June 2017

Strategic Thinking in Organizations[1]

The purpose of this document is to outline a strategic thinking approach in organizations. You will learn what strategic thinking is, why it is important, the analyzes to define a strategy and implement it, what is included in a strategic thinking mindset, and how to fine-tune your strategy. Table 1 and the eight ideas under the section on a strategic mindset are the most important parts of this document.

What is Strategic Thinking?

Strategic thinking is a process for analyzing an organization's past and current situations to make decisions for future actions. Most of the analytical techniques managers use to think strategically are frameworks that allow them to identify, clarify, and understand relevant factors setting an organization's future course. Such frameworks are invaluable to help one to come to grips with an organization's complexities. When one thinks strategically, one is engaged in a guided process that organizes disparate information into a coherent set of ideas that can be discussed among organizational members. Strategic thinking results in a prediction of how the world works and how an organization should be involved in that world. A good strategy focuses minds, organizational energy, resources, and actions.

Strategy is a pathway to create an organization's position supported by a set of activities. The positioning refers to a market space for servicing customers or stakeholders. The activities are internal to the organization and include processes, formed from a cumulative learning about how to do business.

Strategic thinking (illustrated in Figure 1) includes decisions about where to win and how to win in markets to maximize long term organizational value. Where to win includes decisions on positions in markets. How to win includes approaches to implementation. For example, an organization may choose to service customers in two different geographic markets, one that involves competing on price and another competing on specific product features. Each market is referred to as a business strategy that involves unique actions to achieve desired outcomes. The two together is a corporate strategy.

Once market decisions are made the organization identifies, develops, and supports organizational competencies, strategic imperatives and initiatives to implement the strategy. The strategic imperatives function as goals to increase the organization's effectiveness. On-going organizational excellence is necessary but not sufficient for gaining competitive advantage making strategic thinking essential to organizations. As strategic decisions are made and implemented an organization engages in change management to move the organization from a departure point to a preferred level of functioning. This entire process is often referred to as strategic planning, yet this attribution is a misnomer. Planning is only one part of the entire process.

This approach to strategic thinking (represented in Figure 1) involves knowing the sources of information to inform choices and knowing how to manage the risks inherent in the decision making process. Strategic decisions are relatively long-term and include commitments that are not easily changed. Strategic decisions involve big bets and thus, are adventures into the unknown; the future is difficult to forecast and uncertainty, and possibly ignorance, are prevalent.

To start a major strategic thinking effort, leaders are best to identify a core challenge the organization is facing. This challenge identification avoids developing a strategy that is devoid of organizational reality. Challenges come from various places such as external threats, new market opportunities, or failures within an organization such as poor organizational design.

The Defense Advanced Research Projects Agency is an example of an organization that creates strategy from a challenge. "For more than fifty years, DARPA has held to a singular and enduring mission: to make pivotal investments in breakthrough technologies for national security." DARPA also supports its strategy with unique capabilities. For example, "DARPA benefits greatly from special statutory hiring authorities and alternative contracting vehicles that allow the Agency to take quick advantage of opportunities to advance its mission. These legislated capabilities have helped DARPA continue to execute its mission effectively."[2]

The Importance of Strategic Thinking

Executives and analysts study strategies to explain sustained differences in the performance of organizations. Strategy is the closest to a determinant of success as is possible. Thus, thinking strategically helps organizational members gain control over the organization and its future. Strategic thinking is also a means of learning about organizations and the roles people play in their management.

Too often business literature is replete with what managers must do to be effective. Managers have been learning to play by rule books developed by consultants and researchers, many of which have been developed just to be viewed as new. Information is often over-simplified and summarized into algorithms or success formulas. This newness and simplification can often fly in the face of proven management principles that have withstood the test of time.

Proven principles and frameworks increase the clarity of an organization's critical thinking about the ways in which organizational members create and implement strategy by allocating resources to sustain or achieve competitive advantage. The creation and implementation processes are complicated because of the various types of uncertainties and tensions that create organizational risks. As allocation decisions are made they are phrased to take into account these inevitable risks. For example, when deciding on a strategy one takes into account various sources of information such as market behavior, customer needs, the environment's macro-economic conditions, and the organization's competencies. As this information is reviewed and used to make decisions, organizational members are always cognizant of potentially missing information, the difficulties and cognitive biases inherent in decision making processes, and the politics involved with implementation. This awareness results in a constant critical review of information and processes.

Inevitable Tensions

The strategic thinking process is often not linear. Organizational members often confront several inevitable tensions that challenge executives to make decisive yet uncertain decisions. These decisions may involve deviations and dead-ends at times. Here is a list of a few of the common tensions that cause some of this uncertainty:

- Centralized versus decentralized actions. Executives want to control the strategy process yet realize the importance of employee actions and decisions unencumbered by centralized authority;
- Emergent versus planned actions. Strategic thinking does not culminate in a completed decision before organizational action. Organizations act to know. Organizational members try out tactics to determine if the strategy is viable, feasible, and sustainable;
- Stability versus change. Managers reduce risks by decreasing organizational variability. Yet, too tightly defined organizational processes can lead to stagnation and low innovation;
- Espoused versus actual strategy. Executives may tell others about what is the organization's strategy. A prudent analyst would develop his or her own analysis and strategic definition to decide if the espoused strategy is the actual strategy as enacted by the organization.

Effective Strategies

Most effective strategies begin with a compelling diagnostic analysis of the organization's challenges. This diagnosis involves internal and external analyses that lead to a judgement about the meaning of the facts. This judgment is just that – your best summary of what you learned about your organization, its challenges, and potential avenues to create value.

To be effective and long-lasting a strategy has external and internal analyses that help define a focus to overcome a challenge. This focus is then actionable – implemented to realize its outcomes.

Being distinctive is important to effective strategy. "**The Kaiser Family Foundation** is trying to play a special role as an independent, trusted source of information and analysis on the national health care scene, and we evaluate our performance against that objective. We believe that role is sorely needed in the health care system today, and, based on the reception our work receives; we are convinced that we are on the right course for us."[3]

A strategy must have certain additional characteristics. The positioning must be unique and valuable to customers and other stakeholders and the organization has to have the capability to protect this positioning. Another way to think about strategy is the organization's theory of itself about how it can gain and sustain its competitive advantage; strategy helps organizations to be different from others; deliberately choosing a different set of activities to deliver a unique market value.

