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The essence of strategy is choosing what not do to (Porter)

The hallmarks of bad strategy

By Nigel Crainey

Horatio Nelson had a problem. The British admiral's fleet was outnumbered at Trafalgar by an armada of French and Spanish ships that Napoleon had ordered to disrupt Britain's commerce and prepare for a cross-channel invasion.

The prevailing tactics in 1805 were for the two opposing fleets to stay in line, firing broadsides at each other. But Nelson had a strategic insight into how to deal with being outnumbered. He broke the British fleet into two columns and drove them at the Franco-Spanish fleet, hitting its line perpendicularly. The lead British ships took a great risk, but Nelson judged that the less-trained Franco-Spanish gunners would not be able to compensate for the heavy swell that day and that the enemy fleet, with its coherence lost, would be no match for the more experienced British captains and gunners in the ensuing

melee. He was proved right: the French and Spanish lost 22 ships, two-thirds of their fleet. The British lost none.

Nelson's victory is a classic example of good strategy, which almost always looks this simple and obvious in retrospect. It does not pop out of some strategic-management tool, matrix, triangle, or fill-in-the-blanks scheme. Instead, a talented leader has identified the one or two critical issues in a situation—the pivot points that can multiply the effectiveness of effort—and then focused and concentrated action and resources on them. A good strategy does more than urge us forward toward a goal or

vision; it honestly acknowledges the challenges we face and provides an approach to overcoming them.

Too many organisational leaders say they have a strategy when they do not. Instead, they espouse what I term "bad strategy." Bad strategy ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests.

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Like a football captain whose only advice to his teammates is “let’s win,” bad strategy covers up its failure to guide by embracing the language of broad goals, ambition, vision, and values. Each of these elements is, of course, an important part of human life. But, by themselves, they are not substitutes for the hard work of strategy.

In this article, I try to lay out the attributes of bad strategy and explain why it is so prevalent. Make no mistake: the creeping spread of bad strategy affects us all. Heavy with goals and slogans, governments have become less and less able to solve problems. Corporate boards sign off on strategic plans that are little more than wishful thinking. The only remedy is for us to demand more from those who lead. More than charisma and vision, we must demand good strategy.

Failure to face the problem

A strategy is a way through a difficulty, an approach to overcoming an obstacle, a response to a challenge. If the challenge is not defined, it is difficult or impossible to assess the quality of the strategy. And, if you cannot assess that, you cannot reject a bad strategy or improve a good one. If you fail to identify and analyze the obstacles, you don’t have a strategy. Instead, you have a stretch goal or a budget or a list of things you wish would happen.

What is the use of measuring speed if you don’t go in the right direction



Mistaking goals for strategy

A few years ago, a man MDI’ll call Greg asked me to work with the management team of his small consulting firm company on “strategic thinking.” Greg explained that his overall goal was simple—he called it the “20/20 plan.” Revenues were to grow at 20 percent a year, and the profit margin was to be 20 percent or higher.

“This 20/20 plan is a very aggressive financial goal,” I said. “What has to happen for it to be realized?” Greg tapped the plan with a blunt forefinger. “The thing I learned as a hockey player is that winning requires strength and skill, but more than anything it requires the will to win—the drive to succeed. . . . Sure, 20/20 is a stretch, but the secret of success is setting your sights high. We are going to keep pushing until we get there.”

I tried again: “Greg, when a company makes the kind of jump in performance your plan envisions, there is usually a key strength you are building on or a change in the industry that opens up new opportunities. Can you clarify what the point of leverage might be here, in your company?”

Greg frowned and pressed his lips together, expressing frustration that I didn’t understand him. He pulled a sheet of paper out of his briefcase and ran a finger under the highlighted text. “This is what Jack Welch says,” he told me. The text read: “We have found that by reaching for what appears to be the impossible, we often actually do the impossible.”

The reference to “pushing until we get there” triggered in my mind an association with the great pushes of 1915–17 during World War I, which led to the deaths of a generation of European youths. For the slaughtered troops did not suffer from a lack of motivation. They suffered from a lack of competent strategic leadership. A leader may justly ask for “one last push,” but the leader’s job is more than that. The job of the leader—the strategist—is also to create the conditions that will make the push effective, to have a strategy worthy of the effort called upon.

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Bad strategic objectives

Another sign of bad strategy is fuzzy strategic objectives. One form this problem can take is a scrambled mess of things to accomplish—a dog's dinner of goals. A long list of things to do, often mislabeled as strategies or objectives, is not a strategy. It is just a list of things to do. Such lists usually grow out of planning meetings in which a wide variety of stakeholders suggest things they would like to see accomplished. Rather than focus on a few important items, the group sweeps the whole day's collection into the strategic plan. Then, in recognition that it is a dog's dinner, the label "long term" is added, implying that none of these things need be done today.

A second type of weak strategic objective is one that is "blue sky"—typically a simple restatement of the desired state of affairs or of the challenge. It skips over the annoying fact that no one has a clue as to how to get there. A leader may successfully identify the key challenge and propose an overall approach to dealing with the challenge. But if the consequent strategic objectives are just as difficult to meet as the original challenge, the strategy has added little value.

