



Development of Organizational Strategy

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Introduction

A mentor recently asked me to solve the following situation: “you and five coworkers (one consultant, two engagement managers, and two partners) are working on a client site, and all five of you have different preferences on a location for dinner; what is your strategy for moving forward?” Stumped by the seemingly obscure question, I was unprepared for the conversation that ensued and the values I would take away. By the end of our short meeting, he had imparted on me the foundations of strategy development and its correlation in the business environment. To be effective, strategy requires situational awareness, vision setting, objective setting, and comprehensive planning ahead of execution.

As in the hypothetical dinner debate, I was reminded that I need to consider long-term aspirations before acting impulsively. Additionally, I must factor in short-term objectives and how they correspond to my larger goals. Once these two steps are taken, the situation can be assessed for available resources and associated risks, costs, and external factors. It is only after all these components are understood that a strategic plan can be created and implemented.

Situational Awareness

The first foundational element of strategy development is a firm understanding of the environment in which you operate. Too often this concept is relegated solely to an exploration of resources, namely capital. However, an effective strategy will incorporate not just the funds at your disposal, but all the other factors affecting your situation as well. Whether it be an analysis of your competitors’ resources and objectives, or a study of outside forces like markets or government, gaining a comprehensive understanding of your environment will better prepare you and your team for the future.

This step is critical to effective planning, as a strategy that is constrained by internal resources will be too myopic and one short on situational awareness will be impractical. Gaining an understanding of your situation can be a time-consuming process and it’s imperative to not get bogged down by nuance. It is the leader’s role to direct her personnel on how in-depth an environmental study should be. The fictional CEO John Tuld best sums this up in the movie *Margin Call* with the lines: “I’m here for one reason and one reason alone. I’m here to guess what the music might do a week, a month, a year from now. That’s it. Nothing more.”

As Tuld infers, it is critical to understand the components that make up the “music”. Each instrument is essential to the success of the orchestra; similarly, every department and person



in your organization plays a role in the success of your enterprise. The best leaders will not only understand how each person, process, and system operates individually, but also how each component affects the others. For example, a finance team may consist of accountants, procurement specialists, and controllers. Understanding how these roles work with sales, marketing, and IT will enable the strongest coordination of an organization in preparing a strategic plan.

Beyond the immediate organization, an understanding of external factors within your sphere of influence is key to success. Whether you operate in a heavily regulated environment or in a market that sees tremendous swings at the whim of other traders, a deep awareness of the variables in play is key to the success of your strategic plan and you are always a factor in the business environment. The goal of becoming situationally aware is to anticipate issues before they arise and reduce room for excuses when things don't go according to plan.

Sensing the Environment

In today's business environment there are a host of new ways to gather data about your operating environment in more detail and confidence than ever before. This does not mean the traditional methods should be abandoned, however they should be combined and compared to generate a more unbiased view of your operating environment.

- Combined internal data sets reveal trends influenced by environment
- Ready access to customer and vendor feedback through social platforms
- Crowd sourced inputs for product and service development

There are many more and the opportunities vary for each business.

Vision Setting

Vision setting is the unrestrained build out of where you want to be when you get where you're going. From the perspective of a startup entrepreneur, we all have a product or service to offer that we believe to be of value, and it is our objective to demonstrate that value by taking it to market.

It is important that our long-term goals are both focused and flexible. A goal that is too generalized leads to confusion, but an absolute objective leaves no room for a changing environment. For this reason, we suggest objectives that are both relative and superlative. For example, rather than setting a vision as an absolute revenue figure that currently beats your competitors, aim to be the largest by revenue or have the greatest margins. All visions should be able to be easily summarized in one sentence. As a rule of thumb, the most effective vision statements will include words like "most" or adjectives that end in "-est". These types of statements drive competition and provide less room for excuses down the road if a goal is not attained.



A car travels straighter and smoother when the driver keeps his eyes on a point far away rather than one near the vehicle. Similarly, business leaders need to keep their organizations moving straighter and smoother in the direction of their goals by focusing on long-term objectives. Doing so will keep your team aligned and on the right path to success. This does not mean that a pothole in front of you is not avoided. That is the responsibility of the execution team and not the singular focus for the leader.

