The Strategic CEO

15 Powerful Lessons For Business Leaders To Develop And Deliver High-Impact Strategies

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Introduction: The CEO's Unique Role In Business Strategy

This book has been written as a result of my firm's work with market-leading organisations in developing and delivering high-growth strategies. It focuses on how you, as the leader of your business, can lead and direct your strategy process.

As I've consulted with different organisations in the last few years, I've learned that a high degree of mystery and confusion surrounds the term "strategy". However, strategy is, at its heart, a simple concept. The definition I prefer for strategy is "a framework for guiding ongoing decisions and actions to drive superior results." It is about setting a direction for sustainably better performance.

As the CEO of your organisation, you are in a unique position to guide the development and delivery of your strategy. In my experience, the business leaders who are best able to tackle and drive strategy are those who display the following behaviours and characteristics:

- **They are willing to make clear choices and trade-offs.** They know that they can't necessarily have it all and must choose how they wish to compete. They are as clear about what the business doesn't and shouldn't do, as to what it should focus on.

- **They continuously raise the bar.** Today's successes are not enough for strategic CEOs, who are forever looking for ways to reach the next level.

- **They combine analytical rigour with creativity and serendipity.** They deal with facts, rather than hope, but are also open to new ideas, possibilities and concepts.

- **They create a strong team around them.** They welcome strong, well-rounded executives and managers as part of their team, and don't need to 'do it all' themselves.

- **They hold their people to account and always follow-through.** Excellence in execution is critical to them, and they never forget what others have promised to deliver.

- **They don't rely on the numbers for their insights.** They spend significant time with customers, colleagues and suppliers to drive their understanding of the business.

- **They focus on a few big things.** Even though they keep the bar raised high, they seek to ensure that the organisation doesn't bite off more than it can chew.

- **They are great story tellers.** They love to talk about their business, share and explain its future vision, and use stories and anecdotes as a way of engaging their people and their stakeholders.

This book is designed to help you focus on and develop your skills in line with these characteristics. People learn in different ways, and so the book is designed with three alternative learning approaches:

1. A subject heading and action summary on every even-numbered page, to allow for easy reference and review

2. Detailed examples and guidelines to provide more complete insights

3. Three key actions for each section, which constitute immediate action points for you to consider.

There are 15 lessons, and 45 actions for you to pursue. How many apply to you is a matter of personal circumstance. I've tried to set out the most important insights to help you become a true "Strategic CEO", and I wish you the very best in driving your organisation's success.

Stuart Cross
Newark-on-Trent, Nottinghamshire
January 2010

1. Lead, Don't "Do" Strategy

You're on the bridge, not in the engine room

Although CEO's see strategy development as a key part of their role, their detailed involvement can do more harm than good. There are three reasons why CEO's should not become overly or single-handedly immersed in detailed strategy development:

- **You don't know everything.** 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.

- **It inhibits others and prevents ownership.** The problem with CEO-led strategy is that, to the rest of your team, it can feel like an order. You may get compliance – for a while – but will you get genuine enthusiasm and support?

- **CEO tenure periods are less than the strategy cycle.** In Europe average CEO tenures are now little more than 5 years, and CEO turnover is circa 15%. Consequently, there is significant pressure on you to deliver big results quickly, even if that goes against the best longer-term strategy for the business.

So what should you, as CEO, be doing? In short, the answer is providing leadership. There are five key roles for the CEO in the strategy development process.

1. **Set goals**. When he was CEO of drinks giant Diageo, John McGrath set his top-team a three-year profit target, demanded that the shape of profit growth be acceptable and insisted that the strategy should be in line with the company's vision. What he did not do was prescribe specific solutions – he wanted his team to create the answers and then deliver against them.

2. **Engage the top team.** At an *fmcg* client of mine, the CEO used the top team to develop a re-freshed strategy in a series of full-day sessions. The time spent by the executives allowed them to agree on the key strategic issues faced by the business and explore alternative routes forward. The result was an agenda with strong buy-in from the top team.

3. **Align the strategy with the company's values.** When Herb Kelleher believed that a strategy or initiative was not in line with Southwest Airline's *raison d'etre*, he would simply reply *"And how will this help us be the low fare airline?"*

4. **Be the new strategy's role model.** Everyone across the organisation and beyond will be look-ing at what you say and – particularly – what you do before they will be persuaded that you mean business. It's not about having memorable catch phrases, it's about taking ongoing actions that are consistent and congruent with your stated objectives.

5. **Have the final say on big decisions.** Although I don't believe CEO's should become single-handedly immersed in detailed strategy development, I do believe that you must sign-off on it and that you should also have the final say on big investment decisions. Ultimately, the success of the strategy, or otherwise, will be down to you.

As CEO of your business, are you spending too much time trying to have all the answers for your detailed strategy development and not enough time on being a leader? By taking a step back, allowing your team to take the lead, and then holding them accountable for results, you may find that you get both a better solution and more commitment to effective implementation.

Three Key Actions

1. Set out the ways in which you will increase the level of involvement and responsibility of your leadership team in developing a coherent, winning strategy for your business.

2. Establish medium-term (say 3-5 years) performance goals for the business, around which your team can establish and benchmark a coherent strategy for success.

3. Make a list of where there is still a lack of clarity on your company's strategic direction. Work with your team to identify the alternative solutions available and support the team in making the decisions necessary to improve clarity and increase the organisation's focus and momentum.

2. Don’t Let Planning Kill Strategy

First, focus on the what, not the how

What is your reaction when you hear the phrase “strategic planning”? Are you energised by the chance to create exciting new opportunities for future profit growth? Or are you depressed by the thought of endless form filling, requests for further information, and periodic fights to protect your budgets?

If you chose the latter option, you are not alone. In a recent McKinsey survey *less than a quarter* of senior executives 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 1-3 year budget plan, not a coherent strategy for sustained and substantial growth.

The best way forward is to separate strategy development from annual resource planning. But why is this so essential? Here are four good reasons.

1. **They answer different questions.** Strategy development is focused on how you wish to win in your chosen market, what distinctive advantages you need to make this happen and what capabilities and assets you require to underpin this approach. Although you will need a robust fact base to make progress, it is as much a creative process as it is analytical. Planning, on the other hand, seeks to identify the best way to achieve your objectives within the resource constraints you have. It is more about control than direction.

2. **They have different timelines.** Planning is required to ensure that managers across the organisation know what resources they have, and what they are expected to deliver with them. A set timetable is required so that when the new financial year begins everyone understands what is expected of them. Strategy, however, responds to market issues and opportunities as they emerge. There is no annual timetable that can cater for these changes. It is not therefore surprising that the McKinsey survey identified that few planning processes led to major strategic decisions.

3. **They require different metrics.** The end result of planning typically comprises a profit and loss, capital expenditure and cash-flow budget (and *possibly* some market share projections). The language of planning is therefore financial. Metrics that help strategy development include, but are not limited by, financials. Innovation, speed, quality, customer satisfaction, loyalty, and brand strength can be equally valid measures. However, such metrics are often marginalised during the annual planning process in favour of P&L projections.

4. **They involve different players.** Annual planning requires executive approval and sign-off, but can often be led by a central planning team working with line managers. Strategy development, however, requires the active involvement of the leaders of the business. Although support is required from other players, it is only when the leadership team has fully argued through the merits of different alternatives to future growth that clear strategic decisions can be taken. In short, strategy cannot be delegated.

Don’t let planning kill strategy. By separating out strategy development from the annual planning process you will have radically increased your organisation’s chance of identifying new opportunities for substantial future growth.

Three Key Actions

1. Separate your strategy meetings from the annual planning process. Plans need to be made, but they drop out of a strategy.

2. Assess the rate of change in your key markets, and determine how often you should be meeting with your executive team to review your strategic position.

