Applied Strategy for Business Leaders

Part 2: Developing your Strategy

Applied Strategy for Business Leaders

Adam Lewis, Chairman, Cast Professional Services

Strategy is a difficult process for many executives. It is a topic that is visited perhaps only occasionally by many and is full of jargon and fads offering false hope and easy solutions. A quick look at the Business section of your local bookstore (if it still exists) is quite enlightening. Unfortunately most of this so-called help actually makes it less accessible and harder.

To assist the leadership of corporations in addressing this challenge, I have developed two articles on Applied Strategy for Business Leaders. In the first article, I address:

- Why strategy is an important topic for a corporation that should be given significant attention by the senior leadership of a corporation as a group.
- The Seven Deadly Sins of Strategy that cause many corporations to have a less successful strategy than they should:
  - 'Me too' – following the crowd (or not having a strategy at all)
  - 'High level' – not meaningful enough to put into practice
  - 'Singular' – not flexible enough in the face of changing market conditions
  - 'Isolated' – no considerate of competitor actions/reactions
  - 'No Value' – confusing size/growth/M&A with shareholder value
  - 'Unsustainable' – not based on a sustainable competitive advantage or a true understanding of how you create value for your customers
  - 'Not enough Heart' – not consistent enough with the corporation's skills, capabilities or culture.
- How you know when you've got a good strategy – or when you should be confident you have addressed the strategy issue adequately.

In this second article, I look at the overall question of how to develop a good strategy, the elements that need to be considered and a process for strategy development. Specifically, I address:

- The five components to consider when developing your strategy – and how they need to be in rough balance for sustainability. Taken together, these elements describe a compelling direction for the firm and the ability to take the journey:
  - Opportunities
  - Competitors
  - Aspirations
  - Capabilities
  - Culture.
- A clear and logical process for strategy development – and the depth of this process can be tailored to the specific requirement of your corporation.

Both articles are illustrated with plenty of practical tips and examples and a set of questions that each reader can address to determine how their own strategy stacks up and where they might need to look harder for the insight.

Applied Strategy Part 2: Developing your Strategy

In the first article, *Applied Strategy Part 1: Testing your Strategy,* I outlined the importance of strategy being led from the top of an organisation, the Seven Deadly Sins and how you know when you've got a good strategy.

In this article, we explore how you should develop a strategy that is 'sin free' and owned by the entire top team of your corporation. In two chapters we explore:

- The five elements of strategy that make up the compelling direction for the corporation and the ability to make the journey
- The strategy development process to develop insights, engage the leadership team and develop a value-creating strategy.

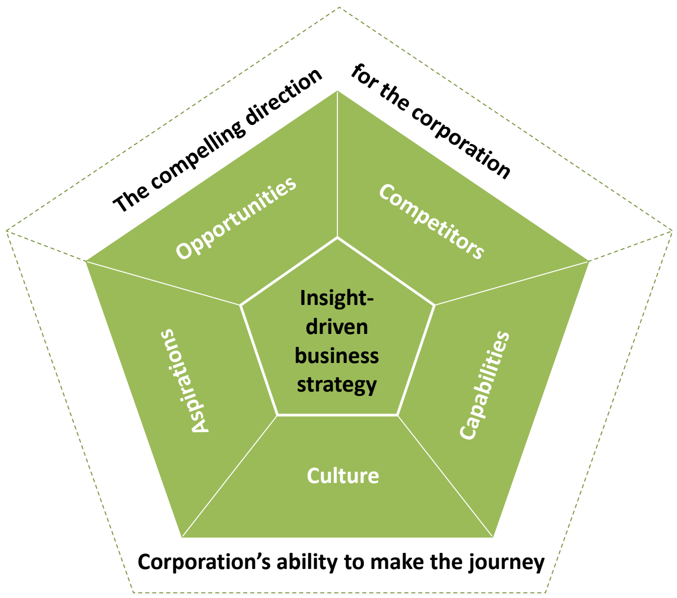
Chapter 1: The Five Elements of Strategy

Exhibit 1 outlines the Five Elements of Strategy – the components that are required for a complete and sin-less strategy. In developing your strategy, you must have an intersection of all five elements. You need to have an attractive opportunity that you can capture ahead of others, you must have aspirations consistent with pursuing this opportunity, capabilities to deliver and finally the right type of culture to be successful. If any one of these elements is missing or out of balance, you may find yourself with an incomplete strategy, perhaps committing one or more of the Seven Deadly Sins.