If there were one ideal position for all organizations, organizations would have no need for strategy and strategic thinking. Organizations would face simple destinies that would be defined by formulas about how they do their work. Operational effectiveness would differentiate organizations and most organizations would probably earn the cost of capital or achieve usual outcomes rather than gain a competitive advantage. Yet, the world of organizations does not work this way – there are various ways to play the game with various positionings with various supporting activities.

Here is Tesla's vision statement is "***to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.***" This vision emphasizes the company's focus on renewable energy. The following components are significant in Tesla's vision statement: (1)Most compelling; (2) Car company; (3) 21st Century; (4) The world's transition to electric vehicles. A cynical response to this statement is that they are not in the car business but in the renewable energy business to improve the environment.[4] Also, the statement does not provide adequate information about the general direction of Tesla's organizational development. It can improve the mission statement by including more details about the company's approaches in fulfilling its vision.

Mapping, in a picture format, the criteria for effective strategy can help see the criteria more clearly. Here is one example of such a map:

Starts with a Challenge

<u>External Analysis</u> **<u>Internal Analysis</u>**

<u>Focus</u> [where, how, goals]

<u>Implemented</u> [actionable; leverage competencies]

Supported by: Priorities; risk mitigation; guiding policies for dealing with challenges; makes the organization different; can say "no;" motivates people; clear; measurable; aligned, engaged organization.

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<u>Main Outcome: Value Creation</u>

As you study your organization's strategy, consider that all organizations refer to strategy at various organizational levels. Most important are three levels of analysis: Business, Corporate and Functional. <u>Business</u> strategy refers to the positioning and set of activities for a single line of business in an industry. Table 1 is focused on business strategy. <u>Corporate</u> refers to an organization's strategy for multiple lines of business or markets.   <u>Functional</u> strategy refers to strategies specific to functions within a business such as marketing, operations and finance. Ideally, the business, corporate and functional strategies would mesh to form a coherent story (or theory) about how the organization goes about increasing its value.[5]

In summary, strategic decisions are important, involve a significant commitment of resources and are not easily reversed. These decisions are deliberate attempts to influence an organization and its environment to increase competitiveness.

The Analysis: Positioning the Organization and Supporting the Positioning

I've organized this material to take into account this uncertainty, proven principles and to intertwine strategy content (what is or should be the strategy of the organization) and strategy process (how to determine the strategy and how to implement it). Strategy content and strategy process are treated with equal importance as two sides of a coin, creating a symbiotic relationship to help decision makers think and act strategically as the organization evolves over time.

The model (see Figure 1) is based on the above perspective and four criteria for what makes for an effective strategy. In brief, an effective strategy is one that has **(1) a clear focus and direction, (2) is informed through analyses of external forces, (3) is informed through analyses of the organization, and (4) can be implemented.** The effective strategist has the necessary analytical and behavioral skills and knowledge to be able to carry out the analysis, decisions, and implementation. These factors increase the probability that leaders will allocate resources to create organizational value. This value leads to competitive advantage.

This model applies to for-profit and not-for-profit organizations. Not-for-profit organizations have customers and stakeholders and need to be concerned about their competitiveness. An often confusing aspect of not-for-profit organizations is to define who is the customer? Are customers the donors or the beneficiaries of the service? The decision about who are the customers is part of the organization's positioning and deciding on what activities support that positioning. While these types of organizations may distribute profits differently from their for-profit counterparts, they still need to consider their competitive positioning and how they support that positioning.

Habitat for Humanity has a unique mission and clearly phrases its focus, as follows:

Our mission: Seeking to put God's love into action Habitat for Humanity brings people together to build homes, communities and hope.
Our vision: A world where everyone has a decent place to live.
Our principles

1. Demonstrate the love of Jesus Christ
2. Focus on shelter.
3. Advocate for affordable housing.
4. Promote dignity and hope.
5. Support sustainable and transformative development.

Who we are: Habitat for Humanity partners with people in your community, and all over the world, to help them build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. With your support, Habitat homeowners achieve the strength, stability and independence they need to build a better life for themselves and for their families. Through our 2020 Strategic Plan, Habitat for Humanity will serve more people than ever before through decent and affordable housing.[6]

To make these criteria an organizational reality, I suggest you start by using the questions listed in Table 1. These questions address the four success criteria for effective strategy plus the necessary but not sufficient processes for strategy making.

Decisions about Where to Win
These decisions are a result of the internal and external analyses. Analysts make at least two major decisions: what segments will it serve and what is the organizational scope.

Segmentation is an identification of specific markets to serve. The segments are best identified as customer groups that have similar characteristics. For example, a group of customers could only want basic services from your organization such as picking up trash. Another segment might want data on their trash so that they can measure landfill diversion or opportunities for recycling. These two segments vary by value added services and will vary about how you will support each segment (see the section in this paper on How to Win).

Other segmentation variables could include geographic location, buying patterns or attitudes, and willingness to engage with your organization. For example, customers located close to a business may be served differently from those located in distant locations. Some customers may be grouped by their willingness to buy or likelihood to purchase at a store as opposed to online. Each segment would be served differently, a topic in the next section.

Another decision about where to win is the scope of activities. How many products or services will your organization offer markets, how many channels will you use or what is the geographic breadth of your business?

Some of this analysis involves identifying which business segments deliver the most value and what scope offers the best opportunities for future growth. Most businesses serve a number of distinct customer segments. Each distinct product defined for a distinct customer group is a segment.

