



What is

Strategy?

Mike Tyson once famously said:

“

Everyone has a plan until they get punched in the mouth.

And it can certainly feel that way when we are ‘doing’ strategy. It’s messy, big, and volatile. But regardless of these challenges, strategy has developed as one of the cornerstones of good organisational management. So, what is strategy? And what goes into its formulation?

There exists a rich canon of strategy theory and frameworks on offer to organisations in this space. We have woven these together to form our particular approach, grounding it in purpose and shared values, embedding it in the emerging context, acknowledging and accounting for pitfalls and challenges, and seeking to make it fun and inclusive along the way.

So, join us, as we think about how to roll with the punches while keeping our eyes on the prize.

Strategy is our emerging voice and how we use it.

Strategy is about what we'll do differently.

Strategy, and its function, can be most easily understood in comparison to operations.

Operations is about how we do what we currently do most effectively, day-to-day.

Operations answers questions such as:

- How do we produce our product or service right now?
- How do we respond to customer orders this week?
- How do we improve efficiencies in our invoicing system this month?
- How do we drive costs down and maximize profitability?
- How do we sell to our current customers?
- How do we manage our time and capacity effectively for delivery?

In comparison, **strategy** is about how we can equip and transform our operations in order to thrive, be competitive, and live our core purpose in the long run. Strategic decisions require a shift in attention and resources, such as building new capabilities, entering new markets, or creating new types of value.

Strategy answers questions such as:

- Where should we compete in the future?
- How should we compete in the future?
- What should we be doing?
- How should we be doing it?
- How can we do it better than others seeking to do similar things?
- What do we need to stop/start/continue doing now to do this well?

To sum this up, operations asks: “how can we do what we already do better?”, while strategy asks: “how can we do things differently?”

Note that in answering this question, we are simultaneously answering another question: **what won't we do?** Since strategic decisions entail the deployment of finite resources – time, money, energy, and attention – strategy formulation is as much about deciding what we won't do as about what we will do. Each decision has an opportunity cost – an alternate place to spend our finite resources.

Why differently? It's critical to note that the goal of exploring these questions is to create a plan for the an organisation to survive and thrive over time. As such, the central focus of strategy creation is identifying and harnessing the attributes that will give the organisation a difference or a “competitive advantage”¹; i.e. those factors that allow it to outperform its competitors.

Strategy links an organisation to its environment, offering a formal logic for the organisation's goals and outlining ways for people to orient around them. In this way, strategy provides clarity and focus for collective action and decision making

Curious Questions

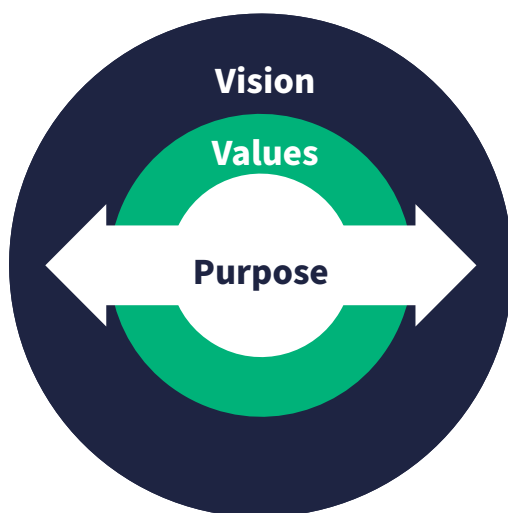
When connecting your organisation's present to a desired future state, what could you do differently?

To enable your organisation's finite resources to support the above, what would you be willing to let go?

A good strategy is grounded in purpose, aspires to future, and reinforces culture.

It's fundamentally human to want to have meaning in our lives – to have a sense that our actions matter, that our work has a purpose. Great organisations are clear on their purpose, their reason for being, and the pursuit that energises and motivates them. A **purpose** is a higher-order reason for an organisation's existence that goes beyond making money and adds value to society. Connecting these are the organisation's values – distinct and authentic words or statements that capture what its members collectively care about and the moral code that **guides their actions and interactions**.²

Projected into the future, this purpose becomes a **vision**; the aspirational depiction of a future state in which the organisation's purpose has been realised. A compelling vision can motivate and inspire people to sacrifice in the pursuit of something bigger than themselves³. In strategy work, a vision can be made concrete and attainable for team members through collaboration in imagining 'preferred futures' - elaborate depictions of the organisation living its purpose and striving towards its vision across multiple time horizons.



A good strategy has the organisation's purpose at its **core**⁴, provides the roadmap towards its vision, and reflects and reinforces its values. Strategy is how the organisation connects its higher calling to market realities, enabling it to manifest its desired impact on the world. Getting clear and authentic about the organisation's purpose, vision, and values creates a North Star for strategy formulation and a compass that guides ongoing decision making and delivery.

