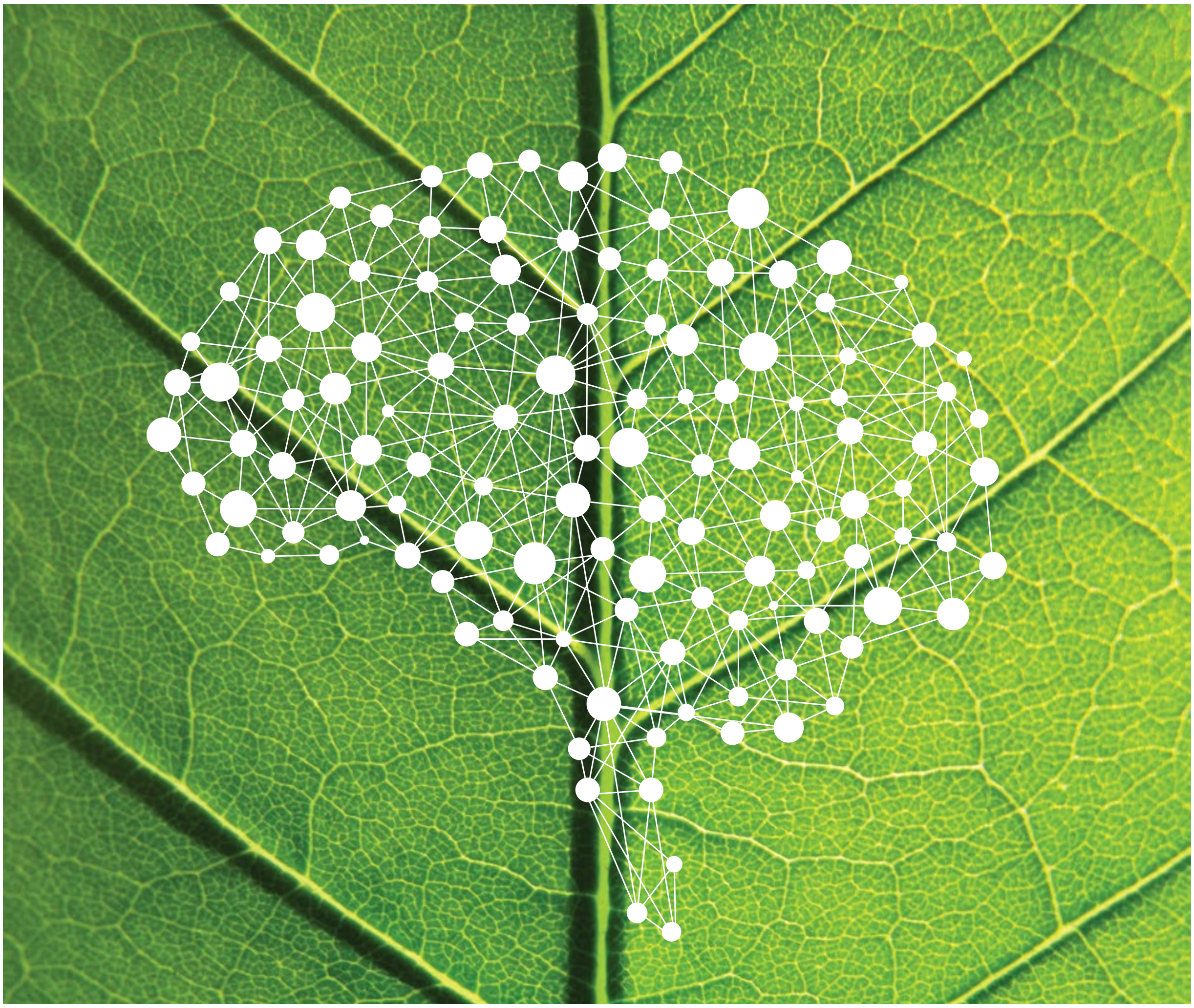

Cultivating a Strategic Mindset

BY ALEX ASCHENBROICH

How does one cultivate a strategic mindset? Truth be told, strategic thinkers are often developed as products of an environment with multiple performers and a finite set of contested resources available for sustenance and growth.

