

## **STRATEGY: THE BIG PICTURE**

To develop an effective marketing strategy, you must understand the overall strategy of the organization, which is called the corporate strategy. The corporate strategy functions as an umbrella strategy, providing direction for the functional strategies, which include marketing, finance, manufacturing (production of goods or services), and human resources. In some companies, functional strategies could also include information systems and research and development. Clearly, there must be a close link between the overall direction of the organization and the marketing strategy and implementation. The marketing strategy must also be linked to the other functional strategies. The functional strategies must be interdependent. For example, a certain marketing strategy may be dependent on an investment (finance) and on the hiring of new people (human resources), and may also depend on the information system to support the implementation. Earlier on, a new product (research and development) may have been developed which needs to be produced (manufacturing) so it can be made available for sale. The analogy of an organization and a symphony orchestra is often used to illustrate how all the functional areas of the organization (the instruments in the orchestra) must work together in harmony and follow the corporate strategy (the musical score). The CEO of the organization is analogous to the conductor of the orchestra, and one organizational misstep can derail the strategic process, just as one sour note can adversely affect the musical production.

To coordinate, manage, and eventually execute the strategic process, companies often use cross-functional teams; that is, members from various functional areas come together to deal with the strategic process. Marketing often takes the lead since they are ultimately responsible for creating value for the customer and revenue for the company. For example, in the MET Corporation, a Canadian manufacturer of measuring devices, the overall corporate strategy is to grow the MET's product group that currently accounts for approximately one-third of their revenues. R&D develops a new unit, Manufacturing produces it, Finance secures the funds for R&D and Manufacturing, Marketing assesses customer demand and eventually markets the new product, Human Resources finds and hires the extra people required, and IT develops the necessary software. The Managing Director oversees the whole process to make sure that everything runs smoothly and

is done on time. It is a complex system of interdependent and interactive processes.

## **The Corporate Strategy Process**

Strategy is a game plan or blueprint for an organization. It is the direction an organization has chosen. Usually, it is a set of commitments that have been selected by an organization, and the actions that follow. There is no single agreed upon definition of strategy, but we know that an organization needs a roadmap to set out how it will conduct its business and how success will be achieved. Without a strategy, an organization and its managers have no clear goals, no clear direction, and no cohesive plan. The process of developing an organization's corporate strategy consists of the following steps:

- (1) Forming a strategic vision – where the organization is going
- (2) Setting objectives – performance outcomes
- (3) Developing the strategy – how to achieve the objectives
- (4) Implementation – executing the strategy; action
- (5) Evaluation and adjustment – changes made based on actual experience and a review of the strategy to date

### **(1) Forming a Strategic Vision – Where the Organization is Going**

#### **The Power of Vision**

The best companies have organizational vision, an internalized view of where the company is headed and what the company is really about. A company is a set of diverse individuals with different values and views; the vision is what brings them all together to share the direction of the company. A company must have an agreed upon direction in order to have a chance to reach its objectives. The vision provides the template and the line of continuity, allowing a single thrust and focus in a turbulent and chaotic environment. A vision is not a strategy; it precedes a strategy and sets the tone for the corporate strategy. A vision is the prism through which the company's efforts are viewed and concentrated. Sometimes, the vision is a little out of focus, but sharp images of the future are not necessary in a

turbulent world. A vision is the painter's sketch before starting a work of art. It is rough, malleable yet succinct; it is not exhaustive, and the colours have yet to be applied. John Sculley, in his book, *Odyssey*, which deals with his turnaround of Apple, compares the standard quantitative business tools and skills with vision and finds that business methods are a *poor substitute for creative vision* in turning a company around. Sculley talks about visionaries as creative, driven people with a passionate belief in the power of ideas. Visionaries, he suggests, see the world ahead in terms of what it can be. They look over the horizon to see tomorrow. Sculley's book and his work at Apple demonstrate the power of corporate vision.

A more recent example of the power of vision in the same industry is the turnaround of IBM. Louis Gerstner became Chairman of IBM in 1993. He took over a leaking boat. His first statement, *The last thing IBM needs right now is a vision*, received a lot of publicity. In his book, *Who Says Elephants Can't Dance?*, he explains that most reporters dropped the *right now*. Six months after being appointed Chairman he set out a vision for IBM which led to the major cultural changes and subsequent financial turnaround of the organization. As summarized in *Who Says Elephants Can't Dance?*, here are the eight principles that Louis Gerstner set out:

1. The marketplace is the driving force behind everything we do.
2. At our core, we are a technology company with an overriding commitment to quality.
3. Our primary measures of success are customer satisfaction and shareholder value.
4. We operate as an entrepreneurial organization with a minimum of bureaucracy and a never ending focus on productivity.
5. We never lose sight of our strategic vision.
6. We think and act with a sense of urgency.
7. Outstanding, dedicated people make it all happen, particularly when they work together as a team.
8. We are sensitive to the needs of all employees and to the community in which we operate.

