



# NAVIGATING YOUR STRATEGY FOR SUCCESS



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**S**trategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the trip we actually make. Even when we are embarking on a voyage of discovery, with no particular destination in mind, the voyage has a purpose, an outcome, an end to be kept in view.  
Fred Nickols (10)



Every American third-grader is taught to chase her dreams—if not with Oprah-esque explicitness, then (surprisingly) through oft-dreaded social studies. Textbooks regale children with stories of the great explorers (Cortés, Drake, Erickson), who are celebrated with pomp and circumstance. When Columbus Day demanded a class popcorn party, the explorers' heady determination was the stuff of heroic myth. As Columbus Day became less important—coincided with the marketing managers' meeting—so did the explorers. Our new heroes are successful entrepreneurs who command wealth from mahogany desks instead of wresting it from foreign mud. Upon reflection, though, it becomes apparent that in a New Economy as vast and exhilaratingly uncertain as the (old) New World, today's successful manager more resembles explorers half a millennium away than s/he does the CEOs of two decades ago.

Consider Ferdinand Magellan, who pioneered the first global circumnavigation in 1519. Magellan's ambition drove him to forsake his unsupportive Portuguese government, relinquish military titles, and bargain for patronage with the king of rival Spain. Having found support, Magellan set his sights on reaching the Molucca (Spice) Islands, a globally coveted commodity, via a circuitous and uncertain route around South America.

In September of 1519, Magellan left Spain with five ships, 250 men, a life of sailing experience, general navigational plans, and a good amount of *chutzpah*.

While at sea, he encountered and overcame mutiny, debilitating storms, malnutrition and scurvy, the complete loss of ships and theft of supplies, and ambiguous direction. In order to discover and navigate the now-famous (and globally indispensable) Strait of Magellan, the crew tried inlet after inlet without success; 38 backbreaking days after its discovery, the icy-cold Strait coughed them into the Pacific Ocean, a vast field of adventurous potential (9). Magellan's navigational strategy was simple: goal in sight, he set off with a general master plan—and trusted his knowledge and intuition to guide through waves of uncertainty.

The New Economy and the New World may not be physically identical—but in an age when knowledge is gold and market health depends on the windy whims of innovative sensations, a comparison between managers and Renaissance explorers is apt. It was the explorers' well-defined missions and plans, combined with capitalization on uncertainty, that allowed profitable serendipity. Like Magellan, every company needs a strategic navigational tool that's strong but flexible; that impels, inspires, and self-enforces; but that encourages creativity, adaptability and surprise.

## The State of the Environment

It hardly takes a rocket scientist to point out the economy's unpredictability. It is painted vividly all over business today:

The Herculean rise and Icarean fall of dot.coms;

The ever-present fear of 'getting Amazoned' by the newest phenom

Fickle and unrepresentative market data

A "winner takes all economy" that rewards aerodynamic little prodigies with world-power status<sup>4</sup>

Heavy independence on intangible, people-dependent assets: customer relationships, innovative products and services, high-quality and responsive operations processes, information technology, and employee capabilities and morale.

This—an environment stocked with and characterized by uncertainty—is the market we inherit. Our only hope of navigation is strategy—the sort that flooded the explorers with both organization and industrious creativity.

