





WHAT IS THE NORTH STAR FOR YOUR ENTERPRISE STRATEGY?

The strategic frame can help you chart a course to record growth

BY SHIDEH SEDGH BINA

Strategic planning is an evolving process. Just as our products and services have changed over time, so too have the ways we sell, foster growth and anticipate challenges. The economic crisis of 2008 put every strategist's weakness on display, demonstrating that even the best-laid plans can quickly unravel.

The ensuing business fallout led one leading consultant to proclaim in a 2010 Wall Street Journal article: "Strategy, as we know it, is dead." It's a provocative statement that begs for refinement. Strategy as it was is dead. Predictability is dead. Rigidity is dead. But innovative strategic planning is very much alive. We refer to the product of that process as the strategic frame.

The strategic frame — a concept proposed by Allan Cohen in the *Strategy & Leadership* article "The Strategic Frame: Making Decisions that Produce Results" and further refined by Insigniam — offers a revised approach to planning that accounts for your company's competitive assets and core beliefs about the future, charts a course toward success, but also allows you to respond to shifting conditions as they happen. If you're thinking, "That's what we've been doing," I disagree. The strategic planning of the past attempted to do all those things, but failed for a few reasons.

HOW WE GOT HERE

Traditional strategic planning plotted a course between point A and point B, with the latter often representing a more lucrative version of the former. Its fundamental purpose was to understand the past and the present external environment in your market or enterprise space and use that insight to predict the future, thereby allowing executives to consistently generate reliable business performance.

That plan's fatal flaw is that once changes in the external environment render the predictions obsolete, the strategic plan becomes obsolete as well. Organizations felt this acutely when the Great Recession firmly took hold of the economy and consumers' dollars (and jobs). At the end of the 2008, no one could have predicted the depth and length of the economic crisis. No longer could businesses hang their success on continued economic growth, they had to suffer the blow without a plan to bounce out of it.

There used to be a belief that you could stand in the present, look at what you've learned from the past, and extrapolate a desired future position. In reality, things are not linear. In these days of high technology innovation, political transitions (some peaceful and some not), and lightning-fast communication, the only certainty is that there will be unexpected disruptions and changes in the future. As any element in the system changes, it in turn changes the environment in ways subtle and substantial. Huge events can have negligible effect and small events can have catastrophic effects.

It's the difference between driving through a parking lot with lots of signs and very clear instructions and lanes and navigating your car around traffic that's traveling

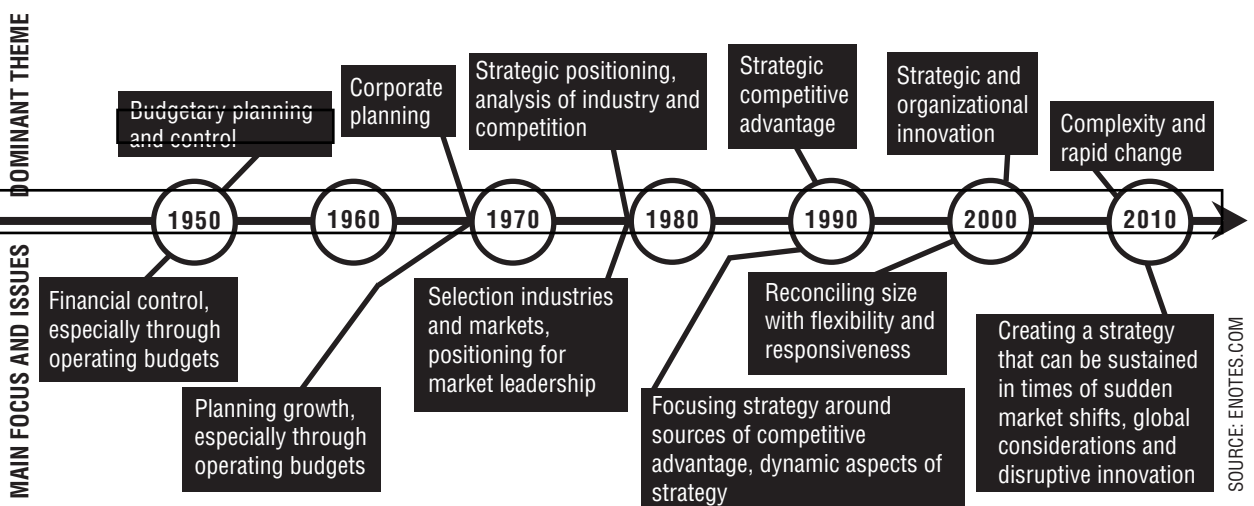
exponentially faster and faster in all different directions. In the first instance you follow an orderly, stable path, in the latter instance you maneuver to your desired end point through the variability with some key levers—steering wheel, mirrors, gas pedal and brakes. The distinction between a strategic frame and a strategic plan is analogous. A strategic plan has a prescribed, set of goals and tactics to accomplish objectives that are reasonable given the past. With the frame you have your eye on your ambition, a bold, inspiring and often unprecedented objective derived from your purpose; your key levers with which to maneuver are your purpose, your promises, your guiding beliefs and your competitive weapons.

