

The Worklife Journey: Journal

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Strategy: Everyone's Job

After years of reengineering, downsizing and optimizing operational efficiencies, companies are focusing on new ways to generate distinctive competitive advantages. Strategic planning is back, but with a difference: it is no longer the domain of the CEO and senior executives.

Smart organizations are changing the way strategy is handled. Companies such as Electronic Data Systems and Nokia have launched participatory strategic-planning programs involving thousands of employees. Influential consultants such as Gary Hamel urge CEOs to include new voices, younger managers and even newcomers, in the strategy-making process.

To keep the planning process close to the realities of markets, today's strategists say it should also include key customers, end-users and suppliers. This is a revolutionary step in strategic planning but necessary to help produce what customers really want.

Three Questions...

Understanding strategy and how to formulate an effective plan for your organization is a daunting task. To begin, it is useful to ask three questions that any corporate strategist has to answer.

1. What business should the company be in?
2. What are the company's capabilities?
3. Is there a good fit between the business and its capabilities?

1. Where should we put our efforts (and why)?

Companies cannot be all things to all people. Michael Porter, the Harvard Business School professor and author of *Competitive Strategy*, was the first to identify the importance of "positioning." In his book he outlines three generic strategies: cost leadership, differentiation and focus.

Companies have a lot more to deal with now than when Porter wrote this in 1980. At the time, industries had stable, well-defined boundaries. Since then, the marketplace has developed the capacity to change at internet speed and new industries have arisen or disappeared overnight.

New thinkers argue for bold strategic approaches to stay ahead of rapid change. Instead of being called upon to eke out fractions of market share or revenue growth, strategic thinking should look to change the rules of an industry to its advantage.

Strategists now urge companies to explore unconventional positions. Companies such as IKEA and The Body Shop have stepped outside traditional positions to create whole new market segments. Gary Hamel celebrates these forward-looking companies as "rule-breakers." Hamel encourages revolutionary strategic planning to "shape the emergence of new opportunity arenas, whether it's branchless banking, satellite telephony, or genetic engineering." His corporate speaking presentation uses Netjets as an example!

Others have urged company leaders to look beyond their traditional business boundaries and focus on the points along the value and supply chain where they will be allowed to make a greater profit. Companies can accept low margins on one kind of business if they make up the difference elsewhere. Thus U-Haul earns most of its profits on selling boxes and insurance, not on renting trucks, where the profit margin is low in order to stay competitive.

Executive coaching can help a leader communicate feelings that are realistic



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Seeing Possibilities

Early on in the strategic thinking process it is critical to see beyond the apparent limitations of the present. Those limitations sometimes may show up as resources, sometimes as knowledge. We may see only the tools we have available or the technology that we know. If seeing is believing, then seeing beyond known possibilities is the key to strategic advantage.

Consider the implications of JFK's challenge to send a man to the moon and back by the end of the 60's. The engineers did it with slide rules but energized the creation of advanced computing technology as a result. The strategic goal of that one journey set the pace of science, communications, engineering and culture not only for that decade, but for the entire second half of the 20th century.

As you engage in your own strategic planning, whether for yourself, your family or your organization, remember the importance and impact of seeing beyond what you know and exploring what you don't know. Don't allow a seeming limitation to deter your thinking, rather, use it as a stepping stone to what may lie ahead.

and authentic, maintain positive emotions in the face of stressful challenges, and inspire energy and enthusiasm. Practicing an attitude of realistic optimism can help a leader increase the ability to experience and sustain positive emotions.

Common wisdom would predict that employees who feel good will likely make more efforts to please customers, thus, produce increased revenues. Since emotions are contagious, then all leaders, whether CEO, manager or head of a team, have a larger responsibility for creating and sustaining moods of employees. Leaders can, by managing their own moods, drive service climate and influence employees to go the extra mile to satisfy customers.



My favorite part is...

"We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills..."

2. What do we bring to the table?

This next question examines the company's capabilities. Internal strategy making is based on the idea that what a company can do determines what it *should do*. This is similar to the idea of core competencies introduced a decade ago by Hamel and C.K. Prahalad. (link to the article from HBR)

For example, Hamel and Prahalad in their book, *Competing for the Future*, cite Federal Express as having a core competence in package routing and delivery. This competency reflects the company's expertise in bar-code technology, wireless communications, network management and linear programming. FedEx's strategy flows out of core skills and technology.