## Getting Started: The Need for Strategy

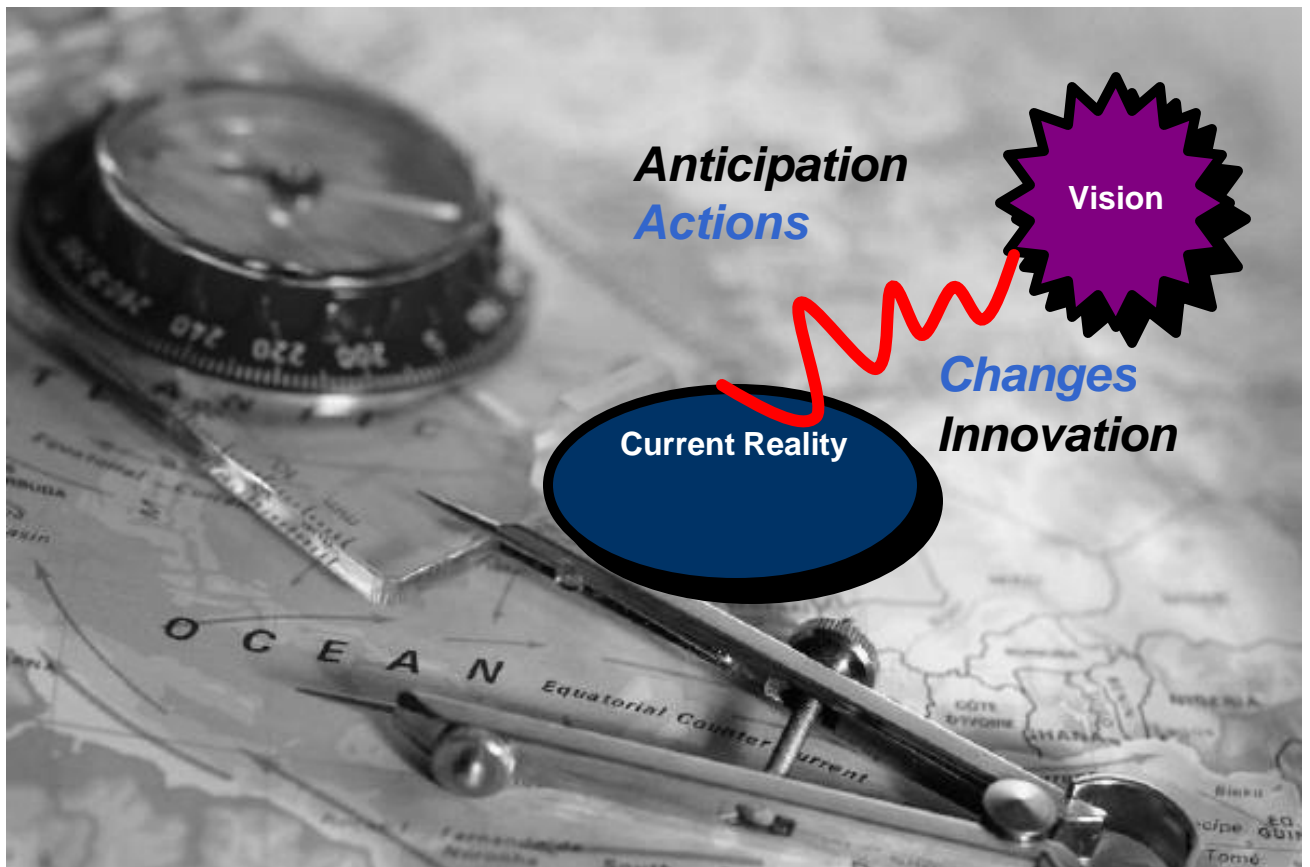
Unpredictability offers managers two murderous options: to give up and float with the environment's current and winds; or to drop anchor and cling to their present (albeit mediocre) position. In living systems, stasis equals death—almost more assuredly than does decline. To ascertain your company's need for strategy, perform a simple test of dynamism. The Balanced Scorecard Institute asks, "does your agency's management have a sense of urgency, or complacency?"<sup>3</sup> If you recognize the urgency of the present, be proactive and commit to strategy. If complacency defines you, move; a commitment to change itself drives successful strategic implementation.



*Managers worldwide now take such initiative by investing time, talent, and thought in Robert S. Kaplan and David P. Norton's now-famous Balanced Scorecard strategy design tool. Innovative and masterful, the Balanced Scorecard is by no means basic. "There are few shortcuts in developing a viable scorecard," write Kaplan and Norton. "When people tell us, 'It's not as simple as it seems,' they are referring to the hard, intensive work required to formulate a scorecard appropriate for their organization and to make that scorecard an integral part of their management process"<sup>8</sup>. Strategy International has long offered the sort of strategy design affirmed by Kaplan and Norton: a choice blend of plan and action that has brought visible conformational change to clients in a range of industries.*

In our experience, the process of designing a strategy (defined by CEO Bob Jonas as “a plan for the skillful conduct of a large field of operations towards the achievement of a known goal”<sup>7</sup>) consists of four elements (*diagram*):