Why does a social networking company build a virtual reality headset? Why does an online retailer, Amazon, buy a grocery chain, Whole Foods?[7] Amazon.com, Inc. made a bid to buy Whole Foods, a deal valued at $13.7 billion including Amazon paying $42/share which was a 27% premium as of June 15, 2017. This move gives amazon a way to quickly get a bigger portion of the $674B U.S. edible groceries market.[8] Tech companies see their core competencies as managing technology which allows them to manage diverse businesses. Apple, for example, became a phone company and is now working on self-driving cars, TV programming, augmented reality, and payments formerly controlled by banks. It's ability to manage technology and design human-centered products could make it the first trillion dollar company.

Decisions about How to Win

These decisions are related to the business model the firm uses (See Figure 3 for a generic format for business models) and the various ways the organization pursues the market.

Business models are a picture of information on each business as to the value proposition offered to the customer or customers, how the organization makes money, and several components needed to make the business operate. Organizations can find new ways to serve markets by changing one or more elements of the business model. For example, an organization can create a new channel to deliver services, such as the internet, to increase the business' market presence.

A useful variation on a business model is the Delta Model.[9] The Model provides guidance on how to support the business' strategic positioning. It is a variant of the general model presented in Figure 3 and shows specific strategies to pursue markets. It starts with the assumption that the fundamental strategic objective is to obtain customer bonding, i.e., attract, satisfy, and retain the customer.

The Delta Model shows three options to reach the strategic objective: Best Product (attract the customer by the characteristics of a superior product);[10] Total Customer Solutions (provide customers with customized solutions to their most pressing needs); System Lock-in (establish dominance in the market).

These three options can be expanded to identify more nuanced ways of serving the customer. For example, product excellence can be achieved through cost (the provider can defend the lowest price in the market) or differentiation (development of features and functionalities that make the product unique and command a price premium). Another example is enhancing the customer's capabilities by offering integrated solutions to address the customer's critical needs. This outcome can be accomplished by redefining the customer relationship to create closer proximity, transferring knowledge or providing various products to the customer. These actions are taken by many monopolies and oligopolies.

All strategies in the Delta Model presuppose that providers have segmented the customer base to identify customers that share similar needs. Once customer segmentation is completed, an identified provider can define unique value propositions for each segment. Value propositions are offerings that satisfy customer needs AND provide a basis upon which customers choose a provider.

A Strategic Mindset Results from Strategic Thinking

Another main benefit of strategic thinking is that it creates a strategic mindset that is cognizant of several principles:

- All organizational members contribute to strategic thinking and have a means to contribute to what to do and what not to do. Strategy is everyone's job. Strategic thinking is more than the CEO's responsibility or that of a strategy department. Delegated strategy to a specific part of the organization could lead to bad outcomes!

- Analytics, focus, and emergence are central to generating organizational value. Strategic thinking can be thought of as a dynamic resolution of design (intended) and emergent decisions. The strategist not only thinks about strategy through detailed analysis but acts as a means of knowing. Strategy has an *a priori* component that can be decided in advance of an organization's actions and an emergent component that is revealed as the organization acts.

- Strategists are focused on choosing among the various sources of competitive advantage based on an organization's history and competencies, its market dynamics, and the expected internal and external responses to its moves. Strategy is a major source of this competitive advantage. An example of other sources may be protected intellectual property or regulatory protection such as with monopolies.

- Managers know that strategy is more than planning. Strategic thinking often gets sidetracked because analysts think effective strategy comes from a single good strategic planning system. Planning may be important, yet it is neither a monolithic concept nor paramount to strategic effectiveness. Organizations use various planning and control systems as illustrated in Figure 2. This picture of planning shows that organizations use at least four types of approaches to exploring the future and for conceptualizing strategy: Strategy as perspective, strategy as positioning, strategy as defining competencies, and strategy as getting the job done, including its operational effectiveness. Strategists (be they consultants, managers, individual contributors or other organizational stakeholders) use the four success criteria explained earlier and the organizational pattern in Figure 1. These criteria can be used to categorize these planning approaches (1) think about the organization's **purpose and perspective** to define its focus, (2) decide on how it should be **positioned** in the markets in which it wants to play, (3) identify what are its main internal activities or **competencies** and (4) decide on how it will **implement** its strategy. Any one of these planning systems cannot exist on its own and together they help support a complete strategy.

- Build on the past to understand the future.[11] Organizations are different from markets. Organizations have a history and develop competencies and reputations that help to predict how they will act in the future. Organizations have memories. Effective analysts study an organization's history as part of the strategy development process.

- Existing theories and methods lead to norms; outliers refine knowledge. We must pay attention to unique market signals, disruptions, and potential changes in the ecosystem in which organizations operate. We tend toward the average of all data to suggest a strategy. To engage in richer strategic thinking, this outlier principle encourages strategists to pay attention to unusual data, unusual opportunities, and unusual disruptions.

- There are lots of human biases for every strategy decision and therefore strategic thinking and behavior are under constant review and in search for alignment or fit among all organization elements. This fit relates to making sure the "hard" side of the organization (defined strategy, structure and systems) fit with the softer side (organizational skills, management style, the shared values and culture, technology,[12] human resources and product and service value propositions).

- A focus is more than a set of goals. It is a set of guiding principles and expected outcomes related to how the organization will act and where it will act.

This mindset helps executives and other stakeholders in and around the organization make decisions about what is organizationally worthwhile. All told, an organization's strategy, when it adheres to the effectiveness criteria, increases the likelihood that key managers can tell a compelling story to those who provide resources and realize this story to gain competitive advantage. (See Table 2 for one format about how to present a strategy). To tell this story, analysts and managers alike have to be confident that the developed strategy will be effective. To be effective, a strategy must have focus, take into account external and internal data, and be able to be implemented.

Common Fallacies When Doing Strategic Thinking
Strategists fall into traps that prohibit them from engaging in effective strategic thinking. I'll cover seven traps that apply to most organizations.

1. <u>You can predict the future</u>. Strategists get carried away with their analytical techniques. For example, net present value requires analysts to project future cash flows to decide on whether to make a strategic investment. These cash flow projections are just that – guesses about the future. They are not reality. Be cognizant of these guesses and check yourself turning probabilities into certainties.

