

Strategy Questions Answered

Idea In Short

Strategy defines where to play, what winning looks like and which core competencies give you an edge. Keep it simple but hard to copy, protect your moat and drive alignment through clear messaging, data and trust. Do not outsource the important thinking to consultants.

Managers Ask Strategy Questions

A strategy session with 30-plus senior managers and directors generates rich questions. Strategy is difficult because it requires massive coordination across ambitious executives with competing incentives. The following answers address the most pressing questions from leaders who grapple with strategy daily.

Defining a Strategy

To define a new strategy, you need to determine where you want to play, what winning looks like and which core competencies you already have. This sounds easier than it is because each element evolves over time. Where you play may shift as you grow, and winning means different things to founders, executives, employees and investors.

Your core competencies, meaning resources and capabilities, should be Valuable, Rare, hard to Imitate and truly Yours (VRIO). 1 explains that competitive advantages are only valuable if they resist competitive attack. Customers and competitors get a vote, so be ready to adapt, tweak and swerve to meet needs.

Characteristics of Strong Strategy Skills

People with strong strategy skills share several characteristics. They discern the difference between strategy and planning, understanding both are important but distinct. They make trade-offs between good alternatives because you cannot be all things to all people. They communicate strategy simply and consistently to get followers on board.

Strong strategists show intellectual humility to hear and vet opposing views. They are future-oriented, imagining what customers might want rather than only what they ask for. They position themselves willing to be different and stand for something specific. They resist the siren song of what competitors do and embrace patience, because every overnight success takes 15 years. They also accept some risk, because no one wants to disrupt themselves and sometimes you must.

Acknowledging Your Disadvantages

Strategy can and should acknowledge where you have competitive disadvantage. You cannot be all things to all people, so double down on your strengths and neutralize your weaknesses. A reader noted that strategy between competitors is often not very differentiating because performance is driven by common factors.

If you want a distinctive strategy, you must take risks that many clients and consultants avoid. Most performance comes from execution skills within an organization versus its competitors. Consultants can listen, provide options and offer advice, but they cannot dictate how much risk to take or make the client do anything.

Knowing When to Pivot

Knowing when to pivot is critical and difficult. History offers cautionary tales like Kodak missing digital, Blockbuster missing streaming, Intel missing mobile chips and General Motors missing electric vehicles. 2 explains that incumbents focus on their most profitable customers and ignore the low end of the market where disruptors take root.

Leading indicators of trouble include a weakening economic moat, losing market share and competing on price when you are not the structural cost leader. Disruptive innovation at the low end, seismic shifts in customer behavior and confusion within the organization about direction all signal the need to reassess. Continuous leadership turnover because no one gains traction on change is another warning sign.

Can Strategy Be Too Simple?

Strategy should be simple, clear and actionable. Chick-fil-A sells chicken, Apple makes technology invisible and Southwest flies one type of plane. Simplicity is good because it is

clear and executable. However, if a strategy is too simple, it becomes easy to copy and may be just a best practice anyone can do.

Your strategy needs to play to your unfair advantage, something others cannot easily replicate. It should be simple and difficult for others to copy simultaneously. A reader added that distinctive strategy requires taking risks, and most performance comes from execution skills rather than the elegance of the plan itself.

When Leaders Are Not Convinced

If leaders are not convinced of the strategy, you have a problem because strategy without implementation is just a hopeful idea. 3 notes that 80 percent of executives do not have faith in their company's strategy. Determine where the problem sits, whether in the head, heart or hands.

Problems in the head involve analysis, problem setup and data quality. Problems in the heart involve fear, pride or laziness. Problems in the hands mean the strategy is too complex, too lengthy or too cross-functional. Management consultants excel at scoping problems into doable parts, getting executives onboard and transferring ownership to the people who execute.

Combining and Aligning Strategies

Combining multiple strategies requires massive coordination. In a global company with \$10 billion in sales and 50,000 employees, each executive is competent and has goals, incentives and stakeholders. The Chief Operating Officer, Chief Financial Officer and other leaders do not always align naturally.

Business unit strategies and functional strategies should roll up into the corporate strategy, but this is difficult. Alignment is work, and one-third of consulting is corporate marriage counseling. Simplify your message so the key points fit on a single slide. Persuade with data, because without data you are sharing opinions. Build trust through great work before asking for help, and draft behind larger corporate initiatives in the company's slipstream. When stakeholders see how your strategy benefits them personally, resistance fades and momentum builds naturally. Alignment is not a one-time event but an ongoing effort that requires consistent communication.

Where Strategy Comes From

Strategy comes from both the top and the bottom of the organization. Leadership sets the vision, mission, guiding principles and culture. Clear decision rights determine who makes the final call. A culture of entrepreneurialism allows great ideas to bubble up, like the Starbucks Frappuccino emerged from baristas experimenting.

Creative tension between functions ensures the best decisions get made. Finance, manufacturing, marketing, sales and quality will butt heads eventually, and that friction is productive. Leaders must remain humble enough to learn from customers and direct reports. A cynical note is that executives too often outsource the best parts of the job, the thinking and strategy, to management consultants. The strategy needs to come from the company itself to be sustainable. Consultants can structure choices and provide frameworks, but the conviction and commitment must originate internally.

- 1Building and defending economic moats
- 2Clayton Christensen on disruptive innovation
- 3Strategy& on strategy execution

Summary

Strategy is evergreen and contextual, serving as the operating system of an organization. It requires trade-offs, patience and intellectual humility. Combine top-down vision with bottom-up entrepreneurialism, protect your moat and remember that execution matters more than elegant plans. Values are what an organization enforces.