Current reality  
The goal Vision  
The plan  
Implementation



*All of these, by necessity, swim immersed in the market environment. The trick is to create a strategy that both adapts to and controls that unpredictable medium. The curvature of the line indicates that our plans and implementation will not be a straight course - we need to tack, like a sailboat into the wind, ready to change direction when the conditions change.*

*The following pages explain each of these elements.*

## Right Now: Current Reality

As Magellan sat dumbfounded at the mouth of the waterway to bear his name, he had options. He could worry himself blind about the future, turn left and take the (safe bet) long route, stab blindly into potentially vicious waters, or take stock of his situation and make an educated guess. Fortunately, he chose the last. The first step in business strategy is similar: current reality assessment. Kaplan and Norton say it well: “Merely slapping performance measures on existing processes may drive local improvement but is unlikely to lead to breakthrough performance for the entire organization”<sup>8</sup>.



The “existing processes,” mindsets, and goals must be assessed before strategy can begin; without knowledge of your company’s present situation (or “current reality”), movement *from* that situation is arduous, if not impossible. Elements to consider in your current reality assessment include:

### Purpose

Why does your company exist? Who are your shareholders—the people who benefit from your existence? These seem elementary questions—but far too many managers cannot answer them concretely. Wharton’s Christopher Ittner and David Larcker note that strategy’s very “starting point is understanding a company’s value drivers, the factors that create stakeholder value.”<sup>6</sup>

### Strengths and weaknesses

Which products, services, or units define you in your market—where are you strongest? Analysts warn not to confuse strengths—found in every mildly successful company—with core competence, which by definition vacuums your resources and dominates all competition. And, upon honest investigation, which elements of your business are liabilities?

### Internal interactions

How do your employees interrelate? How rigid is your management hierarchy, and how invasive your management? How much time and money is allocated to managerial duties, and how much to innovation? How well does your top level’s vision trickle down to members of the front lines?

### Market assessment

What is your company’s current position *in* the market; what is the current direction *of* the market?

## The Goal

Having adequately assessed the present, a company must embark on the adventure of the future. The most unpredictable and chaotic market environment is navigable with skill and control. A clear vision of your ideal future allows for well-defined, progressive movement. The elements of a proactive future focus are simply stated:



### Mission

Your business' mission is its objective goal, the peak toward which you propel yourself. A mission may be purely financial ("we will earn billion-dollar annual assets"), product-oriented ("we will develop the most fuel efficient compact car on the market"), or customer-focused ("we will attain 99% customer retention"). If purpose is your reason for existing in *your* eyes, mission is your reason for existing in *consumers'* eyes.

### Purpose

In general terms, the purpose of any business is to satisfy its stakeholders (this group includes shareholders, customers, executives/partners, and the community).

### Vision

A vision is exactly as it sounds: a mental picture of the way your business will look, feel, and appear once you have fulfilled your mission.

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**A** caveat: the key to successful navigation of an unpredictable environment is adaptability, even in a brilliantly articulated corporate mission. Vision can easily change since, as part of the system, it is largely subject to the whims of the environment. According to Rita McGrath, a management professor at the Columbia School of Business, strategy should actually serve to "build flexibility into your system...some way of keeping uncertainty alive and kicking" (Fisher). This option requires creativity: the vision must entail and encourage originality.

**C**onsider the multi-national, multi-billion dollar behemoth 3M, whose middle name would be "innovation" if it wasn't "M." Formerly the Minnesota Mining and Manufacturing Company, 3M's sagging bottom lines demanded expansion a few years after its inception. It did so by placing responsibility for company progress success into the itching hands of its front-line workers. William L. McKnight, chairman of the board from 1949 to 1966, immersed 3M in a hands-off managerial philosophy. "Delegate responsibility and encourage men and women to exercise their initiative," McKnight urged. "The mistakes [an individual] makes are not as serious in the long run as the mistakes management will make if it undertakes to tell those in authority exactly how they must do their jobs." The mindset stuck, and the results are fantastic: 3M's innovation-obsessed business units (or "technology platforms") now globally dominate in a huge range of industries, from the well-acknowledged adhesives to electronic imaging, microreplication, and commercial graphic design. 3M innovators are responsible not only for Post-It® Notes, but also for the first waterproof sandpaper, the first color copier, Thinsulate™, and the synthetic rubber that composed Neil Armstrong's history-printing boot. (For a dive into 3M's commitment to innovation, visit the company's website at [www.3m.com](http://www.3m.com); it is veritably drenched in the language of exploration.<sup>1</sup>) All of these inventions were born of a company whose uninvasive managerial environment dedicates itself to "keeping uncertainty alive and kicking." In view of \$177,019 annual sales per employee (in 1994, no less), creativity seems a good investment<sup>11</sup>.

