

Jomer & Co

Creating a winning strategy

The three essential leadership questions we usually phrase when meeting senior executives are:

- What is the environment in which your organization must compete and win?
- What are those few things your organization must do outstandingly well to win and keep on winning in this environment?
- How will you mobilize your organization to implement these things faster and better than our competitors?

This white paper explores the second of these essential questions and elaborates on how to make the right strategic choice through a clear articulation of customer focus, winning proposition and key priorities, in order to win in the chosen environment¹. Key challenges for the leadership team in this endeavor are:

- Creating a sense of urgency and direct attention to what is important.
- No lasting success has been built without an intense focus on the right things.
- Developing a clear focus is something that most companies find extremely hard to do.

The world serves a never-ending series of temptations, distractions, doubts, and uncertainties. At the root of strategy lies the ability to make good strategic choices. Leadership teams and senior executives must be good at focusing the attention of their people. They lead and communicate, and through their ability to inspire and encourage they influence significant outcomes. They are in charge of organizations that compete vigorously with others. So doing better than rivals is vital. This is where the need for a focused strategy comes in.

A company's strategy is defined by the multiple and varied choices it makes about when and where to compete and how to win the business in the environment it has chosen. True strategic choices require giving up one thing in order to reap the benefits from another. Making strategic choices is by definition hard. And often, the company does not anticipate the need to focus, which results in important strategic choices neither being framed, made, nor appears to being made but falls apart due to lack of action.

An effective choice-focused strategic process positions an organization to make sustainable strategic decisions. A strategy is the chosen way to win in an environment. If the environment is not defined, it is difficult to assess the quality of the strategy, hence rejecting a bad strategy or improving a good one. A bad strategy often ignores the power of choice and focus, and compensates by trying to accommodate a multitude of conflicting demands and interests. A good strategy, in contrast, works by focusing energy and resources on one, or a very few, pivotal objectives, which accomplishments will lead to a cascade of favorable outcomes.

¹ Inspired by the thinking of Willie Pietersen.

Surely, you do not want your management team to bounce around between different topics, never digging in and understanding the core business and what it means. Successful companies maintain focus and sustain profitable growth, while others get lost in a diffusion of possibilities. Companies, which lose opportunities, are most often unfocused and have lost track of the most important things at the center of their core business.

The one with the best insights is likely to win

Knowledge equals power as the old saying goes. But today, when the distinction between true knowledge and mere information has become more important than ever, there is a dense information jungle to pass through in pursuit of finding knowledge to be converted to usable insights. Every business breakthrough starts with a unique insight. The struggle for superior insights is the real starting point for any business competition. The company, which arrives at the right insight first and uses it in an unparalleled way, has a superior advantage. Companies having a systematic process of divergent learning,

which enables them to uncover meaningful trends regarding customers, competitors, own realities, industry dynamics, and the broader environment, have the best chances of finding the right insights first.

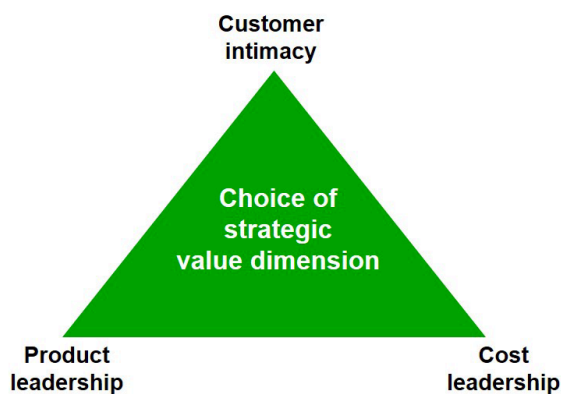


Figure 1. Companies should only choose to excel in one value dimension

Even though strategy has a lot to do with finding the direction, a strategy must also be integrated with choices about the company's identity, purpose, and capabilities. This integrated view on strategy calls for an answer to questions like: *What will this company be? Why will it matter?*

Answers to these questions have to include in which value dimension the company must excel in order to generate superior customer value. There are three dimensions in which a company generates value: product leadership, cost leadership, and customer intimacy. Market leaders only excel in one value dimension, since the operating models are inherently different in the different dimensions. In the other two dimensions, the company has to perform above threshold standard as well as working continuously with operational efficiency. See fig. 1.

Strategy can be said to be the art of making the most intelligent choices

Strategic choices will help a company use its limited resources to win against competition in terms of value creation. Making strategic choices and sticking to them is difficult. It takes courage to choose one course of action over another and to stick to the decision when the pressure of daily business tempts to blur the focus.

