Are You Strategic?

By Rich Horwath

I was thrown out of college for cheating on the metaphysics exam; I looked into the soul of the boy sitting next to me.

Woody Allen

Writer, Director & Actor

Until now, looking into someone's soul is about the only way we've had to guess at whether or not someone is "strategic." In many organizations, it is assumed that senior executives are strategic and lower-level employees are not. As you might imagine, strictly using someone's title to determine their strategic ability is as accurate as using a Hollywood star's popularity to determine their knowledge of political issues.

Leadership research by the American Management Association has shown that the most important competency for a leader to possess is the ability to develop strategy. Unfortunately, when researchers examined leaders at all levels in organizations, they found only 4 percent could be classified as strategists. According to the Institute of Directors in London, the wide gap between the importance of strategic thinking and the percentage of leaders that actually are strategic can be attributed to the fact that 90 percent of executives at the vice president level have had no training to become competent strategists.

There are three defining principles that great strategists continually apply to their business in order to enable them to outperform their competition:

1. Create Differentiation

Differentiation for competitive advantage in business has its roots in science. In 1934, Professor G.F. Gause published the results of a landmark study. In the study, he placed small animals in a bottle with an ample amount of food. If the animals were of the same genus and a different species, they were able to live together peaceably. However, if the animals were of the same genus and the same species, they were not able to coexist. This led to the Principle of Competitive Exclusion, which states: No two species can coexist if they make their living in the identical way.

Open the newspaper and read about the struggling companies … it's a good bet that one of the reasons they struggle is because they fail to pay heed to the Principle of Competitive Exclusion. They are stuck doing the same things in the same way as their competition. Jeffrey Immelt, Chairman and CEO of GE, has written, "GE must look different … act different … be different … to excel in the years ahead." Notice he didn't write that GE must be "better." He specifically chose the word "different" and used it three times to emphasize his company's understanding that the road to success in business is paved by differentiation from the competition.

What do Johnny Cash and the Mini-Cooper automobile have in common? Johnny Cash didn't have the best singing voice and the Mini-Cooper isn't the highest performance automobile on the market. However, they have both been remarkably successful, not because they were "better," but also because they were different from their competition in ways their core customers valued. Strategic leaders are continually asking two questions:

What are the different activities we're performing than our competition? What are the similar activities we're performing in a different way than our competition?

2. Focus Resources

Focus demands that we have the discipline to allocate resources to specific areas and activities, rather than spread them evenly across the business. Focus comes from the ability and willingness to make tradeoffs. Tradeoffs are about choosing one path and not the other, and they involve incompatible activities—more of one thing necessitates less of another. In most industries, one can choose to be the leader in researching and developing new products or the leader in providing low-cost goods, but cannot do both without bearing major inefficiencies.

Making tradeoffs is one of the most difficult tasks for most managers, and the result is they rarely do make the necessary tradeoffs. Instead, they hedge their bets and abide by the adage of "trying to be everything to everyone." Therefore, good leaders cannot afford to be like Farmer Brown. In the morning, Farmer Brown hops on the tractor and spreads fertilizer evenly across the crops in hopes that everything will grow. Strategic leaders don't spread their resources evenly across the business in hopes that everything will grow as well. If they do, their business will ironically end up in the same condition as Farmer Brown's fertilizer.

Strategy is as much about what you choose *not* to do, as it is about what you do. Focus requires tradeoffs and tradeoffs require risk. Those leaders not willing to take risks will never make it to the top of the strategic summit. Two questions to begin thinking in terms of focus: What potential offerings have we chosen not to provide to customers? Which potential customers have we chosen not to serve?

3. Design Systems

From the coral reefs of Cozumel, Mexico to the Amazon rain forests to our own bodies, life is comprised of systems. Strategy is no different. Great strategies are comprised of a system of activities that tightly fit together and act as a shield to competitors attempting to copy your successful business. As an example, if there is only one activity comprising a strategy, the chance a competitor can successfully copy it is relatively high; 90 percent or .90. With three activities comprising the strategy, the probability of a competitor successfully emulating the strategy drops to 73 percent. Creating a system of strategy involving ten activities significantly diminishes the competitor's ability to copy the leader.

While the aim is not to have dozens of activities simply for numerical sake, thoughtfully creating an interconnected web of complementary activities is of great value in maintaining a differentiated strategy from the competition.

Strategic leaders ask two questions relative to their system of strategy: How many activities currently comprise the strategy? What are the three to five strategic themes that are going to be the centerpieces of the strategy system?

Soul Searching or Truly Knowing?

Organizations can continue to operate in first gear with only a handful of people strategically contributing to the business, or they can tap into the deep reservoir of insights that are waiting to be awakened in managers at all levels. Ensuring that managers are leading with the three principles of strategy – differentiation, focus and a system – will go a long way in raising the strategic competency of your organization.

About the Author:

Rich Horwath is an author, speaker and strategy trainer who helps organizations develop their leaders' strategic thinking skills to achieve competitive advantage. He is the president of the Strategic Thinking Institute, a former Chief Strategy Officer and professor of strategy at the Lake Forest Graduate School of Management. Rich is the author of three business strategy books, including his most recent, "Strategy Espresso." For more information, contact Rich at (847) 756-4707, or to receive a free copy of his monthly e-publication *Strategic Thinker*, visit www.strategyskills.com

Сложность " Девять месяцев и вся жизнь. Роды нового тысячелетия "в том, стоит ли говорить по "
Красное и черное
"линии, доступной всем.

Лицо Чиуна внезапно съежилось, морщины " с День за днем. Каждый день подарок Божий. Дневник православного священника "словно стали глубже.

Это послание от мистера Вустера.

Я встретила " Как читать символы. Интенсивный курс по символам и их толкованиям "его на следующий " Церковнославянский язык "день после того, как ушла из дома.

Надо " История на миллион долларов: Мастер-класс для сценаристов, писателей и не только "думать, она была красотка.

Греки дерутся с персами, греки " Комплект карточек "Насекомые" 16,5x19,5 см. "дерутся друг с другом, священные обряды, " Крещение Руси - благословение или проклятие? "Олимпийские игры, стихи, трагедии, описание попойки " Древний Египет: Женищины-фараоны "в честь божества " С.С.С. (Скрытые сексуальные сигналы) "по имени Дионис, ну и, конечно, списки гонораров ассасинам.

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