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50 Ways to Get More From Strategy Development

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In a recent McKinsey survey only 40% of senior executives thought that their strategic planning process was useful, and *less than a quarter* of them agreed that they made major strategic decisions during the process.

In fact "strategic planning" is an oxymoron. It is virtually impossible to develop a winning strategy for growth during an annual planning process. Yet too many companies try (and fail) to combine the two tasks. The end result is typically a 3-5 year budget, not a coherent strategy for sustained and substantial growth.

It is time to create a more valuable and meaningful strategy development approach for executives. If you are not making major decisions as a result of your strategy work, what on earth is the point of it?

Here are 50 ways to help you create strategies that are focused, compelling, capable of being delivered and able to generate profitable growth for your business.

1. **Shop your business.** What does it feel like to be a customer of your business? Where are the frustrations and what are the big opportunities for improvement. Spending time getting first-hand experience of acquiring and experiencing your products and services will give you more empathy with customer feedback.

2. **Spend time observing your customers.** How do your customers use your products and services, and those of your competitors? What are their frustrations and unmet needs? AG Lafley, CEO of Procter & Gamble spends two days each quarter in people's homes watching and observing how they use certain products.

3. **Spend time on the front line of your business**, serving and selling to your customers or delivering your key operational processes. I know it sounds like the outline of a Channel 4 documentary, but it is a great way for you will learn about the frustrations and the successes of delivering your customer offer.

4. **Ask different cross-functional groups to develop their ideal strategy for the business**, and have them present it to the top team. Not only does this stretch your managers, it allows you to get some fresh thinking into your boardroom.

5. **Talk about and benchmark companies from other industries that you admire.** What is it about them that excites and resonates with you, and how could you translate these capabilities for your own business?

6. **Clarify what will happen if you carry on with your existing strategy.** Twenty or so years ago, Andy Grove, the former boss of Intel, went one stage further. He asked his fellow executives what would happen if Intel were taken over by a different management team. They quickly realised that the right thing to do was to get out of the memory business and focus, instead, on microprocessors.

7. **Identify where your ambitions are being constrained by your own internal assumptions** rather than by any external reality.

"Where problem-solving takes a microscope to the organisation, innovation takes a telescope to the world."

8. **Articulate what you want to be famous for and how you intend to succeed in the future.** There are four generic strategies for success, which are (1) the quality of your products and services, (2) the excellence of your operations, (3) your lean cost base or (4) your ability to create and manage brilliant relationships with your customers. Which of these are you striving to be famous for and what is the level of improvement you want to see from where you are now?

9. **Focus your time on raising the bar and seeking new opportunities for growth, not just problem-solving.** The problem with problem-solving is that it can lead to insularity and incrementalism. Whilst it may work in a steady-state environment, it cannot help businesses succeed in a non-linear world. Where problem-solving takes a microscope to the organisation, innovation takes a telescope to the world. A key job of in developing winning strategies, therefore, is to pick up the telescope and scan the horizons for changes and opportunities.

10. **Be prepared to cannibalise your business**. Defensiveness is a key factor in turning market leaders into also-rans. At the heart of this mindset is reluctance, bordering on refusal, to cannibalise your own sales. The trouble is that, in a dynamic market, if you don't cannibalise your sales you will be overtaken by other players. Apple has brilliantly overcome this issue in the way it has managed the market strategy of the iPod. After its initial launch in 2001 Apple has limited the headroom for competitors to launch rival products by regularly bringing to market new versions of the iPod that deliver better performance at lower prices.

11. **Invest in strategies, not initiatives.** Focusing investment decisions at a strategic level requires you to make clear and consistent choices, but enables strategic breakthrough. A few years ago during a meeting at Walgreens, America's leading drugstore chain I asked their senior managers how they could possibly get a decent payback on their drive-thru pharmacies (*"Don't they lead to lost in-store impulse sales?"*) and their 24 hour opening (*"How can you possibly get enough business to justify a pharmacist at 3am?"*). Their reply was revealing. The senior manager simply said, *"I don't know whether these initiatives make money in themselves, but they were both essential to our goal of being the most convenient drugstore in the US."* By focusing resource allocation decisions on the overall strategy the initiatives became essential elements of Walgreen's agenda. Just as importantly Walgreen's management is

willing to offset investment in these elements by reducing investment elsewhere - for example, low-cost store fit-outs, and lower in-store staff service levels.

12. **Focus on being distinctive, not just customer led.** Customers can't predict the next big thing. For example, when Renault designed the Twingo in the late 80's, they tested this innovative small car with consumers. A majority of those tested did not warm to the car, but a small minority loved it. Renault held their breath and went with the launch. The Twingo went on to be one of their greatest successes. Because it was so innovative it shocked the majority of customers who needed time to appreciate its benefits.