> "Perception is strong and sight weak. In strategy it is important to see distant things as if they were close and to take a distanced view of close things."
>
> MIYAMOTO MUSASHI

Whether the performer is a human being, organization, or nation-state, the foundations of maintaining a competitive position and continuously progressing towards a more advantageous and sustainable state fundamentally remain the same. Consider the multitude of scenarios that display these parameters: multiple siblings competing for parental care and attention; polar bears hunting their prey during the arctic winter; and an organization seeking to profitably provide a service to its customers during a recession. Strategic thinking develops and evolves in each situation where contested conditions of an environment become apparent to a performer. As one explores the many applications of strategic thinking, it becomes clear that this mentality is beneficial regardless of one's tenure, role, or experience. Nevertheless, strategic thinking is not "agnostic" of these factors, on the contrary, every defining characteristic of a performer and its operating environment is crucial to strategically maintain adaptability and sustain growth.

The hailed writings of Charles Darwin, Sir Martin Lawrence, and Michael Porter each seem to tackle a different topic in the fields of biology, military, and business. Darwin preached trait-based natural selection in "On the origin of species by means of natural selection;" Lawrence explained creating a military advantage to exceed the starting balance of power in "Strategy: A History;" and Porter vouched for tradeoffs, fit, and business differentiators in "What is Strategy." Yet, a common thread surfaces in each of their works, bringing this diverse set of thought leaders together: the behavioral traits and actions exhibited by performers to adaptively sustain their environmental positions and outcompete other performers in their use of contested resources.

Acknowledging the broad range of its applicability, one should also recognize that strategic thinking can be gainfully practiced by any performer, regardless of his or her position within an operating environment. Throughout the historical applications of strategic thinking in the fields of politics, military, sports, and business — individuals of privilege, tenure, and power have often been credited for thinking strategically. This paradigm is increasingly being challenged in the business domain, as disruptive technologies and lower barriers to entry begin to yield a different reality.

Let's consider some of the more successful businesses today, such as Facebook, Google, Microsoft, FedEx, and Dell. Each and every one of these companies was started by college students during their undergraduate or graduate periods of study. These successful student-founded companies have earned their places in their respective markets by strategically adapting and evolving through each stage of their organizational growth curves without the initial power position that is commonly expected of effective strategists. Entrepreneurs and seasoned corporate citizens alike understand that an idea in and of itself cannot propel a successful business without strategic thinking from its conception through execution and management.

So how does one harvest a strategic mindset within the context of business irrespective of experience level, organizational department, and role? Fortunately, it doesn't take extremes to develop a strategically conscious mind.

Grow to choose before choosing to grow.

Whether the intended state is increased profitability, a promotion, or increased market share, strategic thinkers must learn to gather finite yet sufficient decision data in order to support deliberate action and predictable reactions. Over the course of its history, Best Buy may have sought out overzealous growth over conservative data-driven decision making. The electronics retailer sought to open 200 stores in the UK electronics environment until 2011, when it halted its expansion abruptly following its 11th store opening. As this retreat demonstrates, the timing and support of a strategic decision such as an expansion is perhaps more crucial than the decision of growth itself. A strategic thinker understands the elements required for strategic decisions, such as the degree of "gut-comfort" required to make a decision, the opportunistic time window, as well as the data available and its timeliness and accuracy.

MYTH:

A "Strategic Decision" is another term for "Important Decision."

Time- or resource-sensitive decisions are many times misjudged as "strategic" due to their implications to a high-profile project or reputation of a key organizational stakeholder. The level of perceived importance of a decision does not alone establish its strategic nature. A strategic decision is a decision that significantly influences the sequence of actions aligned toward the desired outcomes and intended state.

Explore scenarios to identify probable outcomes.

