Galavan, R. (2004) Doing business strategy. In: O'Connor, M., Mangan, J. and Cullen, J., (Eds.) IMI handbook of management, pp. 365-392. Cork, Ireland: Oak Tree Press

19: DOING BUSINESS STRATEGY

Robert Galavan

Key Learning Objectives

- ☐ Understand what strategy is.
- ☐ Get an introduction to the key tools of strategy.
- ☐ Identify the key elements of the strategy planning process.
- ☐ Learn what contributes to successful (and unsuccessful) strategy implementation.

Let me start by nailing my colours to the mast and stating that strategy is an essential element of all organisational success. Now some will easily agree with that statement, while others will provide a ferocious challenge in the name of luck and serendipity. Those who argue against strategy as an essential element of success will put forward the case of some organisation they know of that had no idea where they were going, but got lucky and made it big.

One fundamental flaw in this, and many other, arguments like it, is an assumption that you can have "no strategy". It is certainly conceivable that an organisation may have "no explicitly shared plan", but individuals will always have some sense of what they want … dreams of the future count as plans. The other fundamental flaw in the argument is the belief that "a plan" means "a strategy". Certainly plans form part of many strategies, but the absence of a plan does not mean the absence of a strategy.

Even in an organisation that does not plan, every action taken is a step in implementing a strategy. The guidance for strategy in such circumstances comes not from a view of the future, but from the experience of the past and the ingrained cognitive characteristics of the strategic leaders. Even without plans, people and organisations do not behave randomly. They follow a course, which may not be linear or obvious, but which does follow a pattern. In the absence of a plan, it is that pattern that describes the strategy. The implication is that, if executives are to understand strategy better, they need to deal with strategy not only from the perspective of the future (where they want to go), but also the past (where they have been and what they have done) and the present (who they are and where they are).

Ultimately, the goal of strategic leaders is to help their organisations find a fit with the environment within which they operate. This can be done from the outside-in or the inside-out:

- From the outside-in, organisations identify a desired position in the environment and build the capabilities to compete successfully

- From the inside-out, organisations clarify their capabilities and identify new positions in which those capabilities will allow them to compete successfully.

Either way, strategy from the perspective of the future requires executives to make tough decisions about the allocation of resources. At the same time, they must recognise that their success will be measured not on the quality of their plans, but on the results of their actions.

While doing strategy, some will get lucky. But I like to remember the golfer Arnold Palmer's response to a journalist, when asked about the number of lucky putts he had in a round of golf. He said:

"It's like this, the harder I practise, the luckier I get".

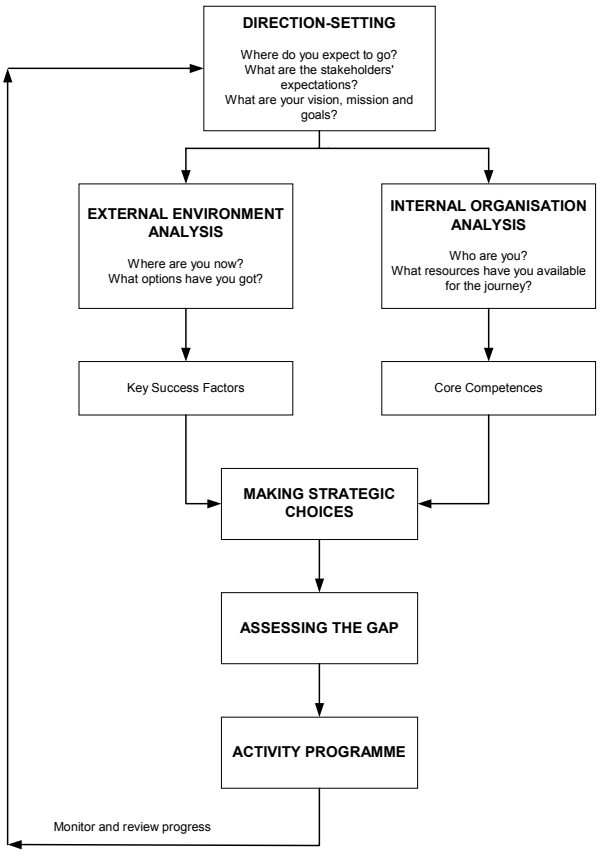
If adapted a little, this gives my definition of luck for organisations: the point where preparation meets opportunity. Strategic planning in this context is not about coming up with the right answer, it is about preparing for an uncertain future. In other words, the plan is not an end in itself, the planning is equally important. Giving executives the time, the skills and the motivation to engage in strategic thinking is part of the organisation's preparation for tomorrow's opportunities. What follows in this chapter is a framework that should help you with your practice.