3. Ensure that your strategy discussions lead to decisions on the big issues that are driving your company’s longer-term performance.

3. Start With Opinions, End With Insight

Using hypotheses to focus your analysis

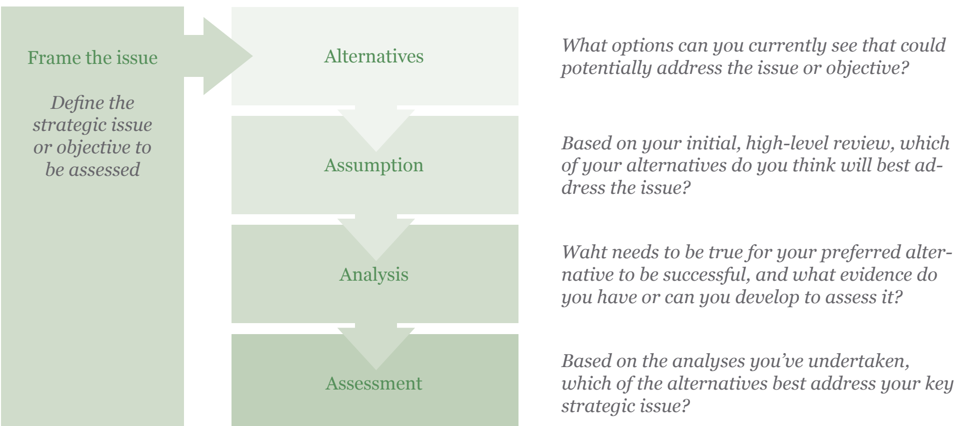
One of the aspects of strategy development that puts many executives off is the amount of data analysis that seems to accompany it. In most cases, however, this 'boil the ocean' approach simply adds to the level of work rather than to the level of insight or the quality of the final decision.

The good news is that strategy development doesn't have to work that way.

When I work with my clients I find I can increase the speed and effectiveness of the work by focusing first on the executive team's opinions. We call these hypotheses or assumptions, but the premise is the same: if we start with an answer we usually get to a better solution faster, even if it is different to the one we started with.

The process I use is summarised in the chart, and I call it the '4A Framework'. Critical to its success is clearly defining the issue at hand. The issue may be as general as "How can we best grow profits in our markets?" or may be more specific and pointed, for example "How can we reduce our unit costs of production?"

The 4A Framework



Whatever issue you are seeking to resolve the process you follow is the same:

1. **Alternatives.** First you should set out what the broad alternatives are. Taking the question of growing profits you may quickly sketch out four alternatives: (1) Grow sales volumes, (2) Raise prices, (3) Reduce production costs, or (4) Reduce business overheads.

2. **Assumption.** In order to focus your analysis, you should then take a view as to which alternative (or combination of alternatives) is likely to be the best solution. Using the example, you may make an initial decision that the first alternative, growing sales volumes, is your preferred way forward. You may know that there are still many customers you haven't reached and there are sectors of the market you don't currently serve. You may also have evidence that it is not possible to raise prices, that the best way to reduce unit production costs is to drive up volumes anyway, and that your overheads are to small to make a material impact on profit performance.

3. **Analysis.** The critical difference between a strategy based on hope and one based on insight is the quality of the supporting analysis. The next step is therefore to ask yourself what needs to be true for you to be able to grow volumes by reaching new customers and entering new sectors of the market. Be specific. What is that you must achieve if you are to succeed, and what evidence can you obtain – from research, trials or performance data – that these actions and levels of performance are within your reach?

4. **Assessment.** The final stage is to make an informed choice based on the analysis you've undertaken, balancing risk and return. If your first hypothesis does not appear to be as attractive as you first thought, you will need to consider one or more of the other alternatives, but at least you have not simply 'boiled the ocean' in a search for any answer.

When it comes to strategy development you need neither to 'boil the ocean' trying to find the perfect solution or simply go with your 'gut feel'. Focusing your analysis on your key hypotheses will help you make informed decisions with pace and confidence.

Three Key Actions

1. Set out the key strategic issues and opportunities that your company faces. Focus on those most likely to have a significant impact on your medium and longer-term performance and value.

2. For each of these issues, identify the broad alternative solutions you believe the company can pursue, and qualitatively review each of them for suitability.

3. For your preferred alternative, clarify your underlying assumptions and create an analytical plan that will test whether or not your assumptions are valid.

4. Go On, Pick A Card

Strategy is all about making choices

The most liberating, yet most difficult, aspect of strategy development is choosing your key area of differentiation. When asked, "What kind of business do you want to be? Do you want to have the best products, best service or lowest prices?" many CEOs simply say "Yes, we want to be all of those things."

This response is both unrealistic and misguided. It's hard enough to be truly world-class and market-leading on one of these aspects of strategy, never mind all of them. In fact, although there are infinite strategy variations, it is possible to identify these five generic strategies:

1. **Product Leader.** These companies want to have the latest and best products for their target customers. New product development is critical to their success, and customers are willing to pay more to get the high quality product, service or brand experience they're after. Examples include Apple, Sony, Singapore Airlines, Ferrari.

2. **Cost Leader.** These companies offer amazing prices to their customers who, in turn, believe that the product quality is good enough given the amazingly low prices. Examples include Tata Cars, Aldi, Primark.

3. **Convenience Leader.** These companies offer a clear standard of performance and deliver against it every time. They are highly dependable, highly convenient and hassle-free. Their strong operational focus and highly efficient systems often mean that they are also low cost organisations. Examples include McDonalds, Toyota, Dell, Amazon.

4. **Service Leader.** These organisations gain and keep clients as a result of the expert advice and support they offer, both before and after purchase. Examples include John Lewis, Nordstroms, Home Depot, Lexus.

5. **Solutions Leader.** These businesses tailor their offer to individual customers, creating bespoke solutions. Close and deep relationships with their customers are critical to their success. Examples include McKinsey, IBM, Harley Davidson.

Which organisations can you name that lead on three or four of these dimensions? If you can name one or two, congratulations, but these exceptions simply prove the rule.

Most of the world's top organisations make clear choices about where and how they wish to differentiate themselves. They focus on one, or possibly two, of these dimensions, and a major reason they do this is that different strategies demand different types of organisation.

For example, a *Product Leader* company, such as Apple or BMW, will emphasise new product development and have many organic cross-functional project teams working on bringing new ideas to market. Conversely, a *Cost Leader* business, such as Aldi or Tata, will have very simple, centralised processes, and will strictly control costs in all areas of the organisation.

So which strategy should your business be pursuing? The answer is likely to be found by understanding where your organisation's capabilities, the key needs of your market, and your passions meet.

The Strategic Focus Profile

Strategic Focus *And customer reactions*	**Uncompetitive** *Behind the pack*	**Competitive** *In the pack*	**Distinctive** *Ahead of the pack*	**Breakthrough** *In your own pack*
Product Leader *"It costs more, but it's worth it"*				
Cost Leader *"I can't believe the value"*				
Convenience Leader *"It's all so hassle-free"*				
Service Leader *"They offer such great dvice and support"*				
Solutions Leader *"It's exactly the solution I was after"*				

As a first step to setting a direction, take these steps, ideally with your team:

- Using the table above, map out the strategic profile of your key competitors on each of the dimensions.
- Now it's your turn. Place a "C" for *Current* in the relevant box for each of the types of Strategic Focus. Are you behind the pack, in the pack, ahead of the pack, or so good you've created your own pack?
- Next, for each strategic dimension place an "F" for *Future* in the box that you aspire to be over the next 3-5 years. Would you like to improve, stay the same or perhaps decline in your relative performance on each dimension?
- Finally, review the profile that you've developed. The gap between your current position and your future ambition indicates the level of work you will need to undertake to achieve your goals.