Whether applied to the roles and responsibilities of a business analyst or a tenured director, scenario planning is a foundational predecessor to methodically carrying out a strategy regardless of the context, impact, or intended state. Let's place this into a modern case study: former rental giant Blockbuster shifted distribution models multiple times in response to its rapidly changing environment. First, the organization was challenged by Netflix's mail-in rentals, and responded by mirroring the service distribution model while keeping its brick and mortar business in play. Second, it was challenged by Hulu and other live streaming players, promptly responding with a movie streaming offering. Finally, Blockbuster responded to Redbox's market entry by quickly dispatching physical kiosks — only to pull them from stores a few months later. The movie rental monolith responded promptly to match the competitor's differentiated service delivery model as soon as it identified the threat, although it may have more gainfully adapted to this shape-shifting technological landscape by anticipating these scenarios, and focusing investments on a sustainable distribution model.


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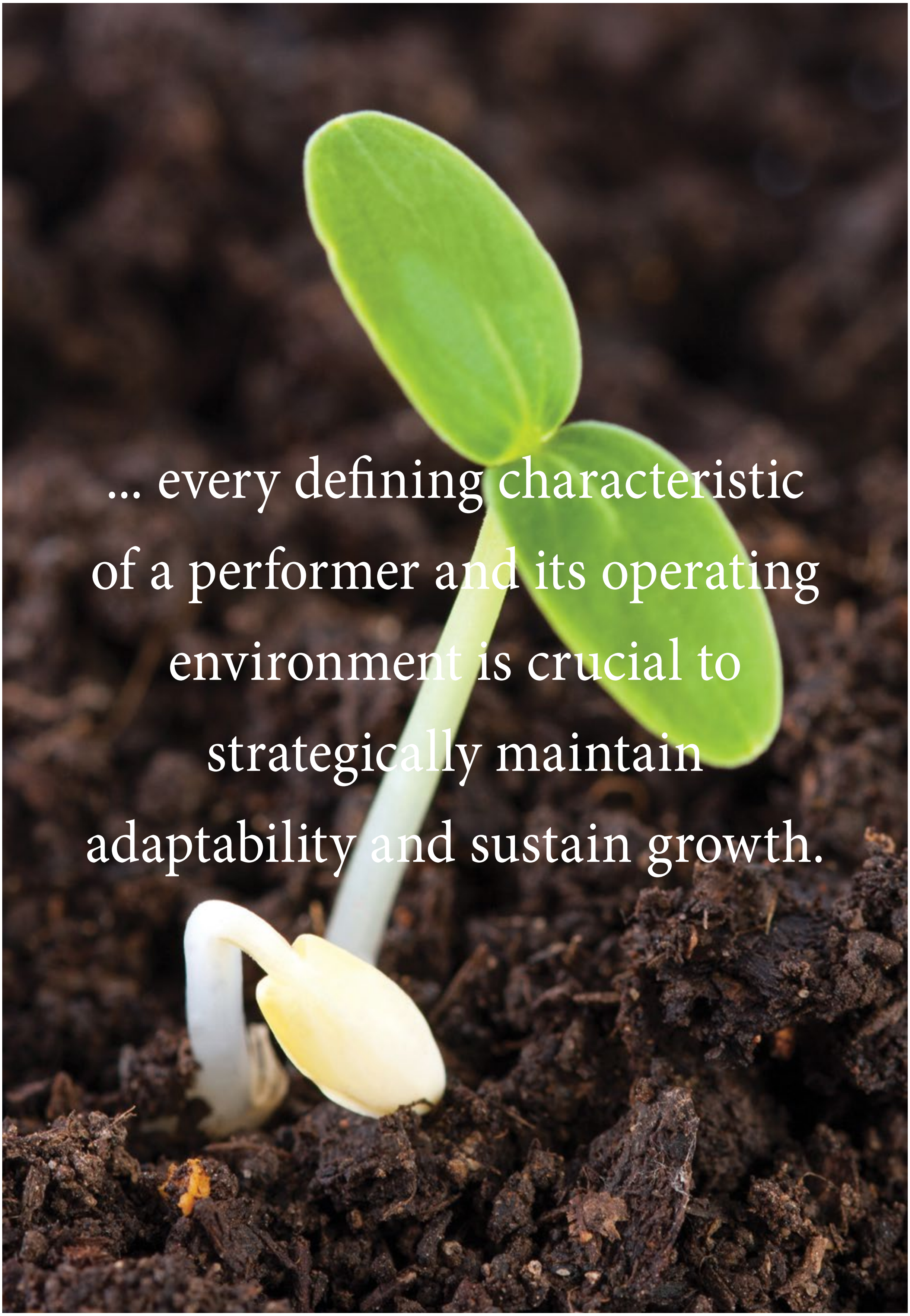
... every defining characteristic of a performer and its operating environment is crucial to strategically maintain adaptability and sustain growth.