A STRATEGY FRAMEWORK

I have to confess that I like the idea of roadmaps or models or frameworks (which is no doubt a result of my experiences and so I continue the pattern). I think a framework, and I mean "a" framework, not "the" framework, helps to provide a starting point. Some will argue that strategy has no start point or indeed end point, that it is a continuous and iterative process through which executives develop their organisation. Of course, that is

correct, but not very helpful, because if you are reading this book, you are probably looking for a start point. So I offer a framework (**Figure 19.1**) in the same way as I would offer a map to a climber on the side of a mountain. Not really to get you started, you have already done that, but to help you understand better where you have come from, where you are now and the implications for where you intend to go as you start the rest of your journey.

FIGURE 19.1: A STRATEGY FRAMEWORK

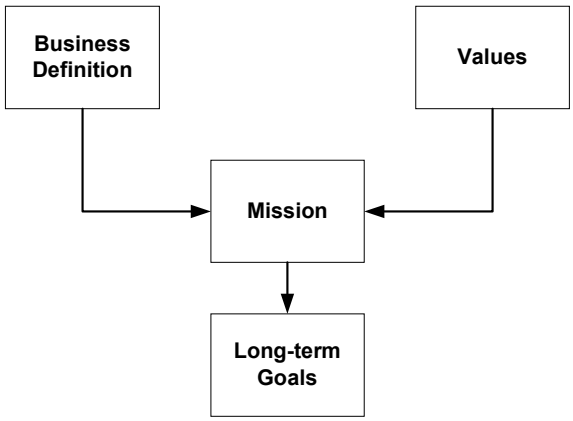


DIRECTION-SETTING

Direction-setting helps by providing the organisation with a target that is the equivalent of giving a sailor a point on the horizon. It doesn't tell you how to get there but it makes it much easier to recognise when you are going off-course.

Organisations articulate their direction in a variety of ways and over a variety of time horizons. To add to the confusion, you will see organisations use terms like vision and mission interchangeably. For our purposes, let us define direction-setting as a complement of business definition, values and goals (**Figure 19.2**).

FIGURE 19.2: DIRECTION-SETTING



Defining the business

Defining the business plays two important roles:

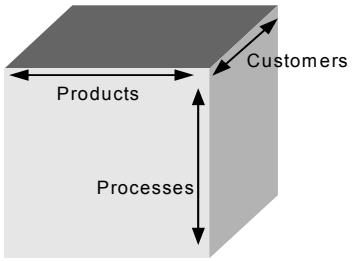
- It encourages managers to discuss what business they are in. This may seem like such a basic point, but I am regularly told by workshop participants that they never actually thought about what business they are in. More worrying for me is the implication that they never thought about what business they are not in

- A clear business definition provides the basis for strategic focus. When I work through this process, even with relatively small businesses, executives are often surprised to see how fragmented their organisations really are. A fragmented approach is usually an indicator that managers will be unable to give the focussed energy that is required to be the best and to win.

Business definition (**Figure 19.3**) requires you to answer three simple questions.

- Who are my customers?
- What products or services will we offer them?
- What organisational processes will we use to deliver the above?

FIGURE 19.3: BUSINESS DEFINITION



For example, you may define your business in terms of larger commercial organisations, to which you sell big-ticket proprietary technology, using qualified engineers in a relationship marketing approach. Alternatively, you may focus on medium-sized business customers, to whom you sell a range of branded products through a branch network. The broader the definition, the more difficult it is to provide the focus necessary to be the best. As a rule of thumb, you know you are making progress when you can state clearly the customers you will not sell to, the products you will not sell, and the processes you will not use.

Identifying the values

Value statements have become essential for most modern organisations. Yet, at the same time, very few seem to understand why they have them. Many organisations will publish them on their websites and in their corporate literature, but have little idea of their true value.

The cynical approach to organisational values is to create a list of all those values that would make the organisation a great place to work, then publish the list in the belief that you have delivered on your obligations. The problem is that, within an instant of the staff seeing the list, they know whether the organisation lives the values. If you get the list wrong, they know it, they see it for the cynical exercise it is, but worse, they now see your entire strategy process tainted in the same way.

You must be clear about why you want to identify and codify your organisation's values. A valid approach is to identify values that underpin the behaviours that provide an economic rationale for your organisation's success. The purpose of a value statement then is to capture the feeling, emotions and deeply-embedded principles that guide the human energy in your organisation.