The model in Exhibit 1 (and explained further below) is intended to be a guide for the elements to think through rather than a complete tool for developing your strategy. Frameworks (such as Porter's Five Forces, or the McKinsey SCP model, Game Theory etc) are important within each element and should be used where appropriate.

Exhibit 1

Five inter-related components of Strategy



Opportunities

Suggesting that a strategic process should examine opportunities is self-explanatory. But what sort of opportunities should be examined and how should they be examined is often a key element of strategic choices. One of my former colleagues at McKinsey was fond of saying that ultimately strategy is all about choices – and the choice of where to allocate your scarce resources in particular. So if you are going to choose from a number of opportunities, you'd better start off looking in the right place.

First, make sure you understand the key value drivers within your organisation. This might sound simple, but each business is different and it will lead to a clearer understanding of what value-levers are the most important. It is also important to understand the 'break points' in the value-drivers. At one extreme it is about understanding the point where more capacity required, at the other it is about understanding how one can lose the licence to operate.

In professional services for example, value is all about price, labour utilisation and leverage. Valuable strategies then are those that help: increase the margin firms can charge (like investing in Intellectual Property or hiring the best people); improve utilisation and leverage; focus on markets where high degrees of leverage can be maintained. Getting bigger, for example, often does not help drive value.

In the Steel industry for example, it is about volume to maximise capacity utilisation and margin. So having well-developed downstream markets and low-cost sourcing are often the major drivers of value.

Once you have the fundamentals of the company well-understood, look at the big picture. What is happening globally, what are the mega-trends in the world? For example, industrialisation and urbanisation in the developing world; ageing populations and rising healthcare costs in the developed world; increasing use of social media everywhere; increasing secularisation; rising consumption, increasing financial and educational aspirations and rising awareness of environmental sustainability are all examples of large-scale shifts occurring that will drive forces in our economies and societies for potentially the next couple of decades. Find a way of tapping into these forces and you could be looking at potentially significant opportunities. Trying to fight against them and you might be confined to a shrinking niche.

Usually when you examine these big trends, they are a bit abstract and high-level. It is important to ask: what do these trends mean for my corporation? How will they effect my value drivers? Will our opportunity set or market be expanding or shrinking? If you carefully chase these issues down to the level of the corporation you can usually find some important insights – often from an unexpected corner – on an opportunity.

The third step on opportunities is to look for granular changes in the segments in which your corporation operates. Sometimes they are linked to the big mega-trends, but sometimes they are driven by far more local issues. Whatever the drivers, you need to look very closely at your customer base – or potential customer base. Segment them carefully, understand their needs and how they interact with your product, what are the forces acting on them and how can you better meet their needs. A CEO of one global consumer goods company was famous for instigating an examination of their customers so intense that many executives spent days in the kitchens and laundries of their customers to understand better how their products were being used and how they could improve them. Maybe you don't need to do that, but certainly better understanding in real detail what is happening at the smallest level of your customer segments is very important in understanding the opportunities. Again, link them back to the value drivers from step 1.

Fourth, examine how people or organisations are spending their money. What do they value? For what are they prepared to pay money? What needs might they have that are currently un-met? Where is the demand moving towards. The recent financial crisis for example, drove a massive increase in Term Deposits and savings accounts for the banks in Australia. Combined with an increase in online banking, it also created a tremendous opportunity for non-traditional competitors such as ING Australia to capture a large share of this market. It also created a large opportunity for the Corporate Bond market as investors switched from equity products to debt products. Likewise a cautious economic environment post-GFC has created significant demand for Debit cards rather than credit cards as consumers become more risk averse. In both of these cases, consumers are prepared to spend money for greater financial security and lower risk.

Fifth, look at the potential shocks, uncertainties and range of economic scenarios that could emerge. Remember that opportunities come out of turmoil. Be prepared to move against the crowd if you believe that some trends are over-cooked. Examine which companies might be in trouble in the case of a shock, what opportunities might be presented, how you can position yourself well to take advantage of these potential shocks. The uncertainties will come back later when you want to test your strategy and make sure they are robust in the face of them, but here, they should lead you to examine potential opportunities and position yourself to create value if and when they occur.

