

THE BIG QUESTIONS

PURPOSE, INTENT, UNIQUENESS, VALUE, OPPORTUNITY

By Neville Lake

All strategy starts with strategic thinking.

This is not the same as the kind of thinking that you do every day. Strategic thinking is different because you have to step back from your organisation and see the possibilities (rather than the problems), the important characteristics (rather than the urgent tasks) and the opportunities (rather than the obstacles).

Your thinking is determined by the kinds of questions that you ask, and to be able to think strategically you need to challenge yourself with different types of mental puzzles. In this article I have outlined three big strategic and four key tactical questions that will put you in the right frame of mind to make sure that you can master the real art of strategic planning.

THE THREE BIG STRATEGIC QUESTIONS

Every business has the opportunity to be spectacularly successful. The trick is to find the pathway between where you are now and where that success lies. To do that you need to be deliberately different from everyone else. To define your difference and point the way to the success of your business you need to find answers to the following questions:

- What business are you in?
- What's your strategic intent?
- What makes you unique?

What business are you in?

This is a deceptively difficult question. Very often when you ask a group of managers to answer this question they will give different answers. This is a problem that is more significant than it may initially seem.

Much of what strategic planning is about is limiting the amount of time you spend on low value adding activities so that you can concentrate your time and effort on those that will return the greatest profit – now and into the future.

To help you to start to answer the question 'What business are we in?' let me give you a straightforward exercise. Get a group of your senior managers together and ask them to define what your business is all about. They're not allowed to use jargon and they're not allowed to use familiar terms.

When they have created that description ask them 'why?' Ask them why you do the things you do in terms of value to yourselves and value to your customers. When you

have got that new definition ask them 'why?' again and when they've created yet another definition ask them 'why?' one more time.

Now have a look at the definition that you have created at the end of the 'four why?' questionings (you could push it to five, but they may be finding this hard going and be starting to get annoyed) and compare this definition with the one you first created. It is going to be different. You have now got a much clearer picture about what business you are really in. You have a mission.

What is your strategic intent?

Once your business is clear you need to be sure what it is that you want to do with it. This is your strategic intent. It should be a relatively simple statement that defines a point you want to attain.

Think about what possibilities there are for your business if you achieve the kinds of outcomes that are possible for a business like yours (refer back to the mission you have just created). The chances are that there will be a number of different scenarios. Get your CEO/ executives to pick the one scenario that they like the most. Work back from there and decide what types of projects, targets and activities you need to put in place to enable you to take the journey from where you are today to where you may want to be in the future. You now have a vision and a sense of what the journey could involve.

You are clear in your mind where you are now, you have got a picture of where you want to go in the future and you have some milestones along the way. Before taking a brave leap forward you need to ask the next question.

What makes you unique?

If you own or have or can do something that nobody else has/can - then you have 'uniqueness'. If customers are interested in that uniqueness then you're going to be busy. If customers are prepared to pay a premium for that uniqueness then you're going to be rich.

Having a uniqueness of some kind is particularly important for strategic success. A good way to focus your attention on your uniqueness - or if you don't have one it helps to create one - is to imagine that you had a huge billboard that is seen by many hundreds of thousands of people during the day.

Imagine that you have two sentences to put in the middle of that billboard to describe what your business does that nobody else does and that expresses the value of this from your customers' point of view. It has to be something that will bring your customers back to you over, and over, and over again.

What are you going to write on your billboard?

**THIS IS WHAT WE DO THAT NO ONE ELSE DOES.
THIS IS WHY IT IS REALLY IMPORTANT TO YOU.**

If you do not have a clear uniqueness then ask your executives to list your key products/ services. Ask them to show which competitors there are for each of these products/ services. Now, ask them to identify what makes your business unique for each one. Then ask them to develop a statement that describes your uniqueness.

Product/ Service	Key Competitor	Current source of uniqueness	Possible source of uniqueness

If you can't find your uniqueness here then maybe it is in the strength of your relationships with customers, or the information you own, or in your distribution system or maybe it is your price (but you can only get away with this one if you also have a way to keep your costs lower as well).

If there is no uniqueness then you can still be in the game, but it is like playing tennis with everyone else using a racket – and you are holding a fish.

Struggle with this and decide what you have to do to create a uniqueness - and then do it.