But what if you don't like the values as they are, what if you want to change them? My simple advice is go ahead and talk with people about your concerns and the need for change. Identify the behaviours that will change as a result of the new values. Show people, by example, how they bring success. When you can point to the changed behaviours of the strategic leaders, when you can show people the values in action, when you can show people the results of those actions, then and only then can you publish the "new" organisational values.

Setting the goals

Collins and Porras (1996) suggest setting BHAGs (pronounced *beehags*) or *Big Hairy Audacious Goals* for your organisation. These are goals with a very long-term horizon, up to 30 years, that set the tone for everything to follow. For example, Sony's BHAG from

the 1950s was to become *"the company most known for changing the world-wide poor quality image of Japanese products"*. Goals like this stretch and challenge the organisation to step up to the mark, they tug at people both on the cognitive and the emotional levels.

Not all organisations will set goals with such a distant horizon or indeed at such lofty heights. However, all organisations do need to set long-term goals with at least a three-year to five-year horizon. Even in today's fast-moving economy, long-term goals are essential to provide that mark on the horizon. Long-term goals provide the means by which you will judge progress on your strategic journey.

EXTERNAL ENVIRONMENT ANALYSIS

The purpose of an external analysis is to help managers understand the world that exists around their organisations. We have many tried and tested tools to help make sense of the business environment, so well tried and tested in fact that many managers will discuss these tools as though they were of themselves all that is needed to do strategy. Please don't fall into that trap: strategy is a living process, not just a set of well-defined tools.

Getting to grips with the business environment requires the orchestration of a vast amount of information and there are two key difficulties associated with this part of the process:

- The breadth and diversity of the information
- The dynamic ever-changing nature of the information and understandings formed.

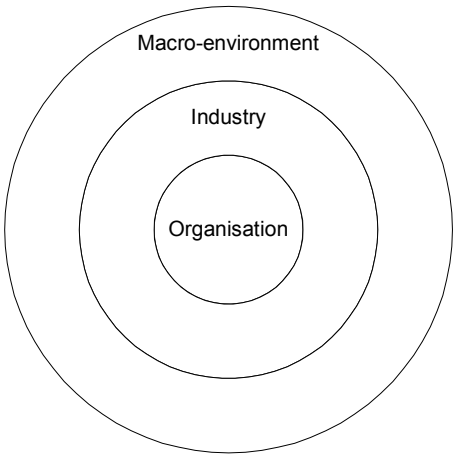
The first difficulty is overcome by organising the analysis in stages. The second difficulty can only be overcome by ensuring that strategy formation is part of an ongoing iterative process.

To help make sense of the world around our organisations, it is necessary to stratify the analysis and try to get a sense of the different pressures that operate at each level of the system. For the purpose of clarity, we will deal with only three levels in this chapter:

- The broad macro-environment
- The industry
- The organisation.

In other cases, it may be necessary to identify specific sectoral level pressures or pressures specific to competitive groups within the industry (**Figure 19.4**).

FIGURE 19.4: EXTERNAL ENVIRONMENT ANALYSIS



The macro-environment

A macro-environment analysis is carried out to identify forces in the business environment that are likely to have a significant influence on the industry. This is not about understanding the competitive forces in the industry – that comes later – but is about identifying those forces that will drive change in the industry.

A macro-environment analysis can be carried out using the PESTLE framework: an acronym for **P**olitical, **E**conomic, **S**ocial, **T**echnological, **L**egal and **E**nvironmental. **Figure 19.5** shows a list of some of the items to be considered under these headings.

FIGURE 19.5: THE PESTLE FRAMEWORK

POLITICAL	ECONOMIC	SOCIAL
Govern stability and initiatives Taxation policies Privatisation policies Regulation policies Social welfare policies	Business and economic cycles GNP trends Interest rates Unemployment Inflation Disposable income	Attitudes to work Lifestyles Demographics Education Social mobility
TECHNOLOGICAL	**LEGAL**	**ENVIRONMENTAL**
New technologies Improvements and developments Information technology Basic research investment Technology transfers	Health and safety Employment law Monopolies legislation Trade restrictions	Waste disposal Pollution control Transport Energy supply Spatial planning

When conducting a PESTLE analysis, there is a great temptation to list as many issues as possible. The objective should be to include only those issues that will materially influence the industry and then to identify how the changes will differentially impact your industry and organisation.

The PESTLE analysis seeks to address two broad questions:

- In the future, what macro-environment changes will be particularly important to the industry?
- Will these changes differentially impact your organisation?