To remain competitive today, while also preparing for tomorrow, is not simply a question of getting out of one strategy and into another. On the contrary, you must decide how to maintain the existing business profitable in order to buy the time needed

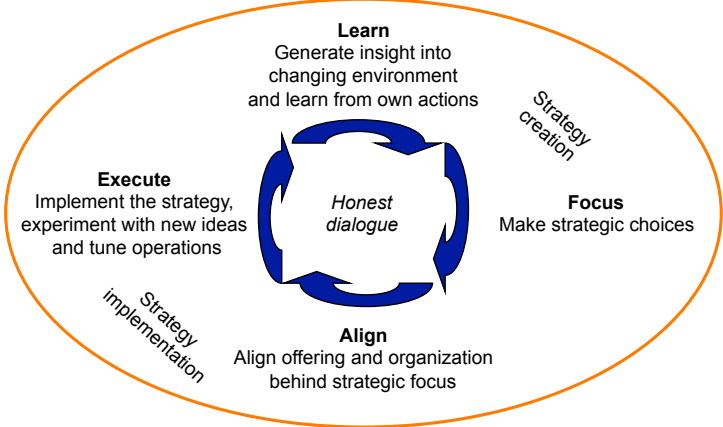
to adapt to the new model. Therefore, the primary leadership challenge is to create and sustain an adaptive company, i.e. a company with a built-in ability to renew itself over and over again. This is important, since winning once is not good enough, a company must be able to win and go on winning.

So, the ultimate job of a strategy is to define how you will win. Or more precisely, the strategy determines how you will use your scarce resources in the best way possible to win. The formula for winning is to build sustainable capabilities, which create greater value for the customers, and at the same time generate superior profits for the company as well as positive benefits for society and key stakeholders. It is not enough to simply delight the customers, which sometimes is easy to do. You need to figure out the composition of the winning formula. First, this is done by reflecting and considering what those few things are that the organization must do outstandingly well to win and go on winning in the selected environment, and secondly focusing on which key things that will really drive success.

Only 42% of top executives are satisfied with the output from their strategy promise

Our research conclusions on the subject of Strategy Creation and Implementation² suggest that 58% of top executives are not satisfied with the output from their strategy promise. Put differently, there is a strategy-to-execution gap close to 60% among the researched top executives in terms of how they perceive their strategy promise and the actual strategy output. 60% of top executives believe that their strategic priorities do not lead to focused implementation and execution. They claim for instance that one reason is that unfocused and unclear priorities are communicated from the leadership team into the larger organization. Thus, many top executives simply do not get the effect

they are looking for from their strategic initiatives.



But is implementation and execution really the problem? Perhaps so, but if the problem is lack of a clear and compelling strategy, the rush to discuss implementation and execution will probably hide the most crucial issues. Unless there is a crisp and clear focus, effective strategy implementation and execution is very hard.

Figure 2. Strategic Learning is a systems approach to strategy and execution

Focus is one of four phases in a virtuous strategy cycle

Strategic Learning is a systems approach to strategy and execution that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees, shareholders and society. The Strategic Learning

² Jomer & Co Research: Strategy Creation and Implementation, 2013.

strategy process framework has a four-phase dynamic cycle of Learn, Focus, Align, and Execute. See fig. 2. These phases build on one another and are repeated to create and sustain a winning performance. The more often an organization repeats this cycle, the better it becomes in doing it, thus enhancing its adaptive capability. The result is a process of ongoing renewal that characterizes a truly adaptive organization.

What does focus mean?

Focus does not necessarily mean being the biggest and most profitable company in the world or even in the industry. Focus means knowing in which direction we want the company to go and knowing what to do and what to stop doing to get there. A senior executive can more or less command the organization to do anything, but not make them do everything. To focus means to think through and answer a set of questions to determine where and how to use the company's scarce resources:

- In which businesses will we compete?
- Which geographies will we target?
- Which customer segments will we pursue?
- What products and services will we offer?
- How will we deliver our products and services?
- How will we create greater value for our customers?
- How we will generate superior profits?
- How will we generate positive benefits to society and our key stakeholders?

The real business focus must be external, e.g. customer dynamics, competitors and shifts in technology, etc. These perspectives must be addressed when considering a company's winning proposition, where and how to win.

Making informed strategic choices

A winning strategy begins with superior insights. The quality of generated insights will have a direct impact on the quality of the strategic choices. Up-to-date insights gained from increased learning of the actual situational context regarding customers, competitors, the company's own realities, industry dynamics, and the broader environment are needed to conclude which key issues and alternatives the business is facing. Situational analysis, as a vehicle for consolidating the main points from increased learning, is a foundation for turning trends and reflection points into insights, and identifying major alternative courses from which choices need to be made. Going through a bridging process, starting with the insights and analyzing the issues they raise, enables the strategic alternatives to emerge and assist in making the right choice. See fig. 3.

There are three main elements involved in defining strategic choices:

- Customer focus
- Winning proposition
- Five key priorities

Customer focus defines which customers will be served and which will not be served, and it identifies what is most important for those customers. The better job one does in identifying and meeting the customers' hierarchy of needs, the stronger and more

profitable the bonds to them will be. Finally, customer focus also defines what products and services will be offered to them. The winner, independent of industry, will most likely be the company that swiftly identifies the most important customer needs and acts to satisfy those needs effectively and better than anyone else.