John Kay, former director of the Said Business School at Oxford University, argues that core competencies alone are an inadequate definition of a company's competitive advantage. He is a proponent of what is known as resource-based strategic planning. Kay says that strategists must consider their company's entire package of resources, particularly those that can't be reproduced by competitors.

This includes not just core competencies as Hamel and Prahalad define them, but also patented products, strong brands and reputations, a well-established position in an industry, know-how that takes time to develop, and patterns of relationships with suppliers, customers and end-users.

3. Do our capabilities suit our position?

Capabilities must ultimately match market position. A company cannot focus on a position it can't sustain; and it's fruitless to develop competencies that provide no competitive edge. Porter's recent work in *Harvard Business Review* (Nov.-Dec. 1996), "What is Strategy?" emphasizes the importance of fit.

Southwest Airlines, for example, has fended off competition not just because of its no-frills low-cost strategy, which anyone can copy, but because all of its capabilities fit its strategic positioning. It operates only one kind of airplane, allowing for faster turnarounds. It chooses airports and routes to avoid congestion. The competitive advantage, according to Porter, lies not in any single core competency, but in a whole system of activities. Each reinforces the other, and all are appropriate to Southwest's chosen position. Such a system, furthermore, is more difficult for would-be competitors to copy successfully, as Continental Life found out.

How Strategy is a Continuous Process

Examining these three questions can help one to assess strategic proposals. In today's fast changing business environment, effective planning requires input from multiple sources. Middle managers decide which initiative to push. Salespeople decide which customers to focus on. Some strategic moves work and others don't – and the company must modify strategy accordingly.

Henry Mintzberg, McGill University professor, describes strategy as *emergent*: "A single action can be taken, feedback can be received and the process can continue until the organization converges on the pattern that becomes its strategy."

While analysis and wise decision making at the top are important, creating the right conditions for effective experimentation and learning are even more so. The process of strategic formulation should be open to new voices and tap into the entrepreneurial energy that can be found throughout any organization.

At Nokia, the booming telecommunications business in Finland, the top executive team meets monthly with a strategy agenda. The line managers have also been encouraged to make strategy a regular part of their jobs.

What matters is continual probing and testing. A business model may be made obsolete overnight by some change in the marketplace. Companies must be able to test several strategic hypotheses at once.

So what's right for your company? Theorists want to make universal statements that would be prescriptions for every business. But it would be more relevant to look at each company's unique situation and then assess its position in the industry, its internal capabilities, and then the fit between them.

Successful strategy implementation requires commitment and perseverance. It requires teamwork and integration across traditional organizational boundaries, silos and roles. The message must be reinforced often and in many ways. Strategy should be everyone's everyday job.

Good strategies are not enough. They have to be operationalized and executed. They have to be:

1. the focus of everyone's everyday actions
2. seen as a part of everybody's job
3. refined as a continuous process
4. mobilized through effective leadership.

Making Strategy Everybody's Day Job

Taking the bold step to include a "bottom up" approach to strategic planning ensures that everyone feels a sense of ownership for the company's future. Enlightened leadership realizes that in a world of unprecedented change, having everyone focused on the enterprise will allow it to more quickly adapt and react to subtle market forces. Much like the navigators of the past, today's leadership needs the responsiveness of a crew that can read the signs - the wind, the waves, the currents of today's sea of opportunity – to anticipate and lean when necessary. The days of the old "scientific management" of Frederick Taylor and its definition of jobs into a well defined series of tasks that were performed over and over and controlled by a hierarchy of supervisors is virtually obsolete in today's dynamic, interdependent workplace.

Building a workforce of "strategic sailors" requires three discrete yet interconnected initiatives:

1. **Creating Strategic Awareness** – this includes not only the direction and vision but also the measures of financial and asset management criteria as well as current state visibility of resources essential to the enterprise
2. **Defining Personal and Team Objectives** – this is to provide individuals with a broad understanding of company and business unit strategic objectives and the clear link of how their activity contributes to the whole.
3. **Linking Rewards & Recognition** – this "closed loop" process of connecting pay and other incentives to the achievement of the strategy creates powerful motivation toward strategic goals. It assures mutual, shared success for the individual, the team and the enterprise.

21st century organizations understand the importance of an engaged workforce aligned with the company strategy. Ultimately, it is the frontline employee who implements and embodies the strategy as well as being the foremost resource of innovation and improvement of the core processes and activities.

The "Best of" Worklife

| Movie | Book | Website |
|---|--|--------------------|
| The Fog of War (the movie) Also check out the official website | Browsers Book of Beginnings by Charles Panati | Ancient Inventions |

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