13. **Establish a high-growth mindset.** There are three elements that distinguish the mindsets of high growth companies: a focus on tomorrow; a commitment to action and learning; and a willingness to seek and manage risk. How well does your business score against these three criteria?

14. **Identify the major areas of disagreement across your team** – either in terms of your understanding of current issues and opportunities, or your alignment on the best way forward. Focus your energies on resolving these disagreements, but don't hide from them.

15. **Meet more regularly to drive forward your big ideas and overall agenda.** Amazon.com holds a weekly senior leadership meeting, as does Ebay. One of the clients I worked with developed a bi-monthly session to ensure they spent enough time on the key growth priorities of their business. One thing's for sure – annual strategy sessions are unlikely to help you uncover fundamental truths or create a platform for breakthrough growth.

16. **Communicate your vision and overall ambition with the wider organisation.** Once the goal is 'out there' you are more likely to deliver it. The key is to have a pithy and memorable summary of the strategy that you can repeat and which your teams can understand and engage with.

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17. **Respond to all requests for funding and investment by saying, *"And how will this help us deliver our strategic intent?"*** When I worked for Boots the Chemists, the Retail Director, Scott Wheway (now with Best Buy), would ask of any proposal*, "How will this help us become the best health and beauty retailer in the world?"* It worked every time to create management focus and to reinforce the core strategy message.

18. **Make attendance at strategy meetings optional, but attach certain strings.** Many people argue they don't want to attend strategy sessions as they have important and urgent issues. You must make attendance and involvement in their best interests. Consequently, make the sessions optional but ensure that decisions, once made and committed to, cannot be re-opened outside the strategy meeting.

19. **Make "so what" decisions as a result of your strategy discussions.** The biggest failure of most strategy processes is their inability to turn discussion into decisions. Ensure your agenda is focused on decisions. Some may be to gain agreement and alignment on the key issues and likely alternative solutions, but others may be about allocating financial and other scarce resources.

"You cannot work out the best way to reach somewhere until you have agreed on your destination."

20. **Separate strategy development from the planning process.** Strategy and planning are completely different, although related, activities. Strategy is about agreeing how you intend to succeed in the future; planning is focused on allocating resources to achieve certain levels of future performance. One of the biggest mistakes of many strategy development processes is that it immediately turns into a planning session. Once this has happened, the solutions become far more incremental, as they are focused on achieving, say, 5% profit growth, rather than, for example, how to transform the business into an organisation that delivers excellence in customer-focused solutions.

"One of the biggest mistakes of many strategy development processes is that it immediately turns into a planning session"

21. **Separate sessions discussing your big issues and opportunities from those creating the solutions.** Whenever we discuss the big issues and opportunities we face the immediate temptation is to jump into proposing and arguing solutions. I repeatedly come across situations where a lack of commitment to a solution results from disagreements over the nature of the issue. You must hold back from putting forward solutions until you and your team have a shared understanding of the issue or opportunity, and its potential consequences for your business.

22. **Separate sessions agreeing your objectives from those determining how you will achieve them.** You cannot work out the best way to reach somewhere until you have agreed on your destination. This is as true for business strategy as it is for travel plans. Defer decisions about the best way to achieve your objectives until you have agreement on what your objectives should be.

23. **Don't scupper strategy sessions with other items for the agenda.** Just because you've finally been able to get the full team together avoid the temptation to add other issues to the agenda. They only serve to eat up time and divert attention away from the real work required.

"Many organisations get so obsessed with changes in their markets that they become paralysed"

24. **Avoid a cast of thousands.** The only people you want around the table are those who will have ultimate accountability for its delivery. By all means seek ideas and insights from others ahead of the session, but avoid broader involvement in the session, as it dilutes your decision-making.

25. **Start with the answer.** Many strategy sessions I have attended start by going through a fact book, covering past performance, future projections and likely competitor activity. The only impact they have on the discussion is to dampen energy and enthusiasm. Effective retreats use your team's judgments and opinions as a starting point - call them hypotheses if you wish - which can subsequently be tested with specific analyses.

26. **Identify the trends that won't change over the next 5-10 years.** Many organisations get so obsessed with changes in their markets that they become paralysed, unable to take action. Amazon, on the other hand, has focused its innovation on three trends that its management team believes will not change over the next 10 years: choice, price and speed. What are the three trends that will not change for your business?

27. **Articulate how you currently succeed.** Where are you doing well? How is that happening? What are the underlying conditions that enable you to succeed in certain situations but not in others? Once you have identified the causes of your success you are much better able to find ways to replicate and build on that success.