Sixth and finally, examine what all this might mean for your own corporation's momentum and direction. Which markets are opening up, which are closing down, where are the opportunities going to be and when are they likely to occur? This should lead you to a set of potentially significant opportunities that are opening up either in your industry or close to it. Once you have linked these to your value drivers, you can then begin to look to what you might need to do to capture the opportunities.

Competitors

Competitors are important for a few reasons: they provide insight on where the opportunities are; their behaviour will determine how valuable opportunities might be; and they could present opportunities to collaborate and share the risk.

So, while you are still in the mode of looking for opportunities, study your competitors. Where are they aiming, what do they explicitly or implicitly believe in the future? You must assume that your competitors are rational and purposeful and while it may not always be true that they have a good strategy, you can often pick up valuable information and insight by looking very closely at what your competition is doing and inferring what they believe about their own market and opportunities.

Once you've examined where your competitors ARE for clues to your own opportunities, you should then examine them to find out where they are NOT. This is an important concept in strategy, to determine what is known as 'the competitive white space'. This is effectively a market, offering, product or service that no competitor is currently offering, or if they are offering it, they are not emphasising it. Remember, you have to get the combination of opportunity and low competitive intensity for an opportunity to create value. Ideally, this white space will be an area where your competition cannot move (through restrictions, attention, capabilities or some other limitations) but it is enough if you are able to get a decent lead on the competition to get there first.

Second, look hard at your own organisation to judge the potential source of sustainable competitive advantage. What are the areas in which your organisation is fundamentally better positioned or more capable than your competition. Make sure that your strategy is supported by some fundamental advantage – otherwise it won't be sustainable and all of the excess economic returns will get competed away relatively quickly. If you have a slender competitive advantage at present, then work out how you will build a much stronger one through your strategy. Don't underestimate your competitors' ability to improve as well, so make sure the advantage is real.

The final and probably the most important part of assessing your competition is to understand how they are likely to behave in a competitive situation. In addition to understanding their strategy, you will need to understand their overall objectives, the moves they are likely to make, how your moves might affect their outcomes and how they will likely counter these moves. The entire topic of Competitive Game Theory is too big to cover in this brief overview, but make sure that you really think hard about it as you develop your strategy – otherwise your strategy might look good in isolation, but not be so hot in practice.

There are some very good and simple frameworks and processes to use to develop the game theory response in more detail that should lead you to understand how value is shared and created competitively and how you can change the game by making allies of competitors, reaching points of mutually assured destruction (balanced competition) and potentially introducing new players and tactics into the competition. You can pursue this thinking in lots of detail or simply around a white-board but typically more detailed information leads to better insights.

I am passionate about the value of competitive gaming in strategy development. I've done many game theory sessions in my strategy career and find that they are absolutely vital to working out an effective strategy. Simply involving an executive team in adopting new roles as competitors or regulators or customers in a 'game' that models their industry has immediate benefits through greater understanding. Perhaps more importantly though, the insight gained has led in some situations to clear predictions of competitor behaviours (sometimes 3 to 5 years ahead of the actual events) and to either dramatic modification of strategies that would have failed in the light of these events, or at least further enhancement to create substantial more value.

Aspirations

Many strategies start and stop with the opportunities that might be available to a corporation. Slightly more sophisticated ones also consider the competitive environment and how it might evolve and shape the winners and losers in the pursuit of these opportunities. But the best strategies also consider what might be described as the bottom half of the five-part pentagon outlined in Exhibit 2, starting with the aspirations of the organisation.

To understand an organisation's aspirations, you must start with the aspirations of the Firm's leadership – both Board and management, individually and collectively. The aspirations must be consistent with the strategy. Unfortunately, I've come across many strategies where they are not (such as an Asian entry in a corporation where no-one in the senior team wants to go to Asia). I've also come across leaders that become disconnected with their organisations by pursuing a grand vision that no-one else shares. Like the point about culture previously, the aspirations of the Board and Management are not fixed, but it is dangerous to get too far out of synch with them when developing a strategy, otherwise you might find you have a strategy that no-one really supports.