While there are no set rules to define the timeframe for a vision, it should reflect a span that requires dedication and allows room for trackable growth. Since vision drives strategy, it should not be amended too often; during strategy implementation, consistency is critical. Even if a strategy turns out to be a degree off halfway through your timeline, it is better to stay the course than to simultaneously strain your resources in the development and implementation of a new plan.

Objective Setting

The next component in building your organization's strategy is taking your situational understanding and vision and converting them into specific objectives. Objectives should be crisp, universally understood, and clearly articulated. Before creating your objectives, take some time to define your vision and environment to create metrics and milestones that are pertinent to achieving your goals.

Objectives are what you and your team will use to gauge progress towards your goals. Both absolute and relative metrics are a great way of tracking progress; consider the merits of being flexible and assigning a range of expected values to each achievement. For example, if you have an annual sales goal of \$100M and finish with \$99M, the year should not be considered a failure since you attained 99% of what was forecasted. By moving away from binary thinking of "hit" or "miss", a strategy can be developed that defines success as a range of accomplishments and is more adaptive in the face of real-world dynamics.

Furthermore, factor in how objectives will reflect the performance of departmental teams as well as the role that objectives play for those external to the planning process but critical to a strategy's success. Whether it be financial compensation or non-monetary reward, objectives that can be incentivized are a great way of encouraging and building momentum for the business teams responsible for executing on the strategy.

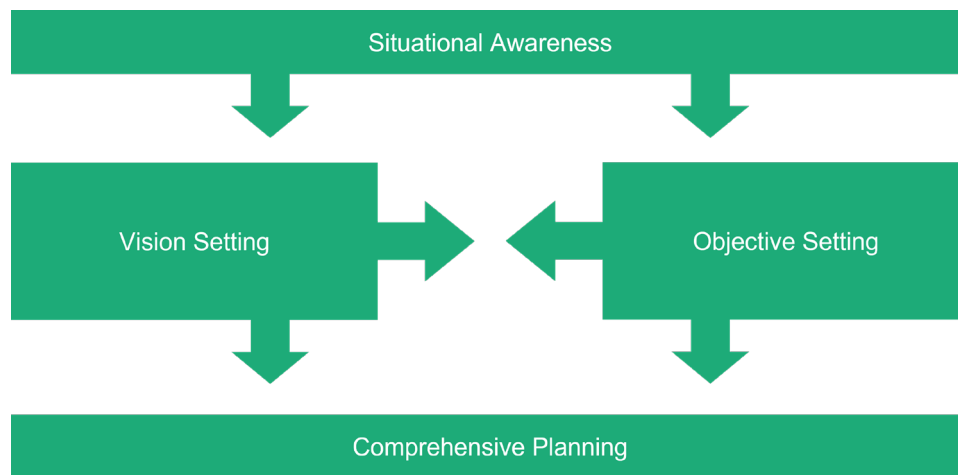
Comprehensive Planning

The final aspect of developing an operational strategy is bringing all the above components together into a comprehensive plan. Planning is intended to be an exhaustive exercise that serves as both as a validation check as well as a game plan for future growth. A well laid out



plan exhibits the practicality and creativity of the leadership style and inspires the doers within the organization.

The best planning outlines why pursuing a strategy is not just beneficial to the vision, but also has compounding positive impacts on other management objectives. A simple example is a plan aimed at diversifying the makeup of a company's market-base. The company would not pursue this strategy at all costs, such as investing all available cash or forsaking its current customer base in chase of a new one. Instead, a practical strategic plan might call for marketing efforts combined with product developments that coexist with the current market base and can have a compounding effect towards the greater goal. A sound strategic plan is the roadmap that not only provides the shortest route from point A to point B but like a real-world situation provides alternative routes to navigate through the interactions between external and internal business dynamics without losing sight of the ultimate destination.



Piecing situational awareness, vision and objective setting, and comprehensive planning together should serve as the mechanisms for formulating an effective organizational strategy. If you would like assistance creating a strategic plan for your company, please reach out at hello@slkone.com!