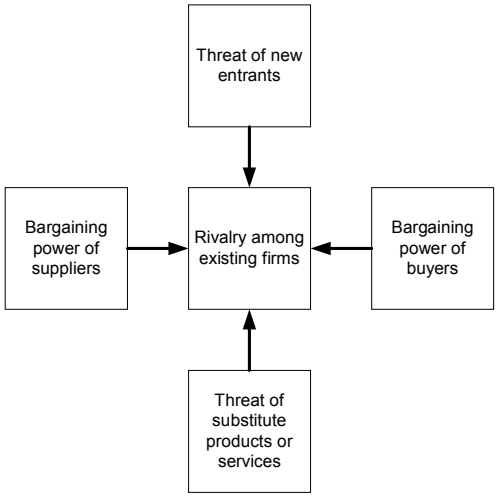
The first question is answered more or less directly through the analysis. The second requires an understanding of the structure of the industry and your organisation's position within that industry.

Industry analysis

The point of an industry analysis is to identify sources of competition that will affect profitability. While your organisation's immediate competitors should obviously be

included in this analysis, it is necessary to go beyond this limited group. Our understanding of competitive industry forces has been greatly enhanced by the work of Porter (1980), who argues that industry competition is dependent on the industry's underlying economic structure, which he describes in a framework of five forces (**Figure 19.6**).

FIGURE 19.6: THE FIVE FORCES FRAMEWORK



Source: Adapted with the permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group, from *Competitive Advantage: Creating and Sustaining Superior Performance* by Michael E. Porter. Copyright © 1985, 1998 by Michael E. Porter. All rights reserved.

Threat of new entrants

The threat of new entrants to the industry is dependent on the barriers or hurdles that the industry places in front of potential entrants. Typically barriers include:

- A need for economies of scale
- Access to distribution channels
- High capital costs
- Specific experience
- Legislation or regulation.

The logic is that, if the barriers are low, new entrants can easily access the industry's profits to the disadvantage of the incumbents.

Threat of substitute products or services

Substitutes allow customers to switch to alternative sources from outside the industry to satisfy their requirements. It could be as simple as product substitution, where somebody decides to drink milk rather than a carbonated drink. It could be substitution of a delivery channel, where perhaps on-demand satellite television substitutes for video rental outlets. It could even be that improved quality in the production of a product substitutes the need for a service network.

Bargaining power of suppliers

Bargaining power of suppliers is likely to be high when the suppliers are larger in scale and smaller in number than the buyers. Examples of where this happens include:

- Where a buyer has integrated a supplier's proprietary technology into their products
- Where the supplier has a strong brand
- Where there is a credible threat of the buyer integrating forward if they do not achieve an adequate price.

Bargaining power of buyers

Bargaining power of buyers is likely to be high when buying in the industry is concentrated with a few major players. Buyers grouping together to form buying groups sometimes achieve this concentration. Buyer power will also be high where there are many alternative sources of supply, as is often the case in commodity industries with undifferentiated suppliers. Buyer power can be high when the product or service is a large part of the buyer's total cost, causing them to pay particular attention and shop around. Switching costs and a threat of backward integration also come into play here.

Rivalry among existing firms

Rivalry among existing firms will cause competitors to compete more fiercely, usually with a cost to the industry's profitability. Rivalry is increased when an industry has:

- Slow, no or negative growth causing an excess of capacity
- Relatively equally-sized competitors, so there is no leader in the market
- High fixed costs, so that any reduction in volume is costly
- Little differentiation among products or services, encouraging a focus on price competition, and
- High exit barriers, making it costly for firms to leave the industry and apply their resources elsewhere.

The key question to address having completed the analysis is: how well are you positioned to protect yourself from the forces?

Organisation impact and key success factors

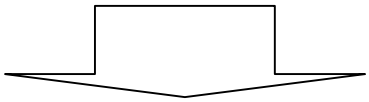
Throughout the external environment analysis, you work in ever-decreasing circles to identify the impact of the issues identified on your organisation. The outcome of the analysis should be opportunities or threats, possibly described in the form of key success factors for your organisation.

One of the simplest approaches to identifying the opportunities and threats is to produce an organisational impact grid (**Figure 19.7**) to identify how the changes in the macro economic environment will affect the industry, which will in turn affect your organisation.

In the top grid, you identify how the PESTLE factors will change the forces in the industry. From that analysis, you move on to identify the specific opportunities, threats and key success factors that result from these changes.

