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Strategy

Demystifying Strategy: The What, Who, How, and Why

by Michael D. Watkins

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Many leaders I work with struggle with strategy. They know it's important to have strategies in order to align decision making in their businesses. They understand that they can't observe and control everything in their organizations (much as many of them would like to). They earnestly want to develop good strategies and they get the theory. But when it comes down to the nitty-gritty of crafting strategy, they rapidly get bogged down.



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This is unfortunate, but it's not that surprising. It's a direct consequence of confusion about what a "business strategy" is... and is not. Here's my definition: A business strategy is a set of guiding principles that, when communicated and adopted in the organization, generates a desired pattern of decision making. A strategy is therefore about how people throughout the organization should make decisions and allocate resources in order accomplish key objectives. A good strategy provides a clear roadmap, consisting of a set of guiding principles or rules, that defines the actions people in the business should take (and not take) and the things they should prioritize (and not prioritize) to achieve desired goals.

As such, a strategy is just one element of the overall strategic direction that leaders must define for their organizations. A strategy is *not* a mission, which is what the organization's leaders want it to accomplish; missions get elaborated into specific goals and performance metrics. A strategy also is *not* the value network — the web of relationships with suppliers, customers, employees, and investors within which the business co-creates and captures economic value. Finally, a strategy is *not* a vision, which is an inspiring portrait of what it will look and feel like to pursue and achieve the organization's mission and goals. Visioning is part (along with incentives) of what leaders do to motivate people in the organization to engage in above average effort.

In a nutshell, as illustrated below, mission is about **what** will be achieved; the value network is about with **whom** value will be created and captured; strategy is about **how** resources should be allocated to accomplish the mission in the context of the value network; and vision and incentives is about **why** people in the organization should feel motivated to perform at a high level. Together, the mission, network, strategy, and vision define the strategic direction for a business. They

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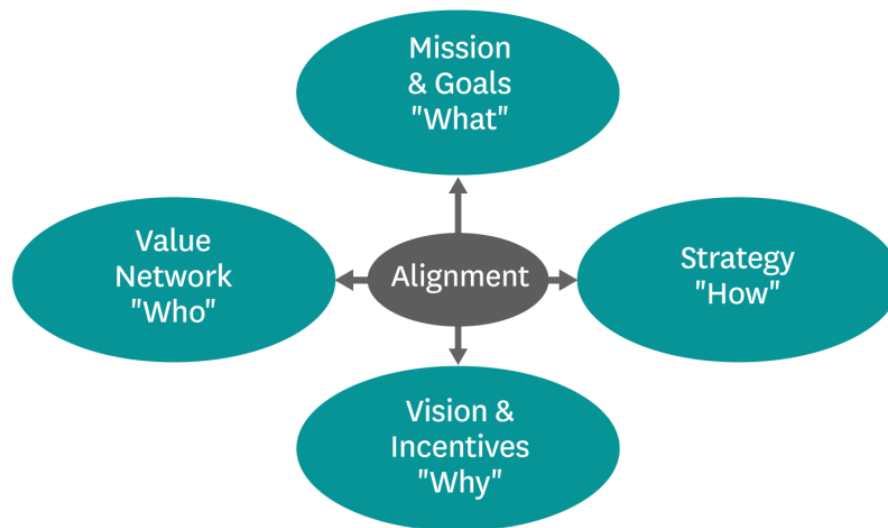


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provide the what, who, how, and why necessary to powerfully align action in complex organizations.



One straightforward implication is that you can't develop a strategy for your business without first thinking through mission and goals. Likewise, you can't develop a coherent strategy in isolation from decisions concerning the network of partners with whom the business will co-create and capture value. By focusing on all four elements, and sequencing them in the right way, the process of crafting strategy can be demystified.

Do you agree with my definition of business strategy and the other elements of strategic direction? Have you seen people get into trouble confusing strategy with mission, goals, network, or vision? Do you have advice for how leaders can best establish strategic direction for their organizations?

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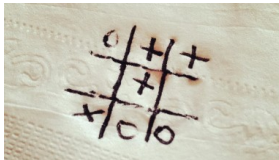


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