2. <u>Objective and precise are the key to success</u>. This fallacy denies the subjective opinions of executives and customer facing people. Strategists often believe that their job is to weed out subjective ideas and only consider objective information. This idea is a fallacy. Lots of great information resides in the opinions of key organizational people, especially with those with lots of experience. Good analysts find ways to marry the subjective with the objective.

3. <u>Strategic thinking is embedded in an excellent strategic planning process</u>. This is probably the most common fallacy. Planning is only a small part of the overall strategic thinking process. Slavish obedience to planning processes makes for ineffective strategy. Strategic thinking organizes disparate information into a coherent set of ideas that can be discussed by organizational members. This organizing may or may not come from the planning processes.[13]

4. <u>Strategy means important</u>. Managers often say that they need to make a strategic decision meaning an important decision. Strategy is important yet strategic decisions are about market positioning and supporting that positioning. Avoid the term's misuse.

5. <u>Strategic thinking is focused on organization growth and performance improvement</u>. This fallacy is common because organizations are in constant search for adding organizational value. While a strategy may result in new growth the ultimate goal is to overcome a challenge that faces an organization.

When a leader characterizes an organizational challenge as underperformance it sets the organization in motion for bad strategy. Underperformance is a result – the challenge is why performance is occurring.

The real challenge is to find an obstacle to value creation and to create a theory of change, finding ways to overcome the challenge. An effective strategy is a pathway to substantially higher performance not just a resource allocation plan.

6. <u>You can copy from others</u>. Analysts and managers often look to those organizations performing well and believe if they could only do the same actions, position in the same markets, or house the same businesses, they would increase organizational value. Nothing could be further from the truth. Market positioning and support of that positioning happens within context, within a specific organization. This organization has a history and unique goals. Copying without having this context will lead to bland and ineffective actions and strategy. Don't copy from others. Learn from them!

7. <u>Look for red flags for bad strategy!</u>[14] Here are some common ones:

- "Our strategy is to be the best in our market;"
- Long on goals, short on actions and guiding principles;
- Lots of fluff; superficial statements of the obvious or unnecessary complexity;
- Does not face an obstacle – only meant to change things;
- Stops at collecting external and internal data and creating a focus with no implementation mentioned;
- Starts with the budget.

Fine-Tuning the Approach

Figure 4 shows a table outlining some ways to fine-tune an organization's strategy. Dozens of schools of thought claim to have the most widely applicable and useful framework for strategy development and implementation. The purpose of Figure 4 is to show how an organization can choose the most appropriate fine-tuning school of thought to make for a compelling argument to proceed in one direction versus another. A single strategy school or framework is not universally applicable. Organizational managers usually make choices as to how to fine-tune their strategies to match the situations in which an organization finds itself.

Figure 4 shows two major dimensions for identifying these fine-tuning choices. First, determine the company's desires, needs and abilities. This company analysis takes into account a set of information relevant to what the company does well (core competencies) and what the company wants to achieve. This information is summarized on a continuum of shaping the industry or adapting to it. The next step is to do an analysis of the predictability of the industry and markets in which the company operates. This information is summarized in terms of high to low predictability. The two analyses together help to define ways to fine-tune an organizational strategy.

An example might help to clarify this approach. Many organizations move into international markets after domestic markets become mature. Assume an organization is dominant in its domestic market. This movement globally means the organization will face new market conditions and new competitors. The industry boundaries expand and the industry behavior often becomes less certain. Thus, the fine-tuning approach prior to moving internationally was more certain and an organization could shape industry outcomes given its domestic dominance. Moving internationally changes the game. The organization is in less certain territory and management finds that its organization needs new skills and information. Prior to the move internationally organizations would use more tactics of consolidation or reconfiguring value chains or growing in the core business. The new situation calls for more of an evolutionary process with experimentation to learn about these new markets. Organizations would tend to use real options or scenarios to understand their situation and to guide their behavior. This geographic change can cause some anxious moments as the strategic thinking approach has changed and is less in line with the organization's history.

When to Change a Strategy

Executives are often uncertain when to change a strategy or to fine-tune the strategy to make it more effective. A few known situations call for a change of strategy:

- Movement into new, unknow markets, especially foreign markets;
- Increasing fixed costs may mean that the strategy is not yielding the intended results;
- Deregulation changes the way an industry works and hence the opportunities for organizational positioning;
- Identified biases in decision making. These biases, once discovered, may call for major changes in a firm's strategy[15];
- When incumbents, those with large advantages, respond to market changes;
- Compelling customer demand may provide a dramatic opportunity to increase organizational value;
- Technological change may be a time to alter an organization's strategy such as the use of the internet or DNA sequencing;
- Inertia built by routine, culture or conscious efforts to resist change. This inertia may call for a different strategy to break the inertia.

United Way Worldwide is an excellent example of an organization that changed is core strategy given pressures from its donors and competition. It is a financial intermediary providing fund activities through donor organizations' employees and then distributing those funds to community agencies that can deliver services. United Way was facing donor resistance that their organization was adding overhead and that a more direct way of funding may be better. For example, many foundations and even investment companies were offering donor advised funds which were accomplishing the same outcomes as United Way. Also, the United Way affiliates were a loose federation where many chapters did their work differently from the ways the parent desired. So, the new CEO of United Way in 2001 changed the core mission to include more accountability introducing what he called "Standards of Excellence" to create more consistency in affiliates.[16]

In Summary, Here are the Considerations to Help You Think Strategically

Table 1 lists questions that help organizational members to think strategically. Table 2 contains a format for presenting a strategy. As you review the Tables, consider the following points:

- When adopting a strategy, recall the four effectiveness criteria: (1) effective external analysis, (2) clear focus and direction and (3) effective internal analysis, and (4) high quality implementation.
- Each question in Table 1 has a framework or set of techniques to help people think strategically. The questions are organized around four criteria for effective thinking and one additional category about developing necessary analytical and behavioral skills.
- Organizational members define a company's position, make trade-offs, and create a meaningful fit among activities within the organization.
- Strategy is defined as market positioning and adopting activities to support that positioning.
- Strategy helps you make decisions about what you will do and what you will not do.
- A strategic mindset focuses on a set of principles that help guide strategy development and action.
- The desire to grow is sometimes a trap – your goal is to achieve the organization's purpose so that it can maximize outcomes. Desired outcomes are performance and value creation, uniqueness, shareholder wealth, impact, lessons learned and sustainability (see Figure 1).
- Strategies need to be fine-tuned given the level of certainty of their markets and the company's desires, needs and abilities to shape an industry or adapt to it. Fine-tuning is in terms of the strategic approach and the ways to think about markets and the organization.