Critically, this clarity also helps to align strategy with **culture** – the combination of visible behavioural norms and artefacts, explicit values, and beliefs, and the underlying, implicit, and taken-for-granted assumptions. The famous expression "**culture eats strategy for breakfast**"⁵ refers to what happens when strategy – what we say we'll do – is misaligned with culture – what we actually do and what we truly believe in. Organisations often seek to encourage strategy implementation via concrete rewards for achieving goals and consequences for failing to do so. However, if strategy is misaligned with our deeply held beliefs about how we operate, where power sits, and how this is enacted, these formal rules and extrinsic motivators will fall flat. When it's a true expression of culture, strategy is underpinned by and reinforces our implicit and taken-for-granted beliefs and assumptions about appropriate ways of acting and interacting.

Curious Questions

Does your organisation have a clear and authentic purpose, vision, and values?

Does your strategy align with these, thereby becoming a true expression of your culture?

How might you shape your culture to align with the impact you want to create and what your organisation needs to be to achieve this?

Strategy is relational, iterative, and coevolutionary.

Strategy is relational.

While motivated by the pursuit of a unique purpose and vision, strategy is ultimately a **relational** concept. It is about how the organisation manages and shapes its interdependencies with the surrounding environment, including customers, partners, competitors, communities, the environment, and other stakeholders.

Given that strategy is about finding ways to enable the organisation to continually survive and realise its core purpose, a fundamental question asked during formulation is: how will we create sustainable competitive advantages?

A tour through the history of strategy research will quickly unearth two prominent approaches to addressing this question: the “positioning view” and the “resource-based view”⁶.

The positioning view looks beyond the organisation and focuses on selecting the optimal environment for it to operate in. The strategic objective here is to establish a market or industry position with favourable competitive conditions (e.g., high entry barriers, low threats of substitutes and new entrants, and low customer and supplier bargaining power), and take steps to make these even more favourable⁷.

The resource-based view looks within the organisation to identify resources and **core competencies** that could enable it to establish sustainable competitive advantages over others⁸. This view asks: what do we have (or could we create) that is valuable, rare, difficult, and costly for others to replicate or substitute for, and that we can organise to create value in ways that others can't?⁹

One way to reconcile these views is to weave them into a grounded strategic exploration in relation to key stakeholders.¹⁰ This approach asks:

- Who are our current stakeholders, and what do we want from them?
- Given where we want to be in the future, and where opportunities for us exist, who are our critical stakeholders for the emerging future?
- How will working with them create a favourable market position for us (positioning view)?
- What do our key stakeholders want from us, and what unique value propositions can we offer them?
- What key resources and competencies could we build on, strengthen, or develop to create this unique value (resource-based view)?
- What does this mean for what we'll do differently?

Curious Questions

What is the optimal environment for your organisation to operate in?

What internal resources and core competencies does your organisation have to enable it to establish sustainable competitive advantages over others?

Strategy is iterative and coevolutionary.

We all know the old adage of the “The best laid plans...”. Anyone who has tried to predict anything from the share market to the weather can appreciate the limitations of concrete plans in rapidly changing environments. Macrosystems change, and change quickly.

Management scholar Henry Mintzberg suggested that real-world strategies fall somewhere along a continuum distinguished between “deliberate strategy” – a process that distinctly separates strategic planning (first) and execution (second) – and “emergent strategy”, whereby strategy emerges over time as intentions collide with and accommodate a changing reality.

Given that our modern world is increasingly VUCA (volatile, uncertain, complex, and ambiguous), making concrete plans is increasingly fraught and the emergent dimension of strategy is becoming increasingly critical. However, emergent strategy is not an excuse for leaders to abandon planning altogether, but rather to acknowledge its limitations.¹¹ Ideally, strategic plans will incorporate **adaptive elements** that continue to scan and analyse the external environment, enabling organisations to sense when changes are required to maintain continuity and growth.

It's important to note that strategy is not simply about adapting to the external environment; strategies also actively **shape** the external environment. Organisations are not passive bystanders but active participants in markets, industries, and communities, and organisational strategy exists and unfolds in co-evolutionary interplay with other companies, communities, institutions such as regulation and legislation, industry logics (i.e., ‘the rules of the game’) and societal belief systems (reflected in ‘public opinion’).

To understand this coevolution, leaders can ask: where should we comply, compete, lead, and shape? Whereas the former entails achieving fit by accommodating environmental forces, the latter entails actively shaping these forces.

A regenerative leadership lens can also empower leaders to appreciate the “wholeness” of their wider ecosystem and make decisions that positively benefit its constituent parts.¹²

Curious Questions

How will your organisation's strategy adapt and accommodate a changing external environment?

How will it work to steward and shape it?

How are you in a process of becoming?

Where will you seek to accommodate, compete, lead, and/or shape the environment in which you are embedded?

Strategy requires unique thinking.

Strategy requires us to move away from conventional thinking where we might feel most comfortable, and grapple with novelty, ambiguity, and paradox.

Strategy is making tradeoffs and balancing tensions.