28. **Create a list of 3-6 priorities that, if you delivered over the next few years, would enable you to achieve your stated ambitions.** Having agreed a new strategic direction, it is tempting to try and deliver everything as quickly as possible. It is unlikely, however, that your organisation will have either the capacity or capability to deliver. Instead, agree a handful of priorities that will have the biggest impact on your growth and strategic intent. Make these priorities as specific as possible. For example, back in the 1990's WalMart's management didn't' just say that they wanted to grow the business, they said they were focused on buiding a $100 billion business by 2000.

29. **Understand your value drivers.** The foundation for both of the above is an understanding of what drives value for your business. You need to know what's important and what isn't. Simply put, a value driver is a factor which has a significant impact on the performance of a business and which is controllable by management. Ryanair, for example, knows that it is low fares that drives its success and has aligned all activities and decisions behind that fact. You may have a more complex source of competitive advantage, but, in my experience, you should be able to focus on just half a dozen factors that are critical to your organisation's performance.

30. **Establish a high-level future-back implementation plan.** If, for example, you want to double sales in the next four years, what must you have achieved in two years time? What does this mean you must have delivered in 12 months, in 6 months and by next month?

31. **Create a system to rapidly and cheaply prototype new ideas**, so that you build momentum behind promising ideas and kill unpromising ideas. For example, provide seed money for promising new ideas so that managers can quickly (in a matter of weeks) create and test prototypes and determine whether there is a real development opportunity.

32. **Separate objectives from tactics.** Many companies give up on their goals simply because their first execution doesn't work as planned. If you have taken the time to understand, articulate and agree what your objectives should be, you must not give up on them without a fight. You may well need to flex on the way to achieve your goals, but don't give up on the vision. Ten years ago Tesco, for example, set itself the objective on being as big in non-food as it is food. The Tesco executive team didn't fully know how they would do this when they set the objective, but have used it to guide the development of new businesses and income streams.

33. **Identify the preventative and contingent actions required to reduce the risk of your strategy.** Success is all about taking prudent risks, but you can take certain actions and decisions to stack the odds a bit more in your favour. For instance, identifying up-front what action you will take if a new product under-delivers (will you pull it?) or over-delivers (will you accelerate roll out?) can help you make better decisions down the line.

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34. **Clarify accountabilities and seek to ensure that either the whole team wins or the whole team fails.** Collaboration is one of the hardest, and most under-rated, organisational capabilities. Finding the balance between individual and team accountability will be critical to your success.

35. **Establish medium term themes.** Sometimes an end goal is not enough. It is too distant to influence daily decisions. Creating medium-term sthemes provides a link between your 10-20 year aspirations and next quarter's results. For example, as part of their turnaround in the early 1990's, the Asda executive established its "formula for growth". The formula was based on six themes that provided the focus for all major investments, and led to the company's successful turnaround and ultimate purchase by Wal-Mart:

    - Truly different stores;
    - Offering 5-10% better value;
    - Stunning fresh food from craftsmen;
    - 25% unmatchable mix (*own label focus*);
    - A serious clothing offer (*the birth of George!*); and
    - Sold with personality.

36. **Establish non-financial as well as financial measures.** Financial measures can only measure past performance, but non-financial KPI's can act as an indicator of future health and performance. For example, market share and customer satisfaction measures can give a sense of the company's momentum and possible future performance. At Reckitt Benckiser innovation is management's key focus for growth, and so executives pay a lot of attention to the percentage of sales from new products.

> "Asking effective questions is just as important to creating a high-performance strategy as having a great idea"

37. **Be flexible on the journey**. Many companies develop in-depth strategic options. It is less common for the equivalent effort to be put into finding the best route to delivering strategy. It is vital to spend the time developing a suitable path that delivers short-term performance as part of a longer-term growth campaign. At Alcan, for example, executives demand that managers develop at least three alternative strategies when asking for corporate resources.

38. **Keep something up your sleeve.** In his book, Good to Great, Jim Collins describes how Abbot Industries, a US healthcare diagnostics company, found ways to free money for growth initiatives. Whilst the Executive Team set external expectations of future profit growth at, say, 10%, it would then set internal targets that were much higher, say 20%. They then kept a list of entrepreneurial growth projects, called Blue Plans. After the half-year the Executive Team would select a profit figure that was higher than external expectations but less than its actual performance. The difference would be used to fund the Blue Plans, allowing Abbott to deliver short-term results as well as

systematically investing for longer-term growth.

39. **Remember, just because you're the boss doesn't mean you have all the answers.** Former Asda boss Allan Leighton once said, *"I'm lucky if I'm right even half the time."* Seeking to have all the answers creates a dependent and, most likely, slow and unresponsive organisation. You may get compliance - for a while - but will you get genuine enthusiasm and support? Asking effective questions is just as important to creating a high-performance strategy as having a great idea.

