strategy + process = performance

12 GUIDING PRINCIPLES FOR DEVELOPING STRATEGY

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At the risk of making an overwhelming statement of the obvious, strategy has gained widespread acceptance as being key to organizational success. However, it is also fair to say that this is where general agreement stops. And perhaps nothing can be more controversial than the ubiquitous term 'Strategic Planning'. *Strategic Planning…aaaaaaaarghh! Everyone hurry, run for the exits, save yourselves!*

Much of the pain associated with the development of strategy is due to flawed process:
- It is monolithic. It swallows and distracts organizational resources.
- It becomes a literary production not an exercise whose purpose is to promote 'right' action.
- It is dominated by intellectual headquarters types, lacking in practicality and executability.
- It is tied to planning and bound by a time horizon, when all signs of today's business environment point to shrinking time windows for strategy. What used to take years to unfold in the market now takes only months or sometimes weeks.

These kinds of things have left a kind of ball and chain around the process of strategy for many companies. What happens? Bad strategy. Bad feelings. Bad results.

12 Guiding Principles for Building Strategy

1. **Take an outside-in perspective**
   o Start with a novel concept – its called *reality.* It's difficult to be objective when you live and breathe from inside your business everyday. But the inability to see things for what they truly are has been a source of some of the greatest strategic failures. So take an outside in perspective. Take the opportunity to be a sceptic.

2. **Don't attempt prediction. Build the possible scenarios of the future**
   o the overall demand picture
   o the customer picture

- o the competitor picture
- o the technology picture

3. **Adjust your horizons and make them flexible**
   - o Start with your vision and the scenarios of the future. This is the far-out view. Design strategies to fulfill the vision but do not time date them.
   - o Next take a closer-in view. Develop a strategy path that gets you to the far-out view and therefore, your vision. Start putting general timelines onto these strategies but don't restrict your thinking.
   - o Develop the conditions for change. Time horizons can shorten if things develop in the market more quickly. For instance, what if a technology solution comes out that allows you to fast-forward a strategy? What if a new competitor arrives on the scene?

4. **'Think Big'**
   - o Breakthrough companies set breakthrough goals. Aggressive objectives are one of the key reasons successful companies are who they are - high achievers.
   - o Shift your thinking to believing in what's possible. There are only two things that separate our 21st century technoworld from the earliest days of mechanization – focus and applied creativity. It is only us who set the pace of advancement. The laws of physics and human nature have not changed.
   - o There are many stimulating effects that come from setting big, exponential goals. It forces us to think differently. When the stakes are high the mind is sharpened, spirit is raised, human energy gets harnessed and aimed. Thinking big causes organizational adrenaline to flow.

5. **Push the envelope, go radical**
   - o After all, in the development stage you haven't actually done anything o there is nothing to risk. Judge the strength of a strategy development program by looking at the edges. How far has the group gone? You must go to the edge of the cliff and look over before you can say you've gone too far.

6. **Follow a disciplined creative process**
   - o This may sound a bit like 'mom and apple pie' but in most cases we still have not learned how to be creative in the collective sense of the word. Strategy meetings turn into political affairs with various degrees of engagement (or detachment depending on your point-of-view).
   - o The discipline we need revolves around how to extract creativity in a collective environment. No easy task for sure but one that must be in place.

7. **Use multiple tools**

- o There are seemingly countless ways to view strategy these days. Have you browsed the business book section lately? Since Michael Porter's seminal text "Competitive Strategy" written in the early 1980s, there is an explosion of methods, 'tools' and ways of thinking that have been created by some very smart, creative people.
- o Each of these methods acts like a 'lens'. They force you to think about your company's situation and strategy in a particular way. The wide range of tools available allows you to have multiple different lenses directed at your business. True, some are more meaningful to your specific circumstances than others. Nevertheless, the more views you have, the greater your field of vision and therefore, your chance to develop unique, successful strategies

8. **De-couple "strategy" from "planning"**
   - o Perhaps this is one of the biggest opportunities to eliminate the drudgery. As mentioned, we tend to think of strategy and planning as being synonymous. This creates a huge beast of an end-to-end process and hence, the feeling of it being monolithic.
   - o Strategy is not and should not revolve around an annual calendar. Many strategic moves take longer to develop. Others may be much quicker. In fact, with all the technological developments we have seen, and the ensuing competition that arises from them, strategy (creating strategy and/or validation) is often done more frequently these days. So think of doing strategic development based on need. Revisit your plan. Revisit your scenarios and assumptions. Revisit market conditions.
   - o Planning on the other hand is more scheduled, rote and focussed on tactics. Planning should always involve priorities and contingencies in the event external conditions change. Often this can be done on a regular basis such as annually. Of course, this is also convenient because a yearly planning cycle matches up to our fiduciary requirements and shareholder expectations.

9. **Use analysis wisely and with caution**
   - o We must do all we can to avoid paralysis-by-analysis infecting our organizations, strategy and planning activities.
   - o At the risk of sounding like a heretic, I think that data and analysis can be a dangerous limitation to strategic creativity. It can be used to shoot down ideas. It can always be spun to validate ideas. It can throw up a brick wall faster than you can say linear regression analysis.
   - o In strategy development, the best use of data is to build a 'pad' of understanding of the real world *in the past*. Its ability to predict the future is questionable and is often misused to justify positions.
   - o We often do research projects to predict how things like new products will be accepted by customers. We build these into our plans and use

them as rationalization for initiatives. The problem is that often customers don't really know what they want. If our idea is truly creative and potentially powerful in the market, then customers wouldn't have the foggiest notion as to whether they would buy it. Think of the internet. What if you had asked people just 15 short years ago - how would you like to spend hours in front of a computer terminal, reading the newspaper, shopping for books or auctioning off your unwanted garage sale items. They would have looked at you like you had two heads. Similarly, what happened when packaged goods manufacturers 10 years ago, in response to the tree-huggers, asked consumers if they thought environmentally friendly packaging was good idea. Consumers overwhelmingly said yes and what's more, they said they would be willing to pay a premium for it. What did we do? We started new packaging programs, found new sources of supply, spent millions on new packaging lines and then marketed the hell out of our good corporate citizenry. And of course, no one would pay one cent more. The moral? What customers say they will do and what they actually do are often very different.

o Analysis is often used to justify pre-ordained decisions. We all know that data can be used creatively to prove anything.

10. Be inclusive of all levels in the organization when developing your strategy
   o The typical way we have gone about developing strategy involves senior managers and sometimes their subordinates. However, I believe that this is a mistake we make if only because "that's the way we have always done it".
   o Strategy has to be simultaneously creative and executable.
   o The best strategy is strategy that is shared.

11. Be collegial
   o Take a lesson from Jack Welch. He abolished the ivory tower strategic planners soon after taking over the helm of GE in 1982. He eliminated the fancy strategy binders with their reams of data, analysis and out-of-touch mumbo-jumbo. In its place, he began to develop strategy in an informal, oral setting with his division managers. These infamous sessions took on a debate kind of atmosphere where people were free to contribute in a collegial environment
   o As a side benefit and in true systems fashion, this kind of approach also grows your leadership.

12. Use an intense environment for quality and speed
   o Nothing focuses the mind than the anticipation of the game. It allows us to focus on the task at hand without interruption and without excuse.
   o Correspondingly, nothing dulls the mind more than a long drawn-out process. Unfortunately, most processes today take place over an

extended period of time and are full of stops and starts. Often the process goes on for many months, even overlapping into the next cycle! Frankly, this is a recipe for inaction and unproductiveness

- o Of course, when using a concentrated time frame, you also get the advantage of speed.