Devoting time and resources to a course of action precludes devoting these to all other actions, and this means exploring what trade-offs can potentially be made. Sitting beneath these trade-offs are often fundamental **tensions** and inherent contradictions. Strategic decisions need to be made around how to balance the short-term and long-term, exploiting and capitalising on current strengths while exploring new opportunities, and building internal capacity while fostering partnerships. These are not problems we can solve for, but rather ongoing forces that exist in polarity and that need to be managed over time.¹³

Strategy, too, is not something that can be “solved”, but something that is dynamic and emergent.

Strategy requires the adoption of “both-and” leadership¹⁴ that acknowledges paradox and strives to avoid falling out of balance – e.g., consistently over-indexing towards the short-term over the long-term, or towards exploitation over exploration – across decisions and over time. Anchoring back into purpose, values and vision can help leaders to clarify and align on how their organisation will strike this balance for the different polarities they face.

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Strategy formulation benefits from diverse lenses and perspectives

Strategic thinking is distinct from more tactical and operational thinking. While the latter are concerned with “today”, strategic thinking calls on us to fundamentally question the status quo, creatively imagine tomorrow, and map out novel pathways toward this. However, this way of thinking is often atypical and counterintuitive for us, and so we can face inherent limitations to thinking strategically and creatively imagining future scenarios. Although traditional strategic frameworks can enable us to identify important aspects and trends in our current environments and project these forward, simply applying these directly without awareness of where we may be limited can nonetheless result in strategic plans that are incremental and formulaic.

To relax these constraints around our thinking and explore more expansively, leaders can harness various **creative thinking tools**¹⁵. For example, structured thinking processes that encourage **contrarian thinking** can be valuable, such as calling into question conventional wisdom, seeking opportunities to combine seemingly unrelated elements and trends (such as emerging technologies), and reframing constraints as opportunities.

As the Harvard Business Review pointed out, *“Elon Musk seems to have a knack for strategy build on contrast. He and the other creators of PayPal took a widely held but untested assumption about banking—that transferring money online was feasible and safe between institutions but not between individuals—and disproved it.”*

Strategists can also harness the **power of analogy**¹⁶, projecting familiar ideas and concepts onto new and ambiguous settings to reveal patterns and relationships. When applied well, **analogical reasoning can be central to strategy formulation**¹⁷, and has been credited with helping imagine **new market opportunities and business models**¹⁸.

We are also limited through the ways in which we tend to imagine the future. In traditional forecasting, it is common to adopt a “present-forward” orientation toward imagining the future, whereby we take what we have today, identify key environmental forces and trends, and combine these to predict what could come next. However, the resulting visions tend to be incremental and limited in their creativity, meaning that more disruptive opportunities could remain hidden. Today’s VUCA world means that present-forward projections are limited in their usefulness, with the fast-moving environment rendering projections beyond a certain point relatively meaningless.

New ways of orienting towards time can also prove valuable for thinking expansively in strategy discussions. To counter our natural tendency for present-forward thinking in forecasting and move our visioning further into the future, leaders can combine this with **“future-back” thinking**¹⁹, in which they imagine a hypothetical or preferred future and then look backwards to today.

The goal in imagining multiple possible futures was not to predict exactly which one will happen, but rather to reflect upon a handful of possible scenarios that together capture the most relevant uncertainties and use these to stress-test strategic plans. In this way, future-back thinking is a way for leaders to reflect upon what they could do today through the lens of multiple potential futures.

Curious Questions

How can you enhance your strategy through questioning the status quo in your organisation and your greater industry?

How can you creatively imagine tomorrow, and map out novel pathways for your organisation to thrive?

Go forth, collaborate, and make it fun.

Ultimately, strategy creation should not be a dreary or isolating process. This is a process that asks the big questions around purpose, identity, and impact; about what gives us energy, where we want to play, and with whom, about what we'll do to thrive and create the difference we want to see in the world. **This process should be fun, exploratory, continual, and inclusive.**

When creating strategy, we suggest bringing diverse views together in an **omnidirectional process** where *top-down thinkers* meet *bottom-up doers*. Working in collaboration through interactive and embodied activities can empower perspective taking and critical and creative thinking.

Not every stage of the strategic planning process needs diverse input, though inclusion is especially crucial during the divergent stages of co-creating and aligning on the foundations of strategy; in particular grounding in purpose, aligning on values and vision, and imagining preferred futures for the organisation. Inclusion in this part of the process not only raises diverse perspectives and the collision of ideas for innovation, but also gains team member buy-in for the final strategic plan when they can see how this builds upon their foundational work.

Curious Questions

Throughout your organisation's strategy process, how are you bringing diverse views together to best achieve results?

Who are your top-down thinkers? Your bottom-up doers? What unique perspectives do each bring?

What parts of your strategy process will involve all perspectives?

How will you promote accountability throughout the process?

How will you keep your team informed and motivated during your strategy journey?



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