What Strategy Is…Not
by Rich Horwath

“The farther away from the sun we are, the colder it gets. To know the essence of a thing requires us to go back to the origination of that thing, because time erodes meaning and enthusiasm.”

Wynton Marsalis
Artistic Director of Jazz at Lincoln Center

The retirement of Bob Barker, longtime host of the game show The Price Is Right was a dark day for all of us in the world of business strategy. Ok, not really. But imagine for a moment a game show called What’s Your Strategy? featuring executives from leading companies. Using their quotations from business publications, it might go something like this:

Host: Ladies and gentleman, please welcome the CEO of Wendy’s, Ms. Kerrii Anderson. Alright Kerrii, for a lifetime supply of chocolate Frosty’s and unlimited use of the corporate jet, name three of your strategies.

Kerrii: Three key strategies are “to strengthen core business, execute new initiatives and reduce costs.”

Buuuuuuuuuuuuuuu!

Host: Frank, we understand that sales have dropped like a rock since you decided to change the brand name of Marshall Fields to Macy’s. For the chance to be the Grand Marshal—I mean Macy—of the Thanksgiving Day Parade, what’s your strategy to turn this thing around?

Frank: “We’re trying to find the people that were customers and didn’t come back. That’s a major strategy.”

Buuuuuuuuuuuuuuu!

Host: I’m sorry Frank, but that’s not even a minor strategy. It’s an aspiration of sorts but doesn’t even qualify as a vision. As a parting gift, you’ll receive one box of Marshall Field’s—I mean Macy’s—famous Frango Mints. Enjoy!

Host: Our final contestant on What’s Your Strategy? is the former CEO of Pfizer, Mr. Hank McKinnell. Hank, as you finish up your tenure at the largest pharmaceutical company in the world, what’s your strategy?

Hank: “Our strategy is to survive this period and survival is the right word.”

Buuuuuuuuuuuuuuu!

Host: I’m sorry Hank, but survival is the wrong word. In fact, saying your strategy is survival when you’ve been swimming in more resources than most companies could ever dream of is pathetic. We had a Viagra coffee mug as a parting gift for you but since you received a nearly $200 million severance package as the company’s stock price dropped 40% during your tenure, we’re keeping the cup. That’s all for this week’s show. Until next week, stay strategic San Diego.
The ABC’s of What Strategy Is Not

As these examples along with countless others have shown us, not everybody has a handle on strategy. Why? Three reasons:

1. Abstraction
2. Differing Definitions
3. Lack of Knowledge

For one, strategy is an abstract concept. You simply can’t reach out and touch strategy. And whenever an abstract concept is involved, there is plenty of room for interpretation. Second, different companies have different definitions of strategy. Different business units within companies have different definitions of strategy. And different groups within business units within companies have different definitions of strategy. Considering people move from company to company, we see how quickly things can get muddled. Third, most organizations pour their training resources into building operational skills—customer service, sales, communications, etc.—putting little if any resources toward building the strategy skills of their management teams.

To help alleviate the three issues that contribute to the misunderstanding of strategy—abstract concept, differing definitions and a lack of training on the subject—we can use the ABC’s of what strategy is not. Strategy is not:

1. Aspiration—goals, objectives or visions.
2. Best Practices—trying to be better instead of different than the competition.
3. Caution—tentative and restrained; afraid to make trade-offs.

Too often strategy is mistaken for aspiration, taking the form of a goal, objective or vision. Do you cringe like I do when you see strategy written as “to be the market leader,” or “to grow new business,” or “to be the premier provider of...”? The “what” you’re trying to achieve, whether it be a goal, objective or longer term vision, should never be confused with “how” you will achieve it, which is the strategy.

Best practices are hotly pursued in many markets and can very quickly lead to an erosion of your business. Best practices erode advantage because your business begins to look just like your competitors in the eyes of the customer. And once the differences between competitors are whittled away, the only thing left for customers to decide on is price. Doing the same things in the same way as the competition is known as operational effectiveness. This is the proverbial wolf in strategy’s clothing. Adding best practices to some aspects of the business is important for productivity and efficiency. As long as you continue to create differentiation in either the type of activities or the way you perform them, customers will continue to choose your offering based on the key points of positive differentiation.

Strategy is not caution. Thoughtful—yes, caution—no. If you aren’t willing to assume risk, make trade-offs and upset somebody along the way (including maybe even some customers), then you don’t have a strategy. Too often managers striving for that next promotion play it safe and spread their resources evenly across their business. This offers the same result as spreading your personal finances evenly across all the investment tools—a muted, mediocre performance in the short term that falls significantly behind others willing to focus their resources in the long term. Trade-offs inherently involve risk and risk means a potential loss—loss of resources, loss of revenue, loss of reputation, etc. But as Jawaharlal Nehru, the first Prime Minister of India said, “The policy of being too cautious is the greatest risk of all.”

The Need to Know

A study published in Strategy Magazine of nearly 1,000 executives showed that 50% of the respondents felt that their senior management teams could neither develop a competent
strategy for their organizations nor execute on their strategy moving forward. Consider this data along with research published in the journal Long Range Planning showing nearly 40% of organizations have no formal process for developing strategy. This would be the same as:

- 4 out of every 10 cars on the road operating without a steering wheel;
- 4 out of every 10 pro football teams having no playbook; and
- 4 out of every 10 fashion designers being color-blind, although if you’ve seen the majority of ties in a men’s store, this may be true.

When we add these pieces of research to our “What Strategy Is Not” puzzle, it begins to form a picture of why so many organizations continue to be mired in the muck of mediocrity.

When we’re new parents, we all fall into the trap of thinking our kids are perfect. That is of course until the first time we see them at the playground scooping handfuls of sand into their mouths like it was cheerios. Then we realize that our definition of “gifted” may be off.

When it comes to strategy, organizations are a lot like parents. We tend to think our strategies are perfect too. That is of course until one of our competitors starts to leave us in the dust. Then we rush to react like a bumper car spinning out of control and we find ourselves way off course, wondering how we ever got into this position in the first place.

Remembering the ABC’s of what strategy is not—aspiration, best practices and caution—will help you keep your business running smoothly. Otherwise, you may be the next contestant receiving parting gifts in the real-world version of What’s Your Strategy?