

What's a strategy for?

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There are 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 analysis 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 do you know if your strategy is working?* In other words, the thing is to shift the emphasis away from inputs (e.g. methodologies, matrices or CEO war stories) 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 strategy¹: to provide *the framework needed to produce sustained value to the organisation's stakeholders*.

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):

1. 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?
- Go with this product?
- Pursue innovation in this area?

Companies as varied as Sony, Unilever and GM have had to deal with the consequences of a proliferation of brands. They've experienced stretched development and marketing resources, and difficulty putting enough money behind those products in which they should be investing. Unilever has already rationalised its offerings, Sony is actively engaged in the

¹ I need to acknowledge the great influence on my thinking of Kaplan and Norton's *Strategy Maps*, and extension of their work on *The Balanced Scorecard*.

process. In GM's case, it has just launched even more new car models (as of January 2006), and the problem may prove to be fatal². I've seen the proliferation problem in all kinds of organisations (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 stakeholder value?

Benefits: Clarity, leading to better resource allocation, profitability and return to shareholders

2. 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. Can staff confidently answer questions of the sort:

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

I know a client of FedEx who's 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 has to be there overnight*'". She said "Oh. I see what you mean. 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 value proposition – a key part of their strategy.

Benefits: provides conditions in which staff can be safely empowered, given autonomy. Improves customer experience. Improves employee satisfaction.

3. For decision makers at all levels

Do they have a way to know, on a day-to-day basis:

- How do I know that I and my people are making a valuable contribution to the organisation?
- What of the many things I could do, should I do?

² "General Motors' problem is that it makes too many cars", *Financial Times*, 16 January 2006.

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

4. For shareholders (of a profit-making enterprise)

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

Benefits: ongoing, perhaps increased, investment, support for enhanced share price.

5. For trustees and funders (of a non-profit)

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

Benefits: helps meet governance responsibilities and encourages funding

6. 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 organisation its purpose. Clear strategy makes the link between internal process and external results clear to people throughout the organisation. It gives 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, encourages a feeling of being relevant, of participating in value creation, not just ‘putting in time’. Improves collaboration.

7. For IT and infrastructure

- 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

8. For HR, succession planning, talent management

- 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

Remember, the test is: *Can the relevant people answer correctly without having to ask anyone else?*

Notice that the strategy is NOT a plan. Planning should wait until after strategy has been formulated (for more on that, see the BassClusker article *Back from the Future*³). Planning and strategy are, to use my colleague Paul Clusker's image, like oil and water in a car engine. You need them both, but don't let them get mixed up.

What if you don't have a clear strategy?

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
- People wasting resources on non-aligned work.
- Proliferation of unprofitable products and services
- Staff who lack initiative on behalf of customers
- Unsatisfactory customer experience
- Dissatisfied employees
- Silos and turf wars
- Overstaffing
- Inadequate succession planning
- Lack of accountability of learning and system development activities

Other than that, there's nothing wrong with it.

³ If you do not have access to this article, please contact us.

If you are seeing a lot of these problems in one go, then test people with the questions above. If they can't answer at least broadly correctly off the top of their heads, some form of strategy work could be in order.

And even successful, growing organisations have to keep on top of it – 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 find out more

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