This may be a difficult exercise, but once your uniqueness is clear you can let it shine through all your sales and marketing material - indeed through everything you say and do.

So, the first question helped to identify which activities deserve your time and resources. The second question gave you a way to prioritise those activities and this question has shown you which of those activities is critical because they drive your uniqueness - and it has also given you a way to describe your business to customers. The strategic stage is set, let's consider some tactical issues before we go too far.

THE THREE KEY TACTICAL QUESTIONS

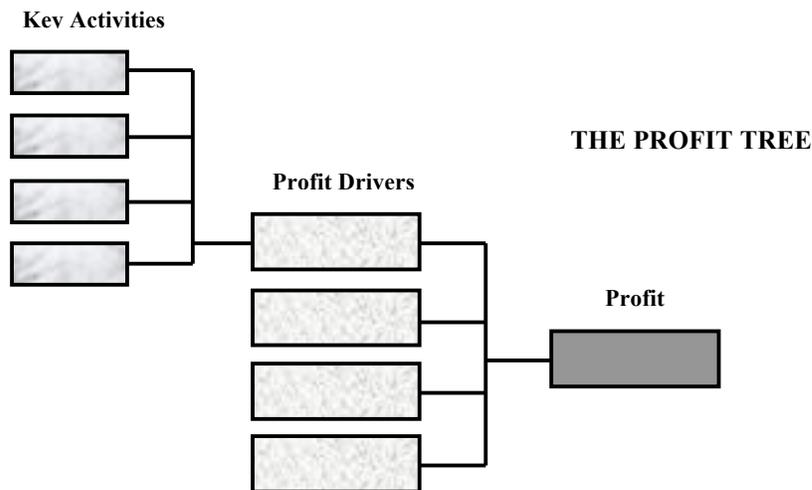
These questions are:

- What drives your business?
- What are the areas of greatest opportunity?
- What must you do to sustain optimal levels of performance?

What drives your business?

That is a key question not only for operational emphasis but also for day-to-day tactical decisions that you take that affect your future. You need to be able to identify what supports success so you can concentrate your resources and effort on those few activities that generate the greatest results for your business. This is about running a business well – not directly about strategy. However, you need to understand this thoroughly so you know what effect strategic changes may have on your business (and to make sure you don't inadvertently throw out something important by mistake).

A great way to think about drivers is to draw a profit tree for your business.



The box on the right hand side represents the profit – it is the end result of all the activities that you complete. The profit itself is a blunt measure. (Telling someone to ‘get your profit up’ does not actually help them work out what they are meant to do).

You need to come back one step and identify the key drivers that lead to this profit. In most organisations there will be 4 – 6 of those (they may have key performance indicators attached to them).

This level of analysis is still too blunt. You need to come back one step further to the activities that support these key profit drivers. These are the parts of the business that you need to keep your eye on, because these are the ones that deliver success in the future.

Each one of these activities requires a budget and a target. These need to be set with reference to your future intent. If you manage your business to deliver these budgets and targets then you will be able to make sure that you become the kind of business that you want to be - and deserve to be.

What are the areas of greatest opportunity?

The well-established 80/20 (Pareto) rule still lives - and can be applied successfully to all kinds of business situations. Once you can see your best 20% and your least valuable 80% you can make decisions about effort and resources allocation.

Let me suggest you identify the bottom 20% of activities, products and services and work very hard to get rid of those items. Typically it is these that clog up your business, sap you of your resources and probably do not return the kind of value that you want.

