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The Seven Myths of Strategy

by Rich Horwath

Moderation? It's mediocrity, fear and confusion in disguise. It's the devil's dilemma. It's neither doing nor not doing. It's the wobbling compromise that makes no one happy. Moderation is for the bland, the apologetic, for the fence-sitters of the world afraid to take a stand. It's for those afraid to laugh or cry, for those afraid to live or die. Moderation… is lukewarm tea, the devil's own brew.

Dan Millman
Author, *The Way of the Peaceful Warrior*

Why are there so many mediocre companies? Why is it that when we cite examples of outstanding organizations, the same names keep popping up time and again—Southwest Airlines, Dell, GE, Cirque du Soleil, (insert your company name here—hopefully)? If we were all sitting in a room together, people would be shouting out answers like "people," "culture," "leadership," and "innovation" to name a few.

How about the ability to distinguish between myth and reality? The American Heritage Dictionary defines a myth as "a fiction or half-truth, especially one that forms part of an ideology." Nothing will transform a good organization into a mediocre one faster than operating on flawed business principles, haphazard assumptions and unclear direction. Consider for a moment what myths or half-truths have permeated your organization and what effect they've had. Like weeds in a garden, if left unchecked, they will choke off all that is good. And before you know it, you're left with lukewarm tea.

Seven Strategy Myths

As good strategy is at the core of any organization's success, it's important to understand the seven myths of strategy and determine which need to be pulled from your proverbial garden. The seven myths of strategy consist of the following:

1. "Strategy is about being better than the competition."
2. "Strategy is the domain of the senior-most executives."
3. "Strategy is the same as vision, mission or goals."
4. "Strategy is long term and tactics are short term."
5. "The execution of strategy is more important than the strategy itself."
6. "I don't need to have strategy written down because I have it in my head."
7. "Strategy's primary purpose is growth."

Strategy Myth #1

"Strategy is about being better than the competition" is something that has been driven into our minds like so many nails in a coffin. "Will this strategy make us better than the competition?" is the wrong question. The more accurate question is, "Will this strategy differentiate us from the competition in a way customers value?" Attempting to be better than the competition leads to a race of "best practices," which culminates in competitive convergence. Ask United and American Airlines or Ford and GM how much they've benefited from trying to be better as opposed to cultivating valuable differentiation.

Strategy Myth #2

"Strategy is the domain of the senior-most executives" is arrogant and ignorant (did I leave out just plain wrong?). Look, we all understand CEO Jeffrey Immelt of GE is not asking the twenty-something product manager to set the overarching strategy for GE. However, he is smart enough to have a developmental program in place to reach his goal of creating an organization of strategists. Like it or not, everyone in the organization is a strategist because they all have resource allocation decisions to make each and every day regarding their capital, talent and time.

Actually, the case can be made that mid-level managers are the most crucial member in the strategy ecosystem. Very often, mid-level executives receive intelligence from the front-lines that can significantly influence strategic direction. Based on their awareness, compensation structure, career path, risk tolerance, etc., they will either decide to boldly act on the intelligence by packaging it in the form of a strategic initiative or not. They have the power to kill potentially game-changing strategies without senior management ever knowing the opportunity existed.

Strategy Myth #3
"Strategy is the same as vision, mission or goals" is one myth which is reaching universal adoption. Since strategy is an abstract concept, it is often interchanged with the terms vision, mission and goals. How many times have you seen or heard a strategy that is "to be #1," "to be the market leader," or "…to be customer-centric?"

These statements are not and will never be strategies. Passing these off as strategy is like a physicist randomly interchanging element's chemical structures from the Periodic Table. You can *say* that the chemical structure of hydrogen is the chemical structure for gold but that doesn't mean it's correct. Starting with an inexact statement of strategy will derail all of the other aspects of your planning and turn your business into something resembling that of a warped high school science project.

Strategy Myth #4
"Strategy is long term and tactics are short term" is used by some as a defining type of criteria for the two concepts. The defining distinction between strategy and tactics isn't based on time. The distinction between the two terms is in the "how." Strategy is "how *generally* you will achieve your goals and objectives" while tactics are "how *specifically* you will achieve your goals and objectives." There are instances when a strategy will be used short term and tactics are used long term so attaching time as a defining characteristic misses the point.

Strategy is about investing resources and as with many investments, it can take significant time to receive a return on that investment. However, as with financial investments (i.e., stock IPO), the expected return can happen quickly and give way to an entirely new investment strategy. Don't fall prey to Father Time's definition of strategy as necessarily long term.

Strategy Myth #5
"The execution of strategy is more important than the strategy itself" borders on moronic, with apologies to all those authors jumping on the "execution is everything" bandwagon. After all, a bandwagon is nothing more than a vehicle for the masses to follow the asses.

So let's reason it out and draw a comparison. You can have the most skilled driver and highest performance Ferrari in the world (great execution) but if you're driving that Ferrari on a road headed over a cliff (poor strategy)—you're finished. Make no mistake that all great businesses begin with an insightful strategy. As Michael Porter, a Harvard Business School professor and author of the landmark work *Competitive Strategy* said, "My experience is that 9 out of 10 organizations don't have a clear strategy."

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Strategy Myth #6

"I don't need to have strategy written down because I have it in my head" is something you hear quite often in small to midsized organizations. The CEO, usually the founder, will say, "My boy…I don't need to write the strategy down on paper…it's all right up here (pointing to their apparently empty head)." Let's draw another analogy: an architect would never show up at a building site with no blueprints and simply tell all the contractors what the plans are because that would lead to chaos, confusion and mass hysteria. Yet, thousands of organizations attempt to function on a regular basis without a clear strategy in written form.

If the strategy isn't in written form and consistently communicated to all employees, how can we expect to have alignment, productivity, synergy or any other good business buzz words? Research by Robert Kaplan out of Harvard has shown that 95% of employees aren't aware of or don't understand their company's strategy. Makes it kind of difficult to execute what you don't know, wouldn't you say?

Strategy Myth #7

"Strategy's primary purpose is growth" seems so right—on the surface. Wall Street does a wonderful job of perpetuating this myth as it routinely rewards and destroys firms based solely on their growth, sometimes even whipping those that grew…but not quite enough for their liking. To keep Wall Street happy and feed the "bigger is better" mentality, many firms set unrealistic goals for growth.

Unrealistic growth goals then pull the company into areas tangential to its core strategy causing a diffusion of resources, destruction of competitive differentiation and a loss of direction. Former Disney CEO Michael Eisner's demise can be traced back to the ridiculous 20% annual growth goal he set, which made the growth he did achieve unacceptable. As research from Michael Porter has shown, the one valid goal for a firm's strategy is return on invested capital or profit.

Coffee…tea…or strategy?

Truly outstanding organization's have processes in place to continually challenge their assumptions, rigorously assess issues and develop disciplined strategy. The others work with a zombie-like adherence to the strategy myths that have and will continue to serve as business quicksand. Mediocrity isn't an inevitable fate…unless of course you've developed a taste for lukewarm tea.

Rich Horwath helps managers develop the skills and expertise to create great strategy and fulfill their leadership potential. He is the president of the Strategic Thinking Institute, a former Chief Strategy Officer and professor of strategy at the Lake Forest Graduate School of Management. Rich is the author of *Sculpting Air: The Executive's Guide to Shaping Strategy* and *Storm Rider: Becoming a Strategic Thinker.* Please contact Rich at (847) 756-4707, email rich@strategyskills.com or visit www.strategyskills.com