It is also important to understand the aspirations of shareholders. Why do shareholders own the stock? What role does it play in their investment portfolio? It is very challenging to take an 'annuity' stock that investors own to provide a regular stream of dividends and all of a sudden reinvest the cash destined for dividends in a long-term growth program. Understanding shareholder aspirations for risk and volatility as well as the timing and level of returns, factoring them into the process is an important part of developing an implementable strategy. These aspirations are not fixed and some very good work has been done on how to influence key shareholders, but their starting views are crucial in forming the nature of the strategy, the timing and the communication.

Finally, you must understand the aspirations of another broader set of stakeholders, such as local communities, employees, regulators and the like. There are plenty of examples where good strategies have been undone by local communities who are adversely affected by expansion plans, or regulators who consider the side-effects as undesirable. Maintaining a licence to operate as a corporation is getting more and more important as corporations and stakeholders mutually form a better understanding of the consequences of violating some of these stakeholder objectives and social media enables rapid mobilisation of large numbers of people. Don't take the views as fixed, but do consider them and where possible, turn them into an advantage by being the best at delivering the outcomes desired by all stakeholders.

Capabilities

A business strategy must be tightly linked to the capabilities of an organisation. In addition, the organisation's capabilities can themselves become a competitive advantage. Toyota for example, would consider that its capabilities around the Toyota Production System and Lean manufacturing are themselves enablers or a competitive strategy related to 'build quality' and perhaps more globally dispersed manufacturing centres. But even if your organisation's capabilities are not as sophisticated or easily recognisable as Toyota's you need to think deeply about how they are linked to the strategic opportunities and how they can be leveraged for further value.

Many organisations have from time to time conducted capability audits or competency assessments in order to try to recognise their particular key capabilities. The challenge with these types of audits is that they are both too narrow in scope and are too reductionist.

A narrow examination of capabilities will tend to focus just on skills. But a broader definition of capabilities should include:

- Skills – the relevant skills sets of an organisation, e.g. marketing, R&D, process Engineering etc. These skills can be resident in an individual, but are much more powerful if they are broadly spread across a larger number of people in an organisation or even regarded as part of the organisation's fabric itself.
- Experience – the individual and collective experience of certain environments or events (such as developing and launching new products, building capacity in China, competing against low-cost competitors etc).
- Relationships – broadly defined to include suppliers, customers, others who might have complementary products or value chains, regulators, etc. Any relationship that can result in value for the corporation should be included.
- Financial depth and momentum (balance sheet, capital, earnings) of the organisation. This is in itself a capability in the broadest sense. You might regard it as capability conferred upon it by shareholders in that maintaining momentum allows management to pursue perhaps a broader range of options.
- Assets that can be leveraged for further growth. These could include tangible assets such as infrastructure, manufacturing capacity, transport or transmission capacity, or intangible assets such as Intellectual Property or knowledge/insight.

A reductionist view of capabilities will tend to try to boil down the essence of the capability to its smallest, tangible element. The usual conclusion from this type of activity is that the organisation doesn't actually have substantial advantages over others and that there really isn't a capability advantage at all. I contend that this reductionist view is often too harsh and that a more positive, enhancing view of capabilities would ask: 'how can we leverage what we've got and perhaps combine a number of elements, to develop something that does confer real advantage?'

Don't fall for the idea that you have advantages that perhaps you don't in this area, but on the other look broadly and be expansive.

Culture

Like capabilities, the culture of an organisation must be both linked with and enable a corporation's strategy as well as potentially a source of strategic advantage in itself.

Much has been written about and developed in terms of organisational culture in the last decade or so and significant advances have been made by those wishing to understand it better and even influence or change it over time. While some of this work is lacking in scientific rigour, the thinking and frameworks provide a good basis for culture as an enabler of strategy.