THE STRATEGIC FRAME

The strategic frame takes all of the above into account. The idea is to identify the organization's overall purpose and ambition — the North Star by which it is navigating — as well as stakeholder promises, guiding beliefs about the future, and strategic assets (often called competitive weapons).

It forces leadership to acknowledge things like disruptive technology and add it to the contingency plan. Think about Blockbuster for a moment. Was the adoption of streaming media a flash-in-the-night kind of event? No, we all knew it was coming. Yet the company that owned the market on video rentals wasn't able to overcome it. The shopping center down the street still has the shadows of Blockbuster's iconic blue and yellow logo etched in the stucco, a somber reminder that even kings of the marketplace can be dethroned.

A HISTORY OF STRATEGIC PLANNING



HOW DO YOU BUILD A STRATEGIC FRAME?

Crafting a strategic frame requires introspection, creativity, and a profound curiosity about your business and the market in which it competes. Just as a picture frame has four sides, so too does the strategic frame. Once you address each area, you'll have a cohesive playing field on which to focus your business choices as the external environment goes through its machinations and gyrations. For example, outsourcing might have been a valuable proposition for your competitors in the past, but does it make sense in your organization to win in the future? Your strategic frame will help you determine that.

01 PURPOSE AND AMBITION = VELOCITY

Evaluating this segment of the frame will define the playing field and the game in which you're competing. What's the point? The purpose is expressed as the "why" of your business — the *raison d'être*. Enterprise purpose is expressed in many ways, some poetic and some pragmatic. Sam Walton's intention to make quality products available to ordinary folks, George Merck's commandment to "bring the best of medicine to each and every person" and Apple's drive to disrupt the status quo are all examples of companies that achieved great success by having a clear understanding of the originating intention of their enterprise.

AMBITION is how you define winning in the next leg of your enterprise journey. Firms often pick a five-year horizon, although I have seen ambitions expressed as far out as 20 years. What

ambition is worthy of our resources? Measurable outcomes are imperative. They may be financial, related to the organization's size and sales figures, global reach, brand influence, customer segments and impact, or something else altogether. One food company expressed their ambition in terms of a number of occasions consumers eat their products in one day. Taking that ambition and calculating the population in their segments, the occasions, etc. they arrived at a five-year gross revenue number target. However, the execution attention, the firm's "North Star" is now aimed at having a portfolio of products that captured the desired number of eating occasions. Any changes in the market space are evaluated in the context of the purpose and ambition.

02 STAKEHOLDER COMMITMENTS

When an enterprise fails to satisfy its key stakeholders, its existence becomes jeopardized. It's difficult to meet those expectations if you don't have a firm grasp of *who* your stakeholders are. Ask yourself: Who are our primary stakeholders other than our customers? What promises to them are we unwilling to compromise? Stakeholders may be employees, employee families, shareholders, and in one case, a firm chose to commit to "our grandchildren." Stakeholder commitments are the promises you will keep, no matter what as you are realizing your purpose. You may even retreat from an ambition in order to honor a stakeholder commitment.

03 GUIDING BELIEFS

Guiding beliefs are assumptions that govern your decisions. These are not based on predicting the future, but rather identifying threats to overcome and opportunities to exploit in pursuit of your ambition and on the journey of your purpose. This is where you scan the external environment for key trends, movements, and developments in your elected time horizon. It is critical to look at the future in multiple key external domains, such as the future for your industry, business in your key geographies, etc. Consider, too, the futures of your buyers, your industry, your customers, and your competitors. In each domain you examine and research the future — positive and negative, likely or merely possible. Which beliefs are most crucial to your enterprise successfully fulfilling its purpose and ambition? For example: "Proactively anticipate and lead any potential move for consolidation in the relevant value chains" or "That there will continue to be an increase in the use of advanced materials that require hi-temp processing". As you move along in your journey and realize your ambition, these guiding beliefs need to be consistently monitored and adjustments made as reality emerges.

04 COMPETITIVE WEAPONS

A competitive weapon is a strategic asset that sets you apart from the field. These are assets that have strategic value and are relatively unique to your organization. To discover them, you'll need to know: Who are our competitors? Who do our customers consider our competitors? What are our assets? What differentiates us from our competitors — assets, talent, intellectual capital, strategic partnerships, etc.? And most importantly, which of these assets are of high value to our customers and unique to us? A \$23B global FMCG company identified one of their weapons as "A global company acting locally." In the crowded market space they played in they realized that they had far surpassed any competitor in their global agility. One other company realized that their "iconic smallness" could actually be a weapon to use against much bigger, and harder to move, competitors. Competitive weapons rank very high on the list of assets that merit further investment. When an unexpected disruption happens in the marketplace, the strategic weapons are most often leveraged as a response.