FIGURE 19.7: THE ORGANISATIONAL IMPACT GRID

	Threat of New Entrants	Threat of Substitutes	Power of Suppliers	Power of Buyers	Existing Rivalry
Political					
Economic					
Social					
Technological					
Legal					
Environmental					



Opportunities					
Threats					
Key Success Factors					

INTERNAL ORGANISATION ANALYSIS

From the perspective of a design or planning approach to strategy, the internal organisation analysis is conducted following the external environment analysis to identify the resources and competences that we have available to support us on our strategic journey. The presumption is that, once you have identified the opportunities and threats, you can change the organisation to meet these challenges – that is, strategy from the outside-in. This view was popularised by an article by Levitt (1960), titled "Marketing Myopia", where he called on organisations to "think" differently about their organisations and their definition of the business. The assumption was that, if you thought about it

differently, you could broaden the organisation's options and prosper. However, Levitt missed the point that, while it is easy to conceive a new and broader business definition, doing it is much more challenging.

Before redefining the business, managers must assess whether they have the appropriate resources and competences to be successful. While resources and competences can be developed to deal with new circumstances, their development is by no means a simple matter. An organisation's competences – those things that truly make it better and different – are often deeply embedded in the organisation's history and social systems.

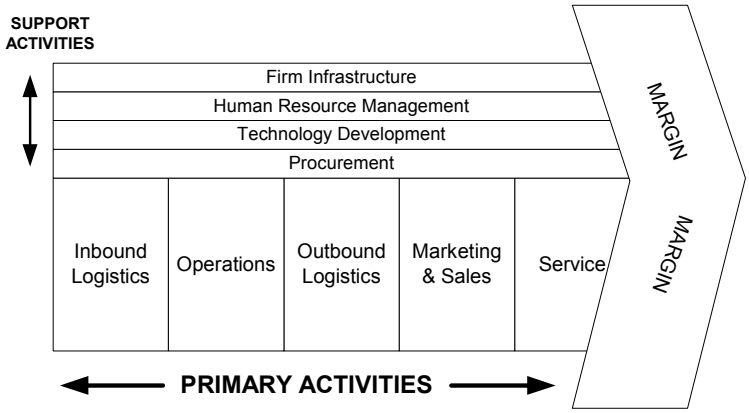
By all means analyse the external environment and identify opportunities, threats and key success factors. But do not fall into the trap of thinking that changing the organisation to meet these challenges is either a simple option or the only one. A different approach is first to identify the resources and competences that exist within the organisation. Then conduct an environment analysis to identify opportunities to exploit them – that is, strategy from the inside-out.

Whichever approach you start with, the end result should be a combination and the tools are similar. A word of warning: the internal organisation analysis is a much more messy process than the external environment analysis. Apart from the tangible resources, the analysis is trying to capture intangibles in the form of competences that often form from processes and social interaction.

Value chain analysis

The purpose of a value chain analysis (**Figure 19.8**) is to allow managers to represent and structure their knowledge of a business in a format that gives them new perspectives on value creation. It should help managers understand how value is created in the current configuration and also provide them with an opportunity to conceive new ways of configuring the system to deliver value to the customer.

FIGURE 19.8: VALUE CHAIN ANALYSIS



Source: Adapted with the permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group, from *Competitive Advantage: Creating and Sustaining Superior Performance* by Michael E. Porter. Copyright © 1985, 1998 by Michael E. Porter. All rights reserved.

The primary activities consist of those activities involved in the production of the product or the service. The support activities are those aspects of the business that, while not serving the customer directly, support the activities of those that do.

In addition to using the tool to conceptualise the chain of value delivery, other information can be added such as the build-up of firm costs through the value chain and making an assessment of whether the cost-build matches the value-build in the eyes of the customer. This focuses the minds of managers on the most critical areas.

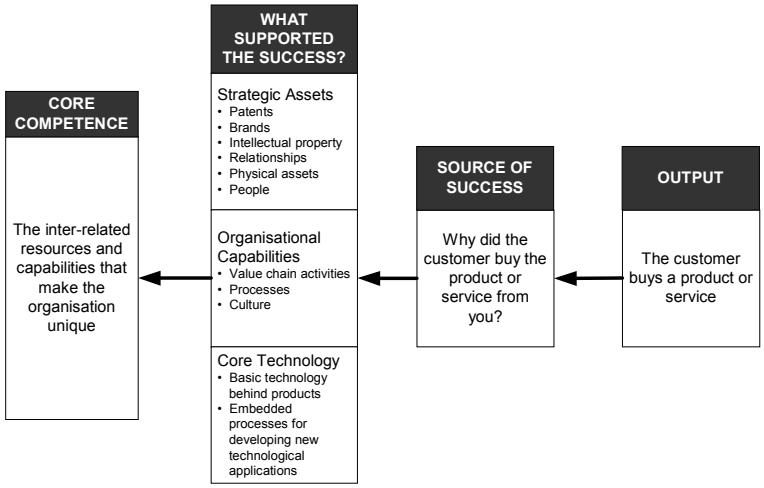
It may be that not just reconfiguring the value chain is in order, but part of the chain could also be out-sourced (see **Chapter 18**). Companies like the furniture designer and retailer, Ikea, and the fashion clothing company, Zara, both have reconfigured the value chain within their organisations and, by outsourcing significant parts of the operations, like manufacturing, they have reconfigured the industry value chain.