## The Ride, Part I: The Plan

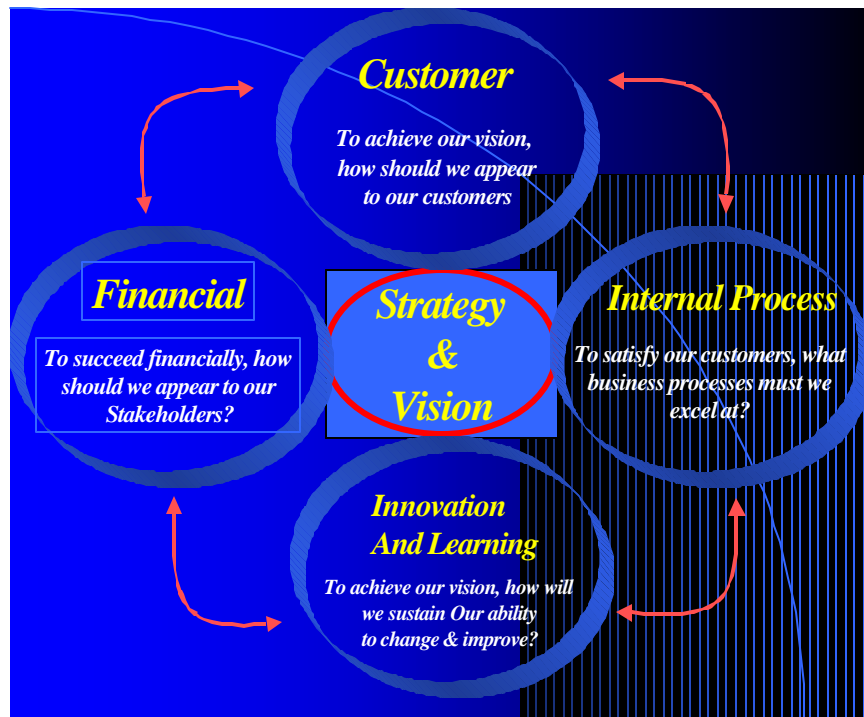
Magellan's purpose, mission, and vision were clear and simple: reach the Spice Islands via circumnavigation in order to secure spice trade for Spain and adventure for himself. His plan? 1. Sail west, with prevailing winds. 2. Seek (by trial and error) a channel through the enormous roadblock known as South America. 3. Trade with various native peoples for necessary supplies. 4. Maintain knowledge of present position and plan for future direction.

It is safe to assume that during the two-year trip, Magellan and his crew constantly and qualitatively assessed this plan's rationality and feasibility. It is also safe to assume that Magellan did not need a wide-ranging measurement rubric to track each strategic move. Here lies the difference between the Renaissance explorer and the Information Age manager.



Once armed a well-framed mission statement, a business must hit the road. Beat the pavement. Spend deserved time and resources creating a detailed (albeit flexible) roadmap that takes you from here (current reality) to there (mission and vision). Strategy International has long employed the strategy map, a tool which "translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system"<sup>8</sup>. The performance measures are fourfold:

1. *Financial*    2. *Customer*    3. *Internal Business Process*    4. *Learning and Growth*



Within each of these four core areas, create a few *objectives*—specific goals—that logically proceed from your purpose, mission, and vision. If your mission is to become the industry leader in your product and accompanying technical support, a financial objective may be to increase sales by 10% annually; a learning and growth objective may be monthly customer service seminar training for all employees. From each objective, fashion an attending *target*, a point that, if reached, will not only ensure fulfillment of its objective, but a visible transformation of the company three to five years down the road<sup>8</sup>. Finally, each target spawns two or three *initiatives*, very specific plans of attack (institute monthly customer service seminars; increase southwestern marketing budget by 50%).