To assess culture in a strategic context, you need to examine the cultural elements that under-pin the requirements of strategy, such as:

- Performance orientation – the extent to which an organisation will focus on a set of outcomes and pursue their realisation quickly and efficiently. This cultural trait can help enable a specific targeted strategy very effectively
- Collaboration – the ability to problem-solve across organisational boundaries and make informed, supported decisions that are widely supported throughout a company. These cultural traits help drive innovation and bring the full power of an organisation to bear on issues when and how required.
- Speed and pace of execution – the ability to make decisions quickly and act on these decisions. Highly valuable in industries or environments undergoing rapid change or hyper-competition
- Adaptability and tolerance for ambiguity – the ability to work in an ambiguous or highly turbulent environment and see past the short-term to longer-term opportunities. This is a cultural trait that is often overlooked, but can be vital in industries that suffer periodic upheaval (like banking, retail etc)
- Ability to attract, retain and develop talent – the ability to have the best available talent working for you. This can be a very powerful cultural trait, particularly in industries and situations where the return is highly based on the skills and effectiveness of individuals (such as Finance, Consulting, banking etc.)
- Values and ethics – ability of an organisation to tap into and reinforce a set of values and ethics that are consistent with those of the most talented individuals and of the strategy that is actually required to beat the competition. While we often think of these as

‘absolutes’ in that they are ‘impeccable values and ethics’ it can be that the values and ethics need to fit the situation rather than being singly defined.

Once you’ve got a handle on the existing culture in an organisation, you need to benchmark it relative to two elements: (1) against the ideals that the organisation has itself; and (2) how it will enable or hinder the strategy being developed. Finding an intersection between all three is the ultimate goal.

* * *

To summarise, a successful strategy must examine five, inter-related elements. Relative balance across the five elements: opportunities, competitors, aspirations, capabilities and culture is required because they can all reinforce competitive strategy as well as become key enablers of strategy in their own right.

If they are not in mutual support, or moving toward alignment then chances are something will go wrong with your strategy. You cannot have a successful strategy that you have insufficient capabilities to address, or is inconsistent with your culture or aspirations.

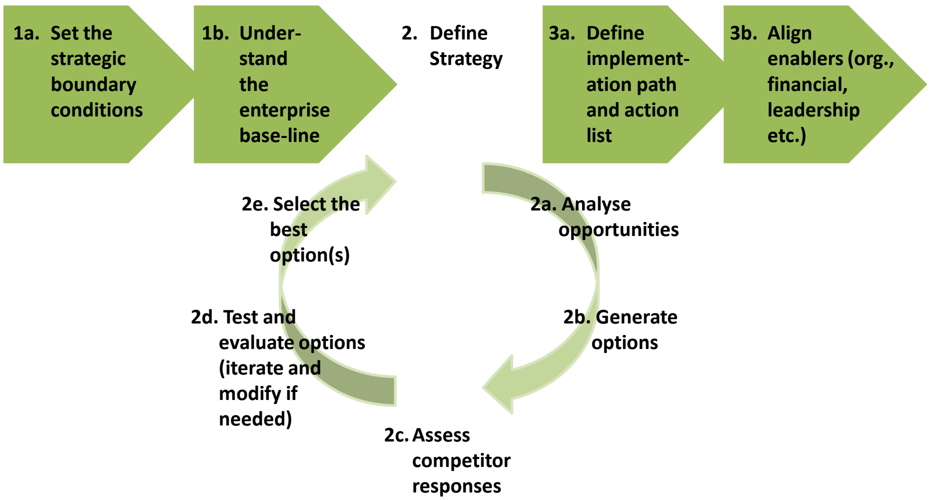
At this point, you would be right in thinking that addressing the five inter-connected elements of strategy won’t help a corporation avoid all of the Seven Deadly Sins. Thinking of the five elements will help you avoid most of them but even if you addressed each you still might end up with a strategy that is too high-level, not based on value or is singular or unsustainable. These sins can be addressed through a logical but rigorous strategy development process.

Chapter 2: The Strategy Development Process

Strategies should be developed in three distinct phases:

1. Setting the context and the baseline
2. Iterating through a set of opportunities and competitive strategies
3. Implementation planning.

Exhibit 2
The Strategy Development process



Setting the context and baseline

In this first phase it is very important to first understand the boundary conditions of the strategy, including:

- What is the organisational unit that is being examined – is it a Business Unit, or is it a Corporate Strategy? What geographies are included?
- What is the time-frame of the strategy required?
- What are the constraints on strategy (e.g. financial constraints, years to positive earnings, growth rates etc., or legal constraints that could preclude certain geographies or product markets)?