Core competences

The purpose of identifying and analysing your organisation's core competences is to understand better the strengths that your organisation brings to its current markets and consequently may be able to bring to new markets. In our rapidly-changing world, products and services have increasingly shorter life-cycles. Typically, product-cycles are less than the three to seven years that would be considered a strategic planning cycle. In such cases, products cannot form the basis of a strategy. The challenge is to go beyond the product to identify the competences at the core of the organisation on which competitive advantage is built. With a better understanding of the core competences that create competitive advantage, managers can make more informed decisions about which products, services and markets can be addressed effectively. By concentrating on the development of the competence rather than the product, managers provide the organisation with a sustainable base from which new products can be developed as the requirements shift.

The identification of a core competence is not a simple task. In fact, its very nature – an embedded multifaceted capability – makes it difficult to identify. Many core competences stem from tacit social knowledge that cannot be codified and exists in no one place but emerges from the ongoing and living process that is the organisation. This has the advantage of making it difficult for competitors to imitate and the disadvantage of making it difficult to manage.

FIGURE 19.9: IDENTIFYING CORE COMPETENCES



Identifying a core competence is a process that begins with the customer and works back through the organisation. The purpose of focusing on the customer in this process is to identify *why* they bought the product or service. What was it in the mind of the customer that provided the difference that convinced them to buy from your organisation over that of a competitor? Once you have a sense of the reasons why customers buy from your organisation, you can identify how the organisation's strategic assets, organisational capabilities and core technologies support that success. This is much more difficult than it might seem at the outset, because the capability or asset that supports the success may not be the obvious one. It may be that customer responsiveness is a source of success but that it is supported, not only by a customer service process, but also, for example, by the unintentional under-utilisation of a key physical asset.

Ultimately, the goal is to identify the fundamental components of success and how they are interrelated. It is this interrelated mix of assets and capabilities that defines the organisation's core competences. Once identified, they can be developed and nurtured in preparation for them to deliver the next wave of organisational success.

At this point in the analysis, it may be helpful to conduct a SWOT (an acronym for Strengths, Weaknesses, Opportunities and Threats) analysis, where we consider the opportunities and threats identified in the external environment analysis and compare them to the strengths and weaknesses derived from the internal organisation analysis.

Strategy from the outside-in suggests starting with the opportunities and threats and then assessing strengths and weakness relative to them. Strategy from the inside-out suggests that we start with our strengths and weaknesses to identify how to build on competences to exploit opportunities and to deal with the threats.

A practical difficulty I have found with SWOT analysis is that it is almost too easy to do. Managers often believe that they can intuitively identify opportunities, threats, strengths and weaknesses without doing the fundamental groundwork in the analysis. The result is all too often a long list of potential opportunities, threats, strengths and weaknesses that have never been properly assessed. This has led to SWOT being described by my colleague, Cliff Bowman, as a "Substantial Waste Of Time".

I think the practical difficulties associated with SWOT can be overcome by concentrating on Key Success Factors (KSFs) and Core Competences. The concepts are very similar but the language helps managers to focus on the really important aspects that make a difference. Essentially, the process asks managers to identify key opportunities and threats and core strengths and weaknesses, removing the tendency to provide lists that add no real understanding and that have no analytical basis.

STRATEGIC CHOICES

Strategic choices are made in the context of the direction set for the business and the analysis of both the external environment and the internal organisation. The purpose of understanding these three key influences is to inform the strategic decisions that managers must make.

Generic strategies

Most strategic choices will involve a decision about the positioning of the organisation relative to its competitors.

Porter (1980) identifies three potential generic strategies that organisations should follow:

- The cost-leadership approach focuses on being the lowest cost producer in the industry
- The differentiated approach focuses on providing a product or service that is both different and better than your competitors
- Porter's third generic strategy comprises a focussed, or niche, approach in a limited market to either of the above.

An intuitive reaction from managers to the generic strategy argument is often "Why can't we aim for a differentiated strategy, while at the same time doing it cheaper than everyone else?". The simple answer is that being the lowest cost and being differentiated is likely to require very different skill sets or competences in the organisation. Trying to do both together is likely to result in achieving neither and ending up stuck in the middle with competitors that are either lower-cost or better-differentiated. A more valid approach is to build one position and then to think about how to improve on the other.