You will of course need to carry out more work to validate the direction you have provisionally set. But what's your initial reaction to the potential future direction of your company? What level of excitement does it give you about the type of organisation you could become?

After all, without a sense of excitement, mission and anticipation, it's unlikely that you'll deliver a strategy of any value whatsoever.

Three Key Actions

1. Using the Strategic Focus Profile, work with your team to assess your current areas of focus.

2. Determine whether your profile fits the needs of your customers and your market ambitions.

3. Create a future Strategic Focus Profile for your business, and identify where you need to invest and change to deliver success.

5. Build A Vision With Cut-Through

From empty clichés to focused outcomes

The vision statements of many organisations have no resonance outside the board room. It may mean something to those executives who developed the statement (or delegated the development of it), but, in many cases, is too input-focused and generic to be of any real use to people at the front-line.

The trouble with statements that state that the company will be the best, the most admired or the avatar in its industry is that they provide no guidance as to what you really want to achieve.

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. An effective vision/mission/strategic intent (delete as appropriate) statement has three key elements.

1. It is focused on outcomes. It states what the organisation will achieve and its impact on the world.

2. It is specific. Clear choices have been made and it is not simply a bland, motherhood statement written at such a high level that everyone can agree to it.

3. It gives a sense of how you will achieve your intent. Not only does the statement describe the end result, but it also guides the style in which it will be achieved.

To bring this to life I have randomly selected vision statements from four of the UK's leading retail banks. I am not picking on our beleaguered banking industry. On the contrary, I think that these statements reflect the quality and style of many corporate visions across a variety of sectors. The four visions are:

1. To become one of the handful of universal banks leading the global financial services industry

2. To be the best financial services organisation in the UK

3. To be the UK's most admired financial services business

4. We are the world's local bank

Only the fourth statement, which is HSBC's vision statement, passes the arrowhead test. When I read that vision, I get a sense of a global presence, an inter-connected organisation and a focus on strong customer relationships. I imagine that senior management comprises people from diverse backgrounds who are brought together by their cosmopolitan approach.

With the other banks, too much is left out. In particular, I have no inkling as to *how* they are seeking to achieve their goal. The only picture it brings to my mind is of a lot of middle-aged men in pin-striped suits, blue shirts and red braces. If their vision statement was an arrowhead it would simply bounce off its target rather than cut through it.

My favourite vision statement is from Southwest Airlines. It passes all three of the tests set out above and is as sharp as any arrow from Robin Hood's quiver. Southwest's vision acts a touchstone for the ongoing management of the business. 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?

Three Key Actions

1. Complete the Strategic Focus Profile on page 13 and identify the type of company that you are seeking to become.

2. Turn this insight into a single sentence that encapsulates the future of your business.

3. Share with others and review the vision statement against the three criteria: outcome focused, specific, and gives a sense of how you will achieve your strategy.

6. So, Where Can You Truly Win?

Play your own game, on your own pitch and to your rules

In the 15 seasons between August 1994 and May 2009, Manchester United played 286 home games in the Premier League. Of those matches, United won 212 and lost only 23. Visiting sides had, on average, an 8% chance of coming away from Old Trafford with three points, and a 75% probability of leaving with nothing but a poorer goal difference.

Not only did the away teams have United's great players to deal with, but also crowds of up to 70,000 people or more, and match officials who may (or may not) have been intimidated by these fans, let alone United's manager, Sir Alex Ferguson, and his infamous stopwatch!

Few managers, planning their seasonal campaigns, look forward to the visit to United with any kind of optimism.

And yet, many businesses operate in markets that are the equivalent of playing away at Old Trafford every week. Trying to imitate the market leader, they effectively end up playing to another company's rules, on another company's pitch, with another company's ball.

Take the European airline market. During the 1980s and into the 1990s, national carriers, offering similar levels of service, dominated the market. Second-level players found it nearly impossible to build a profitable business by tackling these carriers head on. British Midland, for example, struggled to deliver a profit margin of more than 1-3% during this period.

Instead, it took Ryanair, followed by EasyJet and others to revolutionise the market by offering no-frills, low-fare air travel to the millions of customers who had previously been priced out of the market.

There are ways you can tilt the odds in your favour, and to start to play on your pitch, with your ball and to your rules.

1. **Identify where there are potentially valuable unmet customer needs in and around your markets.** Michael O'Leary, Ryanair's CEO, realised that there were millions of people who wanted to travel, but simply couldn't afford to.

2. **Determine which of these unmet needs your business has the passion and capability to meet.** O'Leary had the passion to make the change, but had to develop the airline's capabilities to deliver reliable, low-cost air travel over a period of time.

3. **Begin to prototype, test and, if successful, roll out your new offer.** Ryanair started to offer low-cost flights into regional airports, rather than the capital cities favoured by the full-service carriers. Within 5 years passenger numbers had risen from less than 1 million to over 2.5 million.

4. **As you succeed, build barriers to new entrants.** O'Leary exploited the airline's burgeoning success by operating solely Boeing 737's (minimising maintenance costs), using smaller, quieter airports (cheaper and quicker to turn around), and using PR to create a brand of a maverick airline championing low fares.

5. **Drive further innovations that underpin your position as the owner of this area of the market.** Since 2000 Ryanair has launched on-line booking, added many more routes, bought rival airline Buzz at a significant discount, and further added to its low-cost, no-frills position by eliminating airport check-ins and adding ancillary charges for services such as carrying baggage in the hold and early access to the plane's seats. It has even talked about offering standing areas on its planes.

Not all customers like Ryanair's offer or its attitude. But it continues to play to its own rules. Its strategy has helped it become Europe's largest and most profitable airline, and over the past decade or more it is the national carriers who have been forced to play on its pitch.

Three Key Actions

1. Spend time observing your customers using and experiencing your products and services, and those of your competitors. Ask them what frustrations they have.

2. Review recent strategic breakthroughs made by companies that you admire in other industries. What unmet needs have they identified and met, and what ideas does that give you for your markets?

3. Ask yourself what the key 'rules' are in your markets, and identify how you might change them to your and your customers' advantage. What new ideas emerge?

7. Where On Earth Are You Now?

The 4 perspectives of your current performance and strategy

Setting clear and focused strategic goals and objectives is a critical element of the strategy development process. However, if you don’t have a clear view of where your business is now, and where it is heading, you will be unable to reach your desired destination.

You must therefore first understand your existing strategic position, and assess the future direction of your business under its current strategy.

As set out in the chart below, there are four elements of a robust strategic assessment. Although strong financial results are the litmus test of success, they are driven by the development of capable organisations, strong competitive positions, and by participation in attractive markets.

Financial Performance

Total sales and profit, sales growth, operating margin, gross margin, operating productivity, capital productivity, Return on Capital Employed

Assess at a category/business unit/regional level

Organisational Health

Key capabilities, engagement, retention, productivity, capacity, asset quality

Competitive Position

Customer loyalty, brand strength, market share, relative price, relative quality, relative cost

Market Attractiveness

Market size, market profitability, market growth, threat of new entrants

1. **Financial Performance.** Break down your business into its constituent parts – categories, business units and/or regions – and assess its performance on various financial dimensions: sales, profit, costs, capital productivity. As you do this analysis, you should answer these questions:

    - Where do we make (and lose) money?
    - Where is our business growing and where are we stagnating or going backwards?
    - Where are we making acceptable levels of return on capital employed and where are we falling short?

2. **Organisational Health.** Your future success is dependent on the quality of your organisation. If you under-invest in developing your company’s capabilities, you may find that your results and competitive position can quickly decline. Your organisation’s health is a function of the strength of your key capabilities, the retention and attitude of your people and the quality of your asset base. As you review these factors, you should answer the following:

    - What are the skills, capabilities and assets that help your company succeed and stand out from your competitors?

