

What Is Strategy?

And Why Is Good Strategy So Important?

by Jon Craighead

This article is the first in a series that will study the different roles of strategy in today's business environment. Strategy is the linchpin in the system that drives the activities needed for operational success.

Imagine this scenario: you and your spouse gather the kids, pack the car, and start out on your vacation, not knowing where you are going. As unrealistic as this may sound, many businesses operate in just such a manner.

Every day businesses open their doors not fully knowing who they are and what they are committed to, without strategy or purpose. All too often the primary focus is on profit. While profitability is an important and key element of business, it must not be the sole intent; otherwise, it becomes all about you and not about the customers you seek to serve. Even worse are companies with bad strategies. Bad strategy is not simply the absence of good strategy – the real tragedy is that it appears to be strategy but ultimately makes no difference and is misleading. For the purpose of this article I will focus on good strategy.

First, it's important to acknowledge that fewer than 10% of strategy plans are successful. This statistic has been consistent over time regardless of economic conditions. It persists because most strategic plans are designed using unreliable information. In many instances leaders make decisions based on outdated historical, anecdotal, and misleading financial data.

As an example of how quickly information can become obsolete, the iPad, which makes an amazing technology available that didn't exist two years ago, is predicted to overtake the laptop computer in sales by 2015. The speed of change impacts our businesses daily, whether we want to deal with it or not. Good strategy is a future-based phenomenon that takes critical and reliable due diligences into consideration in order to move the organization forward.

So let's examine the critical functions of strategy:

- Strategy defines who you are and distinguishes your products and or services – in other words, you are open for business.

- It creates a unique competitive advantage by addressing the question, Why should I buy from you and not from your competitor? It defines your target market and narrows your focus, eliminating the necessity of attempting to be all things to everyone. Absence of this focus dilutes your unique value, leaving you indistinguishable from everyone else, so why should the customer bother?
- When you have a unique competitive advantage, the need to undermine or “crush” the competition becomes unnecessary. This creates an environment of inclusion, allowing for broad-based success and a more diverse marketplace.
- Finally, it’s critical to recognize that a unique competitive advantage is short-lived and easily lost if not monitored. An illustration of this point can be seen in the case of Blockbuster, which became compromised into bankruptcy by an upstart named Netflix.

In our business we are often asked “*Why is it that what we’ve been doing no longer works as it once did?*” Of course the response is that things simply aren’t the way they use to be. Strategy based on past experiences relies on reminiscence. In designing a good strategy critical forces must be vetted. Strategy guru Michael Porter identified what he calls the Five Forces: (1) rivalry among existing competitors; (2) bargaining power of suppliers and buyers; (3) the threat of substitutes; (4) new entrants; and (5) the impact of regulations. This due diligence goes well beyond the traditional SWOT analysis.

Business acumen today requires that leaders develop a keen sense of situational awareness. We must make it second nature to be conscious of changing dynamics in areas such as risk, safety, and new leadership skills while simultaneously focusing on the marketplace. Developing these strengths enables leaders to become more aware and proficient at recognizing and anticipating trends and, often more importantly, counter trends.

The challenge of designing a strategy for maximum effectiveness requires someone who is not restricted by organizational boundaries of history, customs and culture. In meeting that challenge, the pathway opens for greater innovation and building new futures. Ultimately this is how we will impact that 10% success rate.

In my next article I will look at how strategy and competition complement each other.