Second it is very important to understand the base-line position of the enterprise.

If you haven't read the previous article and preceding chapter, you might be excused for thinking this step focuses primarily on the financial and strategy base-line of the organisation. But it is crucial to recognise that this baseline assessment includes a detailed assessment of:

- **The strategy as it currently stands today** and what it will lead the organisation to do over the required time period (you might also attempt to diagnose the potential 'sins' of this strategy). Get the management team to articulate the company's strategy individually. Take a slice through the organisation at different levels to get their views on strategy as well. You might be surprised at the results.
- **Opportunities that are likely to be presented** in pursuing this strategy, including underlying market growth, major expected changes etc. This should not be too detailed an assessment of the opportunities (as these come later) but perhaps more focused on the initiatives that are already well-understood or maybe in existing plans
- **The strategies and actions of competitors** are likely to be given your current understanding of them and your own course and speed. You can use workshops with senior leaders to get to the bottom of competitor strategies by setting up each of them to do some homework to assess the strategies of the competition and to present it back to the group. If you have a large group of leaders and a small number of competitors, then set these up as small group exercises.
- **Aspirations of the leadership of the organisation**, the shareholders and other stakeholders. What do they want to achieve, why are they part of the organisation etc? Again, you can set guided homework here for management teams and facilitate them through a process that gets to the heart of their aspirations as individuals and as a team. Like the opportunities, think broadly about the types of aspirations the leadership team might have such as financial, credibility, leaving a legacy, growth etc.
- **The baseline capabilities of the organisation**, as broadly defined above. These capabilities can be determined through a range of methods include self-assessment, benchmarking and customer/supplier interviews. The more external and fact-based the assessment the greater the potential for under-pinning a successful strategy later on.
- **The culture of the organisation** and how it is evolving over time. Again, like capabilities, the culture can be assessed using self-assessment tools, interviews and surveys. There are a number of tools available on the market to conduct these assessments but choose one that requires a bit of involvement from the leadership team, and remember to include the culture of the leadership team as part of the work.

Each of these assessments should result in a clear picture of where the organisation is today and how this is likely to unfold over the time period you are concerned about. Importantly, each of these assessments needs to be done in a way that engages the power of the organisation.

Once this is done, it should be translated into a more informed financial and operational baseline model that boils all of the above down into a clear go-forward picture of what the 'do nothing different' strategy would look like in as much operational and financial detail as possible. The extra detail that is forced by examining issues like competition, strategic actions, aspirations etc should allow a corporation to more accurately account for the dynamic nature of their business.

Once this modelling is complete, the leadership team need to get comfortable with the implications of the model on the business. Facilitating a discussion with the senior team on what will be considered the 'do nothing different' baseline is vital to getting started on the task of developing a strategy beyond the simple 'do nothing different' case.

A lot of effort is required at this stage to set the ground-work for later but it will reward you significantly later in the process. First much of the analysis is useful when you are evaluating your potential strategic options, and second, it is an amazingly powerful way of engaging the leadership team in the first part of the strategy process. Done well it should lead to a few powerful 'moments' which can galvanise a leadership team around the need for a new strategic direction.

Iterating through Opportunities and Strategies

With your rigorous baseline assessment of 'do nothing different' and all of the corporation's starting aspirations, constraints, capabilities and culture on-the-table, it is now time to turn toward developing a new set of opportunities and strategies.

Step 2a: analyse the opportunities available or potentially available to the corporation. As we described in detail in Chapter one, make sure you are expansive at this stage. Identifying opportunities is an inherently creative process, so it is hard to be totally prescriptive, but a couple of ideas will help:

- Understand your own important value-drivers. As we outlined in the previous paper, this is a crucial step to understanding what is going to make a difference in your business and it will help highlight what some of the opportunities might mean in terms of your own corporation's growth.
- Get to the bottom of some of the big underlying trends in the world. Project forward what some of the big trends might mean in terms of demand for products and services and geographies and second order effects. For example urbanisation in China means a rapid growth in demand for so-called middle class consumables such as fridges, washing machines, dryers and of course cars and motor cycles. By understanding how much (say) Copper is involved in the production of each item, some careful analysis can lead to projections of demand for Copper. It might also inform your projections for demand on energy, washing powder and a whole range of items.
- Make sure you really know what's going on at the coalface among your user and customer base. If you understand how customers are using your products, then you will understand what they value about them and what makes them frustrated. This understanding can lead to insight on new products or fundamental changes to the product or packaging that can drive significant demand growth and customer loyalty.