- Are these skills and assets becoming more or less important to your customers, and stronger or weaker relative to your competitors?

- How well are you able to retain the people that are most important to delivering these skills and capabilities?

3. **Competitive Position.** In general, strong financial performance is based on your ability to turn your organisation's capabilities into distinctive competitive advantages. What is it about your business that enables you to attract more customers, charge higher prices or make superior returns? To understand your competitive position, you should answer these questions:

    - How well do your target and key customers rate your business and brand (vs. your competitors') on their key needs and preferences?

    - What share of the market do you have, and, if you are the market leader, is your position strong enough to give you cost advantages?

    - What is the cost structure of your business, relative to your competitors', and are you advantaged or disadvantaged?

4. **Market Attractiveness.** Finally you should ask yourself whether the markets you operate in are good businesses to be in, and whether the attractiveness of your markets are likely to improve or worsen in the future. Specific questions to answer include:

    - Is your market profitable, and can an average player make a reasonable return?

    - Is your market large and is it growing, stagnating or declining?

    - What are the threats to the future of your market from new technologies, new entrants or substitute markets for your customers?

You cannot reach any destination if you don't understand your current position. Getting a firm grip on your existing strategy's current performance and market position, together with its likely future performance, will help you determine the key steps you need to take in order to make your new goals and objectives a reality.

Three Key Actions

1. Get different work groups across your business to assess your strategic position using the four perspectives – e.g. operations teams, new graduates, experienced employees, and field teams. What common themes emerge and what differences exist?

2. Ask your top team to a one or two day session for you to review your strategic position and its implications. What are the big issues that emerge?

3. Share your findings with trusted external stakeholders – customers, suppliers, non-executives, etc. What new perspectives do they give you on your strategic position?

8. Raise The Bar Continuously

Strategic breakthroughs are based on innovation, not problem-solving

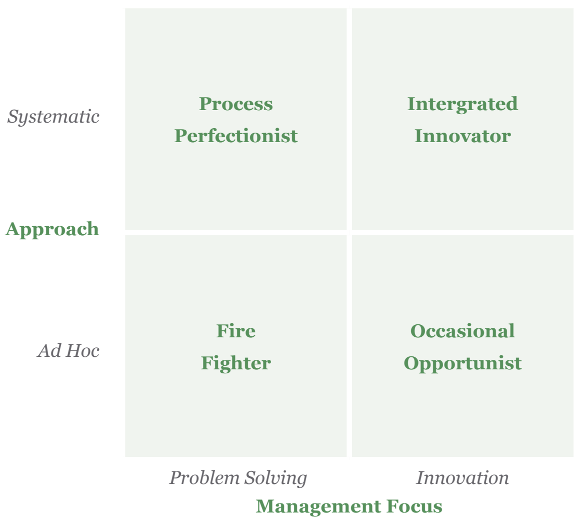
Strategic advances are made when organisations become the first to find a profitable way to exploit new opportunities. These opportunities may be created by changes in customer tastes, technology, economics or other external factors, or, more likely, a combination of different factors.

Strategic advances are not made through problem solving. Resolving problems is about dealing with the past, not the future. Problem solving may help you drive performance – or at least return it to previous levels – but it will not dramatically improve your strategic position.

Many businesses, and their leaders, are focused on problem solving ahead of innovation, however. Of course, you need a mix of both, but the key issue is where your real focus is.

Using the chart below, there are four quadrants for you to consider. If you were to divide all your time and focus, what share would you attach to each quadrant?

Types of Performance Improvement



In my experience, 70% or more of the attention of most chief executives is devoted to problem solving, and up to 50% of it is on ‘fire fighting’, resolving issues as they arise. If you wish to gain a stronger position in your market you must devote a bigger share of your time and effort to systematic innovation efforts; you must become an ‘integrated innovator’.

Becoming an ‘integrated innovator’ means that you are continuously seeking to raise the bar. Raising the bar is more, far more, than simply setting bigger goals. In fact, when AG Lafley became CEO of Procter & Gamble, he simultaneously drove systematic innovation into the organisation *and* reduced the performance goals that had been set for the business.

Here are six ways you can raise the bar and create a more innovative business.

1. **Become more future-focused.** Problem solving is based on what's happened in the past. If you're focused on the future you are looking at how you can make Version #10 of your new product great, and not simply spending your time resolving all of the issues associated with Version #1.

2. **Become more outward looking and customer focused.** This is more than undertaking research. It means spending real time with customers, experiencing your products and services from where they stand, and identifying their frustrations and hidden needs. How much time do you spend each week with your customers?

3. **Embrace prudent risk taking.** There is no growth without risk. You do not always have to bet the farm, but by accepting and working with a certain level of risk you can focus on maximising the upside from your new ideas.

4. **Acknowledge the inevitability of failure.** Failure is the Siamese twin of innovation. The secret is to fail as fast and cheaply as possible. Using prototypes, getting your ideas out there and learning as you go are critical approaches to driving strategic advantages from innovation.

5. **Push accountability through the organisation.** Innovation cannot happen on the top corridor. It takes place in the outer reaches of your organisation. For innovation to become systemic, you need people to feel both empowered and accountable for their actions to bring new ideas to your customers.

Three Key Actions

1. Determine how much time you and your team currently spend in each of the four quadrants of the chart.

2. Next, determine what split of your time and effort you want to achieve over the next 12 months.

3. Work with your team to agree the specific actions that will enable your organisation to move from its current position to your future vision.

9. Remember, Nothing Fails Like Success

Raising the bar redux

Many companies struggle and fail, not because they are bad at what they do, but because they are great at what they do. Look at Kodak. Its decline isn't due to it being poor at film processing, but because it is brilliant at film processing.

And it's the same with many other companies. Olivetti, for example, is great at making typewriters, and The Gap is great at making and marketing chinos.

The problem that these and many other competent companies have faced is that things change; markets change, the economy changes, technology changes and customer tastes change.

But many companies cannot change their offer or their organisation as quickly as their external enviornment. Companies that are able to align their capabilities and build distinctive advantages to perfectly meet current market opportunities cannot necessarily adapt to meet tomorrow's.

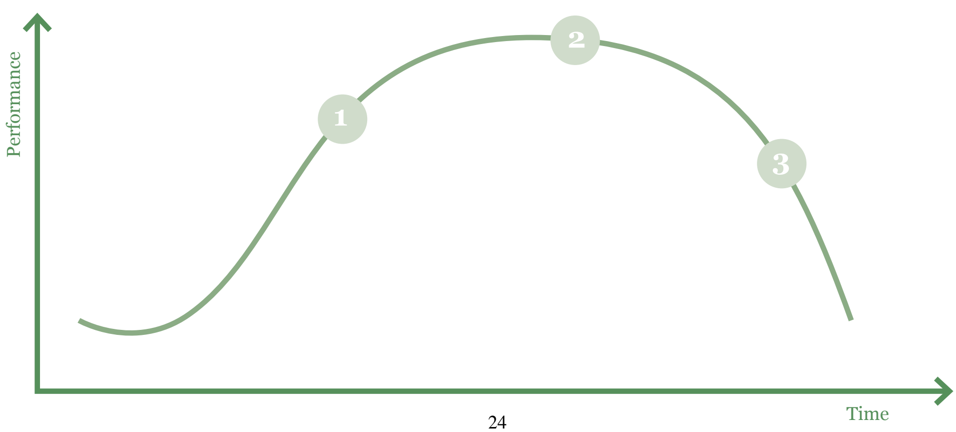
There are three reasons for this:

1. **Arrogance.** The US car industry, for example, for many years rejected the idea that the Japanese manufacturers, led by Toyota and Honda, could threaten their domination of their domestic market. They're not saying that now!

