



## **Strategy Process Overview**

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## The Process of Strategy

One of the most valuable characteristics of STRATEGY is an ability to document a strategy clearly. Failure to capture the content of strategy accurately in a manner which can allow easy communication can reduce its value significantly.

Strategies need to be documented for five reasons.

- First, writing down the strategy inspires thought, insight, and focus. Conflicts and gaps in thinking and proposed action are exposed. The quality of thought is improved.
- Second, a written document is essential for communication of the strategy throughout the organization to refine its content, achieve buy-in and approval as needed, and to develop a shared sense of common purpose.
- Third, future generations of strategy managers will need a reference point to understand the past and to assess success and failure of the initiatives undertaken.
- Fourth, a crisp, and concise summary of the strategy provides the foundation for aligning group and individual objectives. The quality of organizational alignment depends in great measure on the clarity and communication of the vision and supporting strategy.
- Fifth and finally, strategies are relevant for all members of an organization, and not everyone can join directly in the process steps of diagnosis, design, and implementation. For those colleagues who are not part of the core team or who may have joined after the completion of the STRATEGY exercise, the opportunity to access a cogent summary of the strategy can be invaluable.

To ensure that a new strategy benefits from the full capability of an organization and the people in it, a few useful process rules, in addition to the need to document your strategy, can lead to the highest quality strategic process. Observing these seven process principles can provide a useful checklist and reference guide to keep a STRATEGY program on track.

# Seven Process Principles of STRATEGY

## Principle 1. Ensure an Effective Process

One frustration that managers face in complex modern organizations: too much data, too little useful information. Distillation, simplification, interpretation, harmonization (the use of similar templates to enhance the comparability of information), and upfront summaries of conclusions are essential in a process create deeper understanding and more effective strategic decision- making.

Many review and strategy development meetings will be less structured, more critical, and bolder in thought than usual discussions. Ironically, this broader range of thought and greater depth of content require basic meeting disciplines to be even sharper than usual. The time of participants needs to be respected and the principles of efficient meetings observed. High quality materials and presentations need to be developed in advance and summarized clearly.

Objectives for each meeting need to be agreed at the outset. Attendance and distribution lists for minutes need to be defined thoughtfully. A summary of agreed points, points in contention, possible breakthrough ideas, the potential value of ideas, and agreed next steps need to be documented and circulated. Summary perspectives and agreed points need to be recorded and circulated, as do action steps. Promising thoughts need to be evaluated, distilled, captured, and circulated.

Perhaps the most important of traditional meeting disciplines is listening carefully and ensuring broad and active participation. The chair's obligation is to ensure that all relevant views are heard from each attendee and that appropriate debate is allowed on each individual's perspectives. Meetings dominated by a few individuals or characterized by interruptions and distractions are unlikely to capture the full potential of the group's capabilities.

If the process does veer off track, corrective action should be taken swiftly. Frequent, small corrections in earlier stages of flight are always a more efficient way to keep a rocket on track than is a massive effort to recapture an erring trajectory that has gone way off course for a lengthy period. It requires less

energy. The likelihood of a successful flight achieving its objective is far greater. The risk of unforeseen catastrophe is lower due to a less intrusive set of corrections and interventions.

The same is true for large transformation projects or strategic planning exercises. Constant feedback and quick response can keep the process on track. An effective and efficient process leading to superior strategy and implementation is the objective. Frequent, small corrections improve the odds of achieving these larger goals.

STRATEGY may require longer lead times and more groups to provide input and coordinate multi-year initiatives. In addition to your STRATEGY document itself, you may also want to include marketing plans, year-end reviews, investment proposals, capital market initiatives, and other events that would benefit from full integration with the strategic process. An effective

process that ensures management buy-in and effective implementation takes longer and absorbs more resources up front. But the payback in the future will be faster and greater.