40. **Remember that nothing fails like success.** Many companies struggle not because they are bad at what they do, but because they are great at what they do. Kodak, The Gap and Olivetti have all created particular areas of excellence. The only problem has been that as needs of their markets have changed they have failed to change with them. Your strategy should be continually focused on raising the bar and innovating, not merely trying to defend your existing business models.

41. **Continue to break down the strategy into manageable objectives.** The US Army knows that you cannot plan a battle in detail - after all, the enemy may have other ideas. Instead, they have created an approach called Commander's Intent or CI. The intent is a short, practical statement that leads every order and clarifies the goal. For senior commanders the CI may be to "reduce resistance in the south of the country". Further down the chain of command the CI will be aligned but more specific. For example, it might be to remove the enemy from a particular town. The important aspect is that the overall objective is broken down into something each unit can understand and act upon. It doesn't tell them how to do it, simply what they must achieve.

42. **Create a vision with cut-through.** Many vision statements have no resonance outside the boardroom. It may mean something to those executives who developed the statement, but, in many cases, is too input-focused and non-specific to be of any real use to people at the front-line. Done well, however, a vision statement acts as the arrowhead of your strategy, bringing to a single point the essence of who you are and how you will succeed. My favourite vision statement is from Southwest Airlines. Herb Kelleher, the former CEO, put it like this: *"I can teach you the secret to running this airline in thirty seconds. This is it: we are the low-fare airline. Once you understand that fact, you can make any decision about this company as well as I can"*. Can you say the same about your vision statement?

"Done well, a vision statement acts as the arrowhead of your strategy, bringing to a single point the essence of who you are and how you will succeed"

43. **Prune in the good times, invest in the bad.** The most successful executives are those that do not let the external economic circumstances overly distract them about the right way to manage their business. A McKinsey study, for example, showed that those companies that continued to invest in marketing, selling and R&D during the recession of the early 1990s, performed best in the subsequent upturn.

44. **Exploit successful rule-breaking.** Exploiting and encouraging rule-breaking seems, on the surface, to be a risky approach to management. After all, the rule-breaking may not work. The truth, however, is that innovation is the critical driver of organisational success. The much, much bigger risk is that you preserve the status quo and watch your organisation being overtaken by competitors who are more agile, more creative and more able to work with mavericks and rule-breakers.

"It took Tesco over five years before they created a profitable version of their Express format"

45. **Where necessary, use explosives.** Simple, bold solutions trump complex, incremental initiatives nine times out of ten. Prior to commencing his business career, Rick was a mining engineer in South America, looking for gold in Bolivian rivers. Various mining companies had invented machinery that sifted the river in the hope of finding gold. Rick's team tried a different approach. Using explosives they blew up the course of the river, causing it to divert down a different path. This allowed them to walk down the river and pick up the gold quickly and easily. Business plays to the similar rules as South American gold prospecting. Companies who deliver simple, bold innovations often beat those who have their heads down delivering incremental improvements through increasingly complex solutions.

46. **Persist, persist, persist.** It took Tesco over five years before they created a profitable version of their Express format. At that point they had opened fewer than 20 stores, but within three more years there were over 700. A commitment to the goal of a convenience format had driven the company to keep trying different solutions until a winning formula was found.

"Simple, bold solutions trump complex, incremental initiatives nine times out of ten"

47. **Experiment, experiment, experiment.** Michael Bloomberg, CEO and founder of Bloomberg, the news and information services company, wrote *"While our competitors are still sucking their thumbs trying to make the design perfect, we're already on prototype version #5. By the time our rivals are ready with wires and screws, we are on version #10. It gets back to planning versus acting: We act from day one; others plan how to plan—for months."*

48. **Commit, commit, commit.** Phillipe Petit, the French tightrope walker who crossed between New York's Twin Towers in 1974 said that in any walk the first step is easy; it is the second step where commitment really happens. At that point you can't go back. Are you taking a series of initial steps with your business growth or are you committed to the second step and beyond?

49. **Take time to dream.** Many of the world's biggest discoveries – Archimedes in the bath, Newton and the apple – happened during some downtime. Creative insights, as opposed to analytical problem-solving, are more likely to occur when there is a combination of a 'prepared' mind and a positive, relaxed mood.

50. **Enjoy it.** Developing a more successful business that delights its customers, engages its people and rewards its investors is one of the most satisfying activities of any business leader. So, do you come to your strategy work with a sense of adventure and excitement or a belief that you will just be filling out forms that have no impact on the future of your organisation?

Stuart Cross, of Morgan Cross Consulting, is a consultant, coach, speaker and writer who helps some of the world's top companies find new ways to drive substantial, profitable growth. His clients include Alliance Boots, Avon and PricewaterhouseCoopers.

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