

What's a Strategy For?

Taken from *The Performance Papers* by Dr Andrew Bass, BassClusker Consulting

There seem to be hundreds of definitions of strategy, and as many approaches to strategy formulation. They range from inspiring "How I Did It" accounts by star CEOs, to matrices and charts from the large consultancies, heavily financial models from accountancy firms, weighty books from the business school academics, through to flimsy SWOT analyses in paperbacks available from the "Heathrow Business School" (i.e. World News at Terminal 3).

Actually there are many ways to set a useful strategy. More important than the precise method used is whether or not your strategy is producing the goods. The real question is *how would you know if your strategy was working?* In other words, the thing is to shift the emphasis away from inputs to the process (e.g. complicated methodologies) and towards outputs i.e. valuable results).

Rather than defining strategy, I think it's simpler and much more useful to define the *purpose* of a strategy. At its most basic, it answers the questions:

- What products and/or services will we sell?
 - ... and not sell?
- Who will we sell them to?
 - ... and not sell them to?
- Why should they spend their money with us,
 - ... rather than with someone else?

Questions to test for strategic understanding

Here's a way of provoking useful discussion on the value of your strategy. A good strategy should enable people to answer the following sorts of questions. (Even if they need to refer to other people for the details, the strategy should be clear enough for them to get broadly the right answer on their own).

For the senior team

Can you answer, or at least have a focused and confident discussion about, the following questions:

- Should we enter this market?
- Stay in this market?

BassClusker Consulting Ltd, 15 Kings Road, Sutton Coldfield, B73 5AB.

Tel: 0121-427 7217. Website: www.bassclusker.com Email: info@bassclusker.com

- Go with this product?
- Pursue innovation in this area?

And can you do so without descending into an overly-detailed discussion of current operating constraints?

A lack of strategic focus often shows up as a proliferation of products, services, customer types or brands. Over the last few years, companies as varied as Sony, Unilever and GM have had to deal with the consequences of such proliferation. They've experienced stretched development and marketing resources, and difficulty putting enough money behind those products in which they should be investing. I've seen the proliferation problem in all kinds of organizations (and in individual careers). It causes huge waste and demoralisation, and it can only be sorted out by knowing what business you are in, and what business you are not.

A good strategy also needs to be capable of actually being executed. It should provide the confident starting point for knowing:

- What needs to happen in order for us to meet our vision of the future? What do we need to plan for?
- How are people, operations, finance and markets linked so as to produce sustained increases in value?

Benefits of clear strategy for the senior team include:

Clarity, leading to better resource allocation, profitability and return to shareholders (For those wanting guidance on methods, I look in more depth at questions of product and market mix in the chapter from *The Performance Papers* entitled *Driving Strategic Priorities*).

For customer-facing staff

A key component of a clear strategy is a well-understood value proposition. This is one of the best ways to enhance customer service and employee empowerment. Do your staff have a way to answer questions of the following sort with confidence?

- How do I handle this particular *non-standard* customer issue?

For example, I know a client of FedEx whose package had missed its (FedEx-operated) flight. The person at the call centre asked him "What do you want to do?" He said "Well I thought your promise was something like 'when it absolutely, positively has to be there overnight'". She said "Oh. I see what you mean. I'm sorry to trouble you, Sir, we'll pay for it to go on a United flight". Clearly she did the right thing because she and her customer shared an understanding of the FedEx customer story – a key part of their strategy.

Benefits of clear strategy for customers and service staff:

Provides conditions in which staff can be safely empowered and given autonomy. Improves customer experience. Improves employee satisfaction.

For decision makers at all levels

Strategy is not just a once-a-year issue for senior team retreats. People throughout the organization – in sales, in R&D, in customer service to mention three – are constantly faced with questions which can take the business towards or away from your intended strategy (for example, by continuing to pursue easy sales opportunities in markets you have decided to abandon, by developing pet technologies you can't commercialise, or by undermining your brand by over- or under-serving the customer).

So, do your people have a way to know, on a day-to-day basis:

- What of the many things I could do, should I do?
- What historical activities do I need to stop doing?
- How can I demonstrate that I and my people are making a valuable contribution to the organization?

Benefits of clear strategy for organization-wide decision-makers:

Increased coordination, better “time management”, reduced cul-de-sacs and non-aligned work.

For shareholders (of a profit-making enterprise)

Investors need to be confident that they are likely to see a return, and your strategy is the key to the story that will give them that confidence. If the story doesn't hang together, they will be very unhappy. Interestingly, not only must you know what you are doing, but you need to be seen to know. One new chief executive of a manufacturing company decided the business needed a comprehensive review before any big decisions were made, and told his private equity investors that it was “too soon” for him to have a strategy. They wrongly concluded that he was letting things drift, and gave him a hard time in the meeting. On reflection, he realised that although he knew what he was doing, they needed to hear a more compelling story before they could accept it. When he came back to them outlining a series of “strategic experiments” they were delighted. The questions they, and all rational investors, need a good answer to from your strategy is quite simply:

- Does this company seem likely to offer a good return in the future?