Many strategic planning processes are set to be efficient rather than effective. Timetables are brisk. Review sessions are short. Feedback is focused. The process is repetitive, mechanical and uninspiring. The linear and nonlinear character of STRATEGY may require further discussion from fresh perspectives and more challenge on the underlying vision than past processes. More questions need to be asked, contrary positions played out, and new ideas explored.

The main elements of STRATEGY provide a checklist to ensure that strategic reflection covers all the issues. The 7C's, 9S's, 8 Strategic Laws of Gravity, and other models can also help stimulate discussion and ensure that all relevant items surface and are integrated into the process. For generating breakthrough strategies, a systemic view is also essential. Exploring the dynamic implications of a more systemic view does not mean discarding other viewpoints, but it does mean adding a new and higher level perspective which can change the overall perspective and hence the subsequent actions of the group.

An open forum to develop and test these new perspectives is also necessary, for dynamic systems behavior can be captured at many levels and from many

complementary perspectives. Just as wave and particle physics can describe the same phenomenon from two equally valued perspectives, systemic (holistic) and particular (atomistic) views of a business trend or event can be equally valid and complementary. The more radically different views may be the least comfortable to adopt, but ultimately may prove to be the most valuable. All need to be fully explained in an effective STRATEGY process.

One useful tactic is to end each major meeting with two simple questions that all participants are required to answer: On a scale of one to ten, how are we doing? In one sentence, what could we have done better? The short answers to these questions take little time to gather and may add great value to the next stages of the process.

## **Principle 2. Ensure an Inclusive Process Break Down the Hierarchy**

The development of the best contemporary strategies often reflect a process which respects neither internal walls within a business nor the traditional boundaries of a business enterprise. Strategies can benefit enormously from the informed perspectives of other players in the business and industry value chains. Entire books are now written on the value of including customers in strategy. Suppliers as well can be brought in to produce good ideas, align economic activities, and negotiate the most appropriate trade terms. And, with the greatest degree of caution, selected competitors may also cooperate with part or all of a rival in business activities.

Developed rapidly in the technology sector in particular, the trend of greater strategic inclusion does now extend across the full gamut of industry players. Even old rivals can become new friends, allies and contributors to strategic development, spawning the creation of the new word “comperation” to capture the emerging synthesis of competition and cooperation.

A more inclusive approach internally can also yield great benefits. No individual or single level in the hierarchy has an exclusivity on good ideas. At 3M, a secretary contributed to the creation of the universally popular Post-It, a highly successful and nonlinear development in office supplies.

At Asda, a successful British grocery chain recently purchased by WalMart, the word *employee* was discarded in favor of *colleague*, a less hierarchical term

which applied to everyone from the CEO to the newest member of staff in the loading bays. Under unconventional Asda CEO Archie Norman, all colleagues sat in an open plan setting where no one had an office with walls, not even the CEO himself. The more collegial atmosphere opened new channels in the organization for innovation, leading to new concepts in product, service, category management, promotion, and supplier arrangements. Effective access to knowledge, intuition, and insight at all levels maximized the use of intellectual capital in the organization and allowed the once sleepy Leeds-based retailer to become one of England's most admired turnaround stories and a sought after acquisition target.

One proven way to increase the creative output of a high-quality organization is to break down line and staff barriers in the STRATEGY process. A combined team of finance, marketing, and line management looking at competitors may be far more effective than a purely marketing-led view of the opposition.

Creative teaming can also break down external and internal walls. Involving suppliers and customers may elicit win-win opportunities and new sources of competitive advantage. One limitation of linear models is that they often do not acknowledge the systemic trend of shared economics that is redefining the boundaries of processes, strategies and competition.

A more inclusive and participatory approach to the development of strategy meets four objectives.

- First, the strategy is improved by increasing the thought and perspectives that go into the process. In particular, the younger employees in an organization may contribute fresh and unexpected views on key risks and opportunities. To hammer home that point, Infosys, a leading Indian software company, once introduced a rule at some planning meetings that no one older than 30 is allowed to speak.
  - Second, the chance of effective implementation improves greatly through inclusion. An organization's sense of owning a strategy will be much stronger if a broader set of colleagues is involved in its generation.
  - Third, the process provides valuable learning opportunities to participants, adding practical tools and techniques and stepping up integration within an organization. An inclusive process allows

organizations to realize internal synergies among divisions, departments, and business opportunities that might have gone unnoticed.

