Three Myths That Kill Strategy

By ANN LATHAM

Myths about strategy prevent organizations, whether business or nonprofit, from taking care of their number-one priority.

What follows is a review of these myths and what managers must do to debunk them.

Myth #1: Strategy Must be Addressed Periodically.

Many organizations see strategy as a periodic event, often annual, to complete and check off their to-do list. Like prescription medicine, they go through the paces on schedule, whether it seems to improve their situation or not. A year later, or whatever their frequency, they repeat the process. Some hold religiously to their schedule, while others may let the whole thing slide when pressing matters intrude.

The absurdity of this approach ought to be apparent now more than ever, given our current economic situation. The process of developing strategy requires consideration of opportunities and many external factors. Since no one has invented the perfect crystal ball or sufficient methods of controlling the world, every strategy is based on a multitude of assumptions. These assumptions involve customer needs and wants, spending levels, competitor actions, demographic trends, customer/member retention rates, regulatory changes, supplier reliability, and many more. All of these assumptions are outside the control of an organization, and even the most brilliant of strategies is dependent on their accuracy.

You don't have to ponder our current situation for long to realize how significant are the changes occurring in the past several months. One minute Baby Boomers are going to retire in droves, and next thing we know they are talking about many more years of working. Gas prices go up, and gas prices come down. Americans have changed their driving habits, increasingly become unemployed, and started saving more money. The list goes on.

Organizations allowing something as arbitrary as the calendar to govern strategy in a rapidly changing world, or thinking in terms of incremental changes when grand, new ideas should be entertained, or assuming that everything strategic is slow, later, or long-term, are missing opportunities and neglecting their number-one priority.

The assumptions behind your current strategy may be laughable today unless they were made very recently, certainly far more recently than a year ago. Anyone doing less-frequent strategic planning is operating on luck alone.

So how often should you reconsider your strategy? As soon as any of the underlying assumptions go belly-up. What assumptions support your current approach to business? It is these assumptions you must monitor, not the results. Luck can deliver results, but you should not rely on luck, and you certainly need to know when luck has taken the wheel in hand. When the assumptions underlying your strategy prove inaccurate, whether one week or one year after you develop them, it is time to revisit your opportunities, assumptions, and resulting strategy.

Myth #2: Strategic Planning Is Planning.

'Strategic planning' is actually an oxymoron. Developing strategy is not planning. Implementing strategy involves planning, but those who approach strategy as planning are severely handicapped by their current situation.

Developing strategy is about determining what the organization needs to provide, to whom, at what volume and price, with what promotion and what protections, and then, what the organization needs to become in order to deliver reliably. Those 'whats' may be pie-in-the-sky dreams when first conceived. Subsequent planning begins with that pie and looks back to determine how best to get there.

Planning alone, on the other hand, begins with the current situation and improves it incrementally by determining next steps. Planning is all about 'how,' not 'what.' Those who approach strategy as planning almost always filter any opportunities through current capabilities. Instead of determining what the organization must become to deliver in new and big ways, they never really think big. Instead, they think in terms of stretching the current organization. It's like painting the parking lot lines closer together to accommodate more cars rather than building a ramp or subsidizing public transit so you don't even need a parking lot.

Developing a strategy should be separated completely from the subsequent planning for best results.

Myth #3: 'Strategic' and 'Long Term' Are Synonymous.

Many organizations think strategy is always long-term planning and long-term results. This is simply not the case. Strategy is about *what* — as in what your organization is all about, what kind of organization you need to be to succeed. Some strategies can be established and implemented quickly.

For example, a strategic decision to develop the world's biggest airplane results in a huge implementation effort that requires significant long-term planning and that provides results far into the future. However, a decision to close a number of retail outlets, as Starbucks recently did, is also strategic but can be done quickly for quick results.

On the flip side, many operational initiatives can be quite long-term. For example, reducing product defects to a level commensurate with expected quality or reducing supplier risk can both take much longer than a strategic move such as closing retail outlets. Thus, there is no connection between strategic and long-term.

For all organizations, the number-one priority is providing value for which customers are willing to pay in sufficient volume and that can be delivered at a cost that results in reasonable profit.

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