Good strategy, in contrast, works by focusing energy and resources on one, or a very few, pivotal objectives whose accomplishment will lead to a cascade of favourable outcomes. It also builds a bridge between the critical challenge at the heart of the strategy and action—between desire and immediate objectives that lie within grasp. Thus, the objectives that a good strategy sets stand a good chance of being accomplished, given existing resources and competencies.

Noise

A final hallmark of mediocrity and bad strategy is superficial abstraction—a flurry of noise—designed to mask the absence of thought. Noise is a restatement of the obvious, combined with a generous sprinkling of buzzwords that masquerade as expertise. Here is a quote from a major retail bank's internal strategy memoranda: "Our fundamental strategy is one of customer-centric intermediation." Intermediation means that the company accepts deposits and then lends out the money. In other words, it is a bank.

The buzzphrase "customer centric" could mean that the bank competes by offering better terms and service, but an examination of its policies does not reveal any distinction in this regard. The phrase "customer-centric intermediation" is pure fluff. Remove the fluff and you learn that the bank's fundamental strategy is being a bank.

Why so much 'bad' strategy?

Bad strategy has many roots, but I'll focus on two here: the inability to choose and template-style planning—filling in the blanks with "vision, mission, values, strategies."

The inability to choose

Strategy involves focus and, therefore, choice. And choice means setting aside some goals in favour of others. When this hard work is not done, weak strategy is the result.

The Jack Welch quote about "reaching for what appears to be the impossible" is fairly standard motivational fare, available from literally hundreds of motivational speakers, books, calendars, memo pads, and Web sites. This fascination with positive thinking has helped inspire ideas about charismatic leadership and the power of a shared vision, reducing them to something of a formula. The general outline goes like this: the transformational leader (1) develops or has a vision, (2) inspires people to sacrifice (change) for the good of the organisation, and (3) empowers people to accomplish the vision.

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'Template strategy'

By the mid 2000s, the juxtaposition of vision-led leadership and strategy work had produced a template-style system of strategic planning. (Type "vision mission strategy" into a search engine and you'll find thousands of examples of this kind of template for sale and in use.) The template looks like this:

The Vision. Fill in your vision of what the school/business/nation will be like in the future. Currently popular visions are to be the best or the leading or the best known.

The Mission. Fill in a high-sounding, politically correct statement of the purpose of the school/business/nation. Innovation, human progress, and sustainable solutions are popular elements of a mission statement.

The Values. Fill in a statement that describes the company's values. Make sure they are noncontroversial. Key words include "integrity," "respect," and "excellence."

The Strategies. Fill in some aspirations/goals but call them strategies. For example, "to invest in a portfolio of performance businesses that create value for our shareholders and growth for our customers."

This template-style planning has been enthusiastically adopted by all types of business, large and small. Scan through such documents and you will find pious statements of the obvious presented as if they were decisive insights. The enormous problem all this creates is that someone who actually wishes to conceive and implement an effective strategy is surrounded by empty rhetoric and bad examples.

You can have anything you want... you just can't have everything you want



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By now, I hope you are fully awake to the dramatic differences between good and bad strategy. Let me close by trying to give you a leg up in crafting good strategies, which have a basic underlying structure:

- 1. A diagnosis: an explanation of the nature of the challenge. A good diagnosis simplifies the often overwhelming complexity of reality by identifying certain aspects of the situation as being the critical ones.**
- 2. A guiding policy: an overall approach chosen to cope with or overcome the obstacles identified in the diagnosis.**
- 3. Coherent actions: steps that are coordinated with one another to support the accomplishment of the guiding policy.**

I'll illustrate by describing Nvidia's journey from troubled start-up to market leader for 3-D graphics chips. Nvidia's first product, a PC add-in board for video, audio, and 3-D graphics, was a commercial failure. In 1995, rival start-up 3Dfx Interactive took the lead in serving the burgeoning demand of gamers for fast 3-D graphics chips. Furthermore, there were rumors that industry giant Intel was thinking about introducing its own 3-D graphics chip. The diagnosis: "We are losing the performance race."

Nvidia CEO Jen-Hsun Huang's key insight was that given the rapid state of advance in 3-D graphics, releasing a new chip every 6 months— instead of at the industry-standard rate of every 18 months—would make a critical difference. The guiding policy, in short, was to "release a faster, better chip three times faster than the industry norm."

To accomplish this fast-release cycle, the company emphasized several coherent actions: it formed three development teams, which worked on overlapping schedules; it invested in massive simulation and emulation facilities to avoid delays in the fabrication of chips and in the development of software drivers; and, over time, it regained control of driver development from the branded add-in board makers.

Over the next decade, the strategy worked brilliantly. Intel introduced its 3-D graphics chip in 1998 but did not keep up the pace, exiting the business of discrete 3-D graphics chips a year later. In 2000, creditors of 3Dfx initiated bankruptcy proceedings against the company, which was struggling to keep up

Conclusion

Despite the roar of voices equating strategy with ambition, leadership, vision, or planning, strategy is none of these. Rather, it is coherent action backed by an argument. And the core of the strategist's work is always the same: discover the crucial factors in a situation and design a way to coordinate and focus actions to deal with them.

Recommended reading: Good strategy Bad Strategy: The Difference and why it matters by Richard Rumelt

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