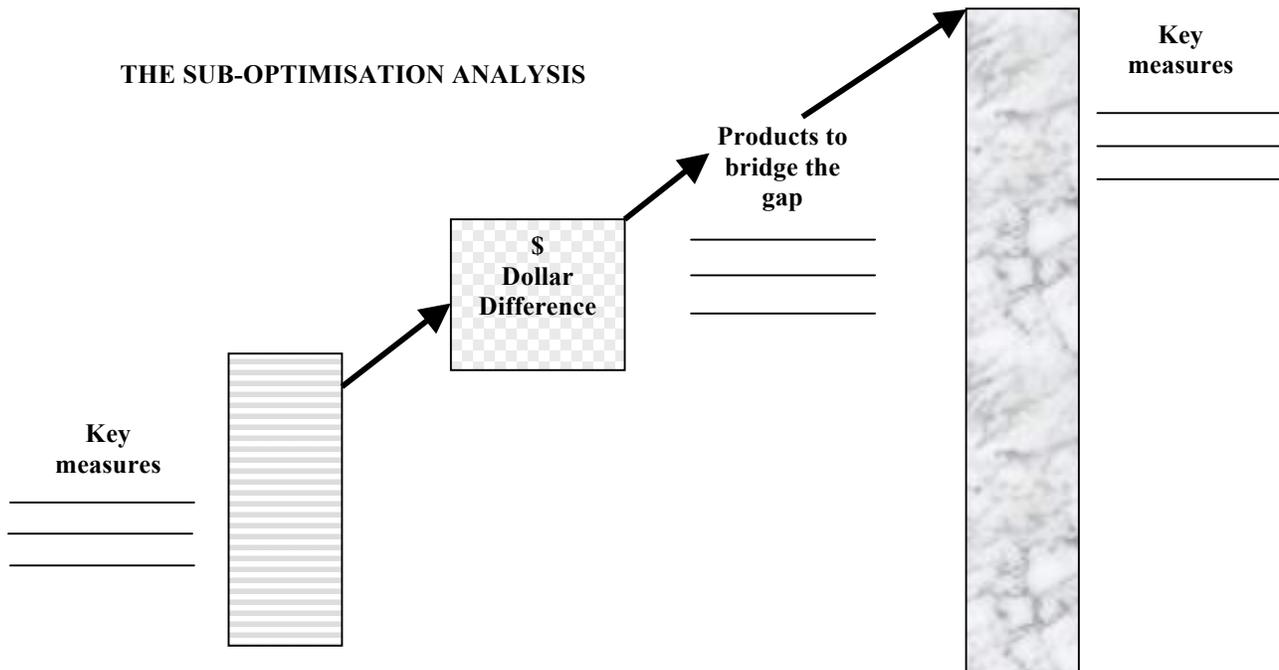
Keep on trimming away your bottom 20%, and you will end up operating in your areas of greatest opportunity.

What must you do to sustain optimal levels of performance?

Now you need to make sure that all the great work that you have done so far doesn't come off the rails as you progress into the future.

The best way to do that is to focus on 'the gap'.

Let me explain what I mean by 'the gap' because it is a powerful way to make sure that you can stay on track and arrive on target. Consider the following picture.



On the right hand side of the picture is a tall bar. This represents the optimised state for your business. The state that you would be in if everything functioned in the best way possible and the outcomes were at their most spectacular levels. It is your business having a whole series of its best days.

Describe the optimised state using your current business measures, and place that description by the tall bar. So, for example, if one of your measures were ‘sales dollars per month’ then the optimised state would be the greatest amount of sales dollars that you could (realistically) achieve.

Now have a look at your current state, and record your actual performance next to the short bar. You are probably some distance away from your optimised state. The chances are that at the best, you are at 80% of where you should be, and it is not uncommon to be at 60% or less of the optimised state. The difference between where you are now and where you could be is ‘the gap’.

Work out how much this gap is worth to you in dollar terms. That is to say if you were able to jump from where you are now to where you could be and indeed should be, how much more money would you make and how many costs that you have in the business today would you be able to get rid of.

Now, develop a list of projects that will help you to bridge this gap. There is every chance that this list is not the current list of ‘key projects’. This sub-optimisation analysis helps you to strive to reach a different level of performance. (If you are excited by this concept, then I have written a whole book on the subject “The Third Principle – how to get 20% more out of your business”).

I suggest that you use the gap as a key measure in your business. It is much more revealing than looking at ‘efficiency and effectiveness’ kinds of measures and can be much more powerful than using traditional budgets and targets (which are generally generated by looking only at extending today’s performance into the future). Using the gap you will be able to drive your business to the level of performance, which is rarely achieved in most organisations today.

So, we have covered the big strategic questions and tactical questions. I suggest that you create a list of these and stick it somewhere where you can see them every day. Think about these questions often, and you will be amazed how they lead to successful strategic thinking.



Neville Lake is the author of six books including “The Strategic Planning Workbook,” which is an international bestseller and part of The Sunday Times series of management books.

He has developed an intensely practical approach to strategy and strategic planning and his methodology has been used by thousands of businesses around the world.

Neville has visited over 100 world best practice organisations, advised over 150 businesses and has been applauded by over 500,000 people around the world.

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