- Fourth, a broader process increases the engagement of individuals. The challenge of engaging and motivating individuals in a collective effort is one of the most critical tasks a senior manager faces today. Inspiring this engagement will improve the entire morale of an organization, leading to higher individual satisfaction, better retention of key staff and customers, and a wholehearted dedication to the vision and agreed initiatives of a business strategy.

Experienced strategists will note, however, that one danger in pursuing a new and more inclusive process of change is that overenthusiasm can lead to having too many people in too many meetings with too little effective output. A carefully managed process will avoid this risk and police the line between the interesting and the useful.

### **Principle 3. Set Long-term Objectives for Individuals and the Group**

Deeper understanding of the nature of business enterprises and the competitive challenges they face will require setting objectives for actions which have immediate results, and also may require objectives to be set which will only show benefits in a much longer time frame. Multi-year perspectives and targets may be required for major initiatives, for individual and group development plans, and for organizational evolution. Longer term objectives could include revenue and profit targets, new product initiatives, improvements in departmental satisfaction scores, new systems implementation, team skills development, hiring targets, and individual skills development programs. Consolidation and communication of these objectives is one of the most important opportunities for senior managers to engage, direct, and motivate their colleagues.

Longer term personal objectives need to be aligned with group objectives. Development and career plans need to be aligned with the current opportunities and longer term objectives of both individual and enterprise. A realistic development plan with long term dates and

responsibilities may need to be set for each individual. These phased objectives should be short, fewer than ten per

person, and all action items need to be both measurable and realistic. They should be shared with colleagues and confirmed with all relevant senior managers. A clear hierarchy of objectives from enterprise down through all supporting individuals should be crafted so that each longer term goal is fully supported by the requisite complement of supporting objectives.

#### **Principle 4. Test the Logic and the Process**

Good strategy has been characterized as *an inexorable flow of logic from insight to action*, a seamless web of facts, principles, decisions, and actions that allow an organization to reach its goals and generate extraordinary returns. In order to ensure that your strategy is indeed world class, all parts of the strategic logic should be tested, cross-examined, and challenged. Where falling short, necessary change should be made as early as possible.

As most strategies in the business world have created operating results characterized far too often by satisfactory underperformance, external examples of real excellence need to be examined. New and better approaches to operations, growth, and transformation need to be described and their potential application examined and challenged. A constant challenge from external perspectives and from a platform of dissatisfaction with the status quo is required. Effectiveness, as well as efficiency, needs to be an objective.

One optional element of many sound STRATEGY approaches is a set of beta tests and pilots to assess the workability of proposed new approaches in the real world. Beta testing, or testing a developed model in a real operating environment, is particularly important in the implementation of a risky new approach. Changes that threaten (or promise) to disrupt a long established way of doing business may need detailed testing, revising, and a phased roll out to ensure that risk is properly managed and the new model properly implemented.

In order to keep the process on track and the content correct, seven questions should be constantly in the minds of participants in a STRATEGY exercise.

#### **Seven Testing Process Questions**

Are the facts correct and the full picture clear? Is the proposed interpretation correct?

Is the process capturing all internal and external elements necessary for inclusion?

Is a past approach obscuring a clear understanding of the present or limiting the potential of the future?

Is there a better way to achieve what we are trying to achieve?

Is this process different, and better than prior exercises?

Does your business judgment and intuition say this is the best you can do?

An application of best practice from the manufacturing world requires that strategists do not wait until the process is finished to assess the quality of the effort. At each stage of the process, particularly at mid-term reviews or other critical junctures, team members should step back and ask these questions to assess whether the process is correct, which areas need improvement, and how the next phase could be improved. Good leaders should regularly solicit concerns from each member of the team, regularly pose these seven questions, assess progress and performance objectively, and take remedial action swiftly.

