

Jomer & Co

Strategic Learning

Most organizations have rigorous processes for work such as accounts payables and receivables, travel expenses and even customer relationship management. However, quiet often organizations lack structural approaches and processes for strategy formulation, which make it difficult to robustly answer with the key leadership questions management need to address:

- 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 go on winning in this environment?
- How will you mobilize your organization to implement these things faster and better than our competitors?

Strategy is a singular thing, since there is one strategy for a given business. Hence, it is not a set of strategies, rather an integrated set of choices. *What is your winning aspiration? Where will you play? How will you win? What capabilities need to be in place and what management systems must be instituted?*

Formulation of strategies is a creative and analytical process. It is a process because particular functions are performed in a sequence over the period of time. The process involves a number of activities and their analysis to arrive at a decision. Tough there may not be unanimity over these activities, particularly in the context of organizational variability a complete process of strategy formulation and implementation is a must to deliver sustainable results to customers and stakeholders.

Background

Often people groan when they hear that the strategic planning season is at hand. They have good reasons. Strategic planning is in most cases 10% strategy and 90% planning, number crunching, forecasting, and budgeting. The vast majority of a company's strategic plans are simply budgets with lots of explanatory words attached. To make strategy more real, interesting and different from a budget, we need to break free from the obsession of planning. In contrast to Miles's Law, the notion that where you stand is a function of where you sit, strategy is not planning — it is the making of an integrated set of choices that collectively position the company in its industry to create sustainable advantage relative to competition, deliver sustainable customer value and superior financial returns. This requires clarity and agreement in the leadership team regarding current and wanted positions in terms of problems, needs, targets and results. This requires a systematic approach to strategy formulation.

The cost of a bad strategy

Too many leaders say they have a strategy when they do not. Instead, they espouse what we call "bad strategy." Bad strategy ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests. A 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 but, by themselves, they are not substitutes for the hard work of strategy. The spread of a bad strategy affects business performance. Heavy with goals and slogans, corporate boards to often tend to sign off on strategic plans, but they are little more than wishful thinking. The hallmarks of bad strategy are:

- Failure to face the problem
- Mistaking goals for strategy
- Fluff, designed to mask the absence of thought

Strategy involves focus and, therefore, choice. And choice means setting aside some goals in favor of others. When this hard work is not done, a weak strategy is the result. Scan through your business strategy documents and look out for template-style strategy and pious statements of the obvious presented as if they were decisive insights. The job of a leader, the strategist, is to craft a good strategy.

The consequences of a bad strategy are often substantial and may result in risky capital investments or wishful acquisitions. Another consequence is the organizational performance aspect. Our experience and research show that up to 35% of an organization's resources too often are spent on non-value adding activities due to lack of strategic insight, focus, organizational alignment and robust execution. The kernel of a good strategy honestly acknowledges the challenges you face and provides an approach to overcoming them. The core task of the strategist's work is always to discover the crucial factors in a situation, and design a way to coordinate and focus on actions to win.

Strategic Learning

Today's competitive environment presents unique challenges for organizations in terms of high levels of uncertainty and complexity, disruptive technologies, and premium on speed, choice, and innovation. These new challenges demand a new type of dynamic strategy formulation. This means creating an organization with the built-in ability to sense and rapidly adapt to changes in the environment on a continuous basis.

The recognition that learning is central to successful adaptation has given rise to a body of thinking on what has come to be called the learning organization. A learning

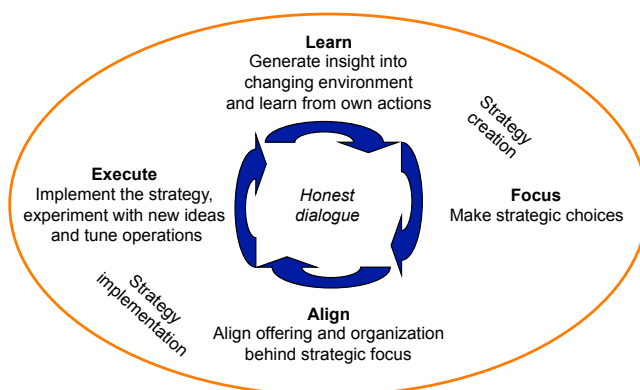


Figure 1. The Strategic Learning Strategy Process

organization facilitates the learning of its members and continuously transforms itself. Learning organizations develop as a result of the pressures facing modern organizations and enable them to remain competitive in the business environment. Strategic learning is a key ingredient of a learning organization and aims at generating learning in support of future strategic initiatives that will, in turn, foster knowledge that lead to improvements

in business performance. Strategic learning¹ is a systems approach to strategy formulation that embraces, develops and disseminates knowledge and is able to adapt to changes in the world so that it benefits customers, employees and shareholders. The Strategic Learning strategy process is a four-step dynamic cycle of learn, focus, align, and execute. See fig. 1. Points of interventions should be made based on actual need for improvement.