Of course, to answer that question they may need all kinds of supplementary information about things such as likely revenues, margins, cashflows and so on (by the way, don't get too hung up on the minutiae of projecting figures – always an exercise in fantasy anyway. Think first about the customer story: is it sufficiently compelling to get you those revenues and margins?)

Benefits of clear strategy for attracting investors:

Ongoing, perhaps increased, investment, support for enhanced share price.

For trustees and funders (of a non-profit)

The forgoing considerations are similar when it comes to non-profits, especially as governments look to these organizations to be increasingly sustainable without so much public money:

- Does the organization seem likely to maintain its viability while delivering increasing value to its beneficiaries?

Benefits:

Helps meet governance responsibilities and encourages funding

For supply chain partners

A look at the strategies of some automotive manufacturers in the UK caused a number of their suppliers to branch out into aerospace and medical equipment – many that didn't or couldn't diversify are now out of business. Supply chain partners are interested in your strategy because they need to know:

- Is this business going to be able to continue to buy (or deliver) what I need?
- Will they be able to pay me?
- What should I be offering them in order to help them meet their future customers' needs?
- Can I depend on them as a part of my own planning?
- Will our relationship be cooperative or adversarial?
- How will they work with my people, and (if a supplier) especially my customers?

Benefits:

Builds trust and credibility, helps protect valuable capabilities and work streams, and informs prudent risk management.

For providers of internal services

It is easy for providers of internal services to lose sight of the outside world and the interaction with the environment that gives the organization its purpose. I meet far too many disengaged people within organizations who have never met a customer and don't understand or appreciate the fundamental source of the organization's revenue. Whose fault is this? I believe the responsibility is with senior management who fail to articulate an engaging employee story.

Clear strategy should make the link between internal processes and external results by providing answers to the following types of questions:

- What do my internal customers need in order to deliver to our external ones?
- What will they need in the future?
- How do I prioritise provision of internal services?

Benefits:

Breaks down silos and improves collaboration, encourages engagement and a feeling of being relevant, of participating in value creation and not just “putting in time”.

For IT and infrastructure

To use the terminology of Tregoe and Zimmerman which I adopted in the *The Performance Papers*, most IT people have a “technology” driving force, when what they really need is a “market need” driving force. Therefore they tend to implement systems that do things “because they can” rather than because it meets a specific user requirement. Just look at the various increasingly bloated versions of Microsoft Word for a rich example.

The other thing about IT projects is that they tend to be late. All the more reason to help your IT people anticipate your needs so that they can get started early. The overall question your strategy should be helping them with is:

- Are we going to have the right systems and information in the right places at the right times to continue to deliver increasing value on a sustained basis?

Benefits:

Viability, control of project costs, increased accountability of system development activities.

For HR, succession planning, talent management

If there was a hit parade for corporate bullshit (i.e. statements made with apparent sincerity, then contradicted by evidence observable to everyone), the chart-topper would surely be: “People are our greatest resource”. It’s one of those statements you are supposed to agree with, but I suspect that many harbour the guilty secret that they don’t buy it. What we end up with then is an almost ideological split between “people” people, and “numbers” people. I suggest you reject this either/or debate, and simply ask and carefully answer the following question in the context of your specific business:

- Are we going to have the right people in the right places at the right times to continue to deliver increasing value on a sustained basis?

Benefits:

Viability, control of salary costs, increased accountability of learning and development activities

Application to your business

Test yourselves: can the relevant people answer the relevant questions correctly without having to ask anyone else?

The potential dangers of having an unclear strategy are found in reversing the benefits above, for example:

- Confusion about objectives
- Inefficient resource allocation
- Disappointing profitability and return to shareholders
- Increased vulnerability to competitors, economic changes.
- People wasting resources on non-aligned work.
- Proliferation of unprofitable products and services
- Staff who lack initiative on behalf of customers
- Dissatisfied employees
- Silos and turf wars
- Inadequate succession planning
- Lack of accountability of learning and system development activities

Final thoughts

It can take some courage to test people with the questions in this chapter. If they can't answer at least broadly correctly off the top of their heads, some form of strategy work could be in order – start by revisiting your three stories!

Even successful, growing organizations have to keep on top of this – the environment changes constantly and strategy has to evolve to keep pace. The answers to the questions need to change over time. Will your people continue to answer correctly?

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If you would like to read more:

This article is extracted from *The Performance Papers: Incisive Briefings for Busy Leaders*, By Andrew Bass:

"Provides expert guidance for aligning your people with your objectives and turning strategy into action."
Jens R. Höhnel, CEO / President Europe, International Automotive Components Group (IAC)

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