



8 April 2011

ARE YOU ASKING THE RIGHT STRATEGIC QUESTIONS?

Questions you might ask to stress-test your strategy

1. Does your strategy tap a true source of advantage? Advantage can be positional (e.g. a market incumbent) or due to special capabilities (e.g. distinctive capabilities).
2. Is your strategy granular about where to compete? Many organisations have a focus which is too broad and this often dilutes efforts (and success).
3. Does your strategy put you ahead of trends? The warning is that too many strategies focus on the status quo rather than inevitable change.
4. Does your strategy embrace uncertainty? Many companies could benefit from strategic processes that help reduce ambiguity, allowing more ambitious strategies.
5. Is your strategy contaminated by bias? Sometimes strategies fail to deliver because of unforeseeable events. However, more often, they succumb to the curse of fuzzy thinking and faulty logic.
6. Have you translated your strategy into an action plan? Does everyone know what needs to be done and how you are going to get there? Are you ready for the change?

Mistaken assumptions

The senior leadership team sat reflecting on the most recent financial results. Their two-day strategy session was barely 45 minutes old. Most of that time had been spent "getting to know you", clarifying the purpose of the event, and sketching the strategy development process. Following an opening statement by the CEO, the CFO had just presented the most recent financials. The team commenced their first round of commentary and generation of strategic insights. Financials were particularly critical, since the company anticipated pursuing a vigorous turnaround strategy.

Tabling the most up-to-date financial results is an important, but small part of the UGM strategy process. It's among the first of many perspectives considered in developing a robust strategy. Truthfully, the run-sheet had allocated the usual 15 minutes maximum for this component. But that timing went woefully awry with the simple, but obviously very penetrating question in the context, "How do you make your money?"

Over an hour later, we still didn't have an acceptable answer! However, our client had identified a key gap in strategic insight. Knowing what you don't know can sometimes be as strategically important as what you do know. The team was able to press on with the process, agreeing to get data that would help fill the gaps before Day Two.

As it turned out, when furnished, those insights about source of revenue proved pivotal in the subsequent strategy development process. It emerged that misalignment with obvious opportunities, which exploited company strengths, was a major shortcoming. Rectifying this alone played a significant role in achieving turnaround success less than a year later. Insights generated from that single question were still directly impacting strategic direction and action even two years later.

Good questions are powerful strategic instruments

You've no doubt heard JFK's call to the American people to, "Ask not what your country can do for you, but what you can do for your country". His younger brother, Robert, also harnessed the power of questions. He made famous an adaptation of a question posed by the serpent, a character in a George Bernard Shaw work: "Some men see things as they are and say why. I dream things that never were and say why not."

Good strategic questions are often in themselves powerful strategic instruments. They can, at the very least, be as useful as other strategic tools. For example, sophisticated financial modelling or analysis of current market conditions. They are essential to a robust strategy development process

claiming to be evidence-based. Carefully chosen, they will interrogate the available data and deliver valuable insights. Another set will help synthesise those insights and develop possible strategies. Finally, questions will help challenge and stress-test options and determine the final strategy. And even then, there are more to come. Strategy monitoring and evaluation are also heavily dependent on quality questioning.

For all the reasons provided, good strategic questions are essential in all organisations. Furthermore, they are also undoubtedly at the very core of any great game-changing strategies!

Questions to ensure you start on the front foot

A good place where you can start using questions to bolster your strategy relates to your process itself. Professor Donald Sull, of the London School of Economics, highlights the importance of holding the right conversations with the right people. You might simply ask, "Are the right people in the room?" Sull observes that those who will ultimately do the work should be included. Another simple question, "What are we talking about?" can reveal a lack of shared focus during discussions. Another key question is, "Are we talking about the right thing?" All too often the strategy process is subverted by conversations that are out of synch. For example, focusing on choices before adequately examining all relevant factors. Sometimes, groups even miss crucial phases in the strategy process altogether. Regularly asking, "Are we skipping key conversations?" can minimise the risk of this occurring.

Questions to test your strategy

Bradley, Hirt and Smit of McKinsey point out that strategy is more a way of thinking than a particular set of processes or frameworks. Ultimately though, it does lead to 'the strategy' which organisations will pursue. From workshops with over 700 top strategists and a survey of 2,135 senior executives, they developed ten key questions to "stress-test" strategies. Interestingly, their survey discovered that most companies did not do well at all on these basic strategy tests. Only 10% scored seven or higher; 25% fell in the 4-6 range; and 65% passed 3 or fewer tests.

The researchers conceded that it's possible for a strategy to succeed without 'passing' all 10 tests. That being said, the results are nevertheless sobering. How does your strategy stack up? We've included six of the tests (questions) in our side-bar to allow you to run a quick stress-test of your own strategy.

Capturing the sentiment of JFK's questioning, is it time to ask not what your strategy can do for you, but first, what good questioning can do for your strategy?