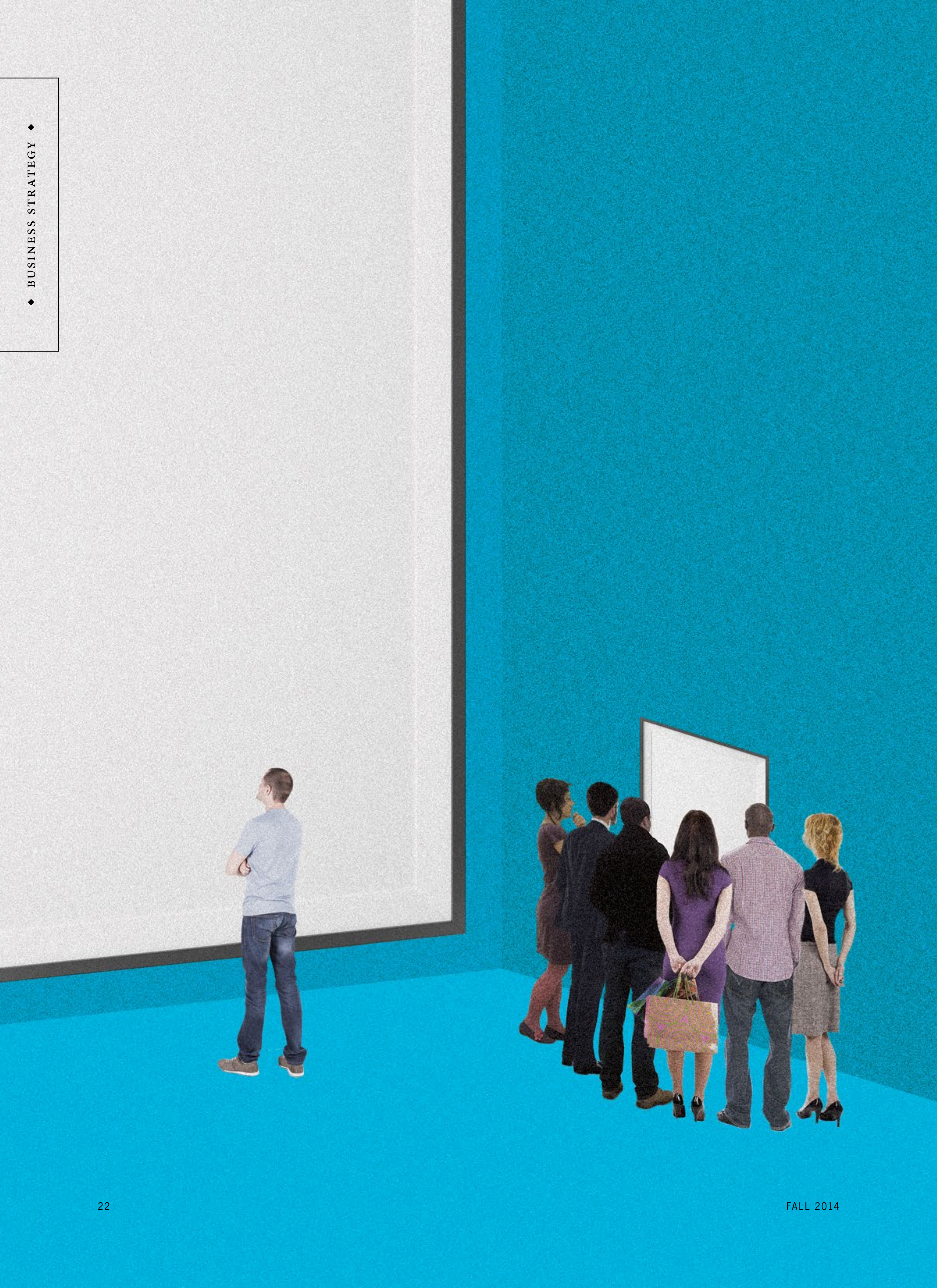

FEATURE ARTICLE

The Big Picture: Look Beyond the Status Quo of Business Strategy

BY MARK TOMASZEWSKI AND JOHN HOUSEAL

Business customers punched the golden ticket for Research in Motion (RIM), inventor of BlackBerry. Yet, a focus on planning to gain support of the consumer market pushed RIM to ineffectively design strategy, steering the firm toward financial oblivion.

RIM stock traded at $230 a share on July 20, 2007. On September 12, 2014, it traded slightly north of $10. Touchscreens, Apple-mimicry, and significant planned investment on a new operating system turned the golden ticket into a tin can, demonstrated by sinking market share. Today, the firm, a shell of its former self, paid the high price of neither recognizing core purpose nor effectively analyzing how to solve the underlying business problem (hypothesized as how to continue winning current business customers in an increasingly competitive market). At that time, RIM leaders were not in sync with the very business problem that their firm had solved so well.

