

An introduction: We like Mike Kipp, and we've never met him. Over time, we've come to admire this fellow blogger's ideas on strategy – and we're a bit picky on that topic. (He also has some pretty interesting perspectives on health care, which is his main focus.) Anyway, he is a sharp thinker and writer and has consented to share one of his gems one over here at our outpost.

Regardless of the type of your organization – small business, big business, non-profit, or government – there's something here for you. Thanks, Mike!

-Wendi & Bill

The Challenge of Strategy: Seven Lessons by: Mike Kipp

"There is nothing more difficult, nor more dangerous to handle, than to initiate a new order of things." -Machiavelli – 15th Century

Each year, thousands of companies go through a ritualized process they hope will prompt new vision, renewed energy and sufficient focus to enable them to prevail into the next century. Nearly 70% are disappointed.

Under the best of circumstances, the intended outcome for Strategy Development is, in the words of James Brian Quinn, "a sustainable pattern of response to market needs, consciously selected in light of probable shifts in the environment, relative competencies of the firm and the anticipated moves of intelligent competitors." Such patterns initially develop through superior business insight and are maintained through entrepreneurial instinct. Sooner or later, though . . . and increasingly sooner . . . it becomes necessary to formalize the call for insight and instinct.

Four Threshold Challenges

All my work with companies in developing and executing on strategy finds leadership confronting a quartet of concurrent challenges:

- The *intellectual* challenge of discerning a unique competitive posture within an evolving business environment;
- The *social* challenge of sustaining healthy dialogue among parties who, for a variety of reasons, see the world through different lenses;
- The *organizational* challenge of aligning activities and processes with strategic intentions; and
- The *ethical* challenge of living that posture, day in and day out.



Seven Lessons About Strategy Formation

Against this backdrop, seven fundamental lessons about strategy emerge. Three of these concern themselves with content; three with process; and one with leadership:

One: The “Right” Process is the one that gives you the most direct confrontation with your core challenge. In recent years, management has become something of a packaged goods industry with both consultants and academics proclaiming victory through new formulas for business renewal. *No* size fits all. Although the result of strategic thinking must be managed, strategy making is not a neat, analytical, administrative process. Leadership does best when it endorses an approach which promotes passion and synthesis through an “in your face” relationship with both vulnerability and opportunity. Avoid the temptation to shop for the new “Rosetta stone.” Ask *first* what the core challenge is under all that third class mail. How is it disguised? Construct all design decisions regarding participation and pre-work so as to keep what it takes to *WIN* . . . what’s important *now* . . . at the center of your attention.

Two: Most people are more interested in business as usual than bold moves. As much as we want change, most of us would rather counterfeit the process than undergo the pain of abandoning a past that worked so well. Rather than opening the whole system – market dynamics, organizational design, leader behavior, etc. – to inspection, most teams really want the same business case to work better as an outcome of their deliberations. Focus on concepts and context rather than forecasts and fixes. Proceed on the assumption that operational issues such as on-time delivery have been rectified. What’s the enduring question beneath *that* question? Engage people in regular dialog around strategic issues to develop cognitive capabilities and maximize the opportunity for ideas.

Three: New initiatives seldom come from old insights. The gathering of new knowledge is essential to new thinking. At its most effective level, this goes well beyond the accumulated experience of customers, suppliers, distributors and internal process managers. Nor is fact gathering the sole purview of a Strategic Planning, Research or External Affairs department. Everyone should be involved in gathering primary data outside the range of their normal experience so as to equip themselves for true dialogue on strategic intent. Make the building of a robust fact base an ongoing project, constantly extending the boundaries of inquiry. Do *not* settle for cumulative experience alone. Organize your analysis around categories such as Industry, Competitors, Company and Financial Dynamics. Catalog and mine the hundreds of “fugitive studies” that are conducted by people throughout the organization.

Four: Dysfunctional teams prevent both breakthrough and follow-through. Executive teams often handle conflict poorly, conduct themselves according to unwritten rules that limit their effectiveness, and waste time in “violent



agreement.” Members bludgeon one another over differences in mindset and style. They tacitly consent not to learn from their collective experience for the sake of keeping peace in the family or “staying safe.” Alternately, everyone *speaks* his or her mind but no one ever *changes* it. Unless these dysfunctions are addressed squarely, *no* process will produce meaningful change. Conduct regular biopsies on the “health” of the Executive team from a *process* standpoint. Review incentives for (and injunctions against) appropriate and relevant team behavior. Genuinely encourage managers to bring a whole person to work rather than a role and a persona. One of the greatest strengths a team can develop is the capacity to be vulnerable with one another.

Five: *Organizations are perfectly designed to achieve the results they are getting.* While management texts argue that “form follows function,” form once cast invariably *limits* function. A three-business unit design, for example, will often impede cross-selling, geographic focus or the achievement of enterprise-wide synergies. Deliberations on strategy that don’t consider design barriers to new behavior unwittingly accept the limits imposed by reporting relationships, work flows and other elements of organizational architecture. Spend time on identifying how key initiatives, best practices or even operations are thwarted by design elements. Ask what unintended consequences might be traced to organization design, going beyond a general critique to a specific taxonomy of design decisions . . . structure, reward systems, information flows, decision protocols, etc. Consider how design will influence decisions regarding participation, the organization of data and the articulation of strategy itself.

Six: *People do better at things they had a hand in creating.* Executives often ask how they can get “buy in” as if there were an after-the-fact communications program that might “win the hearts and minds of men . . .” At a profoundly important level, however, strategy is not just about facts; it is about meaning . . . and meaning grows from the opportunity to engage around important matters. Companies that execute well at the “muzzle end of the system” have found creative ways of engaging people in both the development of strategy and its meaning for their work lives. Seek out opportunities to substantively involve people in the strategic dialog . . . stretch assignments; fact-finding missions; supplier councils; customer visits; role swaps, etc. Never be lulled into the view that “all hands” meetings, tee shirts, newsletters or Vision statements communicate depth or behavior.

Seven: *All organizational change begins with personal change.* It is virtually impossible for an organization to “transform” itself if its members – particularly at the executive level – think “that’s just the way I am . . .” For an organization to truly change, a critical mass of people must fundamentally alter their perspectives on themselves, their working relationships and the world in which they live. Individuals *always* undergo significant change before organizations do. Any genuine assessment of “readiness to change” must go well beyond markets, channels, technology or “them.” It’s usually not *up* to them. It’s down to “us.”



Ask what the change you profess to desire might call for from *you*. Use the “more of ... less of” formula. Ask those who love you, as well as those who clearly do *not* ... and *listen*. Then *tell* people what it is you are willing to leave behind for the sake of the future you want.

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A speaker and consultant, Mike has written for Emerald Press' *Handbook of Business Strategy* and McGraw Hill's *Handbook of Consulting* based on his role in the development of IBM's consulting skills school. He has authored articles (quite Google-able) such as, “Seven Mindsets in Strategic Governance,” “The Accidental Leader,” “Mapping the Business Innovation Process,” “Governing Boards at the Crossroads,” “Frameworks for Board Development,” “Strategy and the Board,” and “Rethinking the Non Profit Board.” He blogs regularly at www.thetripleaim.com about leadership for a re-formed healthcare.