These steps build on one another and are repeated to create and sustain winning performance. The more often an organization repeats this cycle, the better it will become at doing it, thus enhancing its adaptive capacity. The result is a process of ongoing renewal that characterizes the truly adaptive organization.

Step one: Situation Analysis (Learn)

The essential starting point in the Strategic Learning process is the Situation Analysis, a systematic exercise in diagnostic learning. The Situation Analysis is the engine room of strategy creation. Its aim is very specific, i.e. to develop superior insights as the basis for the company's strategic choices. All breakthrough strategies are based on a unique insight. The task of the Situation Analysis is to generate superior insights into at least the following key areas:

- Customers
- Competitors
- The company's own realities
- Industry dynamics
- The broader environment

Customer decisions can play a huge role in real strategy formation, particularly in businesses with a few very powerful customers. Companies that stay close to their best customers give them a competitive advantage on product development and distribution.

Step two: Vision and Strategic Choices (Focus)

The vision and strategic choices are the key deliverables of strategy creation. They are based on the insights generated in the Situation Analysis and represent the strategic focus of the company. A vision is a concise word picture of what an organization aspires to be in the future and provides a clear sense of direction that everyone can understand. Coherence is essential; the vision should be an extension of the company's strategic choices, not a thing apart. Strategy is about making choices. No lasting success has ever been achieved without an intense focus on the right things.

A successful strategy shall focus on one of two things, either to do things that no one else does or things that others do, but in a different and better way. Trying to compete with doing the same thing in the same way is not meaningful. The way decisions are made throughout an organization has vital consequences for strategy. The Strategic Learning process is designed to ensure that your choices are based on insight rather than on guesswork and that you make the most intelligent choices possible.

¹ Inspired by the thinking of Willie Pietersen.

The Strategic Choices contain three elements:

1. *Customer Focus* that defines which customers the company will serve (and which it will not), and what products or services it will offer them.
2. *The Winning Proposition*, which answers the question, “What will we do differently or better than our competitors to achieve greater value for our customers and superior profits for our company?”
3. *Five Key Priorities*, which is a list of the top priorities to pursue to realize the winning proposition.

Before moving to the alignment step in the process, the strategic priorities need to be translated into operational goals that clearly spell out what must be done for the company’s strategy to be effectively implemented. Crafting strategy is an iterative, real-time process; commitments must be made, then either revised or stepped up as new realities emerge.

Step three: Align the Organization

Now when strategic choices and gaps to be bridged have been clearly defined, a company is ready to tackle the issue of strategy implementation. The big question is: “How do we get our organization to do what we want it to do?” In large, complex organizations, this can be a daunting task. For many executives, this is the hardest part of all. The right disciplines, measurements, and accountabilities must be applied to closing the gaps, and follow-through must be relentless.

Many strategy analysts ignore the role operating managers have on strategy outcomes, assuming that these managers are too tied to the operational requirements of the business to think strategically. Senior executives tend to overlook the very real impact of operating managers at their peril. The “silo-logic” of traditional thinking is not enough, a systems view of the organization need to be applied. For implementation of any strategy

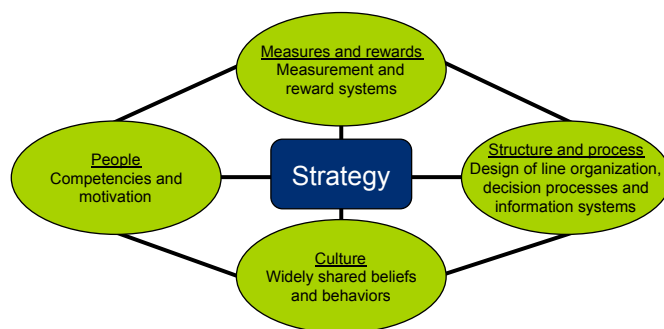


Figure 2. The organization in its broader sense

to be successful, all the key elements of the business system must reinforce each other in support of the strategy. 94% of the variations in managers and employee’s performance can be traced to an organization’s system. Therefore, it is important to focus on understanding and developing the organization as one system. Taking a systems view is to look outside in to understand how demand, value and flow will result in a better fulfillment

of needs from the customers’ and stakeholders’ point of view. No single element of the organization can on its own do the job. See fig. 2. It is necessary to examine each element in turn and make the changes necessary to ensure that they are acting in concert to support the strategy. Now is the time to update the business plan.

Step four: Implement and Experiment (Execute)

Effective alignment, as described in Step three, ensures that the company's key organizational resources and the energy of its people are concentrated as a powerful driving force behind the strategy. The company is now in a position to execute the strategy successfully and rapidly. Step four is the actual implementation phase of the Strategic Learning process. It should include a deliberate set of experiments to fuel organizational learning. We will never know for sure what is going to work. Like nature, we must maximize our chances of finding favorable variations through continuous experimentation. Step four then feeds back into the Situation Analysis, and the company updates its insights, learning by examining its own actions and by rescanning the environment, and then modifies its strategies accordingly. The process never stops.

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.