

Strategy's Most Frequently Asked Questions

by Rich Horwath

"You gotta have a feeling for your subject. This is what I'm saying to you. One thing makes all the difference in the world: know what the hell you're talking about. And it's so rare...so rare."

American Buffalo, written by David Mamet

The end of the year is punctuated by a flurry of activity – gift buying, party going, and wrapping up work. What's less common and infinitely more important is a thoughtful look at the past 12 months. What went well? Where did we come up short? Why? Without answers to these questions, don't expect to improve at all.

One final question to pose at year-end is this: What do I know now that I didn't know a year ago? The real measure of your value to the organization is the insights you've accumulated and applied to make the business better. Have you generated new insights this year relative to serving customers more effectively, outperforming the competition or using strengths to take advantage of market opportunities? If not, you can easily be replaced.

One way to begin the New Year is to understand the answers to strategy's most frequently asked questions (FAQ's). Being fortunate to lead strategy workshops and give keynote speeches around the world each year, I record the strategy questions that come up and jot them down. Following are strategy's most frequently asked questions and some insights to get a jump-start on the New Year.

FAQ #1: What is strategy?

Strategy is defined as the intelligent allocation of limited resources through a unique system of activities to outperform the competition in serving customers. It specifies where you are putting your time, talent and money to win in your market. Winning can be a relative term but you can be sure

the final determination will be made by customers.

FAQ #2: What's the difference between strategic thinking and strategic planning?

Strategic thinking is the generation and application of business insights on a continual basis to achieve competitive advantage. Strategic planning then takes the insights generated through strategic thinking and channels them into an action plan designed to meet the goals and objectives.

Many individuals skip strategic thinking and go right into strategic planning which is akin to a business lobotomy because you've cut out the key element of new thinking. That's why so many organizations are stuck in a middle-of-the-pack rut, because their strategic plans are never infused with the new innovative ideas and initiatives that come from strategic thinking.

FAQ #3: What are the main components of a strategy development process?

Research shows that less than 50% of executives are satisfied with their strategy development process. A best-of-breed strategy development process consists of five phases: Discovery, Strategic Thinking, Strategic Planning, Strategy Rollout and the Strategy Tune-up.

The **discovery phase** involves the selection of the people, process, and information to be used. It entails the designation of the strategy development team, an outline of the process being used, and pre-work. The pre-work involves intelligence gathering on the market, customers, competitors and the organization, including primary research with customers and employees in the form of one-to-one interviews or focus groups. It also includes using a tool such as the Strategy Survey to focus managers

thinking around the key areas of the business prior to the group workshops.

The **strategic thinking phase** provides the forum for the group to begin generating and capturing their business insights around the four key areas of the business: Market, Customers, Competitors and Company. In this phase we carefully select the appropriate strategic thinking models from a body of 40 to use in the management off-site workshop. The models enable us to visually collect the group's best insights and prepare us to develop the strategic plan.

The **strategic planning phase** creates the framework for the strategy and all of its elements. It transforms the insights generated from strategic thinking into the strategic action plan that achieves the organization's goals and objectives and includes the appropriate timelines and budgets. The essence of the strategic plan is captured in a two-page blueprint of the business called the StrategyPrint.

The **strategy rollout phase** transforms the strategic plan into the activities and offerings that move the business forward. It ensures that the key elements of the strategic action plan are clearly communicated throughout the organization and that accountability for implementation is in place.

Finally, the **strategy tune-up phase** serves to keep the strategy evergreen. It's periodic formal reviews of the business by the strategy development team to hone their work. The team methodically reviews the four key areas of the business to identify changes and make any necessary adjustments to strategy and tactics. These meetings can take place weekly, monthly or quarterly.

FAQ #4: What are the most common strategy execution errors?

A survey by *The Economist* found that 57% of companies were unsuccessful at executing strategic initiatives during the past three years. In my experience conducting strategy programs with executives from the U.S., Europe and Asia-Pacific, the issue of successful strategy execution is

universally a high priority. To that end, I have identified the five most common execution errors.

- 1. Faulty Strategy**
- 2. Unclear resource requirements**
- 3. Poor communication**
- 4. Weak accountability**
- 5. Lack of calibration**

To hear about each execution error in detail, visit www.strategyskills.com and click on the "Strategy Talk" page and the link to execution errors.

FAQ #5: What criteria should I consider when choosing a person to lead a strategy program?

To determine a strategy resource's true value, ask the following three questions:

1) *What have you written on strategy?* As the philosopher Francis Bacon wrote, "Reading maketh a full man, discussion a ready man and writing an exact man." A person who hasn't the time or expertise to write on the subject isn't going to be able to provide your group with guidance through the tough issues, the one's that add the most value to the business. There's a big difference between a person who's read a few books on strategy and the person who's written a few books on strategy. Make sure you find the latter.

2) *Who exactly will be delivering the program and what are their skill sets?*

A strategy resource should be skilled in consulting, facilitating, training and speaking. There's nothing worse than having a two-day workshop with a consultant who puts the group to sleep in the first twenty minutes. On the other hand, a motivational speaker who's strategy content is limited to bumper sticker phrases like "Plan to Win and Win to Plan!" isn't going to add much value either.

Be cautious of strategy programs that talk in detail about their content, value and who should attend, and then state it will be delivered by a "Certified Trainer/Facilitator." Often times, this is code for someone who read the workbook two weeks before you did. Find a resource that has developed the material they are delivering, has strong practical experience and is highly engaging. Ask to see video of them speaking to ensure their content is strong

and they aren't a group sedative.

3) *What ROI can I expect from your strategy program?*

In my ten years of experience developing and delivering strategy programs, **a conservative ROI estimate is \$17,000 per manager. For a department of 20 managers, the ROI is \$340,000.** Let's walk through a quick calculation. Assume the average manager earns \$85,000 per year and works 40 hours a week for 50 weeks a year, giving us 2,000 hours worked. Conservatively, 20% of a manager's resources are wasted each year on misdirected initiatives, unfocused plans and outdated tactics.

We divide the average salary of \$85,000 per year by the 2,000 hours worked for an hourly salary of \$42.50. We then multiply 2,000 hours by 20% of wasted resources or .20 for a total of 400 hours of wasted resources. Multiplying the \$42.50 hourly wage x 400 hours of wasted resources shows a profit loss of \$17,000 per year per manager. When you consider there will most likely be additional ROI from innovative strategic initiatives developed by managers due to their exposure and application to new strategy concepts and tools, the ROI estimate increases significantly.

"It's Know or Never"

Knowing your business isn't just about being able to regurgitate product specs and market share percentages. Knowing your business means being able to come up with insights that no one else ever has, transforming them into actions and then executing those actions to drive success. As the year comes to a close, you may be partying or you may be praying, but you sure as hell better know more than you did the year before.

Rich Horwath helps management teams achieve competitive advantage through strategic thinking. He is the president of the Strategic Thinking Institute, a professor of strategy at the graduate level and a former Chief Strategy Officer. Rich is the author of the new book *Deep Dive: Mastering the Three Disciplines of Strategic Thinking for Competitive Advantage*. Visit www.strategyskills.com for more information.