

Discovering Winning Strategies

by Atilla Habip

Where do winning strategies come from?

Management literature is full of theories on **strategy development**. Every academic, guru, or consultant seems to have a point of view, yet do any of these actually help at all in strategy formulation? Has anybody really used the 5 forces model to create a winning strategy? Having worked on dozens of strategies across industries, I have never been able to apply any of these frameworks to my satisfaction.

I suggest that the problem starts with the term “development.” Can winning strategies be “developed”, or are they “discovered”? Developing sounds better, no doubt. Executives are expected to *do* things, and developing your strategy is one of those things you do. It goes with an active approach, control, hard work and sweat.

Discovering, on the other hand, sounds too passive, non-MBA-like, almost un-American. **I will argue, however, that the role of senior management in strategic management is much more about discovery than development.** The right verbs are researching, studying, observing and experimenting—the vocabulary of the scientific mind.

Most strategy development efforts start with the premise that we will first understand our options, weigh pros and cons, and decide on a direction. But as progress is made, options start to dissolve, or simply become scenarios of a major theme. If there is a series of options in the Board presentation, it’s simply to appear open-minded. Most likely, the CEO has long decided on the path and the game will be played to confirm his path.

“Developing” a strategy implies that you have many choices, and that you will put together the pieces that optimize the path for your firm. Think about engineers at Ford developing the next-generation Explorer; they are making many small decisions that lead to a new product. This is development. If they choose wisely, the next Explorer may succeed better. Either way, they have many choices.

Not so in strategy! In fact, one of the most misleading myths in management today is that organizations have strategic choices.

You don’t like hearing this—do you? As an executive, you prefer to think that you will actually architect the strategy. I am not saying that the strategy is not yours, that its success or failure will not be up to you. But I am arguing that the mindset of “developing options” is inappropriate, that your job is to *discover* the right path. Your main challenge is to cut through the noise.

In any organization, at any given time, there is one clear winning strategy. There may be variations to the theme, but in broad terms, only one strategy can be ideal; everything else will waste resources and shrink your organization's potential.

The Winning Strategy has to balance:

- Business opportunities (in light of competition, regulations, and available resources)
- Organizational capabilities (in light of realistic future changes)
- Risk profiles of stakeholders

The objective of the strategy, then, is to push the envelope at the intersection of these three dimensions. In a typical business, for instance, the key question is: *What is the largest opportunity that can be targeted, given the current and future organizational capabilities and consistent with the stakeholders' risk profiles?* The art of senior management is to discover that peak point, articulate it in motivating terms, and translate it effectively into action. That is hard work.

Executives who are successful at this tend to research, listen and reflect a lot. They focus more on facts, and keep questioning their troops. They tend to spend more time with their customers, carefully listening to needs and reactions. They delegate mundane tasks as much as possible. They make time for quiet reflection. They search for patterns. They know that if they listen hard enough, the right answer will be there. For Dell in the early 90's, struggling with the retail channel, the answer was simply "direct". Dell's tremendous growth followed that one basic insight into market leadership.

In contrast, "development" executives want to skip this stage and quickly get to action. They are excited about the carefully engineered steps that will leave the competition behind and look forward to rallying the troops in the new direction. None of this is wrong. Unfortunately, often it is not enough. This wonderful action orientation tends to leave some stones unturned. Major facts may be unknown or key assumptions are untested. The rally cry may hide these shortcomings, and short-term successes may further reinforce the chosen direction. But eventually, the reality catches up. If there were any major problems with the strategy, they start to bite. "Unexpected developments" get the blame. Soon, the firm is strategizing again. While this may be good for some staff and consultants, it is usually not good for business—think AT&T under Armstrong's leadership.

So what to do? I am afraid there is no cookie-cut process that works. But there are major steps to consider when you are looking to make strategic decisions.

- Tell yourself that you will *discover* the right direction. Start thinking like a scientist immediately.
- Collect the facts. I have often been surprised by how businesses make decisions without the relevant facts, even when the facts are available with minor effort. Often the organization collectively knows many of the key answers, but they have

never been integrated and remain useless in a strategic context. The factbase should be externally focused—on customers, industry trends, current and emerging competitors. Building the factbase is crucial, and every effort to enhance and refine it should be seriously considered.

- Synthesize. This means analysis and more analysis. Give yourself time and resources to explore broadly, assuming that some paths will lead nowhere. Brainstorm with unusual teams. Ground yourself in the current reality. Get lower-ranked people involved. Experiment with ideas. Pilot when appropriate. Play out scenarios of the future. Observe and reason competitor moves. Look for similar patterns in other industries. Search for defining events in your industry. Role-play. Think very hard.
- Listen very hard. Step away from facts and figures. Envision the future. It is at this stage that you should discover the answer. It should be an easy-to-tell story. If not, keep listening. Most successful strategies look very obvious after the fact.
- Communicate. Use visionary terms, tie to the past, and build on the present. You will repeat this story many, many times. Get it right in the beginning.

Cutting through the noise and discovering the right strategy is a difficult art. The steps above can guide you, but mastery, like any art form, requires relentless practice and a constant refining of one's skills. The next time somebody suggests that you should develop a new strategy, say you don't do that. But keep searching every day!