2. **Defensiveness.** When the technology first became available, the music industry tried to kill all digital download companies. Instead, they wanted to protect the sales of the more profitable, older CD technology. A recent estimate suggests that this has meant that the current music retail market is worth $15 billion less than it might have been.

3. **Inertia.** This is probably the biggest barrier to change. Many traditional airlines have found it difficult to change their organisation in response to the rise of the low fare airlines. It's not a question of arrogance or defensiveness, but simply the investment and time it takes to change the way a large business works.

Chart: Overcoming the perils of success



The chart sets out a typical profile of a successful company's performance. As it finds a successful formula it begins to achieve success and performance improves rapidly.

- Position (1) is the ideal point to develop and drive the company's next generation of success, but in most cases management's desire to maintain the current levels of success overrides any latent aspiration to develop a new strategy.

- Position (2) is the period in which performance starts to plateau and slowly decline. Although some organisations use this period to find and pursue a new strategy for success, many continue with their existing strategy and simply take costs out of the business in an attempt to boost performance.

- Position (3) is when the slow decline turns to rapid deterioration. At this point most organisations will then try something – anything! –new, but the risks of failure are now so large, it is more likely than not that the business will fail.

So what can you do about it? How can you help your organisation focus on re-setting strategy at position (1) rather than position (3)? Here are four steps you can take:

1. **Look for the weak signals.** If you wait until your profits are being affected, chances are it will be too late. Instead, you need to look at other metrics – your level of NPD, what your more innovative customers are doing, what your brand research tells you. Companies need to be more attuned to these early warning signs. As former Intel boss Andy Grove put it, "Only the paranoid survive".

2. **Raise the bar continually**. All market leaders need to set increasing standards for success or their competitors will do it for them. In 2003, for example, the England rugby team won the world cup. However, by focusing on victory at that tournament as the ultimate goal for the team, it was difficult for the new management to subsequently raise the bar and the team's performance quickly declined.

3. **Focus on action.** If you're moving and acting, you are less likely to get stuck or create inertia. This may involve some failure along the way, but as Business Week's survey of the world's best innovators discovered, the number one factor that drove their success was the ability to *"experiment fearlessly"*.

4. **Intelligently cannibalise your own sales.** In a dynamic market, if you don't cannibalise your sales your competitors will do it for you. Apple has brilliantly overcome this issue in the way it has managed 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.

Three Key Actions

1. Review the S-curve and identify where you believe you currently lie on it. What evidence do you have for your assessment and what do others think?

2. Where are you currently taking a defensive position with your strategy, seeking to protect your existing business? What are the risks with this approach, and what other options do you have to drive performane?

3. What does the next level of performance growth look like for your business? What will take for you to reach it? Can you get there by doing more of what you currently do, or will you need to do something else?

10. Bring Your High-Level Strategy Down To Earth

From high-level to ground-level strategy

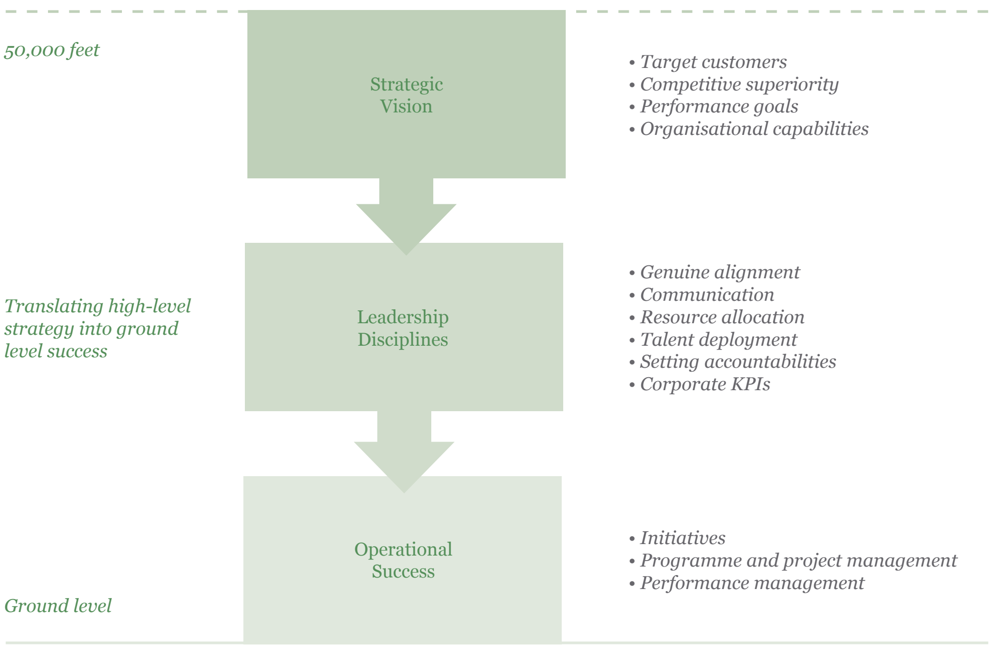
High-level strategy is as useful to most workers in an organisation as a high-flying airliner is to people in a bus queue. The bus passengers may briefly look up and notice the plane and its vapour trail, but, even if it is travelling in the same direction, it cannot possibly help them reach their destination.

Similarly, unless you can bring your strategy down-to-earth it will have no discernible effect on your organisation's performance, or, worse, it will create confusion, paralysis and decline.

It is often said that a strategy doesn't fail in its formulation but in its implementation. I don't agree. I believe that in many cases strategy fails falls through the gap between formulation and implementation directly because it is insufficiently grounded: it fails in its *translation*.

Many leadership teams, in their excitement and enthusiasm to turn their strategy into reality, fail to take the necessary steps to ensure that it can be delivered effectively by the organisation.

Leadership Disciplines: Translating strategic vision into operational success



Taking the time and energy to translate the strategic vision into operational success, as set out in the chart, demands that you focus on the following six *leadership disciplines*:

1. **Genuine alignment.** When I was younger I used to ski on the Scottish Cairngorms. Each morning I would check the weather, knowing that the merest hint of a breeze down in the glen would mean that a gale would be blowing on the mountain top. Executive alignment is very similar to the weather conditions in the Cairngorms. Tiny differences of opinion in the boardroom can become huge divisions across the organisation, rapidly reducing your chances of successful implementation.

2. **Relentless communication.** The strategic intent should form the basis of all communication with the organisation. I'll talk more about this on page 34.

3. **Resource allocation.** Resources should be allocated on their ability to deliver the agreed strategy, and not simply reflect historic trends and decisions.

4. **Talent deployment.** Your best and most appropriate people should be leading the delivery of your key strategic objectives. Not only does this increase the chances of success, but it also sends a signal to the organisation about what you consider important.

5. **Accountabilities.** The individual performance, and the collective performance of the top team, should be directly based on implementing the strategy.

6. **Corporate KPIs.** Your KPIs should mirror the strategy, as should your associated rewards and bonuses. Have you, for example, set a high-level strategy around innovative new growth, and yet remain fixated on monthly margins and costs? If so, don't be surprised that your managers pay less attention to innovation and more to monthly profits. If you are serious about your strategy you will find ways to track its delivery effectively.

Don't leave your strategy at 50,000 feet. The success of your team or business is based on your ability to bring it down-to-earth so that your people can implement it and deliver 'ground-breaking' results.

Three Key Actions

1. Determine, honestly, the level of alignment you have around your strategy across your top team. Where you have genuine disagreements, take steps to surface and resolve the issues you have identified.

2. Assess the level to which your key resources – people, money, and assets – are allocated across your strategic priorities. How well have you matched your resources with your key objectives?

