

Float like a butterfly, sting like a bee

*How strategy teams can
punch above their weight*

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Float like a butterfly, sting like a bee: How strategy teams can punch above their weight

Despite the many volumes of books and articles on strategy, there is a yawning gap when it comes to how a strategy function should be organised. Unlike most other functions – operations, customer service, marketing, finance, IT, HR - where research and help is readily at hand, if you lead a corporate strategy team you must work out for yourself what your role is and how you need to organise your team.

To help overcome this situation, and help you determine how best to organise the work of your department I have set out to:

- Identify the three core roles of the strategy function
- Propose five characteristics of effective strategy functions
- Identify five pitfalls of strategy teams

The three core roles of the strategy function

There are three core roles of the strategy function, as set out in Exhibit 1. Within these roles are various sub-roles each of which may be relevant in different situations. These situations are a function of the level of clarity of the strategy and the organisational alignment and commitment to it.

Exhibit 1: The three core roles of the strategy function

Strategy Development	Strategy Delivery	Strategy Management
<ul style="list-style-type: none"> • Identify key strategic issues • Develop content for strategy • Develop strategic objectives • Market and competitor intelligence • Strategy reviews • Corporate valuation 	<ul style="list-style-type: none"> • Strategy communications • Corporate transformation management • Manage strategic initiatives • M&A (and divestments) • New business development 	<ul style="list-style-type: none"> • Manage the strategy process • Integrate strategy across functions and business units • Long-term planning • Develop metrics and measure strategic performance • Preparing external and board presentations

I have identified three broad situations each of which will require a different focus from the strategy function:

1. Strategic confusion. Where there is little clarity over the strategy of the business, the focus must be on *Strategy Development*. Only by creating clarity can an organisation be aligned to deliver it.
2. Strategic clarity, but little alignment. In this situation the key task is to engage with leaders across the organisation to integrate and gain alignment to the overall direction. *Strategy Management* is the key focus in these circumstances.

3. Strategic clarity and strong alignment. When the organisation has both clarity and alignment the task is to get on and do it, and *Strategy Delivery* should become the key focus of the strategy team. The specific focus will depend on the type of strategy pursued, particularly whether growth is to be delivered organically or through acquisitions, and the scale of the change to the organisation.

The five characteristics of effective strategy teams

1. A trusted advisor to the CEO. The CEO is the main client of the Strategy Director, wherever the strategy team sits in the organisation. Without a direct line to the CEO and mutual trust and respect between the two people the work of the strategy team will be only half as effective. As a recent HBR article argued, "*There must be a strong bond of trust between the strategy chief and the CEO. A long professional and personal history between them isn't absolutely necessary – but it helps.*"¹
2. A focus on action, not just ideas. Most strategies fail in delivery, not formulation, and the value of successful strategies are only realised when they are executed well. It is essential that the strategy team plays an effective role in the delivery of the strategy. Using Exhibit 1, the focus may vary across organisations and over time, but driving key initiatives or leading M&A activity are legitimate areas where you can add value to organisational performance.
3. Creating strategic alignment and commitment. Having spent so much time creating strategy with the Executive team it is tempting to believe that the strategic intent is clear to everyone across the organisations. In most companies this is far from the case. The strategy team can help create alignment and focus through effective and proactive communication with corporate functions and business units, together with constructive challenge to the strategic direction of these teams. Successful alignment requires strong influencing skills and an ability to be both challenging and collaborative.
4. A focus on the big decisions. A strategy stands and falls by the consistency of the decisions that follow its creation. The strategy director is in a unique position to offer an independent and objective view on the major decisions. Ensuring that the key decision-makers respect your objectivity is, perhaps, one of the most important qualities a strategy director can possess.
5. Bringing rigour to strategy. In a McKinsey survey of strategic planning effectiveness, the improvements proposed by executives included the need to better focus on the key strategic issues, improving competitor intelligence and finding new ways to monitor strategic progress.² Each of these demands is a request for greater rigour to strategy development. The strategy team must ensure that the outputs of strategy are grounded in the realities of the current issues and opportunities, and be willing and able to raise the flag when executive and management teams seek to avoid these realities.

The five pitfalls of strategy teams

1. Staying in the tower. As strategy director you must be on the pitch influencing, not in the tower writing. Building strong relationships with key players across the organisation are critical to success, and that can't be done when you stay in head office most of the time. Good strategy is not about preparing reports; it is about great decisions and effective action.

¹ "The Chief Strategy Officer", Breene, Nunes and Shill, *Harvard Business Review*, October 2007

² Improving strategic planning: A McKinsey survey, *The McKinsey Quarterly*, September 2006

2. Trying to prove every point. Associated with the stereotypical view of the strategist in the ivory tower is the vision of someone continuously tapping away at a complex financial model or database in a futile attempt to have an answer to every conceivable question. Executives are simply not interested in the huge detail that strategy teams sometime build around their proposals. Understanding the 80:20 of any project is essential to effective strategy work.
3. Not having a point of view. Confident, successful executives often resent the time they spend on strategy. It requires them to think hard about the organisation and its future, and it forces them to make difficult choices. The ability to influence is paramount, and that requires having a clear point of view with which to guide discussion, driven by your industry knowledge, your understanding of strategy and your appreciations of the organisation's needs and capabilities.
4. A focus on planning and budgeting. Many corporate strategy exercises are inextricably linked to the annual financial and operating planning process. My belief is that we need to separate these two essential tasks, but where the strategy team leads the initial stages of the plan there is always the temptation to continue ownership into the budgeting process. However, pursuing this approach will dramatically reduce the effectiveness of the strategy function. The time required to rework annual plans prevents you from helping to deliver strategy. In any case the skills needed for effective planning are different to those that make a great strategist.
5. Being excessively tied to one alternative. It is important to have a point of view, but it is also essential to appreciate when a better alternative has appeared. Strategy is as much about serendipity as it is about analysis. For example, in the 1990's when Steve Jobs was asked about Apple's strategy, given that Microsoft was dominating the PC market, he simply replied, "*I'm waiting for the next big thing.*"³

The bottom line

Strategy teams tend to be relatively small, and must therefore be focused if they are to be effective. They must also display certain characteristics and avoid common pitfalls if they are to gain the trust and support of the CEO and other leaders across the organisation.

³ Strategy's strategist: An interview with Richard Rumelt, Lovallo and Mendonca, *The McKinsey Quarterly*, 2007