Today, the tides may be turning for Blackberry. On September 11, 2014, BlackBerry announced it acquired Movirtu, a virtual identity solutions system that directly caters to corporate and government employees. What made BlackBerry acquire Movirtu was its virtual SIM technology, which makes it possible for an individual to have two numbers on one device. This makes it easy for a person to have a personal and business line without switching SIM cards or having extra devices.[1] "Time will tell if Blackberry has truly focused on purpose and problems — or if it continued to make plans and hope for success.

LEADERS AND MANAGERS HAVE A DUAL CHALLENGE: DESIGN AN APPROACH FOR A SUCCESSFUL FUTURE AND THEN PLAN TO MAKE IT HAPPEN.

Background

Business strategies are methods and maneuvers designed to seize market opportunity or respond to business challenges. Effective business strategy is derived from a systematic analysis of a firm's purpose, the business problem it faces, a practical assessment of response options, and a rigorous focus on only the policies and actions that will guide the business toward the desired result. However, experience suggests that most strategy development efforts focus on planning (the process of documenting tactics for something[2]) "what" will be done and not enough on critical problem solving, decision making, and commitment to coherent action.[3] This pattern manifests itself in the recurring tendency to use strategic planning frameworks, often derived from "Google-able" methods and cookbook templates. As a result, most strategy exercises become static presentations, destined to be glorious thematic summaries of the status quo, lacking in true strategic insight. This is not effective business strategy.

In the realm of effective business strategy, leaders and managers have a dual challenge: Design an approach for a successful future and then plan to

PLANS ARE CONCRETE.

make it happen. Plans are concrete. Strategy is not. Plans are transferrable. Strategy is not. Plans elegantly document the unknown future. Strategy artfully focuses on the context — past, present, and future. Effective business strategy is arduous analysis. Strategists must learn more than anyone else about the business's purpose, its customer, and the market dynamics — then commit to a business design that uniquely addresses a situation. Plans are not effective business strategy. Those who plan will "make their greatest contribution around the strategy-making process.[4]" Those who design strategy will make their greatest contribution as those who relentlessly learn, understand, and solve problems.

Lots of Literature, Little Reality

Book after book is published on the topic of business strategy. In September 2014, we searched Amazon.com for books about "business strategy" and found 103,807 options. With so much published on the topic, how could it continue to be so misinterpreted? In the real world, why do we see strategists talking about "what" they are doing to enhance their "strategic planning" prowess — and not how they aim to enhance insight through old-fashioned, rigorous problem solving? Spot-checking a selection of the 103,807 strategy books suggests that the following fictional situation is quite common:

A new opportunity or challenge arises (disruptive technology, regulatory changes, new competitor enters, etc.) and a firm sees the situation as ripe for evaluation. Company leadership decides to investigate, convening its top management for an off-site strategy session. A team assesses the situation using information from internal analysis, often in conjunction with work of management consultants, lawyers, and bankers. Then, the team compares the opportunity with its current corporate strategy (the documented plan and budgets) and assesses what it would change. Coming out of the off-site meeting, another presentation is created — a "new" strategy. The team turns to back to day-to-day operations, and the "new" strategy becomes the future for the firm, but sits on the shelf. The planning status quo remains.

Turning to a real-world case study, let's examine how J.C. Penney developed an ineffective strategy because it jumped ahead of the problem context and focused on planning "what" would be done: Drawing upon his successes at Apple and Target, then CEO Ron Johnson enacted a sales transformation effort, placing "boutiques" inside J.C. Penney stores, targeting higher-income shoppers. These pop-up boutiques were planned and then set up almost overnight. When he took the helm, CEO Ron Johnson decided to make plans to significantly change J.C. Penney stores, in his attempt to revitalize the brand. Yet, Johnson was missing the essence (or purpose) of J.C. Penney: targeting low- to middle-income families looking for bargains on clothing for the whole family and home goods. He changed J.C. Penney's promotional system ("high–low" pricing) where goods start out at a high price and, over time, are always discounted to a new low price. The typical J.C. Penney shopper looked for this discounting action, which triggered them to buy. This context-specific tactic had been at the center of J.C. Penney's strategy for some time. Yet, when the new plan was enacted, revenues fell even faster than they had previously. Hypothesizing that any plan of action would be universally successful, especially transferring it from one firm's situation to another's circumstance in a different industry, is dangerous business. Due to lack of insight and focus on purpose and the firm's problem, this corporate catastrophe came to pass. It also led to J.C. Penney's prior CEO, Myron E. Ullman, being rehired as the chief executive.