## **Principle 5. Balance Strategic Planning with Strategic Flexibility**

There is a benefit to specificity in strategy, but there is also a risk in over-prescribing and limiting future freedom of action. Strategy in our new electronic world is exceptionally dynamic, and paradigms are rapidly evolving. Strategy is now more about people, flexibility, and adaptations to shorter and shorter cycles of all kinds, including technological, product, logistical and competitive.

The business environment is too volatile, the future too uncertain, and the individual too independent (at least the best ones are) to benefit from excessive direction and control.

The final content of the strategic document should be architectural rather than exhaustive. It should describe the vision, principles, goals, and outline plans for

action. The plumbing, engineering, and detailed individual plans may need to be developed and implemented flexibly over time, always fully coordinated and aligned with the vision, but always with the appropriate autonomy and freedom.

The needs for flexibility and adaptability in modern strategy are so extreme, particularly in the new market spaces of e-commerce and Internet competition, that some business sages are recommending a more Zen-like approach to strategy. They assert that one can no longer become attached to any fixed outcome. Adhering to static, outdated visions, or even any fixed outcome at all, can be an automatic death sentence in the e-world in particular. Almost all winning businesses work at Internet speed these days, or at the speed of thought as Bill Gates describes it, ensuring that the strategy world is more than ever a world where accelerating productive change and a built-in capacity to adapt swiftly to change is a necessity for corporate survival.

Professor Moshe Rubinstein captured the necessary hybrid of strategic planning and strategic flexibility when he described the need in modern strategy to be “half planned and half unplanned,” executing on well thought through initiatives but always ready to respond to the unexpected.

## **Principle 6. Search for Nonlinearity and Creative Breakthroughs**

STRATEGY makes the best of what we do know about creating positive discontinuity and establishes an effective process to both generate and respond to the inevitability of that kind of dramatic change. The three phases maximize the benefits of past experience and learning in the context of the expected, and also prepare an organization for the unexpected in the future as much as possible, enabling you to profit from discontinuous change as and when it occurs.

The environment will always produce surprises, as discontinuities in complex systems, by their very nature, are not always predictable. Those surprises may require strategic change or redirection and will require organizational cultures both to plan in an expert manner and to be prepared to discard or amend those plans if necessary. Good strategies will benefit from fast response to change, and may even deliberately create and exploit discontinuity for their own advantage. By understanding the multi-dimensional and interdependent nature

of events and business systems, talented management teams will be able to profit from the opportunities inherent in any turbulent period.

Dell focused on a new model of channel leadership and created a highly successful direct sales model. Intuit shifted its Quicken packaged software business to an on-line presence. ICI and 3Com have redefined their business models as they voluntarily broke up their business portfolios. The Quantum Fund constantly seeks arbitrage opportunities for investment to profit from discontinuities in the international financial order.

With a fuller understanding of risk, opportunity, and the repetitive patterns visible in dynamic systems, aspects of strategy discussed, it is easier to search for nonlinear opportunities and to generate breakthrough insights and actions. Non-linear change is becoming more common, and mastering response to unexpected events is more than ever a valuable asset in the business world.

### Challenge Received Wisdom

There are many implicit assumptions, beliefs and ideas that underlie most existing strategies. Often, they are outdated or incorrect. By exposing the building blocks of belief that provide the foundation of strategy, you may well be able to move on from those misconceptions or outdated assumptions that lead to inappropriate actions.

### Search for Win–Win Answers

Many breakthrough strategies are driven by new approaches. New supplier relations, integrated logistics, alliances, business combinations, outsourcing arrangements and new business models bringing manufacturer, service provider, and customer closer together have all created new business approaches and led to higher rewards for their creators. There needs to be time allocated in the STRATEGY process to assess new win–win models of operation, not just for discussion aimed at optimizations of old approaches and frameworks.