An effective vision is a combination of views. It requires a creative understanding and delineation of the kaleidoscope of the corporate environment, along with a sifting of the past history and experience, and a glimpse of the future. Visions inspire and mobilize human resources into action. Leaders need to develop visions. Everyone has a vision or a dream,

but not every vision makes it into the world of reality. According to Norman Strauss, former adviser to Prime Minister Thatcher, “The word is reserved for those that do. Other hopes are fantasies and illusions, the impractical dreams of unsound minds.”. Visions are a source of untold power for the corporation, rarely tapped to the fullest. Chance has always favoured the prepared mind; now it favours the prepared mind with a vision.

True leaders in all fields create visions. John Kennedy inspired a nation; Pierre Trudeau created a vision for Canada, adopted by millions of Canadians; Ray Kroc of McDonald’s had a culinary vision now shared all over the world; Mother Theresa was an inspiration with her vision of humanity. Vision is one of the few variables that can be shared by everyone in a organization and well beyond the corporate boundaries; for example, to the sporting field, the political arena, and any area of human endeavour. The ability to share and the shaping of values is what gives vision power. Sadly, we have few leaders with vision in Canada today, especially in the public sector. Federally, we don’t even have an impaired vision; provincially, in Ontario, we have the most uninspired leadership, despite such key complex issues as the chronic problem of medical care. There is little imaginative vision; the process is paralyzed. Vision seems to be reserved for the private sector, and in the private sector it must begin to play a more important role in the management process. The business environment is chaotic, the changes fast paced, with few signs of abatement. Vision creates stability, the corporate calm in the eye of the hurricane.

## **Types of Visions**

Norman Strauss, in an article in *Director*, has suggested that there are several types of visions that the manager can develop. Until now, the discussion has centered on the overall corporate vision, which can be broken down into various components:

Historical Vision – An understanding of the past actions and activities of the company. Understanding how the company arrived is very important; much can be learned from history.

Situational Vision – An understanding of the current situation.

Strategic Vision – The direction to take in the future. In essence, where we have been, where we are, and where we are going.

Leadership Vision – An understanding of how to inspire people to achieve the corporate goals.

Organizational Vision – Structuring the organization so that it has a competitive edge.

System Vision – Strauss' most important and all encompassing vision is the view of the totality of the company and its environment. System vision determines the possibilities within the constraints.

## **Creating a Vision**

In his book, *Thriving on Chaos*, Tom Peters recommends: *Via soul-searching, listening, assessment of the external situation and solicitation of all points of view, develop a succinct vision that is clear and exciting, and at the same time leaves wide latitude for the pursuit of new opportunities.* In other words, keep your eye on the future goal, but make sure that you take advantage of the opportunities that present themselves. The future vision supports day to day activities and provides them with meaning and direction, but it should not be a barrier to action and creativity.

As a chief executive officer and pathfinder, how do you set about creating a vision for your company? The importance of a shared understanding of the organization is illustrated by the following quotes from leaders in 20 organizations ranging from the small to the large. These quotes are from a research project on managerial competencies carried out by Professor G. Morgan and reported in his book, *Riding the Waves of Change*:

*It's absolutely crucial to have a good understanding – call it whatever you want – of why you are in business and what you are doing. The rapidity of change makes it all the more important. I think this is what the great successful organizations have in the key places.*

*The world is such a changeable place that you need to have a well-articulated long-term sense of where you're going, which gives you the base, the confidence, to take on whatever adaptability issues come along without*

*losing your sense of direction. You've got to respond to the issues of the moment without losing that long-term sense.*

*You need a sense of corporate purpose and an awareness that the organization has a personality that goes beyond what it is doing right now.*

First, keep in mind that a vision precedes any type of strategy (Table I illustrates the relationship of strategy to vision). Vision is the envelope that surrounds a firm's strategy. Vision is about ideas, values, shared meanings and understanding, and most important, it is the beacon for tomorrow.

A vision is not a strategy and the two should not be confused, although they often are. Visions are about the future, they are inspirational, and they create motivation and commitment in an organization. Visions do not provide the specific road map; that is the business of strategy. Strategy and vision are intertwined. In his book, *The Rise and Fall of Strategic Planning*, Henry Mintzberg suggests that strategic plans fail if there is no vision to support the plans. According to Mintzberg, the vision also acts as a *stimulant to action*.

## **Vision Works**

According to research by Mark Lipton (2004), *a well articulated vision, when implemented throughout an organization, had a profoundly positive impact*. His research on public corporations found higher revenue and profit growth in companies that are driven by a vision when compared by those that are not.

