

## What is strategy and strategic planning? V2

### What is the purpose of this article?

Enable founders, board directors, the C-Suite, and advisory board have a discussion about their company's process for strategy and strategic planning.

### How do you define: strategy, strategic planning, and the strategic plan?

- 1) What is strategy? The facts, assumptions, and analysis of what successful future scenarios for the company could look like. A successful future means growth in value. Value of the company and value for key members of the ecosystem.
- 2) What is strategic planning? The process to engage key members of the company's current and future ecosystem members in order to discover a potentially implementable strategy.
- 3) What is the strategic plan? The strategic plan should be called the value creation plan. The strategic plan communicates the actions necessary to grow value and reach the successful future.

### What are the questions the strategy must answer?

The facts, assumptions, and analysis of what successful future scenarios for the company could look like. There are 7 sets of questions to this:

- 1) Who are the current and future members of the company's ecosystem that are critical to the company's success?
- 2) What is the vision for the future company? How will the ecosystem perceive the company? Why will those critical ecosystem members enable the company's success? What metrics will those members use to assess value and success?
- 3) Who will be your future cash-paying customers? Why will they buy from your rather than the competition? How are their problems and needs being better addressed by your solution than the competition? How are you enabling your cash-paying customers to achieve more value? Why are customers buying from the competition rather than you? How many cash-paying customers will there be? What will be the market size. You may be in different markets with different customers. Customer needs will change and there will be new unmet needs. What will be the customers' ecosystem? (e.g. Technology trends, demographics, politics, regulation, etc.)
- 4) What will customers perceive as the competitively differentiated value proposition? What will be the customer experience? How will customers perceive that your company meets their needs better than the competition?
- 5) Who will be your future competitors? What improved products and services will they be offering? Old competitors will likely disappear and new competitors emerge. (e.g. New ventures, entrants from adjacent markets). What will be the competitors' ecosystem?
- 6) What are the characteristics of the future talent requirement? Board of Directors? Advisory Board? C-Suite? Coaches? Employees? Advisors and Consultants? Often skills and capabilities that brought the company to its current situation are not the skills and capabilities that are required for future success.
- 7) Is it clear what the future value of the company will be to key members of the ecosystem (e.g. shareholders, employees, and society) and how that value compares to the current situation?

### Good analysis done by good leaders with good judgement often produces poor strategic decisions.<sup>1</sup>

A strategic decision is one of those relative rare major decisions that has a major business impact. E.g. bet-the-business investment; major M&A; major new product/service launch; business transformation' etc. A McKinsey survey of 2,207 executives regarding the quality of their 1,048 strategic decisions revealed that:

- 1) Only 28% thought good strategic decisions were frequent;
- 2) 12% thought good strategic decisions were infrequent; and
- 3) 60% thought bad strategic decisions were as frequent as good strategic decisions.

What has the greatest impact on company performance? McKinsey found that it was the quality of the decision-making process. The % of company performance improvement due to:

- 1) Quality of the decision-making process: 53%
- 2) Industry/company characteristics: (e.g. consumer tastes, implementation resource capability) 39%
- 3) Quality and detail of analysis: 8%

The strategic decision-making process is much different from the normal day-to-day decision making.

### What does the strategic planning process need to consider?

Strategic Planning: The process to engage key members of the company's current and future ecosystem members in order to discover a potentially implementable strategy. Too often I've met companies where the consultants have said "We developed a great strategy but the company could not implement." A strategy that cannot be implemented is not a great strategy. Strategic planning is a learning, and unlearning, process.

There are 8 sets of questions around strategic planning:

- 1) What is the purpose of your company?
- 2) Do you have the right talent involved in strategic planning? The decision makers must have a value growth mindset and capabilities in value creation.
- 3) What the process for answering the 6 strategy questions outlined above?
- 4) How will you get input from key members of your company's ecosystem?
- 5) How will you get support from key members of your company's ecosystem? E.g employees
- 6) What will be the indicators you are constantly monitoring to identify if immediate changes in your strategy plan are required due to changes in: customers, competitors, and the ecosystem. In today's world, there is unlimited capital available to a competitor whose solution customers want to open up their wallet to. Those competitors can rapidly grow in a few years and destroy your company.
- 7) Who is accountable for achieving the measurable results? E.g external customer metrics (How many potential customers have a problem/need for which they are willing and able to pay for your solution? How do the customers perceive they are getting more value from you than from the competition?) internal customer metrics (customer acquisition costs? customer lifetime profitability? By channel, partner, customer segment, and cohort?).
- 8) Does the strategic planning process result in the company's value creation plan?

#### **What are your next steps?**

- 1) Document your current process for creating and maintaining your strategy and strategic plan.
- 2) Does your current process address the above questions and challenges?
- 3) What changes do you need to make to your process and the talent involved in the process. If talent cannot change themselves or be coachable, then replace the talent.
- 4) We live in turbulent and rapidly changing times. The strategy and strategic plan may need to change at any instant because facts and assumptions have changed, making decisions and plans obsolete. Every board meeting must begin with a discussion regarding the facts, assumptions, and analysis underlying the strategy and the strategic plan. The CEO must have a similar discussion at the start of every meeting with her executive committee.

#### **Footnotes:**

<sup>1</sup> "The case for behavioural strategy", McKinsey Quarterly 2010, Number 2

#### **Further reading**

What is the purpose of your company?

<http://koorandassociates.org/corporate-governance/what-is-the-purpose-of-your-company/>

How do you grow your company's value?

<http://koorandassociates.org/creating-business-value/what-is-value-growth/>

Traditional strategic planning dooms companies to failure

<http://koorandassociates.org/strategy-and-strategic-planning/traditional-strategic-planning-dooms-companies-to-failure/>

"Does your board really add value to strategy?", Professor Dieder Cossin and Estrelle Metayer, IMD Global Board Center

<https://www.imd.org/research-knowledge/articles/board-strategy/>

What is the difference between strategy and tactics?

<http://koorandassociates.org/strategy-and-strategic-planning/what-is-the-difference-between-strategy-and-tactics/>