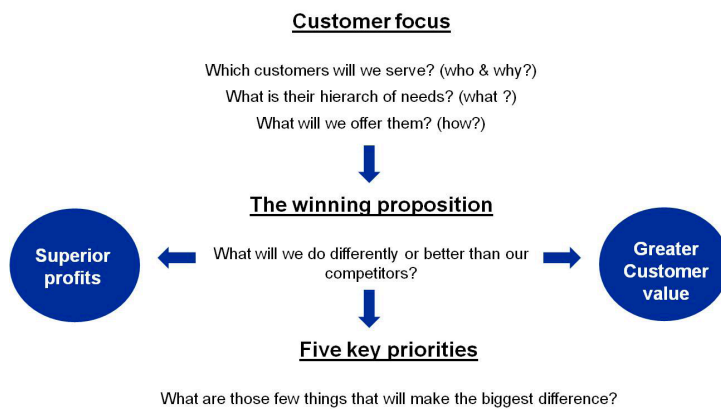


Figure 3. The high level architecture of creating a winning strategy

The winning proposition is the hard currency of a company’s strategy. It defines what the company will do differently or better than its competitors to generate greater value for its customers and superior profits for itself as well as benefits for society and its stakeholders. Winning is not a matter of absolute performance but depends on how well a company performs relative to others. The winning proposition must

anticipate the moves of the competition. This is the essence of strategic thinking. Once there is a clear view on which customers to target and what products and services to offer them, the time is ripe to define the company’s winning proposition. Remember, the challenge is to define the winning proposition, not just a value proposition. The latter is often nothing more than me-too thinking. The winning proposition may be based on a theory of success, but it must always be based on the company’s strengths and capabilities, i.e. what it does outstandingly well.

The five key priorities ensure that bold priorities are made. They should define the most important things a company will do to achieve its winning proposition, i.e. those vital few things that will make the biggest difference. This is the final step in forming the strategic choices, and is done by making a list of the top priorities that will help the company to effectively concentrate and use its resources to deliver the winning proposition. The key priorities are those things one must focus relentlessly on to reach success. Our experience tells us that there is a clear risk that people presented with too many priorities will not remember anyone. Hence, the limit set to five.

An important outcome from making strategic choices and formulating a winning strategy is the formulation of a compelling vision. A vision statement should be a simple and motivating word picture that, yet realistically, involves a stretch of what the organization aspires to be in the future and a statement that provides a clear sense of direction that everyone in the organization understands and will act upon. The desired response from the people should be: *Yes, that’s where we want to go.* When working closely with senior executives, we find that defining the vision statement is best done in iteration with the strategy definition work. By doing so, the vision becomes an extension of the company’s customer focus and winning proposition, i.e. an aspirational statement of where the winning strategy will take the company in the future.

If the strategy definition work results in two or more strategies, management needs to make a clear decision which one to pursue, i.e. the most favorable from a total

stakeholder perspective. A litmus test of a winning strategy is that the company has decided not only what it will do, but also what it will not do. Every time you fail to choose, you are choosing to spend part of your company's scarce resources on the wrong things. The best decision is the right one, the second best decision is the wrong one, and the worst decision is no decision at all. A great winning proposition combined with five clearly stated key priorities is as much about leadership as it is about strategy. It is a call for action and tells people what they will do when they go to work every morning.

The strategic priorities need to be translated into the right operational context with activities defining what must be done to make the strategy successful. This is the task of Align, the following phase in the Strategic Learning strategy process.

Leadership evolution

Many of the senior executives and managers, which we support in clarifying the strategic focus and finding the right strategic choices, have come to understand that key to create conditions that will allow strategy to emerge naturally is through a process we call self-organization. This process highlights the importance of crucial success factors such as individual expression, decentralization, and to induce creativity, the right balance between order and chaos. We believe that traditional forms of top-down control are doomed in a world where no single mind fully can understand the compounded challenges facing an organization. By enabling diversity and using the wisdom of the crowd in a facilitated process, increase the chances to find unique competitive advantages. It creates an environment in which bright insights, unusual perspectives, little known facts, and contrarian approaches have an opportunity to surface and be recognized. But at the end of the day, all these intellectual assets must be focused on making the best strategic choices.

How can we help?

It is impossible to eliminate risks from strategic decision-making, but we argue that it is possible for companies to significantly improve their chances of success when it comes to finding the right strategic focus, making the right choices and developing a winning proposition. Rather than looking for the next musing, it is probably better to be thorough about what we know work and make sure we do that well.

Jomer & Co has long experience and knowledge of helping leadership teams and senior executives to develop strategic choices, including defining customer focus and crafting winning propositions. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running a Strategic Focus Workshop with the management team is a proven process for identifying and structuring strategic choices.
- Conducting a Strategy Audit with focus on a set of strategic options in question. This is a reverse-engineering approach for validating the company's current or planned strategy, as well as the strategic effectiveness.
- Engaging in Strategic Coaching of senior managers' strategic challenges supports and assists them individually in their ongoing strategy development and implementation work.

- Running the Focus Phase of the Strategic Learning strategy process gives management a comprehensive approach to strategy creation.

Jomer & Co

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

For contact and more information, please email info@jomer.se.