STRATEGY IS NOT.

Observed issues with common strategic planning approaches

- Too much resource planning (timeline, budget, etc.)
- Too much formula: mission + vision ≠ strategic planning
- Too much "what could we do;" not enough "what should we do"
- Too much firing (action); not enough analysis and policy formation
- Too much paper; not enough shared understanding of what's at stake

Observed issues with common strategy formation approaches

- Too much broad information; not enough rigorous analysis
- Too much linearity; not enough multi-faceted thinking
- Too much groupthink; not enough specific focus
- Too much misalignment; not enough shared understanding
- Too much noise; not enough problem clarity

Why does planning overtake strategy?

Working with leaders across private and public sectors — from top-level executives to function leaders to matrix managers — has led to observations of how firms craft business strategy. Based on those observations, a reason business strategy efforts do not result in the needed "punch" (expected results) is because the people developing them are naturally susceptible to a range of cognitive biases. While these biases are numerous — Wikipedia lists more than 90 of them[5] — we suggest starting to identify these five in your travels:

Anchoring: The tendency to rely too heavily on one piece of information when making decisions.

Confirmation: The tendency to search for, interpret, focus on, and remember information in a way that reinforces one's preconceptions.

Sunk Cost: The tendency to continue to invest and focus on something — no matter how much one is down (losing in the market) — even if that investment is unlikely to be recovered.

Availability Cascade: Self-reinforcing behavior in which a collective belief gains more and more plausibility through its increasing repetition in public discourse ("repeat something long enough, and it will become true").

Optimism Bias: The tendency to be overly optimistic, overestimating a favorable and pleasing outcome.

The results of cognitive bias manifest in the activities and behavior of leaders, executives, and managers. They often look to rely on what's comfortable or has worked for them in the past. They live and die by the same reports, perspectives, and frameworks to cast their strategies. They remain "anchored" to what's comfortable or what information helped them in the past. Yet, they often lack the essential analysis when they look to renew the design of their business's strategy. What's more, leaders often look to confirm their interpretation of the situation by looking for the data points and feedback that support their perspective. A lack of constructive debate with leaders results in the workforce placating authoritative decision makers to the point where their preconceptions are confirmed. Nothing changes, except maybe part of a plan or what the plan looks like. While other very practical reasons exist (e.g., time constraints, budget, etc.) that impede effective business strategy, many of them lie in the leader's experience and willingness to refocus his or her mental lens on framing business problems in the context of purpose.

How to move beyond planning?

A few suggestions for overcoming the planning status quo are:

1. Drilling to the core purpose of a business, while keeping in mind the business problem at hand. This is the first step in shifting from synthesizing a plan to designing an effective business strategy. Why does this firm exist? Why has J.C. Penney been successful in the past? How and why did BlackBerry rise so quickly? Why has Disney been so successful for so long? Leaders must focus on defining the business's purpose and the key business problem, seeking clarity again and again. Then, they should simplify until the point when the purpose and problem are clear, and there is nothing else. The description should be almost shockingly simple and extraordinarily clear. If, at any time, the purpose and problem become unclear or warped, go back. Stop. Explain the purpose and problem to someone with absolutely zero knowledge of your business. They should get your drift.

2. Do not mistake completing the classic frameworks (e.g., Porter's 5 forces, Boston Growth Matrix, SWOT, PEST, 5Cs, etc.) for having an effective business strategy. Those frameworks are merely tools to combat biases, helping us objectively think about a situation. They are not, unto themselves, oracles of business strategies. Strategy professor Richard Rumelt describes this mistake as "bad strategy" caused by the "template-style planning — filling in the blanks with vision, mission, values, and strategies.[6]" Once strategic designers free themselves from planning documents, elaborate diagrams summarizing the status quo, and the use of fluffy buzzwords that litter the business lexicon, they will see situations in different, more grounded ways. When was the last time you heard a company touting its vision, mission, and SWOT analysis as the critical success factor that helped it overcome challenges to seize market opportunity?

3. Develop strategic focus using guiding policies.[7] After World War II, Roy and Walt Disney had a decision to make. Figure out how to make more money or close up shop. The Disney studios had supported war time efforts. Now that the war was over, the Disney Company was struggling financially. Walt refused to undermine the integrity of the company's core artistic values. Yet, Roy Disney, Walt's lesser known brother, told Walt that unless they made more money there would be no company to live out its artistic values. As Dan Coughlin extolled in his presentation, "Clarify Your Organization's Purpose[8]" - Walt Disney, "in a moment of extreme clarity" developed the strategic focus and guiding policies that the Walt Disney Company still adheres to today. "We are here to provide quality family entertainment. It is our job to entertain all members of the family." These guiding

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FOCUSING ON BUSINESS PURPOSE AND PROBLEMS

policies led to the design of integration and cascade, as Disney's business created movies, theme parks, and rides that all echoed the core purpose (defined focus) — entertainment for the whole family. From there, Disney built a massive business, and the foundation for an entire entertainment genre was born.