3. Review the KPIs and performance management systems you have in place to manage the delivery of your strategy. What changes need to be made before you have confidence that you accountabilities have been established and that you have the information required to monitor progress?

11. Focus On Your Few, Big Priorities

You can't chase two hares

There is a Japanese saying that translates, 'you can't chase two hares'. If a top-class hunting dog chases after a hare it has a 10% chance of catching it. But if the dog hedges its bets and tries to chase two at once, its success rate is reduced to nil. The dog quickly learns that 10% is the way to go!

It's tempting to keep our options open and pursue several different avenues. But for each avenue pursued, energy and pace is dissipated. Pushing hard on a few fronts, not pushing a little on many fronts, is the key to making substantial and rapid strategic progress.

For instance, I once helped a client develop new growth options for his business, and identified six high-potential opportunities. At the start of the decision meeting my client said, *"There's only one of these opportunities I want to pursue. It's much bigger than the other opportunities, it fits best with who we are, and we know how to pull it off. We need to focus on this one so that we can really get going."*

The energy of the meeting immediately increased, plans were quickly developed and the next steps actions were immediate. As a result, the business is currently driving material sales and profit growth through this opportunity.

So, in large organisations how many priorities are possible? Of course, this is a piece-of-string question, but if you want a straight answer, I would say 3-6 priorities are as many as you can handle.

This works at an organisational and personal level. Organisationally, 3-6 priorities for the top team can be cascaded down through departments that have 3-6 related priorities, through to individual managers with a similar number of key objectives.

Why 3-6 priorities? There is no scientific answer to this, just my experience of seeing what works in organisations of all shapes and sizes. In order to succeed, people want to understand what's important and what you're not going to do, and less really is more.

Prioritising effectively is not easy. Many businesses end up merging projects together rather than really generating focus. To prioritise successfully you must overcome these five barriers:

1. **A lack of strategic clarity**. Last year a CEO told me that his executive team had identified 20 strategic priorities. Unfortunately he was unable to name more than half of them. If company leaders can't remember the strategic priorities they have decided upon, what chance do the rest of the organisation have of understanding what's important, let alone of being able to deliver the agenda?

2. **A fear of missing out**. If you don't know which port you're heading for, you'll always feel that you're missing the boat. You will miss out on some opportunities: get used to it. The important thing is to be making progress on the opportunities most important to your customers and your business.

3. **Corporate ego exceeding organisational capability**. An honest, objective view of your organisation's capacity and capability for change is critical to the successful delivery of any strategy. Even the largest businesses have a track record of over-estimating their ability to do more than a few things welll. Look at the mega-mergers of AOL-Time Warner, Vodafone-Mannesmann and Daimler-Chrysler: in all these cases, management bit off much more than they could chew.

4. **Misguided risk management**. When you are trying something new it is tempting to be prudent and give the initiative a low performance improvement target. The problem with this approach is that you then need to take on more initiatives in order to hit your overall targets. It is far better for you to keep the bar raised high and then identify the real winners.

5. **An inability to close failing projects**. Many companies become clogged-up with failing projects that haven't been killed. This is precisely the wrong attitude. Innovation is built on the learning that comes from failure. Most ideas will fail, so the trick is to fail quickly and cheaply.

Three Key Actions

1. List out all of the major projects that are receiving critical resources (people, money and assets) in your business.

2. Work with your executive team to identify those that you see as the most important in taking your business forward and which you will prioritise over the next 1-3 years.

3. Identify projects that should be cut back or stopped, including off-strategy and failing initiatives. How could you take the resources currently locked into these projects and reallocate them across your priorities, and what impact would this have on your performance?

12. Managing short-term, long-term tensions

Aligning activities to your strategic intent

More than half of Finance Directors say that they would cut a project with a positive net present value in order to hit short-term profit targets.

Yet a persistently short-term focus is damaging for company performance. A recent study showed that returns to shareholders of companies that delivered short-term and long-term results were nearly 50% greater than those solely focused on the short-term.

Although many companies aspire to balancing short-term results and long-term growth, external pressures and internal processes mean that strategy development activities quickly turn into a budget-setting exercise.

So what can you do to manage the conflicts between your near-term demands and your longer-term goals? Here are 5 proven ways in which you can improve your company's chances of maintaining this dual focus.

1. **Establish medium-term themes.** Sometimes an end goal is not enough. It is too distant to influence daily decisions. Creating medium-term strategic themes 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 (*larger*!) stores;
    - Offering 5-10% better value;
    - Stunning fresh food from craftsmen;
    - 25% unmatchable mix (*own label focus*);
    - A serious clothing offer; and
    - Sold and served with personality.

2. **Align your actions to these themes, or drop them altogether.** If you carry on with projects that fall outside your strategic ambitions you will simply create confusion across the organisation and reduce the speed and effectiveness of implementation. If you can create a handful of themes, as Asda achieved, you should then be able to align existing projects with one of them, create new relevant projects and stop projects that don't take your strategy forward. When Sir Stuart Rose first became boss of M&S one of his first actions was to reduce the number of 'strategic' priorities from over 30 to nine, in order to build alignment and focus.

3. **Focus on the journey as well as the destination.** Many companies develop in-depth future strategic positions. 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 plan that delivers short-term performance as part of a longer-term growth campaign.

Delivering short-term results is difficult for many companies, never mind spending time and effort to build longer-term growth. Yet successful companies find ways to focus on both dimensions. These practical, proven steps are ways in which they establish this dual focus.

Three Key Actions

1. Determine the handful (say 3-6) of key objectives that will best propel you from your current position to your future strategic intent.

2. For each of your key objectives identify their major milestones for the next three years, identifying the big changes you wish to deliver and your desired improvements in performance.

3. Align your current project portfolio against these objectives. Which of your projects are off-strategy, which are too marginal to drive your business forward sufficiently and where do you have gaps where nothing is currently being done? Which should you be slowing down and which should you be accelerating?

13. Separate Objectives From Tactics

Be fixed on your destination, but flexible on the route

In my experience, if the first attempt at delivering an objective fails, many business leaders simply give up on it and look for a new objective. One of the reasons that this happens is that executives confuse objectives and tactics, so let's immediately sort out the differences between these two terms:

- **Objectives** represent the specific business outcome you are seeking to achieve (e.g. new business growth, greater customer loyalty etc.). *Strategic objectives* are those objectives that are critical to the overall direction and longer-term success of the business.

- **Tactics** are the actions and initiatives designed to help the organisation deliver against its objectives

The successful deliver of your specific tactics and intiatives will only work under two conditions.

First, your objectives must be clear and focused. For example, can you articulate your company's key strategic objectives? If so, do they provide clear and unequivocal guidance to you and your team about what is required to achieve success over the next few years?

Too often companies' strategic statements are a mix of platitudes and hubris. For example, a strategic objective to deliver the *'best customer service in the world'* is likely to receive nods of agreement from around the board table but is simply not precise enough to be delivered by the organisation.

Once you move away from platitudes to specific, measurable outcomes, you will create the focus, alignment and momentum to deliver the performance you're after.

For example, for the last 5 years or more, Tesco has set a goal to be as big in non-food as it is in food. Delivering this goal has meant that, in some instances, more resources have been allocated to non-food teams than to the traditional food teams, which has created a stream of innovation in areas including clothing, electrical goods, retail services as well as its launch of Tesco Direct.

Second, you must also create and embed commitment to your objectives. Achieving stretching performance goals is difficult and usally comes with its fair share of failure. Once your first few prototypes or projects fail to meet your objectives it can be tempting to give up on the goal, rather than develop new initiatives.

When I worked for UK retailer, Boots the Chemists, for example, the executive set out a 'wellbeing' strategy, with a focus on added value services, such as dentistry, massage and complementary health.

