

KEYS TO SUCCESSFUL STRATEGIC THINKING

This tool describes the characteristics of a successful strategy. It lays out a series of strategic questions, recommendations, and strategic options. It shows the traps to avoid. We recommend this as an excellent guide to all strategic planning processes.

Introduction

If you want to think strategically, we advise that you start with the end in mind. To have a sound strategy, you must be able to answer these questions:

- What is your vision of success? What specifically do you hope to achieve in terms of impact on society, value for customers, and financial return?
- What are the products and markets in which you choose to compete? Where do you choose not to compete?
- Exactly what do you expect to do differently or better than your competitors to be successful?
- What critical assumptions are you making about the competition and the environment? Are you sufficiently confident in them?
- What are the major tradeoffs you must make in order to achieve the strategy? (In other words, what have you committed *not* to do?)
- Where will you put your priorities in allocating resources (money and effort)?

Traps to Avoid

Having a strategic vision also means not getting mired down in old conflicts or debates. Instead:

- Think flexibly.
- Don't let the "perils of perfectionism" trap you.
- Keep details in perspective.
- Probe for the key factors of success. What are they in your industry?

Overall, avoid doing the same thing, on the same battleground, as your competitor. The most effective shortcut to major success is to jump quickly to the top rank by concentrating major resources early on at a single strategically significant function, becoming really good and competitive at it, and then moving to consolidate a lead in other functions.

Capitalize on Synergies

Successful strategies are internally reinforcing. What works well in one area also contributes to success in another. In the financial arena, for example, large institutions that combine retail and investment banking services can operate on a different scale – and provide measurably greater service – than traditional investment banks. The synergies between deposit taking, credit giving, and investment banking are considerable. If you find that your various business lines or business units are not yielding synergies, then either the strategy is wrong or the implementation is flawed.

Find Your “Leverage Points”

It's important to identify your strategic leverage points. To do that, ask yourself this question: “Where is there a gap between what our customers want and what they're getting?” Focus your efforts on segmenting the market according to user objectives and developing a differentiated set of strategies for reaching each segment.

When the company's investments aimed at satisfying one segment's objectives reach a point of diminishing returns, the strategic thinker will explore other user needs and search for ways to satisfy them.

Four Basic Strategies

There are four ways to gain position relative to your competitors:

1. **Readjust your allocation of resources.** Bring resources to bear on one crucial point where your company sees opportunity to gain strategic advantage over your competitors. Intensify the differentiation using marketing tools.
2. **Exploit differences in competitive conditions.** Exploit areas where you're not competing, or make use of differences in composition of assets. In other words, exploit competitors' weakness.
3. **Strategy of aggressive initiatives.** Challenge accepted assumptions with goal of changing the rules of the game. Upset key factors of success on which your competitors have built their business.
4. **Strategy based on strategic degrees of freedom.** Innovate. Go into areas untouched by competitors.

Strategic Questions

Here are the questions you should be asking yourself as you compose your strategy:

- In our industry, are customer wants well-defined and understood by the industry, and is the market segmented so that differences in those wants are treated differently?
- Is the business equipped to respond functionally to the basic wants and needs of customers in the defined segments?
- Do competitors have different sets of operating conditions that could give them a relative advantage over our business?

Characteristics of a Successful Strategy

- The characteristics of the competition are known in detail.
- The environment of the competition is equally well understood.
- Your own strengths are objectively appraised.
- The strategy is *not* based on the obvious exercise of known strengths. (That's not a strategy, just a plan.)
- The strategic goals are very explicit.
- Measurement objectives are attached to every goal.
- The goals are communicated, so your organization knows where it's going.

If you've got answers to these questions, you're in a strong position – at least for the moment. Remember, your strategic vision is a work in progress. The road to success is always changing.