Figure 1: Strategic Thinking Model

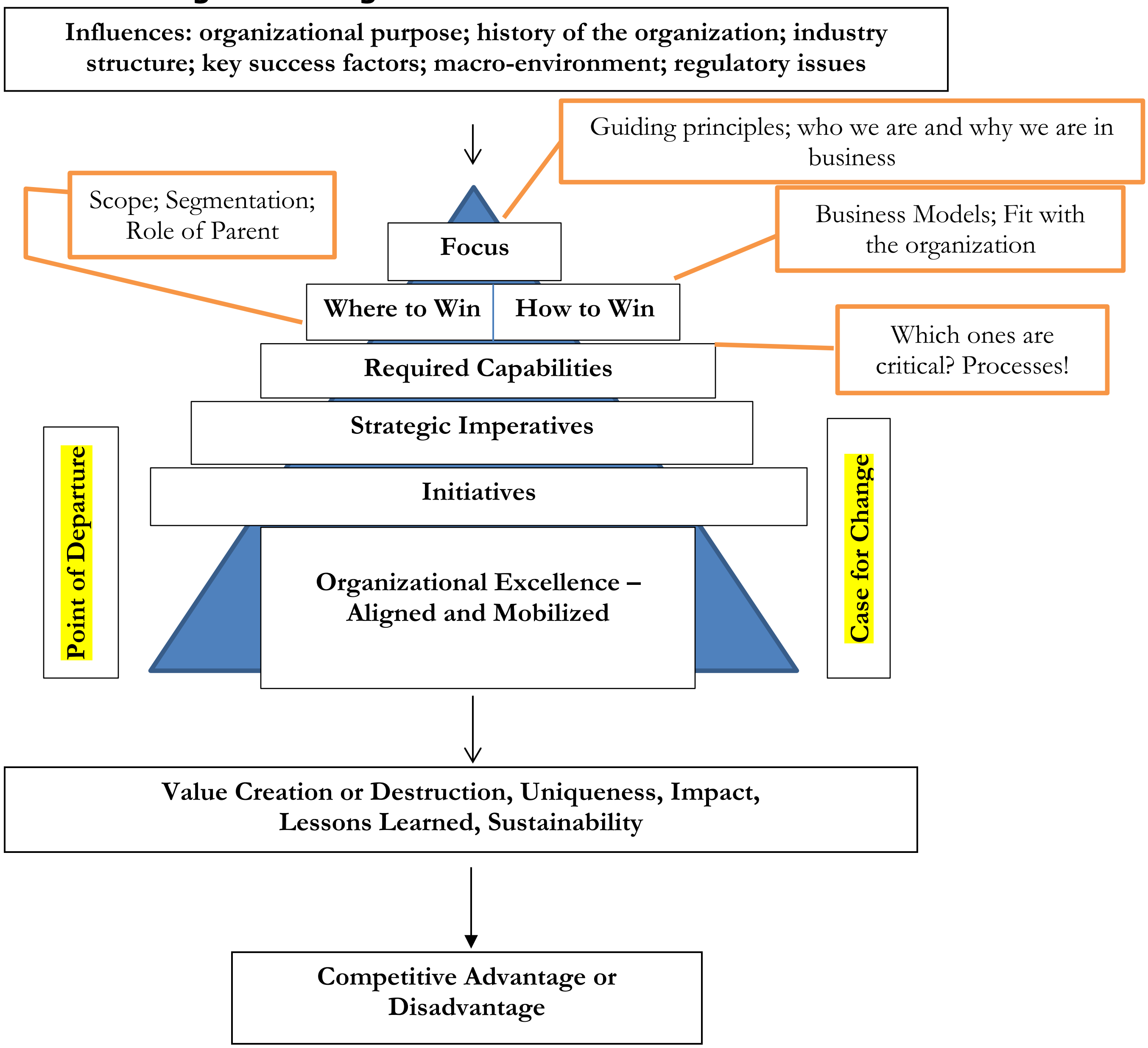


Table 1: Questions to Stimulate Strategic Thinking[17]

Analytical, Process Skills for Content (how you do strategic thinking).

1. What is your starting point for the strategy? What change management challenges do you have?[18]
2. What data do you consider most important for your strategic thinking?
3. What are the key concepts, theories, models, and methods for understanding strategy?[19]
4. What are the various lenses you can bring to strategy?
5. How can you act to gather relevant information and to make decisions?[20]
6. Is your analysis granular enough to gain specific data to make decisions?
7. How should you phrase your strategic alternatives and your strategic direction?
8. How do you manage inevitable biases and internal political influences on decisions?[21]
9. Who should be at the table and how does each member perform a role in the process? [22]
10. How does one behave to gain a sense of perspective, urgency to act, to make changes and to convince others that these changes are organizationally appropriate?[23]
11. What are the internal and external processes for innovation?[24]

External Conditions: What external conditions are we facing?

12. What long-term trends might influence your business?[25]
13. What can you learn from the macro environments in which you do business?[26]
14. What is your competitive position?
15. What can you learn from a strategic analysis of your industry or industries, the marketplaces, competitors, and other key players who influence your organization?[27]
16. Who are your core customers and what trends do you see for them?[28]
17. Where will you be active; with how much emphasis? What are the organization's boundaries?[29] What are the customer's purchasing criteria?
18. What are your core products and services?[30]
19. What are your key success factors?[31]

Internal Conditions: What internal competencies do we have?

20. What are your resources and capabilities (activities)?[32]
21. To what extent are these resources and capabilities rare, relevant, durable, and connected?[33]
22. To what extent do the resources and capabilities fit with the organization's administrative history; structure, systems, culture, and management style?[34]
23. How can you enhance returns from your resources and capabilities?[35]
24. What are your core metrics?[36]

Focus: Where will we focus our attention?

