

Creating Strategic Options To Ensure Strong Annual Results

By Harold Strunk

The ability to quickly make adjustments to your annual business plan based on changing market conditions is critical to driving consistently strong financial results. Is the ability to create and execute emerging strategic options in a timely fashion a core competency of your leadership and organization?

The rate and pace of information in the world is moving faster all the time. Rapid changes in raw material costs, competitive reactions, customer requirements, and even weather can have a huge impact on the expected results budgeted for any fiscal year. One thing we know for certain, our budget for the year is out of alignment with the results we desire the day it is put into action. Assumptions made during the budgeting process will most likely change during the year and new opportunities for growth always exist. How quickly we identify the gaps between desired and actual performance and create alternatives to address these gaps and/or market opportunities that occur is often the difference between winning and losing.

Any organization's ability to anticipate and react to strategic opportunities and issues is embedded in its approach to business leadership. In an organization with strong leadership and management discipline, strategy serves to directly drive operations and execution, which in turn significantly improves the company's sustained competitive advantage. In order to possess this discipline, strategy must be a year round activity. It is not about creating a document or following a planning calendar to create an annual budget. While these documents and meetings have their place, this is not "doing" strategy. Strategy involves gaining continuous insights on the external markets, creating innovative alternatives to fill the performance or opportunity gaps, developing and maintaining an agile business system, and organizational capabilities that ensure the ability to meet the market where it's going and outpace the competitors.

The ability of the organization to identify the performance and opportunity gaps that present themselves is the key to sustainable growth. This all starts with strong and effective leadership. Effective leadership creates a business that rapidly and continuously adapts to meet a changing business environment. Leaders must lead their organizations in the exploration and resolution of strategic issues and opportunities. Strong leaders do this by commissioning projects to gain insights and new directions, clearly articulating the performance or opportunity gaps to drive change, ascertaining and communicating the strategic significance of the market transformation, clearly articulating the business direction and strategy so everyone understands the game plan and their role, leaders also build in the necessary flexibility for the business to proactively self adjust to anticipated changes.

When performance gaps occur it is very tempting to follow a knee jerk reaction and take the first action that comes to mind. This provides for a "dive and catch" mentality that is often rewarded by many organizations, which in essence reinforces the wrong behavior but feels

good in the moment. As we all have experienced, one's first reaction rarely captures the breadth of the issue and random pursuit of activity does not consistently drive desired results. A structured, disciplined and repeatable process to address performance gaps is required to drive results in a sustainable fashion. Closing these gaps will require four specific disciplines that inform and motivate each other: Strategic Intent, Marketplace Insight, Innovation Focus, and Business Design.

Strategic intent is the discipline of leadership setting a direction and an end goal for the organization. Leaders and employees use strategic intent to guide the work of organization to ensure any strategic options chosen to close the performance gap are aligned with where the organization is headed longer term.

Marketplace insight involves a continuous focus on understanding customer needs, competitor moves, technology advancements and market economics that serve to define opportunities and risks to the plan. To do this in a consistent and effective manner leadership must drive and maintain a customer-focused orientation within the organization. A company that is primarily internally focused in its behavior cannot do this well. Without constant feedback from the market and its customers an organization will fly blind.

Innovation focus: No business can achieve and maintain its strategic intent or create a sustainable competitive advantage without an active system of exploration and experimentation that keeps pace with the external markets. Leaders must architect and manage an active program of innovation that effectively funnels ideas from a wide range of sources, explores and tests the best ideas, and invest resources to ensure successful implementation or commercialization of these ideas to meet the demands of the markets and customers.

Business design: The understanding gained in external insights provides a basis for exploring business design alternatives that capitalize on internal capabilities. The business design involves five key elements: customer selection, value proposition, value capture, scope of activities and strategic control. A change in strategic direction forces you to look at each of the business design elements to ensure the system has the capability to support this new direction. It will help define the organization, skills, measurements, and culture required to make the system work effectively.

An additional and critical challenge for a leader is to create and maintain a culture that is externally focused on meeting the needs of the customer and market. Understanding these needs is the driver of innovation. When innovation is driven in such a manner, a company has the potential to disrupt the market with new technologies, products or services in a way that best meets its customers' needs now and in the future. It is the recurrent innovation in products, services, processes, systems, and measurements that fill the gaps and create sustainable results for your organization.

Having an agile and repeatable process to address both performance and opportunity gaps provides a way to be very intentional about the actions you take to maintain alignment and

keep the business on track. It is a very repeatable process and Leadership must deploy reliable methods that allow the employees of an organization to understand the implications of its actions across its business system. When an organization has clear visibility to why changes occur, it can ensure an orderly transition in the work its people are doing. It also provides the best opportunity to make the mid course corrections that allow the company to meet its performance targets on a much more consistent basis.

ConvergencyPartners *is a full-service, partner-owned management-consulting firm with clients located throughout North America. It serves CEOs, C-level teams, divisional and functional leadership.*