Again, commitment to adaptability is vital. “The Balanced Scorecard,” write its founders, “must reflect the structure of the organization for which the strategy has been formulated.” Both—the structure and the strategy—must be persistent but flexible enough to facilitate 3M-esque innovation and market adaptation. For this reason, Strategy International consultants help businesses create strategy maps, aphoristic visual representations of the whole strategy process from current reality to vision, objective to initiative. A strategy designed to creatively propel a company toward a hugely ambitious goal cannot be represented by a stodgy table or bar graph. The strategy map’s structured free-form perfectly captures the paradox of direction and flexibility that characterizes successful strategy. Consider the example below:



## The Ride, Part II: Implementation

Once the ship has hit the water, it's time to move. The most intricate and brilliant strategy map is worthless hidden in a desk drawer beneath a stapler and dirty coffee mug. Strategy's beauty lies in its implementation. Any disturbance of the status quo is bound to make waves: everyone from a front-line production worker to a high-level manager is all-too-familiar with alleged strategic panaceas. These are overbearing, sudden, and often irrelevant; created in a bottom-line-obsessed rush, they neglect the knowledge of the employees they affect and require costly learning curves. "There must be a sense of urgency and a convincing argument that the proposed solution will mitigate wasteful, whimsical changes," suggests the American Productivity and Quality Center <sup>2</sup>.

A well-designed Balanced Scorecard strategy avoids such "wasteful, whimsical changes" by consistently involving representatives from all areas and levels in its creation and implementation. None of the new initiatives is irrelevant, because each builds on the input of those it affects; none is an annoying surprise, because each initiative addresses a ubiquitously-motivating goal. And nothing happens suddenly or irrationally: "a management system does not appear instantaneously," write Kaplan and Norton. "Because of its scope, complexity, and impact, a new management system must be phased in over time." A strategy map allows for long-term planning with the benefits of short-term proactive change. It does not expect—or, indeed, allow expectation of—sudden results, but promotes steady, directed, creative work toward a discernable future goal. It harnesses the creativity and proactivity of all members of an organization in its motion toward a final objective.

## You Can't Manage What You Can't Measure

Management, by definition, requires knowledge—especially intimate knowledge of that being managed. And

measurement is the key to business knowledge. Balanced Scorecards encourage and demand constant measurement of progress toward each initiative, target, and objective. This measurement occurs via both internal and external feedback. Each consists of hard-and-fast performance measures (financial growth, percent customer retention) in key strategic areas, as well as qualitative responses to changes taking place. The mechanism of measurement encourages adaptability: external feedback notifies managers of relevant (and sometimes urgent) changes in the environment; internal feedback efficiently integrates employee innovation and input.

## The Problem of Strategy

"Strategy" has become a priority for all concerned managers. The problem, however, lies in its slipperiness, its unwillingness to be ubiquitously defined or easily grasped.

Indeed, in his [The Rise and Fall of Strategic Planning](#), Henry Mintzberg offers four disparate but prevailing definitions of "strategy" (all quoted from 10):

a plan, a 'how,' a means of getting from here to there;

a pattern in actions over time;

position; that is, it reflects decisions to offer particular products or services in particular markets;

perspective, that is, vision and direction.

A strategy map approach adamantly rejects a separation of these strategic elements from each other. The Balanced Scorecard takes each of these definitions into account, combining assessment of current position, dreams of the future, and the "how" of implementation. And it offers as an added bonus the "extra-sensory" element of serendipity. By planning for uncertainty and encouraging flexibility, strategy undoes the more stringent definitions of itself and replaces them with a strong but environment-sensitive model.

It is this model that is critical to the success of any organization seeking to explore and expand its market. Only with a clear vision and well-formed, creative plan for its achievement can true innovation, motion, and accomplishment be grasped.

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