: Star, Cash Cow, Dogs and Problem Child. By plotting your products quantitatively on the matrix, clear actions (both positive and corrective) can be easily identified in most cases. Of course the ideal situation is to make a bigger segment of your products into Stars!



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