

The Key Elements of Strategy

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I have been giving the topic of business strategy a great deal of thought lately and wanted to share a few key ideas that have risen to the top. Likely you already know these things, but I thought putting them down in one concise note might be of value.

At the end of the day, it is critical to keep in mind that all strategy and strategic planning is based on... **guessing**. There is no way to know the future, but strategic planning still plays an important role in attempting to shape the future and make the sort of decisions that will allow you to move towards your desired outcomes. *It's a guess about the future, but it's a guess that helps you create the future.*

In business, the **ONLY** goal of strategy is: **Sustainably Superior Results**. That is, the only goal of strategy is to create long-term profits that are greater than your competition. That is it!

The essence of an effective strategy is: **Valued Differentiation X Disciplined Execution**. An effective strategy, a successful strategy, is one that is based on creating highly valued differentiation for your key target customers and then consistently executing on that value proposition.

One of the most important things an effective strategic thinker/leader can do is to figure out what to say **NO** to. What products we will not produce, what markets we will not enter, what customers we will not serve, what features we do not offer... focused differentiation that is highly valued by your target customer is a critical factor in running a successful business.

Is important to remember that there are both **external strategies and internal strategies**. External strategies look to the marketplace and revolve around things like: differentiation, branding, pricing, distribution, guarantees, financing options, marketing initiatives, promotions, design, value chain management, cash management, capital investments, partnerships, divestitures... whereas internal strategy focuses on things such as: talent, culture, accountability, pace, execution, vision, values, mission. It is typically only the senior executive team that makes the major decisions around top level external strategies... however, managers and leaders at all levels throughout the organization make key decisions around internal strategy – sometimes at the departmental or team level – other times at the organizational level. It is important to understand which level of strategy you impact so that you can focus your efforts on the appropriate levers to pull for the strategy level you are pursuing.

In highly stable industries it is possible to create a one, three or possibly even five year strategic plans – in rapidly changing industries it is more reasonable to make six month, one year or 18 month plans and revise them often. Although the core idea of strategic planning is to proactively shape the future you want to create for your business, the reality is that often times strategic plans **are highly reactive to the marketplace** and are an attempt to stay just a few steps ahead of the customer and the competition.

When done correctly, the goal of strategic planning is not simply to beat the competition at their own game, but to **create a totally new game** that offers more value to the customer in a way that ONLY your organization can deliver.

When looking at the trade-offs and scenarios presented in a plan, I use the two factors of **probability and impact** to decide when it is necessary to actually sit down and create a scenario plan.

- If there is a high probability that the strategy could fail, but a very low impact if it does... spend little time on it, or delegate it to someone else.
- If there is a high probability the strategy might fail and it would have an extremely negative impact on the organization – if possible, do not pursue this strategy – it is likely too risky.
- If there is a low probability that the strategy might fail, but a very high impact if it does – this is the time to spend significantly more energy and effort on the plan and possibly create a number of realistic scenario plans.
- If there is a low probability that the strategy will fail, and a very low impact if it does, this is another place to simply delegate that part of the strategy away, or question as to whether it is even worth the effort of pursuing that particular strategy.

I believe that one of the major reasons that many strategic plans fail – or at least fail to meet expectations – is lack of execution. Therefore, I believe that it is essential that the planning team spend **a nearly equal amount of time looking at execution of the plan**. If it is a two or three-day strategic planning retreat – 40 to 50% of the time should be on how to build the systems, processes, procedures and accountability to ensure that the strategic plan is effectively executed going forward.

If the goal is to create strong strategies and become a good strategic thinker, it is essential that after every strategy is deployed you spend the time, energy and effort necessary to do a full post-mortem once the strategy has been fully executed – whether it was successfully executed or the execution failed. Learn from both your triumphs and your mistakes.

There are five things it takes to be a good strategic thinker:

1. Investing the time, energy and effort to be a good strategic learner. This means being a serious student of core business acumen topics. This also means looking carefully at your industry, other industries, best practices – any information you can collect that will help you be more effective strategic thinker.
2. Investing the time to study and explore your personal business experience at a deeper level – looking for trends, ideas and lessons that you have learned through the years that are especially relevant.
3. Investing the time to look for patterns. Taking all of the information you have gleaned through strategic learning, combining it with your careful study of your own personal experience – and stepping back to look at the business landscape for patterns, anomalies, opportunities, threats – looking for places to create strategic advantage.

4. Identifying strategic differentiators. As you look through the trends and patterns you will have a flash of insight – this is the hallmark of an effective strategic thinker – finding/seeing something that no one else sees and understanding how to translate that into a strategic advantage in the marketplace.
5. Execution of the strategy. Even the best strategies in the world are completely useless if they are not effectively executed. This last and final step the strategic thinking process is critical for turning ideas into action. Good strategies must be backed up with good strategic execution – with high levels of clarity, focus, disciplined execution and accountability.

According to author Eric Beaudan, Creative Execution has five elements:

1. Articulating a unique, clear strategy
2. Fostering candid dialogue
3. Spelling out clear roles and accountabilities
4. Taking bold action
5. Being visible as a leader

How often you revise the plan is dependent on the velocity of change in your industry, however for any plan to be effective it must be a **living document** that is used daily.

My recommendations for making sure that are plan stays fresh, focused and valuable is to create a very concise document – only a few pages – that outlines the major thrust of the strategy, objectives and tactics. This document should be carried to **every management meeting** and used as a guide post when making decisions. Is it in the plan? If not, does this new strategy/objective offer so much value that it merits changing the entire plan? If not, go back and focus on what is in the plan.

Next, I would recommend at least quarterly half day management meetings where a solid 3 to 4 hours is spent looking only at the strategic plan and how well it is currently being implemented. I think it is a good idea to have a six-month review – and then have an annual planning retreat of a full day – possibly two days. For the plan to be successful you must keep it out in front of your people, refer to it often, use it as a guide, and constantly show people how the efforts and actions of the organization align directly with the strategic plan.

I hope you found these ideas helpful – I welcome any questions, comments or feedback you might want to offer. As always, if you need anything please to not hesitate to send a note, I am here to assist in any way I am able. Take good care – John

John Spence has twice been named by Trust Across America as one of the Top 100 Business Thought Leaders in America and has been recognized by that organization as one of the top 100 Thought Leaders in the world in the area of “Trustworthy Business Behavior.” Other recipients of this award include: Sir Richard Branson, CEO of the Virgin Group, Howard Schultz – CEO of Starbucks, Tony Hsieh - CEO of Zappos, acclaimed business consultant Ram Charan, internationally renowned author Thomas L. Friedman, and business authors Patrick Lencioni, Tom Peters, Rosabeth M. Kanter and Jim Kouzes. John has also selected as a leading small business influencer in America along with Malcolm Gladwell, Seth Godin and Apple.