The trouble started because the company over-invested in its initial initiatives, and when they didn't work, it quickly back-tracked and gave up on the whole strategic objective, even though there were still some interesting consumer opportunities.

Jeff Bezos, CEO of Amazon, has said that his business is *"fixed on the vision, flexible on the journey"*, and that is the attitude that best leads to strategic success. Persistence is key here, and that can only happen if you keep your objectives relatively constant and are willing to pursue the objective until you succeed.

It took Sir James Dyson over 5,000 prototypes before his company perfected its design of the bag-less vacuum cleaner, and, going back to Tesco, it took the UK retailer over five years before it developed a profitable and scalable *Tesco Express* format to drive its move into the convenience retail channel.

Three Key Actions

1. Ensure that achieving your key objectives, not your projects or initiatives, are embedded in your performance measures and metrics.

2. Align your senior executives' and managers' performance contracts, appraisals and bonuses with delivering your strategic objectives, and not just your current year profits.

3. Establish a regular strategy management meeting where you can review progress against your key objectives and major milestones. Focus on the objectives and be rigorous in stopping and changing projects and initiatives that aren't delivering as expected.

14. Relentless Communication

For the one-thousandth time, this is important!

I almost didn't include this topic in the booklet – it all seems so obvious that you must communicate the strategy effectively. Yet, despite all the previous books and articles that have been written on communication, CEOs and senior executives spend too little time articulating their strategy.

Some CEOs, of course, are great at this. When I worked at Boots the Chemists, Richard Baker was brilliant at repeating the same message in all his communications – board meetings, newsletters, store visits, individual conversations.

Richard never knowingly missed an opportunity to articulate his strategic priorities and why they were important, and, unsurprisingly, the organisation quickly 'got' what the strategy was about and started to make it a reality.

Here are eight ways that you can improve your ability to communicate your company's strategy:

1. **Keep it simple, stupid.** If a message is to be remembered it must be simple. That's why it's so important to focus on your few, big priorities, and not try and list everything. In Bill Clinton's first presidential campaign, the internal reminder about the message was a sign that read, "It's the economy, stupid!" What's the simple focus you want to give your organisation?

2. **Have your 3-5 strategic priorities to refer to in *every* discussion.** This was the cornerstone of Richard Baker's approach. Like a politician who has decided the answers she wants give, even before she's been asked the questions, Richard was able to bring all of his responses back to his key priorities for the business.

3. **Expect to communicate it over 6,000 times.** Lets say that the strategy has a 'life' of three years. If you assume that there are circa 200 working days a year and that you have 10 opportunities to articulate the strategy each day, there are up to 6,000 separate strategy sound bite opportunities over the three years. Of course, you could be more communicative, but let's start somewhere!

4. **Have conversations, not speeches.** There is a time for major speeches to set out your strategy and vision, but that is just the start, not the end of your communication plan. More important is the drip, drip, drip of your daily conversations. Unless they are in line with your key messages, your carefully crafted annual speech will be quickly forgotten and ignored.

5. **Create an emotional connection, not just a rational argument.** Strong logic and rationale will help your people understand the new strategy, but they will only become committed if there is an emotional impact as well. For example, one of my clients, Avon Cosmetics, focuses its message around its goal of 'empowering women'. This message helps create an emotional connection between the company and its thousands of, almost exclusively, female representatives around the globe.

6. **Use stories and examples.** One way to create emotional engagement is to use stories. For example, when Sir Stuart Rose became CEO of M&S he used the story of how one product manager created an espadrille shoe from idea to the store within 12 days as an example to the rest of the business about effective risk taking.

7. **Appeal to your people's self-interest.** People aren't afraid of change per se; they manage change on a daily basis. However, they will only act willingly when it is in their self-interest to do so. You should therefore seek to make a connection with your people's priorities and why delivering the strategy is good for them. Aligning bonuses and rewards with your priorities are obvious ways that you can do this, but there are other approaches. Appealing to personal development and growth opportunities and highlighting the wider importance of the work of your organisation are both ways which have been shown to affect employee satisfaction and loyalty.

8. **Take visible action.** In the end, of course, actions speak louder than words. By taking action consistent with your message, people will see that you are serious; without action your message is just empty words. For example, one way in which P&G's ex-CEO, AG Lafley, hammered home his message that 'the consumer is boss' was by ensuring each of his business trips included in-home and in-store customer sessions.

Effective communication of your strategy is not really a matter of reports or annual company conferences; it takes place in the thousands of smaller meetings, conversations and discussions that you have each year. Each is an opportunity to move your strategy forwards and should not be missed.

Three Key Actions

1. Plan to link *all* your meetings and conversations with your key strategic objectives, so that people get the message about what's important.

2. Build a list of stories and examples from across the company that highlight the direction you are pursuing and what you want the organisation to achieve. Make these stories simple, emotional and grounded in the reality of the business.

1. Identify and implement changes to your own behaviour and decision making that will highlight to others the essence of your strategic direction.

15. Strategy Is Action

Like comedy, the secret is timing

Strategic success happens when you're the first to profitably exploit a change in your external environment. This means that the timing of your strategy's implementation meets both the needs of your market and the capabilities of your organisation. As with comedy, the secret is timing, but there's more than one way to get the timing right.

- One option is to wait and bide your time, waiting for the perfect moment to deliver the punch line like, say, Woody Allen.

- A second option is more of a scattergun approach. Just keep the gags and stories coming, until one or more sticks and then improvise off the back of it, much like Billy Connolly or Steve Martin.

My preference is the latter approach. Today's chaotic and unpredictable business world doesn't often help business executives know when the timing is right. Waiting for the perfect moment before taking action may mean that you wait forever, or end up watching one of your competitors take the initiative.

There is little option but to get out there, try stuff, see what works and then exploit your victories. This doesn't mean that you should be slapdash – far from it. Here are five ground rules for effective action and delivery of the strategy:

1. **Don't seek to control, but set out to create a stream of opportunities.** Your job as CEO is to provide opportunities for your teams and people to take on, and then to encourage, support and challenge them to deliver new solutions that meet or exceed the opportunities they've been given.

2. **Focus on your speed of learning.** The most successful organisations are those that learn and adapt the quickest. Rapid learning requires that you push down accountability for performance throughout the organisation, encourage and enable your people to take ownership and set clear performance standards. That way, your teams can implement and refine their new activities at pace without having to come back up through the management layers for approvals and advice.

3. **Wherever possible, use prototypes.** Learning rapidly and cheaply is aided by the use of prototypes. Whether you're developing a new product, a new IT system or a new set of working practices, building and testing a prototype is far quicker and more effective than planning and designing, in detail, something that may not work. Having 'seed money' available to help your teams build low cost prototypes is also less expensive than investing in in-depth research and consulting support.

4. **If it's not working, change or kill it.** Many organisations tend to want to make something work, even when it isn't. Having gone to the trouble of deciding on a certain course of action, it requires high levels of discipline to admit that you may have got the your thinking wrong. You must therefore be rigorous in developing and using your success criteria and honest enough in your performance assessments so that you do not waste time on failing initiatives, and focus your efforts where you are succeeding.

5. **Don’t let the great drive out the good.** Change is about the art of the possible, not the science of perfection. As long as you are moving forward, learning and improving, that’s usually good enough. Don’t wait until you have the perfect solution, it may never come along. As with many high-tech companies, you can always bring out a new, improved version of your new system or product at some point in the future.

Strategic excellence is not about better thinking than your competitors, or having better plans. It’s about finding and exploiting opportunities that others cannot see or reach, and meeting your customer needs more effectively than your competitors.

It’s about progress, not perfection.

Three Key Actions

1. Highlight, reward and talk about those people from across the business that are acting in line with the new strategy, even where their initial attempts may be failing.

