

# Strategic Development - the preserve of the elite?

Developing the organisation strategically, not the development of strategy.

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## Developing the organisation strategically, not the development of strategy.

It is widely accepted that strategy is important but it is the execution that really counts. According to Kaplan and Norton<sup>1</sup> *“Strategy execution is not a matter of luck. It is the result of conscientious attention, combining both leadership and management processes to describe and measure the strategy, to align internal and external organizational units with the strategy, to align employees with the strategy through intrinsic and extrinsic motivation and targeted competency development programs, and, finally, to align existing management processes, reports, and review meetings with the execution, monitoring, and adapting of the strategy.”*

This unwieldy explanation means that over time strategy execution becomes a core competency and these become strategy-focused organisations. But is that enough? Sadly it falls well short of where I think we should be aiming.

Over the years I have noticed one very interesting fact among all the organisations with which I've worked. That is the lack of understanding of the Strategic Direction by the general membership. This contrasts to the relatively few organisations worldwide that have been **good** adopters of the Balanced Scorecard approach.

Let's leave aside the delivery of coherent strategy for a moment. Instead consider the Balanced Scorecard approach as practised in many organisations at the beginning of the 21<sup>st</sup> Century. This pays little real heed to the sorts of things that a Compleat Biz should be seeking to achieve. On the other hand there is evidence that some (but not all) successful companies **are** using the Balanced Scorecard appropriately in order to translate strategy into action. However we know that strategy on its own is not enough. So if you think that just having a Balanced Scorecard within your organisation means that you are doing the right thing from a CB perspective - a major rethink is called for.

Turning back to understanding Strategic Direction, typically administrative workers do not understand why or where the bank is heading. The shop floor doesn't understand the product strategies for manufacture. And so it goes on.

Why should this be the case? Well it seems to have something to do with the hierarchy and the view of who owns the domain of Strategic Development. Balanced Scorecards in isolation just don't answer the problem. They tend to be imposed from above and understanding what they really mean is wide open to interpretation. I've even come across examples where the senior management tier has completely ignored them when doing their own planning.

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<sup>1</sup> Kaplan, Robert S. & Norton, David P. "Alignment : Using the Balanced Scorecard to create corporate synergies", Harvard Business School Press, Boston MA, 2006

You may think I am being highly critical of Balanced Scorecards - I'm not. The problem is in their execution and, like many of the other management ideas that could add real value, it is generally poor because the leaders simply don't get the idea that this is philosophy and needs to be rigorous in its application. It is also not a panacea for the organisation. There is more to a good organisation than simply getting strategic alignment throughout.

Looking back to the chapter on Strategy you will recall that we talked about how the development of the organisation's Strategy needs to incorporate The Compleat Biz thinking. That's only one part of the picture. The other part is the development of the organisation itself.

Just think about it for a moment. Having a view of where the organisation needs to be is the generally accepted idea of Strategy. Developing the organisation itself has a strategic side to it. This will make delivering the Strategy easier. The organisation will be structured and have a supportive culture.

Two strands but often with one group of people running them. Why?

The answer lies in a reluctance to accept that strategic thinking is not the preserve of an elite. Historically owners of businesses have laid down the direction. They have produced the overall strategy. In larger organisations that is delegated to a Board of Management. It has become a paradigm that strategy is not devised by the shop floor. But there is no earthly reason why it should not be. Also because it has been seen to be so, no-one else has questioned whether there is a separate aspect of developing the organisation.

At the risk of upsetting my readers (again) I'd like to propose something different. Set aside thoughts of the Compleat Biz for a moment. Now, if the responsibility for strategic development of the organisation were to be laid at the door of the shop floor - what might the outcomes be?

For one thing, you might expect that the organisation would be more participative. By this, I don't mean it turns into a huge open forum with everything being debated. But there would be more people looking and questioning why the structures were the way they are. These structures would be scrutinised to see if they are really delivering to a key group of stakeholders - the people who work there.

Now think back to why we are in business (or working in an organisation) at all. This **must** have something to do with meeting the needs of the people who are employed or engaged - even if they are unpaid volunteers. The idea that work is of itself rewarding or at least that it can be, is a strong one.

Add to this the notions that we have already developed about a Compleat Biz. The inclusiveness. The open communication. The common understanding of why. To me there doesn't seem to be a huge gap to bridge, provided we have got a broad group involved in the strategic development of the organisation.

In fact that is what the process of developing the Compleat Biz is all about. Taking ownership at all levels of the strategic development to meet a complex set of related needs and desires. So, in fact, it should come as no surprise to you that I believe that the strategic development of the organisation is owned by the same people who own the development of the Compleat Biz.