MYTH:

Strategic planning is equivalent to strategic thinking.

Strategic thinking requires consideration to the sustainability of the intended state and the feasibility of the scenarios, actions, their dependencies, and the environmental context. Without this focus on continuous adaptation and progression based on these factors, a strategic planning effort is at risk of reaching an "end" rather than progressing to a new "state."

Find your environment's PICO: parameters, inputs, constituents, and outputs.

Strategic thinkers must regularly survey the change in environmental boundaries and variables at play in order to determine how to act and respond to stay on course with the designated outcomes. An established example of such a model is Michael Porter's renowned Five Forces framework, which provides a mental template for businesses to identify the customers, suppliers, players, and substitutes within an environment. When distilled, the establishment of such a framework relies upon the understanding of an environment's structure (parameters), constituents (players), and inputs/outputs (tradeoffs). By first understanding these underlying building blocks, one can develop such frameworks for a varied set of environments. In practice, UPS surely understood its PICO at a detailed execution-level when it deployed the "right-turn-only" strategy. To arrive at a tailored operational strategy, the logistics giant isolated the primary inputs (e.g., gas, time, people, trucks, traffic), outputs (e.g., package delivery, customer satisfaction), constituents (e.g., deliveryman, customer, other drivers), and parameters (e.g., congestion, traffic lights) of its environment (system of delivery routes, the earth's health). In effect, the right-turn-only delivery strategy takes each of these factors into account in order to execute the most advantageous scenario in reaching this particular outcome (package delivery), subsequently supporting the firm's intended state (sustainable profitability). In his address to the press, the UPS chairman proclaimed the following benefits as a result of this strategy in 2007: "[UPS shaved] nearly 30 million miles off already streamlined delivery routes. [and saved] 3 million gallons of gas."

MYTH:

Strategic thinkers must own the business.

At the crux of our exploration herein is the premise that the foundations of strategic thinking are accessible and applicable to all levels of the organization. Although formal leaders have been the conventional designees of defining and directing strategies in the business world, the idea of creating and executing a long-term plan of interdependent actions to reach an intended state is versatile enough to be applied throughout the organization regardless of whether it is applied to a focused area of the business, or the entire enterprise.

Determine the trade-offs required to achieve desired outcomes and reach the intended state.

To inescapably quote Michael Porter's "What is Strategy" essay, "some competitive activities are incompatible; thus, gains in one area can be achieved only at the expense of another area." Wal-Mart's approach to retail and service is a shining case of tradeoffs. Sam Walton clearly understood the value that his target customer-base placed on price over service quality. At the core of Wal-Mart's strategy lies the careful prioritization of the lowest price everyday items over an indulgent customer experience. Irrespective of one's perspective regarding the morality of its practices, it is inescapably clear that the giant has identified the key criteria to trade-off the practices misaligned with the lowest price guarantee. Reframing long-term sacrifices as strategic tradeoffs enables one to isolate the most valuable components that contribute to the intended state.

MYTH:

Tradeoffs are equivalent to concessions.

The relentless tradeoff of service quality for a lowest-cost product would have seemed unfavorable before the days of Wal-Mart and Chinese manufactured goods. In this day and age, understanding prioritization of capabilities for an individual or organization is a key trait for strategically focusing activities and carefully trading off capabilities misaligned with the intended state.