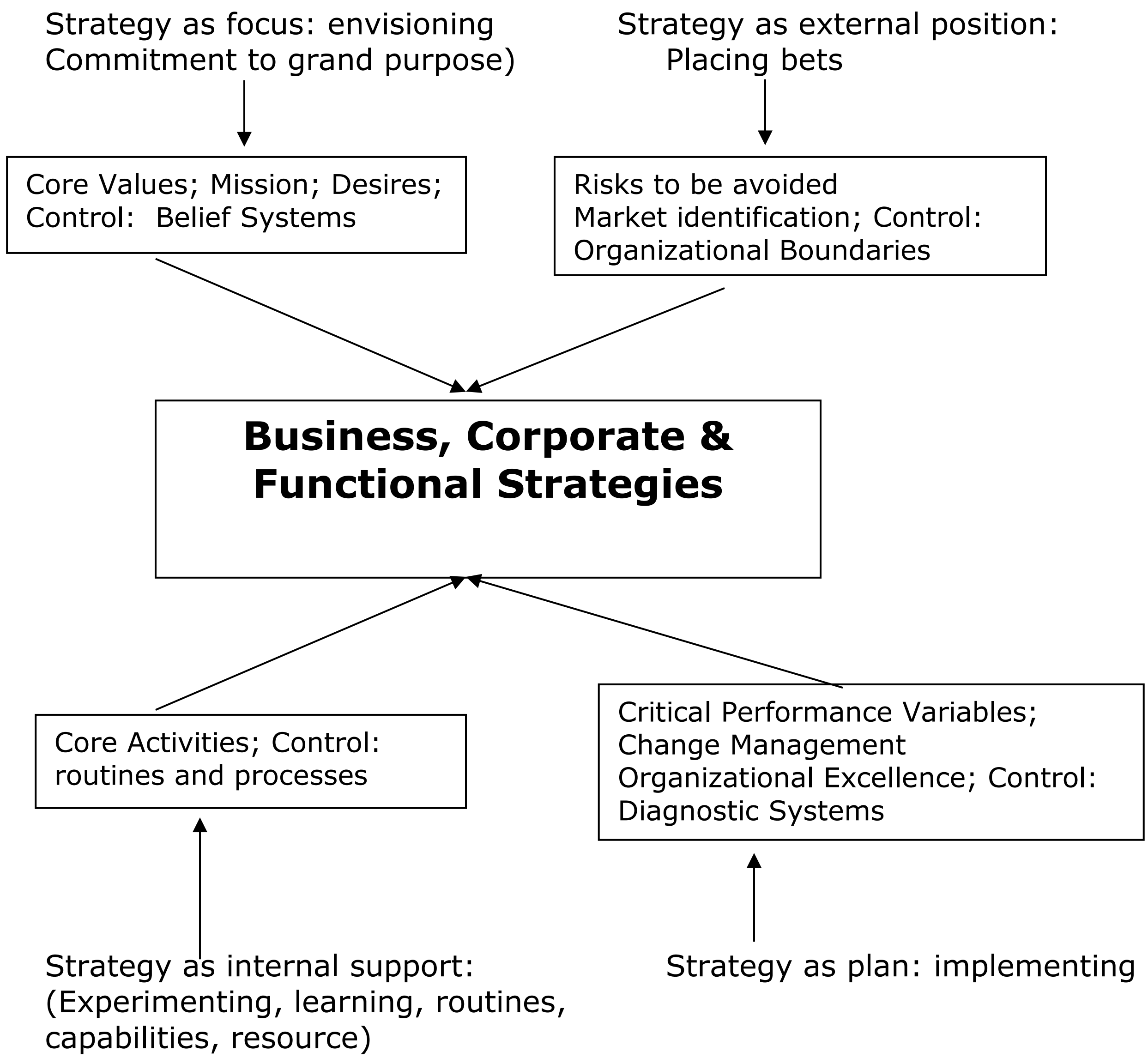
25. What do you want to achieve? What are your fundamental purpose; values; mandates; targets and objectives; why are you in business?
26. Where are the growth opportunities[37]: core, adjacencies[38], breakthrough,[39] white spaces, [40] and blue oceans?[41]
27. How can you be different compared to those with whom you compete or cooperate for resources? What are your points of parity and difference?[42]
28. Will your strategy beat the market?[43]
29. What are your strategic imperatives and initiatives?
30. Can you find places for shared value?[44]
31. What is your guiding principle to increase organizational value.[45]

Implementation: How will we accomplish out focus?

32. What can you achieve?
33. What moves should you make to achieve your purpose? [46]
34. What will be your speed and sequence of the moves?[47]
35. What is your plan given the trade-offs in priorities, timing, and politics?
36. How do you balance commitment, accountability, motivation and flexibility?
37. How will you obtain returns?[48] What are your best business models?[49]
38. What measures will you use to know you are achieving your purpose?[50]

Figure 2:

Control Systems and Strategy: Four Ways to Think Strategically



These four ways of linking control and strategy can be viewed as complementary emphases. These controls are another way to think strategically and they may resonate with some organizations.

Figure 3: Business Model Canvass[51]

<table>
<tr>
<td rowspan="2">Key Partners

Some activities are out-sources and some are acquired outside the firm.

Sometimes a firm is dependent on the work of other organizations.</td>
<td>Key Activities (processes, systems and routines)</td>
<td rowspan="2">Value Proposition

Solves customer problems and satisfies customer needs.

Sometimes shows points of difference, points of parity and points of contention.</td>
<td>Customer Relationships

Established and maintained for each segment.</td>
<td rowspan="2">Customer Segments

An organization serves one or more segments.</td>
</tr>
<tr>
<td>Key Resources

Assets required to offer and deliver products and services.</td>
<td>Distribution Channels

Delivered to customers through communication, distribution, and sales.</td>
</tr>
<tr>
<td colspan="2">Cost Structure</td>
<td colspan="3">Revenue Sources</td>
</tr>
<tr>
<td colspan="2">Social and Environmental Costs</td>
<td colspan="3">Social and Environmental Benefits</td>
</tr>
</table>

Figure 4: Fine Tuning Your Strategic Approach and Thinking[52]
This figure shows one way to define a business model. It works well for a single business, once the business is defined, the analyst can change certain business model components to identify innovations.

