

Unlocking the chains of current reality

by Andy Coldrick – President and Chris Turner – Vice President, StrataBridge

The average executive team spends less than one hour per month discussing strategy, according to recent research. The rest of the time they are busy trying to 'do something' about current reality.

In the current economic climate, it is not surprising that executives focus more on short-term survival. But the behaviour we see today is not a quick response to the relatively sudden downturn – rather, it reflects a trend that has been visible for some years.

Increasingly, executives question the value of long-term strategic planning. Some have reduced their horizon from 5 to 3 years. For many, the Holy Grail is simply hitting this year's numbers. Unfortunately, in most cases, this shorter-term focus is doing little to bolster the current performance, and is often laying the foundations for future problems.

Where are executive teams going wrong? And what can be done about it?

Common problems

In a great many companies, the annual Strategic Planning process is little more than an extended budget. "We only do it because corporate demand it" is a common theme; the object of the exercise has become the creation of a presentation for the Board or senior team, rather than the development and direction of the business.

The process really starts to break down when there is too much focus on analysis and not enough application of intuition. In other words, people are not allowed or expected to apply their experience, either to communicate an understanding of what the numbers actually mean, or to create breakthrough thinking of their own.

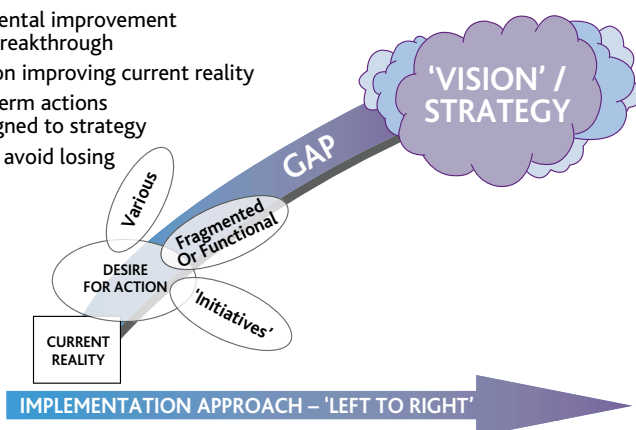
This inevitably leads many companies into what we describe as a 'Left-to-Right' approach – and the disappointing results that this approach delivers. Viewed as an annual 'event', as opposed to an

ongoing process, strategy development sees the executive team spending a couple of days away to revisit the company 'vision', in light of 'the numbers', and 'create' the strategic plan.

One of the most damaging features of this kind of event is 'fixed place thinking': executives (often led by consultants) search for a 'fixed place' at a specific point in the future, at which they then try to 'aim' the business. A useful analogy for such a fixed place is a desert island: it can be represented by specific longitude and latitude, but getting there cuts off access to all the other equally or more fruitful places your business could have gone to instead.

In the strategic planning context, the quest for this desert island inevitably leads to endless research, analysis and a focus on data that is not balanced with the intuition and insight required to see breakthrough opportunities and possibilities. With fixed place thinking, the task becomes the development of the Strategic Plan; hitting the

- Incremental improvement – not breakthrough
- Focus on improving current reality
- Short term actions not aligned to strategy
- Play to avoid losing



numbers becomes the Holy Grail; changing course to achieve a step change in performance is not on the agenda.

Then, with the annual strategy 'pantomime' over, there is huge pressure to take action, to be seen to be 'doing something' to improve the current reality. And at this point a yawning gap opens up between the output of the long-term 'analytical' strategy development process and the short-term 'instinctive' actions that are taken.

All too often, the instinctive action is in fact a reaction: to ask "what are others doing?" Looking around at their competitors or industry peers, executives typically see re-organisations, regionalisation or globalisation, implementation of new systems, customer relationship management programmes, or various operational improvement projects, such as 'lean enterprises', value chain analysis, working capital reduction, and the like.

