

# STRATEGIC RESPONSE



August 2011

## High Quality Strategic Decision Making

### THE CHALLENGE:

Organisations must make good strategic choices as there are few resources to squander chasing poor ideas

### THE KEPNER-TREGOE RESPONSE:

Consider these 7 questions to help ensure you build a high quality strategic decision making process

It's not over yet! In Europe and the United States the pace of economic recovery is underwhelming to say the least and in these challenging times, questions about how to maintain growth, protect margins and carve out a defensible competitive space are never far from the minds of leaders and their management teams.

Finding answers to these questions falls into the realm of strategic decision making and in the current climate, leaders need to ensure that they make well informed, high quality choices. Few organisations have resources available to risk on ill conceived or poorly thought through strategic plays.

In this edition of **Strategic Response** we look at how leaders can ensure they make high quality strategic choices by adopting an approach to decision making that is well structured, robust and inclusive.

### 1. Which decisions do we need to take?

Whilst it's understood (usually!) that strategy is about making often difficult choices, it is helpful to ensure you are clear about which strategic decisions you need to take before embarking on the journey. Clearly, certain of your choices will depend on the nature of the organisation and the challenges you face. However, we would argue there is a common, logical sequence of choices underpinning any robust strategy, with the outcome of each decision acting as an input into the next. In essence, this framework or 'flow' of choices could be addressed as:

- I. Why are we in business, what are the principles, values and beliefs that define the root cause of our success?

- II. Given this root cause of our success, in which product / market space are we most likely to win? Where will we choose *not* to play?
- III. Within our chosen space, which product and market combinations will offer the greatest opportunity and are likely to require the greatest investment?
- IV. For each product and market combination, what will allow us to win?
- V. What capabilities do we need to accomplish these product and market ambitions?

### 2. Are decisions all to be taken at the same time?

This flow of strategic choices starts 'above the clouds' when considering the broad strategic spaces in which you'll play and descends down into the detail of a competitive advantage you might employ in a specific product / market area. Logic dictates that the 'lower' you go, the later you should leave finalising your strategic choices. For example, Apple's presence in the media and consumer electronics space is a long term play. The competitive positioning of the latest iPad will be left to the last possible moment, so as to accommodate current, local market conditions. Strategy formulation is therefore as much an on-going decision making process as a periodic event in a mountain top retreat.

### 3. Who should make these decisions?

Strategic choices must be made by those who have to live with the consequences. Although you may employ consultants to research and suggest strategic alternatives, the choices themselves are best made by those who have 'skin in the game' and possess intimate

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knowledge and experience of how the organisation works and its strengths and weaknesses in different product / market spaces. The most robust strategies emerge when a leadership team comes together to hammer out each of the difficult strategic choices, as this creates shared understanding and true ownership of the resulting decisions.

### 4. How broad should the range of strategic alternatives be?

Strategy formulation is at its heart a creative process and as such, it is important to ensure that the thinking goes well beyond conventional wisdom and ideas when developing strategic alternatives. When setting strategy, all too often organisations focus on marginal enhancements and don't challenge existing norms and paradigms. For high level strategic choices that explore which strategic space you might occupy, KT's Driving Force® concept compels leadership teams to define their organisation and industry in radically different ways to help identify potential opportunities. At lower levels of strategic decision making, creative thinking and problem solving tools should be used to explore the challenging world of "What if...?" and "How might we...?"

### 5. What factors should influence the strategic choices?

The right answer to this question is, of course, "It depends" — there is a universe of variables that will affect the shape of your strategic thinking. To make the most informed choices, your search for influencing factors must include at least the following three areas:

*The assumptions you make about your external environment.* Changes to the political, economic, social, technical and competitive environment that will impact your future strategy need to be considered when choosing and shaping strategic alternatives.

*Existing brand value.* The way in which customers perceive your value will usually tell you something

about the root cause of your organisation's success. The best performing strategic alternatives will typically be those that leverage existing brand values.

*Your organisation's DNA.* As individuals, our capabilities are in part defined by our DNA. We would argue organisations are similarly constrained by their 'genetic' make up. If they attempt to depart too far from their strengths and competencies they may well fail. Understanding your organisation's strengths and limitations will again lead to more informed strategic choices.

### 6. Should your strategic choices be time bound?

In order to make comparisons between the strategic alternatives you have created and to choose the most appropriate strategy, you must be able to picture the results that might be produced over a certain period of time. To facilitate this comparison and to be able to establish clear and measurable strategic goals, all strategic choices should be made within the context of a strategic time frame. This time frame should be of sufficient duration for significant changes to have occurred as a result of the strategy. It should also be a period of time over which you are willing to make assumptions about the current and future circumstances of your external environment.

### 7. How do we make a 'best balanced choice'?

Strategic decisions should never be taken in a 'black box', where the thinking that went into choosing a preferred alternative is unclear. We believe that the best decisions are made with the help of a visible, rational process in which the decision criteria are clarified, the range of alternatives to be examined are agreed, the performance of each alternative is systematically assessed against the criteria and risks are considered before a best balanced choice is made. By using a process that 'unpacks' decisions in this way, the anatomy of the decision can be better understood (and therefore accepted) by the leadership team involved and the organisation who has to live with the results.

#### KEPNER-TREGOE: WORLDWIDE LEADER IN STRATEGIC PROCESS CONSULTING

A leader in worldwide strategic consulting and facilitation, Kepner-Tregoe (KT) was the first to apply rational decision making approaches to the strategic dimension of organisational success. KT has worked with hundreds of the world's leading organisations for over 50 years. In the area of strategic decision making, KT has pioneered the key strategic concept of Driving Force