20

STRATEGY

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All too often, strategy is difficult to define. There is plenty of evidence out there to suggest that directors, when asked, are unable to articulate the strategy simply without deferring to wordy mission statements. Similarly, when looking at conducting a comprehensive strategic review, whether conducted due to a change in leadership or financial crisis, very divergent results can arise.

Strategy however is not the same thing as vision or mission. The mission should lead and be intelligently aligned with the vision; however, not everyone understands the differences and nuances between the two. The vision should be a collective view based on solid strategic analysis rather than being decided by the ambition (dare I say ego?) of one or a few. The vision should be sufficiently ambitious, different, well understood, and supported. Values should be sufficiently decomposed to clarify their true meaning and be regularly tested. Variables like honesty, professionalism, and so on are never in dispute. However, does everyone fully understand how these relate to their organisational world? Do the values support the vision and purpose of the organisation?

Strategic decision-making

People: Has the chair got a good strategic antenna? That is, does she or he facilitate the strategic discussions well and not allow drift into operational matters? Is there good contribution from all the directors? Do the non-executive directors have voice? Do they challenge constructively? Do all directors make regular contributions outside their sphere of competence? Do you make hard strategic decisions? Can you recall the last one(s) you made? How often have you deferred to more research or external consultants instead?

Tools: There are many tools out there to assist in strategic conversations, for example, PESTLE, 5 Forces analysis, and so on. Were any used? Were the tools used intelligently with good facilitation? Was the analysis appropriate? That is, did the findings from the tools inform the end decisions? Was the thread established from all of them?

Process: Are you happy with the process that you went through to arrive at your final choice of strategic option(s)? Does the process stand up to scrutiny? How many were involved? Are you comfortable about the authenticity of the data on which your assumptions would have been based? Next time around, would you repeat the same process?

Capabilities: Is everyone on the board sufficiently strategic? A successful functional director may not necessarily have the personal capabilities required to be a good strategist. What developmental activities are the directors (and the board) going through in this area? Experience is great as long as the future resembles the past.

Learnings: How was the learning captured from previous periods? That is, what did you get wrong? A really good question to ask yourself and the board is just that. Looking back over the past 12 months or so, what has surprised you? Should you have been surprised? How did you react to unexpected events? How quickly did you react? If the pace of change on the outside is faster than the pace of change on the inside, you are in big trouble. Is the business model still relevant?

External Environment: Are you comfortable about the quality of that analysis, particularly as it pertains to your organisation? Who was involved in this? Was any external professional advice sought? What are the potential high-impact changes? Has the thinking on that analysis been sufficiently creative, or was it carried out by the same population?

Industry specific analysis: What might this industry look like five years from now? Ten years from now? Will the current major players be the same? Please do bear in mind that in many instances industry boundaries have become very blurred. Is the industry growing, stagnant, or declining? Is the industry profitable? What have been the major drivers of change? How might this be further changed going forward?

Stakeholders matter: Not all stakeholders have the same level of interest, influence, power, or urgency. They are not all equal, so are you happy that the level of engagement with the respective different stakeholders is apt? How has that balance changed over time? Will it remain the same going forward? How will stakeholders' levels of interest and power shift? Might there be new stakeholders on the horizon? Stakeholders can sometimes react very negatively to a change in direction and obstruct what the board thinks is a sensible strategic choice.

Competitors: How solid is the analysis? Can you easily identify your main competitors' source of competitive advantage and intent? Who are the new competitors? Who could be new competitors? How different are you to your competitors or would be competitors?

SWOT analysis: What were this year's findings compared with last year's? Under each topic were the items prioritised? Are the strengths real capabilities that can be leveraged to produce advantage? Have you analysed your capabilities? Could competitors emulate? Have you tracked the opportunities going back a few years? That is, are identified opportunities followed through? If something was identified as an opportunity for the last five years, why is it still in the SWOT analysis? What action has been taken (if any)? Have the strengths been cross-matched with the key success factors? That is, are you good at things that are strategically important?

Customers: You cannot please everybody all of the time – so have you decided where to compete? And by implication where not to compete? Why do customers buy from you? Why do customers stay with you? Frequency of purchase doesn't necessarily imply brand loyalty. Customers can get lazy as well and don't bother looking around. What percentage of your revenues and profits are attributable to new customers? A business that cannot attract new customers worries me, and it should worry you as well.

Generating strategic options: Are you happy with the process of generating options? How many were presented for discussions? What methodology did you apply for the ultimate selection? As this is an important consideration, find below key questions to ask in respect of making that choice:

- In line with the vision? In line with purpose? Do the values complement?
- Is the choice in line with all strategic analysis? That is, PESTLE, SWOT, and so on.
- Will all stakeholders be on board?
- How will the strategy be communicated? Who will communicate to stakeholders and when?
- How might competitors react? Will it differentiate you from your competitors?
- Will it create competitive advantage? Will it create shareholder value?
- Was the choice driven by solid all-round analysis and not merely financial considerations?
- Is it genuinely strategic or merely tactical? For example, cost-cutting in itself is not a strategy, as important as it may be.
- Is there visibility beyond the immediate time frame?
- Are you clear about the market(s) that you will attack?
- Once you decided on a strategic option, were you able to (very quickly) determine the business objectives that would support that choice?
- Do you have the capabilities? If not, how will you acquire them?
- Are there any constraints? Financial or otherwise?
- Are we clear as to how we compete? That is, price, service, and so on.
- Have you had a deep enough discussion about the final choice?
- Can you confidently explain why you have discounted the others?
- Have you considered the “What if we win” situation? That is, what if you exceed your most optimistic forecast? Have you considered that position?
- What needs to change to support that choice? Is there any investment required?

- Will the prevailing culture support? Is the current structure adequate?
- Are implementation procedures well in place?
- How will the review take place? Who will carry out any reviews?
- Have the risks been fully understood?
- Have the STRATEGIC risks been fully understood? For example, what if competitors/suppliers engaged in mergers and acquisitions that could change the landscape? What if some of your competitors had a change of intent and direction?

Status quo: Sometimes this can be the final choice (that is, we stay as we are). Are you sure that all other options have been well discussed? Has the board become lazy as the financial visibility looks good? A well-performing share price is not always vindication of a good strategic choice! Did the strategic analysis drive the financial targets or the other way round?

Diversification: When this is touted as an option, ask yourself this question: “If we are struggling in a market that we know, what hope do we have in a market that we do not know?”

Acquisition seduction: This can be proposed as a sure and quick way to grow in a manner that organic progress would not match. Corporate strategy drives acquisition strategy – not the other way round. Who is driving the acquisitions? Why? Have you done this before? Who is advising you? Please do remember that external professional advisers get paid on completion and not success.

Implementation: Are you comfortable that the strategic intent has been translated into a set of intelligent key performance indicators and objectives? Have the financial forecasting and budgetary activities taken into account the strategic assumptions? Can you recognise the strategy in the forecast numbers? Does the board dashboard have a healthy mix of financial and non-financial data? Is the dashboard sufficient to give you a quick handle on strategic progress?

Ongoing review: Are there plans for regular future discussions? Who will drive these discussions? Will they go beyond financial and other chosen key performance indicators?