Often the best way to flesh out the opportunities is a combination of deep analysis followed by idea-generation and brainstorming sessions among the senior leaders. Make sure the leadership team is aware of but not bogged down in the analysis and make sure you introduce different thinkers into the group (from outside the leadership team or even outside the corporation altogether) so that you don't get stuck in group-think. If you need to, introduce some provocative ideas into the discussion to stimulate thinking.

Step 2b: generate strategic options for the corporation. These options can still be high-level but consideration should be given to all the potential degrees of freedom for a corporation, including:

- Leveraging organic growth opportunities – particularly in sub-markets or sub-regions that have higher than the average growth rates
- Expanding within the current customer base through pricing, volume changes, capturing higher share of their current spending
- Increasing market share of the same set of customers by out-competing the current offers
- Developing new products and services to serve the same or a similar set of customers
- Competing in an adjacent part of the value-chain to capture value and/or innovate the way the value-chain works
- Consolidate the industry via JVs and M&A with competitors, value-chain partners or others to concentrate value
- Expand into new geographies with the current offering
- Expand into entirely new but hopefully adjacent competitive arenas.

At this stage you might have a number of possibly competing opportunities and need to group and prioritise them. A good way to do this is to run a workshop with the senior team where they are presented with all the opportunities they have available to them and the resources they require to execute the opportunities. Force the team to develop their own set of priorities and strategies based on a limited supply of resources. You can use something simple like a 2x2 matrix of 'Expected value' on one dimension and 'difficulty of implementation' on another.

Step 2c: examine competitor responses to your proposed strategic options. This does require analysis to determine the pay-off functions for competitors and for your own corporation. As we mentioned above though, this can either be a 'back of the envelope' calculation on a white board or a more sophisticated piece of analysis. To get good quality information and get the senior team engaged, you can develop a 'war game' workshop where with some basic industry modelling to support the numbers, you engage the senior team in roles as competitors or the company to hash out what each would optimally do in a real competitive environment. However you do this work, the end result of this work, however, should be that you are able to articulate: 'if we execute the following strategy, then competitor A will do the following ... and competitor B will do .... The impact of this is that we will have to respond by doing ... and it will result in outcomes of ... for each player.'

Step 2d: test and evaluate options. Begin by testing them relative to the aspirations, capabilities and culture. This step is relatively straightforward in concept but almost always produces an imperfect result. A strategic path that delivers on the aspirations may not be consistent with the culture or the capabilities, or one that is consistent with the culture doesn't deliver the aspirations etc. That type of result is OK as strategy ultimately is going to be about the choices and the trade-offs that need to be made. Remember though, that a strategy cannot get too far away from the aspirations, capabilities and culture of an organisation, so good judgment will be needed to determine just how far an organisation can be stretched. This judgment is best applied in a leadership group setting.

Don't forget to also test your strategy under a range of scenarios and external market conditions. Make sure that your strategy is flexible and adaptable enough that it can make sense in a down-turn as well as an up-turn. Make sure it is not reliant on only one particular market outcome and can be adapted to suit a range of conditions.

Step 2e: select the best option(s) based on the overall assessment of these factors and the judgment of the CEO and the Board.

In your first pass through these five steps you may not yet have the optimal alignment of the components of the strategy and there may be outstanding questions that need to be addressed. This is why the process is described as being iterative. You might find that you need to cycle through two to three times before all the issues are on the table, the appropriate questions are being addressed and the right judgments are capable of being made.

Throughout this entire process it is important to remember that often framing the question correctly for the leadership team to debate is as important as determining the answer. Once all the facts are on the table and you've iterated through this cycle at least once, a strategic direction will often boil down to how one or two questions are answered by the leadership team. This could be as simple as 'do we believe that the most attractive opportunities for our business are in ...?' or 'do we believe that we are fundamentally better positioned in market x than our competitors?'

