

STRATEGICALLY ENGAGING YOUR ORGANIZATION

Assessing your current reality

By Professor Thomas Malnight, March, 2008

Strategic management today must focus not only on meeting short term targets and budgets but also on building an organization prepared to succeed and lead into the future.

This is obvious, you may say. But how is this simple reality reflected in how we strategically lead and engage our organizations. If we honestly look at our companies, how much do we manage through pre-determined linear steps towards incrementally higher targets in successive budget periods? How often do we honestly engage our organization in challenging internal thinking and focusing on creating opportunities for moving the business forward? Ask yourself a simple question—are you and your company prepared today to be successful five years in the future? If not, what gets in your way and how can you start preparing today?

Any strategy process must engage your organization in building an honest and shared perspective on where the business is today - not based on internal perspectives but based on challenging perspectives from the outside-in. How well is your organization truly perceived by your customers? How well prepared is your company to respond to the aggressive strategies of your competitors? How well is your company positioned based on the long-term trends impacting your industry? These are the types of questions that must be asked when assessing our reality today. These questions go well beyond looking into whether we can meet our budgets and short term performance targets.

This is not as easy as it sounds. Different executives working within silos across a company tend to have different perspectives of reality and different views on what issues the company is facing. Building a common, aligned reality is a crucial first step for any strategy process.

Assessing and aligning our perspectives of reality—From the outside-in

Put yourself inside the head of the executives of your competitors—and your customers. Articulate the strategies: What is “our” value proposition? Why are “we” making money? What is “our” growth strategy? For competitors, why do they think they will win the competition? Why do they think they have the “right” strategies and that you are wrong? For customers, think about how they view our business. Look from the perspective of many customers—both those that like you and those that don't.

Then think about your industry. What are the major trends impacting the environment in which we operate? Go beyond the normal one/two year budget planning horizons – instead look forward three years, five years and even ten years. This may require external data, for example from think-tanks, research institutes and other companies.

Based on these perspectives, think about what are the criteria for succeeding or failing in the markets in which you operate - both today and in the future. Some examples of criteria that have been developed by firms we have worked with are:

Positive evaluation factors:

- Customer focus and positioning
- Possess specialized knowledge
- Scalability of business model
- Focused execution and follow through
- Expansion potential and positioning
- Balance of risk and return

- Strength of leadership team

Negative evaluation factors:

- Structural complexity
- Lack of focus or diversity
- Limits to growth
- Insufficient profitability
- Insufficient balance

With this perspective and these criteria, you are now ready to bring the focus back to your company and assess where you are as a business. Using these criteria, challenge your thinking on your strengths and weaknesses. Look again at your relative market position, your market strategy and your organization against these external criteria.

This is the point where you really start to understand your company's reality – and clearly see the choices you need to make to get ahead of the curve.

Facing your demons

Aligning reality can be an uncomfortable process. Most companies tend to look at their successes, and brush aside their weaknesses. They also rarely look at how the company functions, preferring to consider results alone. But unless executives can build an honest perspective of where their company is, and understand the source of its demons, they will not be able to move the company forward.

One result of this process can be to clearly identify the issues that everyone knows exists, but have been pushed into the closet or incrementally addressed - and continue to hold the organization back. Most organizations have these demons and there are many excuses that are developed for putting off addressing them. We don't have the budget or time now! It would cause too much disruption! One executive or another won't like it! So it is more comfortable to just drag it out and avoid these demons.

Creating a sound basis for looking forward

Executives today spend too much time looking from inside their business or their silo at the world around them. Understanding our current reality requires turning this lense around to see how we look from the outside. This is the only appropriate criterium to strategically evaluate your strengths and weaknesses. Once you have reached an aligned perspective on reality, the next step of the strategy process is aligning ambition, followed by aligning focus, priorities and actions.

