



The Importance of Strategy

Most corporations would purport to have a well defined strategy which they have developed to take their business forward. Often however strategy is confused with operational planning, planning focused on delivering a more effective outcome for the business as it exists and not about positioning the company for the future. So widgets are made with ever increasing efficiency until the time comes when no one wants widgets like the company makes them any longer and a once proud company is consumed by its wily competitor or ceases to exist.

Strategy is about planning to reach a vision which differentiates a company from its competitors in a positive way. It encompasses overall direction as well as the many detailed activities that occur in a company. Strategic success generally depends on possessing an enlightened and unique vision as well as doing the many things needed to achieve the vision well. If one focuses too much on the activities often the vision is lost, likewise if the focus on the vision is too intense then the operational matters are neglected resulting in across the board problems in personnel, quality, poor productivity, and so on.

Indeed, ask any manager to define his or her idea of strategy and one will invariably be given a raft of answers as the person struggles to differentiate between corporate strategy and operational planning.

Thus whilst one may be given the answer that the "corporate strategy" is to improve quality over a 2 year period to such and such a standard, the answer one is getting relates not to strategy but to an operational plan. Indeed over the past decade, many companies have greatly improved their production performance by implementing operational plans that have reduced inefficiencies, improved quality and greatly enhanced productivity. All these things increase competitiveness but they do so on the same plane as before, and they do so, generally, within the same overall strategy.

Typically, as well, competitors rapidly follow suit, thus the gains in terms of profitability are short lived and the relative "status quo" of the industry remains little changed. Indeed, the major benefactors of all these improvements are not the companies implementing the improvements but the customers who get better products at lower prices and to a lesser extent the suppliers involved in supporting the company to make the improvements by way of supplying services or new equipment.

A prime case of this can be seen in the computer hardware industry where companies are more efficient than ever but making for less money than ever before. The one exception is perhaps Dell which adopted a different strategy than its rivals and as a result has gained considerable market share while others have had to merge to survive.

Developing a corporate strategy, like most "simple" things, is deceptively hard. Even the best thinkers tend to confuse the need for detailed operational planning with their view of the strategy the company needs to follow. For some reason, a "strategic thought" tends to soak up operational plans like a sponge does water until waterlogged it is of use no more.

For this reason then it is important to define the area to which the strategy should relate and then limit the strategy to that area alone and drive the company along that strategy without deviation. Thus, if the corporate strategy is based on customer needs, determine the customer base you wish to serve, its needs, and then only meet the needs of those customers, foregoing all others. Operational plans, the detail of making the strategy happen, must complement the strategy and be subordinate to meeting the strategy and not become an end in themselves.

Likewise, if the strategy is based on customer accessibility or product variety or product delivery, or some other base, the emphasis must be on differentiating the company from its competition in a way that is attractive to the customers it wants to purchase its products. For this to be perceived as such by these customers, the company must hold its course and follow its strategy, until reality and perception meet.

However, no one strategy can last forever and any corporate strategy needs to be reviewed on a regular basis, not only to ensure it is still relevant but to also ensure that the original strategy has not become blurred by misconceived operational responses to threats and opportunities that are not in keeping with the original strategy. To this end it is worthwhile asking the following questions:

- Who amongst one's customers is most satisfied?
- Which product lines are the most profitable?
- Which customers are most profitable?
- Which products are most unique to the company?
- What was the original vision of the company? When it started, what were its best products, best customers? Why did it succeed?

Asking these questions clarifies what is happening in a company, whether its strategy is still working and whether a change in strategy is required.

All in all, determining and following a corporate strategy is a never ending task of "Sisyphian" proportions at which management must become highly adept. Whilst recourse to the writings of Sun Tzu and Clausewitz, may set one's heart alight strategy wise, there is no need to get carried away. Keep it simple and get it right!