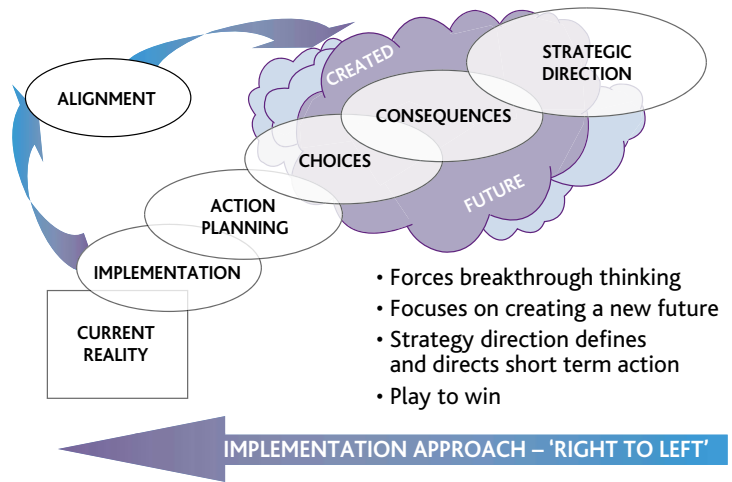
But ask yourself this: how can you expect to create a future that is unique and sustainable by implementing improvement projects that are founded on other people's choices? In most cases, this obsession with others limits choice and leads to imitation. The result is incremental improvement at best, a 'me too' position, and convergence with – rather than differentiation from – the competition.

Creating your own future

Breaking out of this modus operandi requires a substantial rethink of what many organisations perceive 'strategy' to be. Many people talk about 'strategy' and 'strategic planning' without understanding the distinctions between their strategic direction and the choices and trade-offs that need to be faced as a consequence of that direction.

Developing your unique, sustainable, created future is not just a matter of being better at what you do. It's about being different at what you do, in ways that perpetuate your uniqueness. To quote John Sculley (ex CEO Apple Computers) the best way to predict the future is to invent it.

The StrataBridge 'Right-to-Left' approach provides a framework for the conversations and considerations necessary to develop the future you want to create for your business, and the choices that will need to be made to get there.



Within this framework, strategic direction is not a straight line between where you are today and the 'desert island' of fixed place thinking. Instead, it recognises that you are not trying to predict the future as if there were only one. The goal is to develop a picture of the futures that are possible; and, through understanding the consequences, determine the future your organisation – with its unique strengths and characteristics – can create and sustain.

Those strengths and characteristics help to define the boundary constraints on what you can create, leaving you with a good sense of direction on a broad canvas of opportunities. Remember: you have to have some idea of where you are going, or you will end up somewhere you don't necessarily want to be; but if you always know exactly where you are going, you have no chance of finding anywhere better.

Choices and trade-offs

The fundamental requirement in strategy is the ability to recognise and make choices and trade-offs as you progress along your strategic direction. No organisation can be all things to all people and expect to be the best at it. So you have to say 'No' to certain things at times. Many companies hate making this kind of choice – it feels dangerous and limiting, and they would prefer to keep all their options open.

Not facing up to choices and trade-offs is one of the behaviours that will stand in the way of developing a meaningful strategy. And, like many of the other barriers to successful strategies, it is self-inflicted.

Identifying these choices and trade-offs is not a one-time exercise. In our experience, the executive team need to commit a day a month to continually evaluate new and emerging choices and trade-offs. Confronting the behaviours that will inhibit making the best choices, and creating the dialogue that leads to new possibilities, are challenges for which many senior teams enlist StrataBridge support. Once the new behaviours are understood, this support becomes dispensable and the approach is sustainable from within.

That's why the 'Right-to-Left' approach to strategy includes a clear sense of the boundary constraints. These will help you to understand the trade-offs involved in your choices, and how you can make them work for you continually.

Alignment and integration

The StrataBridge 'Right-to-Left' approach also avoids the usual gap between 'tomorrow's strategy' and 'fixing current reality today' by focusing explicitly on alignment and integration.