Competitive position map

To help understand where your organisation sits relative to your competitors, it is useful to map the positions. There are two important dimensions to consider:

- The relative value of your product or service to the customer
- The relative cost of your product or service to the customer.

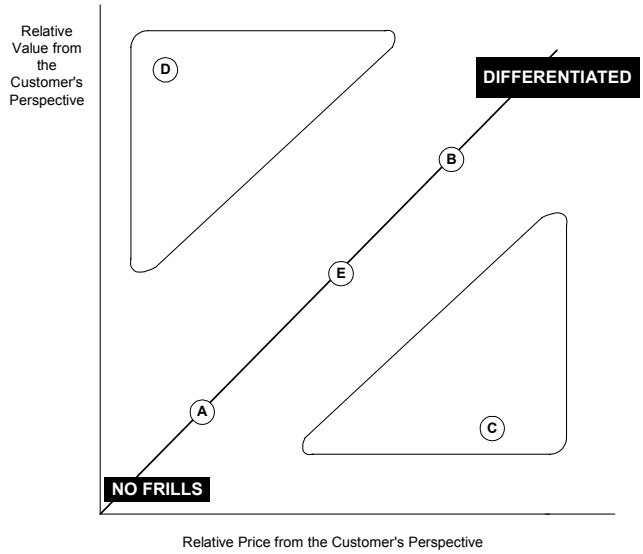
This is very similar in concept to the price/performance trade-off used by many marketing practitioners. A key difference is that we are using the concept of value *in the eyes of the customer*. In this assessment, it is only better when the customer values the particular aspects of the performance. So we may have a product

that is better-performing, but performs in ways that the customer does not value.

The other difference is that we are interested in is the customer's perception of the price, which may or may not include the total cost of ownership. This will depend on the buyer and their mindset. In fact, the same product with an identical ticket-price to two different customers may be perceived as more or less expensive by either. This could be because of something basic, like a brand perception, or something more complex, like a need to reorganise internal systems to accommodate a new service offering. So knowing the customer extremely well is important at this point. In fact to help things along, it is often useful to have a particular customer in mind when working through this process with a management team. Sometimes plotting the views of new and existing customers separately offers an interesting insight. I find we can get a great impact from this assessment when we get the management team to produce their map of the positions and then go and get some customers to provide their own assessment. The gaps between the two will often generate an immediate action agenda.

The purpose of preparing the map is to identify the options that we have for repositioning. So the first step is to identify your position and the second is to identify where you want to move. Organisations, except in the case of a monopoly, will not choose point C (Figure **19.10**). However, many previously excellent organisations find themselves at that point – not because they increased their costs or reduced their value, but because others reduced their own costs and increased their own value relative to them. The point of the competitive position map is that the positions are relative. So, as others move up and to the left, anybody not changing and improving automatically moves down and to the right.

FIGURE 19.10: THE COMPETITIVE POSITION MAP



A very attractive location is point D, outperforming the industry – delivering both value and price ahead of the industry. Of course, this is the point that Porter's generic strategy warns about. By trying to achieve point D, most organisations get stuck in the middle at point E. Worse still, because they cannot focus in the long-term on both axes for development, they end up drifting towards point C, unable to do anything particularly well.

Point A and point B are the objectives for the lowest-cost leader and the differentiator respectively. The logic behind these positions is that they afford an opportunity for protection against industry forces. Choosing a position, therefore, is not just about choosing a position that you like the sound of, it is about choosing a position that will afford you the best protection in your industry.

Having chosen a preferred position, the question follows as to whether the organisation has the resources and capabilities to support it. Differentiators will require resources and capabilities

that support different and better products. I think it is worth emphasising the point that differentiation does not mean "different". It means achieving competitive advantage through being different *and better* than your competitors. All too often, managers tell me they have a differentiation strategy, when all they mean is they have something different, but not necessarily better than the competitors. For those aspiring to the lowest-cost leadership position, they need to recognise that it is the "lowest" cost position, not just a low-cost position, that is the target. This will also require very particular resources and competences to be achieved.

Pulling it all together

The point of our direction and analysis phases is to ensure that we have the necessary information and understanding of our situation to inform the choices we make. In practice, we need to make choices, then reflect on competitor reactions, and review the whole process over and over until a clear and cohesive picture emerges.