Implementation Planning

As we've noted throughout this document, strategy is nothing without execution.

The final steps for your strategy then are to translate it into a series of actions that are coherent and robust. The first part of this is to simply create the implementation action list. Sequence it correctly, noting dependent steps and mission-critical activities. Then align each of these steps with an owner who has responsibility for implementation and create a timeline and a set of metrics to measure the implementation. Make sure you have flexibility built in to the strategy to account for how the market environment or competitor responses may change. Also build in strategy reviews to ensure that the strategy is up-to-date and evolving over time.

Think carefully about communication of your strategy. The more widely communicated, the greater weight and power of the organisation will be behind it but the less able you will be to keep the contents of your strategy confidential. Excluding situations that require M&A or some other 'stroke of the pen' like outcome, it is usually better to have as many people as possible in the organisation aware of the strategy and how they can contribute to it.

At this stage, you will likely realise that your strategy is not quite consistent with your organisation structure, you don't have enough of the right kind of resources to implement your strategy (or you have too many resources in the wrong places) or the accountability for strategy implementation cuts across a few too many organisational boundaries. You may also find that your targets, measures, incentives and possibly even your performance evaluation processes don't properly line up with the new strategy. And, despite having your five elements roughly in line you might realise that your culture is not quite aligned properly with the new strategic direction.

In order for the strategy to be most successful, you may need to rethink your approach to a number of these issues. Too often this step is ignored or kind of tacked onto a strategy process overall. It deserves quite a bit of attention and should be taken seriously as a function of the strategic outcomes. In many organisations, nothing changes until the targets, measures and incentives are changed and it can be pivotal to implementation success.

So make sure that the senior team does not lose interest or focus on the strategy once the strategy 'paper' is written. Demand detailed implementation plans with timelines and accountabilities and establish regular review forums. Ask the question of how the staff and support functions need to change to support and enable the new strategy? Create 'stop work' lists that include all the aspects of the corporation that are no longer relevant in the new strategic environment. Make sure that implementation is in the hands of every senior leader of the corporation – that they all have an important role to play in the new strategic direction.

In short, treat the implementation planning and execution part of your strategy development every bit as seriously as you treat the strategy development process.

* * *

Strategy is a very important topic for business leaders. Combined with great execution it holds the key to shareholder value creation and the fulfilment of other stakeholder objectives.

Good strategy should not be overly complicated and getting there is within the resources and reach of all organisations. A disciplined approach combined with creative input should lead to significantly better outcomes for all.

About the Author

Adam Lewis is Chairman of Cast Professional Services. Adam has extensive consulting experience at the most senior levels of corporations across a range of industries including: metals, mining, chemicals, manufacturing, telecommunications, retailing, banking and government.

His particular expertise is in business unit and corporate strategy, including game theory and competitive analysis, as well as organisation redesign. This experience has been developed in markets including Australia, New Zealand, USA, The United Kingdom, The Netherlands, France, Belgium, South Korea, Japan and Singapore.

Adam spent 20 years as a management consultant with McKinsey & Company, where he was the managing partner of Australia and New Zealand from 2002 to 2008. Adam was also a member of McKinsey and Company's global personnel committees and Asia Council governing body

Adam is an advisor to Lazard Investment bank, the Grattan Institute and FiiG securities and Chairman of Southern Innovation, a high-tech company based in Melbourne. Adam is a former Director of the Australia Council for the Arts and the Melbourne International Film Festival.

Adam has an MBA (Honours) from the University of Illinois at Urbana-Champaign and a Bachelor of Electronic Engineering (Honours) from Curtin University, Western Australia.

adam.lewis@castprofessionals.com

About Cast Professional Services

Cast Professional Services provides outstanding business advice to clients on their most challenging issues, in a flexible manner to suit their needs. We specialise in Business Strategy, organisation and in strategy delivery. We service our clients' needs through a network of experienced management consultants, typically from Top Tier firms who make themselves available either standalone or in small teams to meet specific requirements.

Cast offers clients:

- High calibre, experienced individuals
- Deep industry expertise developed through hands-on experience
- Complete flexibility for full-time, part-time, intermittent or retainer arrangements
- A working style that promotes business outcomes and skills transfer.

Contact Cast at info@castprofessionals.com