Industry Predictability for a Relevant Time Horizon → ——— **Company's Desires, Needs and Abilities** ↓	**High Analytical Predictability**	**Low Analytical Predictability**
Shape the Industry	**Redefine** Use analysis and simulations to determine how the industry can be shaped to benefit both the industry and your company	**Reinvent** Conceptualize an attractive industry development, map the route to make it happen, and craft a role for the company to play.
Adapt to the Industry	**Position and Conquer** Use analysis to determine the company's optimal position in the industry and develop a plan to pursue that position.	**Maintain Foresight and Flexibility** Institutionalize a strategic process focused on pursuing a portfolio of strategic initiatives that accelerates learning and provides flexibility with limited investment.

Table 2: Presentation of a Strategy

The best presentations are those that are concise and compelling. They tell a story about the organization's guiding principles and ways it achieves results. Consider defining this presentation in two pages, even though the background work suggested by this table is extensive. This format works best for a specific business line. Use this format if you are asked to put together a strategy.

1. What are the **expectations** for this presentation?
2. State a short statement indicative of your strategy; sometimes you need to do an **elevator pitch** – this is a two-minute overview containing at least the strategy, value to customers, potential returns to the organization, and a few ideas about implementation. Where should you play and how should you play? At least make sure this statement includes objectives – specific ends expected; boundaries; and advantage your bring to the offerings.
3. **What contextual factors influence the company and how?** Regulation, globalization, location, political, economic, social and technological factors, megatrends.
4. **Analyses to increase value** – use your four criteria for effective strategy. Internal (costs, resources and capabilities; activities, products, services, platforms and programs)
   External (boundaries, costs, relationships among players; points of difference; points of parity)
   Focus (guiding principles, mission, vision, objectives, timeframe; low cost-differentiation-niche; industry defined)
   Implementation (operational effectiveness; organizational change model?)
      Maps – look for places to gain greater alignment; Structure of industry –value net; strategic groups; brand analysis; 7-S Model.
      Consider existing competitors and potential entrants and the potential moves they would make given any move you make. (Use game theory to analyze your ideas)
5. **Value creation** (margins and revenues; investment in fixed and working capital; cost of capital; consider special considerations such as leases, contracts, etc.); specify assumptions; scenarios.
6. **Strategic alternatives and strategic choice? This section is where you convince the audience that you have dome the analyses to define the strategy. You have considered alternatives and your ideas are the best outcome.** Add scenarios for each strategy – scenarios are equally likely!!
   Justify that the strategy (positioning and activities) will yield greater margins, increased revenues, decreased investment and lower cost of capital. Specify risks and mitigation.
   Clear, informed, makes us different?
   Could you create real options? Options value increases as uncertainty increases.
   In summary, what is the strategic choice?
7. **How is the Organization to Be Managed?**
      Business Models defined.
      To increase operational effectiveness.
      Critical capabilities that need to be developed to support the strategy.
      Do I have characteristics of excellence? Avoiding failure; Creating disciplined thought, people and action; innovation and flexibility.
      How to develop an engaged organization.
      Effective implementation: information flow, decision rights, motivators, structure.[53]
      How will I measure my progress (outcomes on a scorecard could include performance, sustainability, impact)?
      Special issues that you may want to address.
      Strategic Imperatives and Initiatives.
8. **Unresolved issues:** these are issues to be defined as you implement the strategy.

Endnotes

[1] Daniel S. Fogel, CEO, SP3; Professor Emeritus, Wake Forest University, 1834 Wake Forest Road, Winston-Salem NC 27106, 1-704-604-0085; fogelds@wfu.edu, Twitter: @sustainablesp3, Website: www.spthree.com

[2] About DARPA. http://www.darpa.mil/about-us/about-darpa Accessed June 9, 2017.

[3] President's message. Kaiser Family Foundation. http://www.kff.org/presidents-message/ Accessed June 9, 2017.

4 Tesla Motors, Inc.'s Vision Statement & Mission Statement (An Analysis). http://panmore.com/tesla-motors-inc-vision-statement-mission-statement-analysis . Accessed June 10, 2017.

[5] You can find a counter-argument to seeking competitive advantage in A. Hax, *The Delta Model: Reinventing Your Business Strategy.* New York, New York: Springer, 2010.

[6] About Us. https://www.habitat.org/about/mission-and-vision Accesses June 9, 2017.

[7] C. Mims (2017). Tech companies spread their resources. *Wall Street Journal*. 6/17-18: A1

[8] L. Stevens and A, Gasparro (2017). Amazon set to devour While Foods. *Wall Street Journal*. 3/17-18: A5.

[9] A. Hax (2010). *The Delta Model: Reinventing Your Business Strategy.* London, UK: Springer Science-Business Media.

[10] Product serves the purpose of discussing products and services.

[11] This is Bayes Theorem.

Let A_1, A_2, ... , A_n be a set of mutually exclusive events that together form the sample space S. Let B be any event from the same sample space, such that P(B) > 0. Then,

$$P(A_k \mid B) = \frac{P(A_k \cap B)}{P(A_1 \cap B) + P(A_2 \cap B) + \ldots + P(A_n \cap B)}$$

Note: Invoking the fact that $P(A_k \cap B) = P(A_k)P(B \mid A_k)$, Baye's theorem can also be expressed as

$$P(A_k \mid B) = \frac{P(A_k)\, P(B \mid A_k)}{P(A_1)\, P(B \mid A_1) + P(A_2)\, P(B \mid A_2) + \ldots + P(A_n)\, P(B \mid A_n)}$$

The sample space is partitioned into a set of mutually exclusive events $\{ A_1, A_2, \ldots, A_n \}$.