Some of the issues that should be addressed include:

- Have we adequately defined the scope of the business?
- Are we clear who our customers are?
- Have we identified the specific part of the industry value chain that we will address?
- Do we know what production/service delivery technologies we will use?
- On what basis will we compete?
- What position will we target?
- Is the target position supported by our resources and cost structure?
- Will our stakeholders support our choices?
- Will our values support the required behaviours?
- Does our story make sense in the eyes of the customer?
- Is there a viable economic model and are we clear about the KSFs that support it?

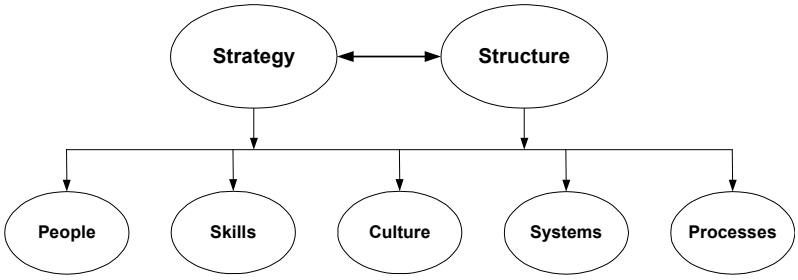
ASSESSING THE GAP

Given that we now have a clear view of where we need to go, we need to assess the gap that exists between our current state of operation and the desired future state. A simple framework of description is often the most useful tool and quite easy to apply. Yet experience shows that it is around this point that most strategies start to come apart. This is because the senior management team, so impressed with their work to date, forget to bring the rest of the organisation with them. This is the point at which the strategy must be broadened out to include the maximum number of people who will ultimately be responsible for the implementation of the plan. Remember all you have to date is a plan – until you get some action, it has no real value.

The challenge for the senior management team is to describe the strategy to those who will need to implement it and to work with them as they take the first few key steps. Explaining the strategy to a group and watching them perform a gap analysis can be an enlightening experience. You find out very quickly how unclear they are about certain aspects and how even the clearest aspects get misinterpreted. But this is natural and all part of the learning process, for the organisation has to learn its new strategy and the consequences it has for the behaviour of all its implementers.

There are many frameworks in the literature to help with a gap analysis, but **Figure 19.11** is a good starting point. Strategy and structure play an interdependent role in the development of the other. But both need to be clearly described in terms of the old and the new. With this in place, as many people as possible should be involved in the development of a gap analysis based on people, skills, culture, systems and processes. It often seems like a daunting task to set out on a gap analysis (another good reason to involve as many people as possible), but keep in mind that the purpose is to create an action agenda, not a detailed action plan.

FIGURE 19.11: ASSESSING THE GAP



ACTIVITY PROGRAMME

Following from the gap analysis, a number of particular work streams are likely to emerge to challenge the organisation. In some cases, the work streams will fit neatly into existing structures or possibly some of the new structures that are about to be implemented. In such cases, it may make sense to include the action programme for those issues in the normal business planning cycle for the organisation. In other cases, it will be necessary to engage in a fully-fledged organisational change programme which is beyond the scope of this chapter.

There are some cases where it is useful to separate the work stream from the normal line planning programmes. For example:

- When the work programme requires significant cross-functional co-operation
- When the work programme requires senior management involvement to ensure it gets priority attention
- When the work programme is not in alignment with the normal work of any particular group or function
- When the intensity of the change requires the attention of staff significantly above and beyond their normal workload over a sustained period.

The nature of the action planning methodology will be driven by the complexity of the projects at hand. There is, however, a tendency to overcomplicate the process to a point where it is very

difficult to identify what is actually happening. In times of change, people respond well to simple and clear requirements – the subtleties can be sorted out later. The early stages of a change programme should be used to get some early wins and help to convince people to lend their support to a successful programme.

I have used variations of the following action planning sheet to implement some quite large change programmes with success (**Figure 19.12**).

FIGURE 19.12: AN ACTION PLANNING TEMPLATE

Organisational Unit			
Key Goals	**Description**		
1.			
2.			
3.			

Goal:			
Objective (What)	**Action** (How)	**Lead by** (Who)	**Deadline** (When)
Key Performance Indicator: (How to measure progress)			

AND FINALLY

This chapter has given you some insights into the area of strategy, with all its complications, contradictions and challenges. It should have given you a feel for strategy in the real world … a difficult, messy, ongoing learning process.

It's not that we don't know a lot about how industries work, we do. It's not that we don't know a lot about how to analyse and critique, we do. It's not that we don't have managers with the talent to envision the future, we do.

The problem is that, at the end of the day, the strategy that matters is the one we deliver – that's why I called the chapter, *Doing Business Strategy*. So the final word goes to Mintzberg (1999) when he questions:

"… why can't strategy be everything a company does … ?".

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