Of course that will mean executive involvement. But I find it hard to envisage a case where it is exclusively their preserve.

### **Why do the executive keep this to themselves?**

One of the reasons must be historic. It has always been that way. Climbing the greasy pole brings with it the 'right' to make the decisions.

It would be a very strange person who, having achieved a position of authority then decided unilaterally to give that away. Such people do exist yet history tends to forget them fairly quickly.

On that basis you might imagine that there is no hope of breaking this vicious circle. This preservation of a 'right' for those who reach the inner circle.

Think again. What might happen if it was agreed to share the power? Who is in the greater position of authority, the person who, having shared power wants to move forward; or the dictator? History in fact tells us that dictatorships fail because of the corrupting effects of absolute power. So ostensibly the greater, lasting power lies with the sharer.

Let's consider a different scenario for a moment. In his book "The Selfish Gene"<sup>2</sup> Richard Dawkins deals with the notion of spreading our influence through genetics. He compares the dilution over relatively few generations with the numbers we can influence through ideas. He calls this Memetics. Making the step from focusing on the genetic to transmitting ideas is not an easy one for many people. There remains the desire to have children. Yet the greater influence is felt as a result of ideas. In the latter part of the 18<sup>th</sup> Century my great great great grandparents had 12 children. They were passing on plenty of genes. Today I, along with many others, can trace my lineage but I also recognise there have been far more influences in my life that are ideas not genetics. Those ideas may be from even earlier generations. Or more likely they come from someone completely unrelated. Gandhi was seen as the father of the nation of India, though not literally so. It was his ideas that created his influence.

There is another important point here. A good idea doesn't tend to get diluted once it is passed on. Think of a great joke that you have heard. After many retellings by different people it is probably recognisable as the original (if you could actually find it). Genetic dilution occurs rapidly and hence the relative influence of the source reduces. If this book is about anything it is about how to share good ideas about your organisation in ways that make them sustainable. If you can show that these are indeed good ideas then the chances are they **will** be repeated and built upon.

Referring to the point on sharing power above, in essence the problem with letting go and sharing the ownership of strategic development is the same. We forget to look beyond the immediate to grasp a wider, greater possibility. Yet how much more powerful is it? How many truly great strategic decisions can one man make? Being part of strategic development at many times gives an individual more chance of getting it right.

So on this basis I would argue that we should let some light into the process. Break the mould of tradition. Make our Compleat Biz one where the strategic development of the organisation continues to be one that is not the preserve of an elite.

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<sup>2</sup> Dawkins, R. "The Selfish Gene", Oxford University Press, 1989

Of course we will want quality in our decisions. But quality is a virtue that can be built in with due process. It is not an elixir owned by a few.

### **What is the big secret?**

In truth it is a case of 'the Emperor's Clothes'. There is no real secret at all. Strategic development of an organisation is something that is itself organic. An organisation that has no structure will fall over or remain very simple.

Think of an amœba. Very simple and never does much differently. On the other hand an oak tree has framework for leaves, acorns, drawing up nutrients and so on. It provides shelter and home to other plants and creatures. It can withstand all sorts of changes in the environment. It grows and succeeds over a relatively massive timescale.

Organically the strategic development of an oak has been to deliver all those aspects that help it to do these things. You will recognise from this that there is selective evolution at play.

In a strategic development of our organisation shouldn't we allow selective evolution? We might also encourage it with some pruning and shaping. Nurturing new areas of growth until they are strong enough. But in the end it will still be organic.

This is not an attempt to take us artificially into the realms of horticulture. However it is useful as a metaphor for what can take place. And given the propensity for humans to flee back to the comfort zone of what we have always done, I think it helps to shed a different light on this corner of business.

To put it another way we are trying to set out a vision of 'How Strategy is Developed' that is not dependent on a select few. Instead we should be looking for ways to build strategic development into the organisation as a matter of course. That will be more sustainable over time. More resilient in an uncertain world.

### **Using a team approach to managing the process(es)**

This might seem an obvious statement. But consider what may happen if we don't set this up right. The processes here are those by which we (as an organisation) set about defining our strategic development.

In the second chapter of this book I looked at the things you need to consider when embarking on a Compleat Biz. The core of people which forms with enthusiasm for positive change. And the quality mechanisms that you should bring into the process. All of this indicates that it is a team approach.

Managing with a team is much better than relying on an individual. Look at the results delivered by Ricardo Semler, the CEO of Semco<sup>3</sup> in Brazil. There the people of the organisation make the decisions. He has turned it into a shining example of what can be achieved by thinking differently. It appears to have a structure for strategic development that is based on the organisation as a team that makes the right decisions.