- Within the sample space, there exists an event B, for which $P(B) > 0$.
- The analytical goal is to compute a conditional probability of the form: $P(A_k \mid B)$.
- You know at least one of the two sets of probabilities described below.
    - $P(A_k \cap B)$ for each A_k
    - $P(A_k)$ and $P(B \mid A_k)$ for each A_k

[12] Technology refers to the ways in which we get work done.

[13] H. Mintzberg (1994). *The Rise and Fall of Strategic Planning*. New York, New York: Free Press.

[14] R. P. Rumelt (2011). *Good Strategy, Bad Strategy*. New York, New York: Crown Business.

[15] D. Kahneman (2011). *Thinking Fast and Slow*. New York, New York: Farrar.

[16] United Way Worldwide. In G. Dees, G.T. Lumpkin, A. Eisner and G. McNamara (2011) *Strategic Management: Text and Cases.* New York, New York: McGraw Hill Education:, C246-C255.

[17] Endnotes associated with each question contain sample frameworks to use in the analysis. These frameworks can be found in several core strategy textbooks. One useful summary of techniques is Vaughan Evans (2013). *Key Strategy Tools: The 80+ Tools for Every Manager to build a Winning Strategy*. Harlow, UK: Pearson Education Limited.

[18] R. P. Rumelt (2011). *Good Strategy, Bad Strategy*. New York: Crown Press.

[19] D. Besanko, D. Dranove, M. Shaley, and S. Shaefer (2013), *Economics of Strategy,* 6th Edition Hoboken, NJ: John Wiley and Sons.

[20] M. Reeves, K. Haanaes, and J. Sinha (2015). *Your Strategy Needs a Strategy.* Boston, MA: Harvard Business Review Press. An innovative approach is to use design thinking.

[21] Daniel Kahneman (2011). *Thinking fast and slow.* New York, New York: Farrar, Straus, and Giroux.

[22] For many organizations, this analysis is one of materiality – specifying the stakeholders and what they see as most important for the organization. Stakeholders with power and relevant input may be one who should be involved in strategy making. Their roles may be one of provision of information or setting of the strategy.

[23] This is core change management skills and ideas.

[24] Planning and control systems – see Figure 2 of this document. Meta-routines important here (those that involve learning, how organizations change, etc.)

[25] Obtain a discussion about global trends such as GlobalTrends 2030: Alternative Worlds. December, 2012. http://publicintelligence.net/global-trends-2030/ Accessed June 20, 2016. Use scenario planning as well.

[26] PESTEL analysis.

[27] This analysis is best accomplished with a structural analysis of an industry such as the value net and five forces analysis. At the least, specify boundaries, players and the relationship among players. Consider outlining the 5Cs: company, collaborators, customers, competitors and context.

[28] Segmentation is at the heart of any strategy and is a usual starting point for strategic planning.

[29] Value chain analysis. M.E. Porter (1984). *Competitive Advantage*. New York, New York: Free Press.

[30] In some businesses these may be core platforms or core programs, such as within military suppliers who define programs including various technologies, products and services.

[31] Key success factors are answers to two questions: (1) What do customers want and (2) what do we need to do to compete. Useful analysis here include benchmarking competitors.

[32] R. M. Grant (2013), *Contemporary Strategy Analysis.* 8th Edition. West Sussex, UK: John Wiley and Sons.

[33] Grant (2013).

[34] 7-S model works well here. Strategy, Structure and Systems (forming the hard side of analysis); Skills, Staff, Style of Management and Shared Values (forming the soft side of analysis).

[35] Use a strength, importance matrix.

[36] P. Fitzroy, J.M. Hulbert, and A. Ghobadian (2012). *Strategic Management: The Challenge of Creating Value*. New York, New York: Routledge: 547-591.

[37] Discounted cash flow analysis is useful here. Also, consider the firm as a set of real options. Generic strategies; strategic positioning analyses.

[38] Find the core by forming a product/market matrix showing new existing and new product-market spaces.

[39] C. Christensen (1997) *Innovator's Dilemma*. Cambridge, MA: Harvard Business School Press.

[40] M. W. Johnson (2010). *Seizing the White Space: Business Model Innovation for Growth and Renewal*. Cambridge, MA: Harvard Business Press.

[41] Attractiveness/advantage matrix or BCG matrix for corporate strategy.

[42] Create business models. Core to the business model is a value proposition. To know if you have a good value proposition consider answering a few questions: (a) what are your points of parity or similarities with other providers; (b) what are your points of difference from what is ordinarily offered? (c) will these points of parity and difference be sustainable so that they are not easily copied or substituted? (d) does the value offered satisfy customer needs? (e) does the value proposition increase customer bonding?

[43] Enterprise value added.

[44] M. Porter and M. Kramer (2011), Creating Shared Value, *Harvard Business Review*. January-February, 2011: 62-77.

[45] R. P. Rumelt (2011). *Good Strategy, Bad Strategy*. New York: Crown Press.

[46] Value discipline analysis; A. Hax (2010). *The Delta Model: Reinventing Your Business Strategy.* London, UK: Springer Science-Business Media.

[47] Process redesign.

[48] Corporate restructuring matrix.

[49] A. Osterwalder and Y. Pigneur (2010), *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers.* Hoboken, NJ: John Wiley and Sons. Also, if corporate strategy, consider parenting advantage analysis.

[50] Balanced scorecard; refer to metrics identified in internal conditions analysis.

[51] A. Osterwalder and Y. Pigneur (2010), Business Model Generation: *A Handbook for Visionaries, Game Changers, and Challengers.* Hoboken, NJ: John Wiley and Sons.

See also: *The Business Model Canvass*, http://www.businessmodelgeneration.com/canvas/bmc , Accessed January 18, 2015.

[52] T. Kratzert and M. Broquist (2010). "Playing on the New Strategy Chessboard." *Executive Agenda.* A. T. Kearney. Note that each box carries with it a series of techniques to implement the fine tuning of an organization's strategy.

[53] G. Nelson, K.L. Martin, and E. Powers (2008), "The Secrets of Successful Strategy," *Harvard Business Review*, June: 60-70.