2. Get involved personally with those people who are delivering your major strategic objectives at the front line. Use your conversations with them to provide the challenge and stimulation for them to take the accountability to deliver even better results.

3. Provide an affordable budget of ‘seed capital’ to fund initial prototypes for new ideas and establish a simple mechanism for people from across the company to access these funds for their ideas.

Summary: Select Your Own Three Key Actions Right Now

Many successful executives view strategy with suspicion; they see it as too conceptual, impractical and esoteric. The air of mystery that many consulting firms seem to try and wrap around the subject only adds to the problem.

In fact strategy is pretty straightforward. It is simply about creating a formula for growth for your business, helping you and your colleagues focus on developing and exploiting the few critical drivers of success that will set you apart from your competitors and deliver superior results. What's more, in my experience, it is also a great way for a set of executive leaders to really develop as a team.

This booklet has sought to give you some of the tools and approaches to create a better strategy for your business. I have not focused on detailed analytical and quantitative assessments or highly conceptual models, but on practical ways that you, as the leader of your business, can ensure that you continue to raise the bar, understand and drive your priorities, and take your colleagues and organisation with you.

If your business is to develop a more successful strategy for growth, it is down to you to initiate and lead it. So my question to you is, now that you've read (at least some of) these pages, what will you do next?

My aim with this booklet is not to simply get you to think differently, but, far more importantly, to take action. On the facing page is a box with space for three actions for you to deliver as a result of reading this booklet.

Why three? Well, as we've already discussed, it's better to move three things a mile than a hundred things an inch. However if, after you've implemented these actions you want to pursue further steps, then I won't be complaining, but three is a good number to start with.

So, what are you going to do next? My recommendation to you is to:

- Take the Strategy Scorecard Test on the following page, and review the results
- Review the previous sections of the booklets and identify which of them most resonated with you
- Select from these sections the ideas and approaches you would like to see implemented in your organisation, modifying them for your own business environment
- Set out your specific actions in the box on the opposite page
- Make them happen by taking your first step today

I wish you the best of luck, and hope that you enjoy the journey of creating and delivering a strategy that guides the future success of your organisation.

My Three Key Priorities

Priority 1	
Action 1	
Action 2	
Action 3	

Priority 2	
Action 1	
Action 2	
Action 3	

Priority 3	
Action 1	
Action 2	
Action 3	

Appendix: Take The Strategy Scorecard Test

How to take the test
Simply score yourself and your organisation from 0 to 5 for each of the statements below, where 0 means you completely disagree with the statement, and 5 means you completely agree with the statement.

After completing the survey, sum up your total score and find out what it means for you and your company by comparing it to the summaries below.

Your score is less than 40
Your company is probably struggling to make real progress in delivering a winning strategy. Your people and your stakeholders may be confused about your future direction and your key priorities, and senior managers may find it difficult to achieve alignment around decisions with a long-term impact. As a leader of the business you may find many low-level decisions are being passed up the chain for your approval and new initiatives may struggle to gain traction across the organisation. You are likely to find yourself being forced to compete on price rather than product/service quality or effective customer relationships.

Your score is in the range, 40-65
You have a reasonably effective strategy, yet you may find that you struggle to make it stick. Strategy is likely to be seen as something that is worked on once the “real” work has been done, and you may find it difficult to balance long-term goals with short-term demands. Similarly, strategic initiatives may be viewed as being distinct from business-as-usual, and you may have problems in persuading your best people to lead and drive these programmes.

Your score is more than 65
Your company is set up to develop and execute an effective strategy. You are likely to have set a clear direction, alignment around the strategy is likely to be high and your people understand their role in its delivery. The key watch-out going forward is to ensure that your strategy remains relevant in the context of fast-changing business environments. Remember, nothing fails like success, and you must ensure that you continue to be proactive in raising the bar and driving future growth.

To what extent do you agree with each of these statements for your business?

SCORE (0-5)

1. COMPELLING STRATEGIC INTENT

- **Core purpose.** We have a purpose that speaks to us over and above the task of making money.
- **Ambitious goals.** We set demanding goals for future performance which are a constant focus for everyone in the business.
- **Future intent.** We have a view how the company will meet our customers' needs and deliver great results in the future.
- **Distinctive advantages.** We understand what drives value for the business and how we can develop further advantages over time.

2. CLARITY ON YOUR BIG ISSUES

- **Performance Assessment.** We know where we make money – and where we don't - across the business.
- **Market Assessment.** We understand our markets, their likely growth and profitability and their key trends and dynamics.
- **Competitive Position.** We recognise our current competitive position and know what we need to do to succeed in the future.
- **Organisational Capabilities.** We appreciate which capabilities drive our success and where we have emerging or critical weaknesses.

3. A FOCUSED AGENDA FOR ACTION

- **Addresses the big issues.** We have a strategic agenda focused on the big issues and opportunities shaping our long-term performance.
- **Delivers the strategic intent.** Our agenda will move us closer to achieving our major goals and objectives.
- **Clear themes.** The agenda is broken down into a few core themes that everyone in the business can get to grips with.
- **Prioritised initiatives.** Our strategic initiatives are based on a few priorities that will best drive current and future success.

4. AN EFFECTIVE ORGANISATION

- **A consistent Executive focus.** The strategy is the Executive's constant focus and their decisions are consistent with it.
- **Organisational engagement.** Our strategy is understood across the organisation, and our people actively support our direction.
- **Decision-making.** Our people have the freedom to make decisions in line with the strategy, and are held accountable for them.
- **Effective strategy management.** Strategy is managed on a continuous basis and is not a one-off exercise.

TOTAL SCORE (out of 80)

About Stuart Cross

Stuart Cross is a consultant, coach and speaker who helps world-class companies dramatically accelerate profit growth. Since its launch in 2006 his firm, Morgan Cross Consulting, has attracted clients including Avon Cosmetics, Alliance Boots, PricewaterhouseCoopers and Groupe Aeroplan.

Stuart is the first consultant in the UK to achieve Hall of Fame membership of the prestigious Alan Weiss Million Dollar Consultant Mentor Programme. Fewer than 20 consultants globally have been inducted into Dr Weiss's Hall of Fame, and members are selected on the basis of their outstanding performance in terms of consulting expertise, integrity, business growth and personal development.

Prior to founding Morgan Cross, Stuart was Head of Strategy for Boots the Chemists, the UK's largest health and beauty retailer, is a chartered accountant (though he rarely divulges this information on a 'first date') and has an MBA from Warwick Business School.

In addition to his consulting, coaching and speaking work Stuart teaches on MBA courses at both Warwick and Nottingham University Business Schools. He is also a regular writer on business and management issues, and has a weekly article with the business website BNET.co.uk

To find out more about Stuart and Morgan Cross Consulting, please contact him at any one of the following locations:

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What People Say About Stuart Cross

"If you really want to get some breakthrough thinking into your business then Stuart's the guy to contact."
Simon McCandlish, Director of Pharmacy and Healthcare, Boots the Chemists

"Not only is Stuart Cross a fantastic consultant in the UK, he's one of the best in the world."
Alan Weiss, author of Million Dollar Consulting and recipient of the American Press Institute's Lifetime Achievement Award

"Stuart used his excellent strategic skills to help us create a new agenda that will drive significantly higher levels of growth for the business."
Stephen Ford, Vice President of Strategy, Avon Cosmetics Europe

"Stuart brought a new perspective and his interventions showed strategic vision, add value and were insightful."
Paul Woolston, Head of Public Sector Assurance, PricewaterhouseCoopers

"I would recommend Stuart to any company looking for creative solutions to challenging strategic issues."
Rick Mills, Director of Corporate Development, Alliance Boots

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