This connection is epitomised by what is known in psychological circles as the Stockdale Paradox. Vice Admiral Jim Stockdale was the highest-ranking officer in the Hao Lo – 'Hanoi Hilton' – prisoner of war camp during the height of the Vietnam War. Despite constant torture, he continued to lead his fellow prisoners. Jim Stockdale survived by living the paradox:

*Retain faith that you will prevail in the end, regardless of the difficulties
And at the same time
Confront the most brutal facts of your current reality, whatever they may be.*

In a business strategy context, alignment involves the integration of all the change projects under way in the organisation. This is done by creating a clearly visible 'line of sight' for everyone in the organisation, which points to the 'magnetic north' of the created future. Then everyone can see how their activities work towards the created future. It also

involves giving people the information they need to make their choices and trade-off decisions in day-to-day activities.

This approach recognises that some of the actions taken instinctively in Left-to-Right mode were correct. It allows you to keep the best of what is being done today, and make sure that all the organisation's activities are pulling together and pointing in the same direction.

Decision making and execution

Progress towards the created future is never linear. It requires the development of a decision-making process that continually understands the latest view of 'current reality' and how that relates to the strategic direction; identifies the decision-points; develops options; and navigates a way through those decisions, heading all the time towards the 'magnetic north' of the created future.

Few executive teams want to admit that they let current reality drive their business – but it happens all the time. Shifting gears involves some important changes.

In an organisation working towards its created future, the executive team is working with an integrated set of plans, and fully cognisant of the assumptions behind the numbers. An agenda focused on creating unique sustainability prioritises and drives operational improvements. Alignment to the budget takes place in the context of the strategy, rather than despite the strategy. And the team makes more of the right choices, having a deep understanding of their implications.

Making a break for it

Replacing 'Left-to-Right' thinking and action with a 'Right-to-Left' approach has clear benefits – but it may sound daunting as well. There are some crucial signs to recognise and pitfalls to avoid.

Companies usually have some of the required elements in place: Vision, Mission, Core Values, Financial Targets, etc. And they believe that this is sufficient. However, most companies perceive and manage these elements independently. They do not understand how the elements interact, or the cumulative effect the interdependencies can have on creating a unique proposition. Right-to-Left thinking grasps these interdependencies and turns them to advantage.

Engaging the senior team forces many differences of opinion, soul-searching questions on 'what we stand for' and a deep understanding of the possibilities and consequences of that created future. This interaction brings together the many strands and themes operating and interacting in the business, and establishes a clear focus on the few levers that have the greatest impact on delivering the created future. The final output of this kind of interaction, done well, is remarkably simple and comprehensible: it creates the corporate equivalent of a 'magnetic north' for the whole organisation.

But beware: don't mistake 'simple' for 'easy'. The output from the senior team's deliberations is often so straightforward and obvious, it seems ridiculous to make a big deal about it. But it is very easy to underestimate the communication and dialogue required to create a 'flow of meaning' throughout the organisation. The issue is not "do people understand the words?" but "can people work out what they themselves can and should be doing about them?"

Reinforcement of the strategic direction needs to be constant and consistent. And support for good decision-making – both in terms of providing the information people need, and developing their personal decision-making skills – needs to pervade the whole organisation.

In this way, you can focus the whole organisation on developing the business to its fullest potential – not copying the competition just to make the numbers.

Keys to unlocking the chains of current reality

- Create your own future with the clarity of what you will focus on and how you will differentiate yourself. Be just as clear about what you won't do.
- Dedicate time to understanding the consequences of your strategic direction.
- Review your current activities and change programmes in the context of your created future – then integrate and align them.
- Establish a continuous business decision-making process to manage changes to your strategic assumptions, make the right choices and cultivate your created future.
- Create a 'line-of-sight' throughout the organisation and develop a discipline of flawless execution and delivery.