## **Principle 7. Embrace Risk, Action, and the Acceptance of Failure**

Not all efforts will succeed, but without risk, trial and some failure there can be little progress. As we have already noted, no scientist ever made great breakthroughs merely through a methodology of trial and success.

Mere theory, no matter how elegant, is not enough in the real world. The only way we really learn is through action and experience, both good and bad. In fact, it is perhaps only through our worst experiences that we gain the most valuable knowledge. Acting, and learning from that action, are thus the source of our knowledge and wisdom. We must be willing to act, to test the boundaries of what we know, and to accept risk to add to our store of relevant knowledge. By acting more boldly, with more courage and creativity, we can test ever more aggressively the borders of the possible.

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## **Discretion the Better Part of Value**

Your STRATEGY program is of immense value to you and your fellow stakeholders. Should part or all of the STRATEGY leak out to interested parties, most particularly competitors, that value could be severely impaired or even eliminated entirely.

Although there is great value in communication, there is also great value in preserving confidentiality regarding the essential content of your STRATEGY. Not all elements of the strategy should be distributed or widely discussed until after they have been launched and the tactical value of secrecy no longer relevant. Establishing appropriate security policies and respecting the value of confidentiality can create strategic advantage, preserve tactical flexibility and avoid the risk of an expensive leak to competitors.

In particular, initiatives with a capital market or transactions focus should be kept only to those who need to know of the plans in these sensitive areas. Careful thought as to what is necessary and sufficient for each and every member of the organization to know should be developed and the program of communication designed and executed with this in mind.

The costs of keeping a strategy confidential are low, and the value of preserving that confidentiality and integrity are extremely high. By any calculation, following the disciplines of confidential document management— numbering copies of each version, limiting circulation, destroying old versions, using a project code name, and so on—are a very low-cost way to reduce risk and preserve opportunity for your enterprise.

*Allocate responsibilities:* Once the team members have been selected and the communications program started, the precise responsibilities of each team and team member need to be allocated. There should be no slippage or room for misunderstanding around deliverables and the dates for delivery. Where relevant, responsibilities for particular analyses, conclusions and displays of data should include sign off on content from other parties to the process. A marketing department's analysis of customer profitability, for example, should require the input and consent of the finance, audit, or control team.

Properly allocated responsibilities address content, process and timing on an integrated basis. Each member of the team, from CEO downward, should have a clear statement of his or her role, his or her responsibilities, and the key tasks for which he or she is responsible.

There should be no ambiguity or overlap. The most experienced and efficient of strategy centered firms may even have a draft of roles and responsibilities, along with a proposed time line, included in the initial briefing document described above.

After the schedule is finalized, the specific deliverables for each session and from each party can be established and documented. In particular, the diagnostic phase may require extensive deliverables on internal and external data from

marketing, finance, HR, and operating units. To make responsibilities for the individual elements of the STRATEGY process clear, it may be simplest to put on each slide in the downloaded Powerpoint example the initials of the individual responsible and the date for delivery.

As the process unfolds, deliverables and responsibilities may change. This will require a constant updating of expected output and involvement, an evolution that should be actively managed by the core and supporting teams.

*Specify meeting schedule:* Following the agreement on an overall timetable, setting of team membership, and allocation of responsibilities, a final meeting schedule should be set which ties in to the responsibilities and dates of delivery specified in the prior steps.

When possible, the final meeting schedule should take advantage of any opportunity when a team or individuals assemble from remote geographies, reducing costs and eliminating redundant travel where possible.

In developing this schedule and considering the need for through review of the business without distraction, many winning companies will insert one or more special off-site strategy sessions. These sessions, which can last from one to three days, can take people out of the ordinary environment and existing mind-set, benefiting from a meeting place where fresh ideas and creative thought processes can emerge more easily. These off-site sessions may be confined to the core and support team only, or may involve more members of the organization and board. The actual attendance and agenda will depend upon the objectives of the session and the current state of the process.