I would argue that Semco is a Compleat Biz at least with regards to how it deals with internal stakeholders and its business aims. But merely to copy it would be a mistake. The idea of what constitutes a Compleat Biz cannot necessarily be the same for everyone. However the

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<sup>3</sup> A remarkable company based in São Paulo which has a very inclusive style and has become an icon.

examples of what has gone on in Brazil might be a good start point for the team looking at the strategic development of our organisation. How Semco got to where it is was through following one man's vision. But he was in a position to execute that vision without having to ask permission. In the end Semco got where it is not by following the approach we have here. Instead it relied on inspiration. And therein lies the key. By using a team and a formal approach we can get to our Compleat Biz without having to rely on one man's inspiration.

There is also plenty of academic research to show that composite teams deliver better results, whether that is based on the work of Belbin<sup>4</sup> or others. That is not to be critical of the outcomes at Semco. Instead I'm trying to suggest that you don't have to have a singular mind behind the inspiration for things to work out extremely well. What you get might be better. More likely it will be different and appropriate for your organisation.

### **The value of spreading strategic understanding**

There are a number of interesting things that may come out of taking this more diverse approach. In the course of working with many organisations I have frequently been approached by senior managers who are struggling with problems. It usually goes something along the lines of; *"I've been told to sort out this complex problem but can't seem to find a way through it."*

Investigation often shows that the reason for the dilemma is a lack of strategic direction. There is no benchmark against which to make any decision. Yet going back to the Board to ask for clarification is seen as an admission of failing.

How much easier would it be if everyone had a better handle on why the strategy was the way it was? If they understood that they could talk to a wide number of people to get soundings on guidance for other issues. And that the strategy was itself benchmarked against some core values that were discernible.

Now that is what I call an organic strategy. One that is embedded in the organisation to an extent that everyone has a much better understanding of what, where and why. You only achieve it if you do something differently. Make the strategy more accessible by involving more people.

The criticism that might be levelled is that, by making strategy so open, it lays the organisation at the mercy of its competitors. However I disagree with that notion. Better understanding leads to faster implementation. In turn, this means that the organisation is more nimble. Now who do you think has the advantage?

Oh - and the follow-on is that better strategy is likely to be evolved. By definition better strategy is one that has considered the environment and the competition. In this arena Quality will prevail. Quality delivered at speed is awe-inspiring.

Here's an example. In a tussle for control of ITV in 2006, NTL the Cable TV operator hoped to make a successful bid. This would have given it a strong hand in its battle against BSkyB (part of Rupert Murdoch's News International). However News International/BSkyB had a clear strategy - to prevent competitors getting their hands on jewel assets. The Communications Act of 2003 would not allow BSkyB to own more than 20% of ITV. However it was able to move faster. It bought a key holding - sufficient to block any takeover that it

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<sup>4</sup> Belbin, R Meredith. "The Coming Shape of Organisation", Butterworth Heinemann, Oxford, 1996

regarded as unhelpful to News International interests. BSkyB also made it clear it *“did not intend to be a passive investor.”* NTL could only look on and wish...

The ending to the story had a twist. In October 2007 the Competition Commission issued an interim report into the entire deal. This ruled that the deal significantly reduced the competition because BSkyB could use its block vote at shareholder meetings to hold back ITV's development. This then led to discussion as to whether the broadcaster should be required to sell its entire holding in ITV. Ultimately it became a decision for the Secretary of State for Business.

There are many aspects of defining strategy in an open way that seem alien to large corporations. I worked with one large financial institution that was suspicious of its parent - a retail bank. 'Group' was seen as a threat to their operations! This was hardly surprising. There was no understanding of the Group Strategy as opposed to the subsidiary operations. Oddly no-one was taking steps to ensure that managers in the subsidiary were following paths that complemented both. It was almost a Mexican stand-off. Don't tell 'Group' - they might interfere. On the other hand the Bank was trying to develop a cohesive proposition to all its customers.

Does this seem familiar? Then I suggest you start lobbying hard for some open strategic thinking.

One final example comes from a UK Building Society. For over a year staff had been struggling to define the business requirements for a New Business system. You can imagine the sort of thing. This was to be an integrated package to handle everything to do with acquiring a new customer from the first contact to having the mortgage in place. Taking the analysts through a quick workshop on business strategy allowed them to come to some fundamental conclusions. Two weeks later when they presented their proposal to the Finance Director he was amazed. It was right on the button. Why? Because they understood the implications in strategic terms. At last they were talking his language.

When asked why he had never thought to talk to the people about strategy the response was clear. He had never even considered it necessary.

Such lack of vision has real consequences. The costs to that company alone were more than £3 million in wasted effort prior to my involvement.