Pinpoint patterns to predict and anticipate behaviors.

Within the confines of your environment, outcome-based scenario planning can be accelerated through pattern recognition. According to Charles Duhigg, the author of "The Power of Habit: Why We Do What We Do in Life and Business," Target's pattern recognition reached newsworthy proportion in 2012 when it successfully predicted a young lady's pregnancy via the purchase of products traditionally unrelated to babies and pregnancy. Little do we know, the event of pregnancy is arguably the point during which a customer's buying patterns are most volatile and subject to change for the long-term. Despite the lack of comfort and consent we as consumers undoubtedly have with the level of correlated data in the hands of our retailers these days, the availability of large data sets in the hands of well-equipped strategic thinkers becomes crucial for the interpretation of signals.

MYTH:

The post-911 economy is unpredictable.

Surely, predicting the dynamics of an entire economy is a daunting and seemingly unattainable goal. By decomposing an economy into industries, sectors, and the dynamics of their constituents — one is more aptly positioned to predict patterns such as customer behavior, technology trends, and other subtleties to act at a more granular and measurable level.

Deliberately and periodically remove yourself from your operating environment.

Perhaps one of the most famous proponents of the deliberate retreat, Bill Gates has popularized the practice of secluding himself to gather perspective from a different vantage point on the daily operations of his role, as well as of Microsoft as a corporation. "Think Weeks," as he refers to them in his statement to Fortune, are a yearly practice where the mogul collects "100 or more papers from Microsoft employees that examine issues related to the company and the future of technology." By stepping away with a collection of leading thought and the existing strategies of the corporation in mind, Gates' perspective is re-framed by his immersion, confined by the boundaries of the content and ideas with which he secludes himself. This practice can be applied through a variety of different seclusion methods depending on the professional in question. In sum, the isolation provides time to evaluate and refine the means through which to achieve desired outcomes and the intended state.

MYTH:

Every tactical activity must be controlled and measured.

Although our exploration may have wrongfully led to this deduction, the intermittent pause in one's control of strategically executing activities may yield seemingly obvious realities that would otherwise not be apparent to the deeply entrenched.

Influence the lead, and track the lag.

Commonly labeled as "performance management," the tracking of quantitative measures and indicators is applicable to a single individual, process, business unit, organization, or industry. In order to strategically execute and manage delivery, one must identify sets of leading and lagging indicators based on the defined actions, scenarios, outcomes, and intended state. Although commonly misconceived, a single metric can be used as either a lead or a lag measure, depending on the expected outcomes. Placed into practice, if a salesman's desired outcome is to generate sales, the leading measure may include the "number of prospecting calls," and the corresponding lag measure may be the "number of resulting sales." Lag measures have a many-to-many relationship with their lead measures, as long as causality exists between them. Grounded with an overarching set of actions and scenarios, a collection of lag measures provides a point through which the sought-after outcomes can be evaluated — as well the trajectory towards the intended state (sales growth, for example). Lead measures, on the other hand, provide the strategist with the opportunity to course-correct and adjust directives or actions while the strategy is in the execution phase.

MYTH:

Manage your budget, and your strategy will follow.

Finances are undoubtedly an integral component of assessing and managing strategic investments. Nevertheless, revenue remains a lag measure whether the metric is revenue growth, revenue per employee, and the like. In order to strategically execute, one must focus on influencing leading metrics to produce the desired lag results.

In retrospect, the strategic mindset is one that can be developed and honed over time through continuously exercising some of the practices and mental practices we have explored herein. Despite the fact that strategies have predominantly been defined by the hierarchy elevated throughout history, the distilled foundations of strategic thinking are available for all to adopt regardless of organizational position and area of focus. Whether you are the head of your executive class or making your first mark on the professional world, a habitual enactment of these practices will provide an interdisciplinary structure for methodically achieving outcomes and reaching the intended state of choice.

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