

The Essence of Strategy

By Rich Horwath



Essence (noun): the basic, real, and invariable nature of a thing.

If there was ever one “thing” that needed to be returned to its “basic, real, and invariable nature,” that thing is strategy. Like a boat with no anchor flailing about in the open sea, strategy has become

unmoored from its’ true meaning. It has become meaningless.

Analysis of the term strategy during the past fifty years has identified 91 different definitions. Research with 400 companies shows that more than half (55.7%) don’t have a common definition

of strategy. If there's any question in your mind as to strategy's decomposing meaning, take a look at a few of the plans in your company and see if strategy has a consistent understanding. Then sit in on some meetings, and listen for how it's used. Do you see a clear and consistent use of the term strategy? For the majority of people, the answer is no.

And in fact, the word strategy has become so convoluted that it's now combined with terms like "imperatives," "pillars," and "objectives," and many managers really have no idea what they're talking about. Throw the word "strategic" in front of another word and all of a sudden you have people's attention and a new initiative. But like the emperor with no clothes, sooner or later, that booty is getting exposed.

Strategy Is Not...

In determining the essence of a thing, it's helpful to begin with what that thing is not. Think the ABC's. Strategy is not **A**spiration. How often have you seen a vision or goal masquerading as strategy? A vision is the future aspiration, what you'd like to be in 10 or 15 years. A goal is generally what you are trying to achieve. To become the market leader or the premier provider of your secret sauce, or the world's most sustainable product are noble aspirations. Just don't confuse them with strategy.

Strategy is not **B**est practices. If you benchmark the competition and then adopt the best practices, you have not developed strategy. You have converged with the competition, not distanced yourself from it. Strategy serves to differentiate your offerings and your company from the competition by providing superior value to customers.

Strategy is not **C**autious. Find me a strategy that's not last year's leftovers reheated and dolled up with some salt and pepper to make it palatable to the group going down the same path that they've been down a dozen times before. Find me a strategy that isn't afraid to upset some of the customer base

because it actually contains real trade-offs that are designed to not appeal to everyone, especially the unprofitable, high-maintenance customers you should have fired years ago. Find me a strategy that doesn't bore the people expected to implement it because it contains nary a new insight. As former Disney CEO Bob Iger said, "The riskiest thing we can do is just maintain the status quo."

Strategy Is...

Strategy is the allocation of resources through a unique system of activities to achieve a goal. Simply put, strategy is how you plan to achieve a goal. Mic drop? Not quite. Let's break it down into its' three primary components:

1. **Resource allocation**
2. **Unique system of activity**
3. **Achieve a goal.**

Resource Allocation

How you use your resources—time, talent, and budget—comprises your strategy. You may have a strategy written down in a PowerPoint deck, but show me how your people are spending their time, talent, and budget every day and you'll see your true strategy. Discipline is a key ingredient. Especially in a remote working environment, aimlessly investing a few hours each day on tasks that are not directly supportive of your goals may seem productive, but will destroy your chances at real success. If you have not clearly written out and communicated the strategy on a consistent basis, then where people channel their resources becomes a matter of chance. Good leaders don't leave strategy to chance.

Unique System of Activity

Perhaps the most common error regarding is mistaking operational effectiveness for strategy. Operational effectiveness is the proverbial wolf in strategy's clothing. It means to perform similar activities in a similar manner as competitors, trying

to do them a little better or faster. However, employing operational effectiveness without strategy is like running the same race as competitors, only hoping to be a little faster. Incorporating strategy indicates that we are going to run a different course than our competitors'—one that we ourselves have designed to win. A study of more than 200 companies found that 93 percent of the top 20 percent of financial performers have a strong form of differentiation at their core. Do you? If your strategy does not include different activities or similar activities performed in different ways, then it's not going to create distinct value. It's not until you get off the beaten path, that the beating can begin.

Achieve a Goal

In my strategic coaching work with senior executives, I review roughly 300 plans a year, and many are too complex, too long, or both. A good plan simply answers two questions: 1) What are you trying to achieve? 2) How will you achieve it? Your goal represents the answer to the first question—what you are trying to achieve, and strategy answers the second question—how you will achieve it. While it may be tempting to start with the strategy in developing a plan, remember that you have to first determine your destination before you can identify how to get there.

Three Traps to Avoid

As you sit down to develop strategy, there are three common traps to avoid.

1. Mixing strategy with tactics. Strategy and tactics both answer “how” you will achieve your goal. Strategy is how generally to achieve the goal, and tactics are how specifically to achieve your goal. Strategy is abstract, like leadership or love—you can't reach out and touch it. Tactics on the other hand tend to be more tangible. Use the Rule of Touch in distinguishing between strategy and tactics: if you can reach out and physically touch some part of it, it's most likely a tactic. As Chinese

general and philosopher Sun Tzu wrote, “All the men can see the tactics I use to conquer, but what none can see is the strategy out of which great victory is evolved.”

2. Not connecting strategy directly to the goal.

In the midst of planning and PowerPoint decks, it can be easy to get swept up in the slides and forget about the purpose of the strategy. Recall that strategy directly answers the question, “How will you achieve the goal?” I've seen plans that proudly trumpet a strategy that doesn't actually relate to a goal. Use the conversation test: you should be able to walk up to any leader, colleague, or direct report and ask them, “What are you trying to achieve?” and follow their response with “How are you going to achieve it?” In a matter of moments, you've gained an understanding of the essence of their plan. The same should hold true for your written plan, ideally answering the what and how questions on the first slide or two.

3. Failing to build strategy on insight. One of the reasons most strategic plans are not used during the year to drive people's daily activities is because they quickly become irrelevant. Why? They are not built on insights. An insight is the combination of two or more pieces of data or information in a unique way to come up with a new idea, new approach or new solution. Simply put, an insight is a learning that leads to new value. A strategy not developed around insight means that it's not going to deliver new value. And if we recall the definition of competitive advantage—to provide superior value to customers—then a strategy without insight is worthless. Are your strategies built on insights?

Sometimes in the sea of email, video meetings, and fire drills, we lose sight of what research has shown to be the most important role of a leader: setting strategic direction. It's time to get back to the essence of what that means. It's time to climb out of the tactical weeds of the business and chart a new path. It's time to stop pretending you're all on the same page and actually write the page together by having effective strategy conversations.

The next time you're in a meeting and someone starts egregiously throwing the word "strategic" around or combining it with other terms, pull the needle off the record and share what strategy really is: the allocation of resources through a unique system of activities to achieve a goal. Strategy is how you plan to achieve your goal. Then, you can drop the mic.



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