4. Never, under any circumstances, assume there is a shared, common understanding of the business's purpose, its current strategy, and the problems it faces. Experience working with executive leadership supports the notion that strategic plans typically are the means with which firms communicate what their business's strategy is. Yet, those plans are often written in jargon that relatively few can understand. To support more shared understanding among the leaders, managers, and the workforce essential for executing a business strategy, there must be enhancement in how strategists convey insightful focus around problems, purpose, policies, and actions. It is healthy to create situations in which honest dialogs and healthy debate transpire. While this process can be uncomfortable — it is what rallies management around a purpose and unites them to mobilize the workforce and organizational capabilities coherently. When Ron Johnson took over the CEO role at J.C. Penney, perhaps a stronger dose of healthy debate and leadership conflict could have avoided the decisions made. One could speculate that there was little shared understanding of why Ron's plan would produce effective results for the firm. Perhaps, a reflection on the core purpose (defined focus) and key problems facing the business would have resulted in a different outcome.

5. Reflect on the past — the good and the bad. What choices did your organization make? What occurred as a result of those choices? What alternative choices were there with the bounds of the firm's scarce resources? While it is time-consuming to relive the past, human nature sways us from such conversations, especially if we're reliving failure. Encourage healthy discussion about why a strategy succeeded or failed. Review the decision-making pattern since the last significant milestone or turning point that led to a success or failure. Effective business strategy is extensively about choice: making key decisions at the right time, with laser focus on a purpose and the problems at hand. A dose of candor will help shift the team from planning toward a refined concentration on the firm's ability to solve its business problems.

6. When designing strategy, look to build on opportunities when the purpose and problems become clear. Discourage conversation that bypasses strategy and skips to planned — or canned — solutions. Drive to understand the challenges and their ramifications better than everyone else and articulate them concisely. By observing how the team is functioning, one can discern the level of orientation around purpose and problems, not planning and paperwork.

7. Really know thy company, its customers, and its competitors. Effective business strategy dynamically fuses a firm's purpose, scope, relative market position, competitive advantage, resources, and capabilities with the business problems to answer the questions of "where to play and how to win?" Biased perspectives reinforce the status quo, undermining commitment to decisions, allowing managers to fall back to planning as a comfortable way out. Developing more objective points of view will help managers see the issues broadly and enable them to make difficult decisions to stay committed to guiding policies and actions.

What you can expect beyond the planning status quo?

By shifting orientation from planning and paper (templates) toward business purpose and problems, strategists can expect to:

- Have more interactive, frank dialogue with internal stakeholders, current customers, and potential business partners. Healthy conflict about purpose and problems is a tell-tale sign that effective business strategy is cooking.

WILL HELP YOU SEE THINGS IN A NEW LIGHT.

- See the competition in a new light. By looking at a firm's business purpose and problems, as compared with the purpose and problems of a competitor, strategists can begin to view the battlefield differently. Think of it as night vision goggles for your business strategy.
- Clearly and succinctly document the challenges and opportunities for the business to pursue. A top 10 list that all leaders know well and could rally resources in order to pursue is useful.
- Have a more common understanding of a business's real purpose (defined focus). The discussion about why we exist is practiced, not just preached. Everyone in the workforce understands their role in the strategy and not just from the marketing speak.
- Develop more coherent action as a result of shared understanding and common focus on a real problem, which is more relevant for the workforce because they are equipped with a clearer rationale for the desired outcome.

Conclusion

While a plan may be necessary for budgeting, fund-raising and communicating tactics, moving beyond the planning status quo to focus on business purpose and problems will help leaders, executives, and managers see things in a new light. What's more, firms that devote additional focus to solving problems and analyzing how to out-maneuver competition are more likely to seize a significant opportunity and mitigate industry forces. This is not to suggest that there is a one-size-fits-all approach to crafting and executing strategies. Quite the contrary, it simply suggests that focus on designing effective business strategy, decoupled from the planning element, will produce stronger, lasting results.

As discussed, there are a myriad of definitions and perspectives on this topic, and seemingly infinite examples depicting strategy gone awry. The core of this article has been a matter-of-fact discussion about the tendency to synthesize concrete, static plans as a substitute for arduous, creative, often conflict-ridden analysis on a firm's purpose (defined focus) and the business problems that it faces and must solve. We hope readers recall this discussion when they are tasked with analyzing their business strategy, and it is useful in overcoming the planning status quo.

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