It should be remembered from the outset that the process, structure, and schedule of a STRATEGY exercise are meant to provide a common platform for a thorough development of strategy, and that this entire effort is intended to be liberating rather than limiting. A schedule is merely a temporal framework to expedite and improve the quality of the strategy process and should not become a limiting factor in the exercise if flexibility is required.

Enhanced creativity is a core element of STRATEGY. The approach and schedule should be set to encourage rather than discourage creativity and new ideas wherever possible. You should feel free to depart from or add to the pre-

set STRATEGY material and schedules, if in so doing you improve the ultimate results for your business.

While leaving room for creativity and flexibility is important, efficiency and effectiveness also need to be considered in setting a forward schedule. Pre-existing meetings such as weekly control meetings, operating reviews, annual management retreats, quarterly results reviews, budgeting sessions, and departmental meetings can provide a time and place when many important players in the exercise are already present. Thoughtful scheduling to avoid disruptions to working schedules and unnecessary travel would no doubt be appreciated by all concerned.

*Emphasize results*, the ultimate output of strategy. Because the demands of STRATEGY are probably different from past approaches, and the expectations for better results will be high, a more thorough approach from the outset to ensure that you have “hardwired” a results-driven approach to strategy into your organization should be added to the very first agenda. Any impediments to setting and achieving the best possible results from your STRATEGY efforts should be surfaced and dealt with from the first meeting onward.

To ensure that STRATEGY is fully integrated into the daily operations, actions, and investment plans of a company, the target results of your strategy should be incorporated into those operating targets and plans, built into budgets, integrated into management objectives, and reflected in performance reviews and compensation. The appropriate organizational structure and individual commitments also need to be aligned with your strategy, as do systems of operating, financial, and strategic control.

At all times the process and content need to be dedicated to generating concrete results and all proposed initiatives and investments need to be critically assessed against the results they create.

This STRATEGY approach has been developed over many years in many countries to provide an efficient and effective approach to the generation of sound strategic plans and the creation of real results in a real world. However, part of that learning underscores that every situation is unique, every challenge unprecedented in some way; every strategy will require some elements which are entirely unique and can only be custom tailored.

The intent of a comprehensive architecture of strategy is not to block out creative thoughts, nor to prescribe in advance all of the form or elements of every strategy in every case. If there are other insights, more detailed plans, a broader agenda, or extra slides which should be added, then by all means add them. The structure and approach of STRATEGY are meant to encourage this kind of creativity, to free thoughts, and to uncover new and exciting positive directions.

Such additions could include marketing and sales plans (with detailed customer analyses), detailed budgets, IT platform architecture and proposals for change, detailed analysis of competitors, new product design and specification, analysis of channel tactics, supply chain options to serve particular customer needs, technology changes, and HR programs for training, development and compensation. You may also include capital expenditure proposals, and other examples of proposed strategic resource allocation.

Share performance and analyses of capital structures, for example, may also be a critical element of strategy for a publicly listed company, which the private company example here does not address.

STRATEGY is not an easy process. It is not meant to be. STRATEGY is a world class approach to the development and presentation of strategy and cannot be completed quickly or superficially if world class results are expected. There is no facile substitute for thoughtful, conscientious completion of each step in the process. As they say, Rome was not built in a day.

Along the way many difficult issues will emerge. All aspects of a business and all chapters in its recent history will be exposed. Not all insights and realizations will be positive or comfortable. Not all decisions on the pathway forward will be simple or clinical. The most valuable of strategies may be the most difficult to design and implement.

The history of each business is a unique accumulation of trophies and scars, of successes and failures in various battlefields over time. In pursuing this STRATEGY program, you will be able to learn as much as possible from these hard earned lessons of the past and to prepare yourself as best as possible to compete successfully for the future. In pursuing a more informed strategy—the art and science of informed action to realize a greater vision for your enterprise—you will now be far more likely to realize the full potential of your own unique business enterprise.