STRATEGICALLY ENGAGING YOUR ORGANIZATION - II

Challenging your ambition

By Professor Thomas Malnight, April, 2008

This is the second perspective in a series on strategically engaging your organization. The first part, *Assessing your reality*, highlighted the importance of starting any strategy process by building an aligned perspective within the leadership team on your company's current reality, starting from the outside and looking in. Without a shared perspective, members of leadership teams often have vastly different views and focus on solving different issues. This second article focuses on building an aligned ambition around where the firm is moving, challenging how the leadership team defines both the possibilities to which the organization can aspire and the direction it is heading. Without this shared perspective, leadership teams often try to lead the organization in vastly different directions:

"If you don't know where you want to go, any road will take you there." (Cheshire Cat to Alice in "Alice's Adventures in Wonderland" by Lewis Carroll)

Building an aligned ambition is essential for strategy

Many executive teams like to jump immediately into action mode. Spending time thinking can feel uncomfortable—we are too busy! On the other hand, making decisions is comfortable territory for busy executives. "Let's identify and solve problems!" "Let's meet our budgets and short term targets!" But without taking the time to agree on a shared future direction, all these teams do is manage tasks. Without a solid foundation of aligned ambition, teams often don't take the time to consider where these actions are actually taking the company. This was summarized by one executive as: "What the organization wants from us at the top is more direction, leadership and examples, not just more tasks and activities."

Success cannot be defined solely in terms of activities to meet short-term targets; it must be based on creating an ever stronger organization capable of sustaining success in the future. Giving an organization a sense of excitement about the future is critical, not just stressing people with the tasks of today. Organizations today are often exhausted and overworked, but lack a sense of where they are going.

Leaving your comfort zone to challenge and shape what is possible for your organization

So can leadership teams together define such an ambition and direction? Many start by hiring outsiders to answer these questions. They bury themselves in data and analysis searching for the "right" answer. The problem with this approach is that the future is about uncertainty and it is also about choice. There are no right and wrong answers, only time—and a commitment to execution and change—will tell. Understanding the factors that will shape the future, and making these choices together, is one of the most fundamental tasks of leadership teams. But it also requires leadership teams to leave their comfort zone.

The process of defining ambition requires challenging assumptions and historical facts. It requires the exploration of possibility. It requires uncomfortable discussions and debates to think through issues, not looking for answers but looking for understanding and alignment.

Stretching scenarios to move from a mindset of "What can we do?" to "What must we do"

Many executives operate as if they have no choice, they continue to manage tasks and make decisions to incrementally build the company. This mindset focuses on avoiding mistakes, asking "what can we do to achieve our budgets and targets." They think and operate in an incremental manner as if they are following a pre-determined path.

In contrast, the mindset for building long-term success starts with the future, our ambition. It begins with the attitude of “what must we do to succeed in the future.” Here is where building, evaluating, debating and learning from stretching scenarios is essential. As opposed to our current path, what other discretely different directions could we choose to go if we aligned and focused our organization? If we look at the trends taking place all around us, what options and paths do we need to take as we move forward?

In defining alternative scenarios, one frequent challenge is the tendency to jump back into budget mode, constantly limiting the options evaluated. Here is where we suggest looking beyond budget periods and intentionally defining scenarios outside the comfort zone of the company. When we work with leadership teams, we focus on defining scenarios to reflect important trends shaping the future and also to challenge strongly held internal assumptions. We typically suggest working on three different scenarios, one continuing the existing path and two focusing on significantly different directions. Only through evaluation of significantly different options can choices be effectively clarified.

In evaluating scenarios, we ask executives not to challenge the scenario itself, but rather to focus only on what it would take to execute it successfully. We ask them to consider: (a) how would you define success under this scenario, (b) what actions would need to be taken, (c) what obstacles would have to be overcome, (d) what risks would have to be managed, (e) what relationships would have to be built or changed, (f) what capabilities would have to be built or divested, (g) what changes would have to be made in our culture and ways of working, and, importantly, (h) what changes would have to be made in how we lead the organization? The process then involves challenging each scenario, looking for lessons and insights about both what is possible and also what would have to be done moving forward.

Moving forward by defining paths, not fixed future end points

The focus of building a shared ambition is not about selecting fixed goals for the future, as given the uncertainty of future markets such ambition would surely lack any sense of reality. But it is about a leadership team debating and deciding together the possibilities and alternatives available to a company, what are its choices, and using this ambition as the basis for selecting the future path along which the company will move. Through such a process, the goal is to develop an aligned perspective of where the company is heading, why, which issues need to be addressed to get there, and what success will look like.

Team work – what we need to do differently

An important element of the process, and one not to be forgotten, is engaging executives in the leadership team to think about how they will work differently in the future. This can be a big challenge: not only are you changing where the business is going, but you must simultaneously look at changing yourselves and how you function as a team. However, such discussions are vitally important; it's not possible to change where you are going without changing what you do.

Next steps

Once the leadership team has built aligned views of its current reality and its future ambition, it is then time to develop a strategy to realize the company's potential – that is, define the exact actions needed to take your company to where you want it to be.