There are three steps: Creating a vision; Communicating the vision; Experiencing the vision.

### Creating a vision:

Visions can be created at all levels of the organization. Leaders exist not only at the top, but also on the shop floor. Creating a vision starts with an understanding of both the internal organization and the relationship of the organization to its environment and its various stakeholders (organizations are seen to have stakeholders, or interested parties; some of these are: customers, distributors, shareholders, employees, and the community. The

concept expands the old notion that a firm should take into account only shareholders' interests when making decisions). To this, you add your own values and experience. Everyone has a set of attitudes developed over time, and ideas of how the universe should unfold. Layered on these images are the voices, the ideas, and the thoughts of the stakeholders. Getting a clear picture of this calls for a lot of listening and interaction with stakeholders. This might come from informal chats on a walk through the plant, or more formal structures such as a customer forum. But the leader must read and understand before creating the vision, the direction. The kaleidoscope of these forces is the genesis of the vision of the future state of the organization (Table II illustrates the process).

*A vision is a target that beckons*, according to Warren Bennis and Burt Nanus (1985). They talk about the empowerment of a vision for employees so that they see themselves as part of a larger whole that they understand. The accompanying sense of importance and control adds a powerful motivational and creative force to the company's arsenal. Enthusiasm comes from understanding and making a difference. The vision aligns the individual with the company. Everyone plays the same march, but on different instruments, and the CEO leads the parade.

#### Communicating the vision:

Now that the vision exists, it must be communicated – literally delivered to everyone in the organization. It must be explained and the meaning must be clear to everyone. Simplicity, clarity, challenging describe the vision. The vision must be everywhere in the organization, underpinning the behaviour of the firm. In other words, it must become an institution. Metaphors are great ways of communicating visions. Politicians, of course, have practiced this for years, to the point of banality. Care must be taken that developing a vision is not just another exercise in going through the motions. Organizations are quick to spot insincerity. Don't let the vision go stale, pump it up on any occasion, discuss it, glorify it – a vision should be a living thing.

#### Experiencing the vision:

A vision can be communicated with clarity, but in order to be powerful and enduring it must be experienced by the organization. It must be seen and felt, and only then will it be internalized. You can theorize about the value

of a sextant, but only after using it to navigate can you truly appreciate and understand its value. The organization must live out the vision; it can't exist only in a manual or document. Vision is the central spirituality of the organization.

### **Characteristics of an Effective Vision in an Organization**

Clarity – it must be easy to understand.

Stable over time – yet it must reflect change and the dynamics of the business environment.

A transfer of ownership of the direction and vision to the members of the organization must take place. The hearts and minds of those who are going to execute the vision must be captured and must be at one with the vision. There should be a consistency from the receptionist to the president.

Enthusiasm – nothing much happens without enthusiasm. The vision must grab and inspire.

The vision must be reflected in actions taken by the organization.

A vision must empower members of the organization.

### **A Path to the Future**

An organization operating in today's tumultuous environment needs a beacon to follow in order to avoid the rocky shoals. A vision will provide such a beacon for the organization. The future is never known and even the best forecasts are filled with uncertainties. A vision guiding the pathfinders will provide a focus, some outside parameters, and the all-important organizational direction.

The vision provides the path to the future.

Thompson, Gamble and Strickland, in their book, *Strategy – Core Concepts, Analytical Tools and Readings*, suggest that companies must think about the

external and internal environments and answer the following direction-shaping questions:

Externally Focused Questions:

How and at what pace is the company's market environment evolving?

What factors are driving market change and what impact will they have?

What are competitors up to? In what ways are competitive conditions growing stronger or weaker?

What does the changing market and competitive landscape mean for the company's business over the next five years and beyond?

What new markets and customer groups should we be moving in position to serve? What should we abandon?

Internally Focused Questions:

What are our ambitions for the company? What industry standing do we want the company to have?

What organizational strengths should we be trying to leverage and what weaknesses do we need to correct?

Will our present business generate adequate growth and profitability?

What new products/services (or businesses) do we need to add?

What new capabilities do we need to be successful in the marketplace of the future?

**(2) Setting Objectives – Performance Outcomes**

The vision must be converted into objectives which encompass what the organization wants to accomplish.

An ideal business objective is short and to the point. It is quantifiable and measurable. It has a specific time when it is expected to be achieved. For example: Our objective in manufacturing is to decrease costs an average of 10% by December 15, 2004. The committee's objective is to decide on an MIS system and vendor by September 22, 2004, and to have an MIS system up and running by March 15, 2005.

Other characteristics of a good business objective are: clear meaning; no clichés, for example, we aim to improve our delivery service to our customers; reachable, even if an objective is a stretch objective, it should be realistic and attainable.

Department objectives should be aligned with overall corporate objectives (umbrella objectives).

Objectives should be well thought out; they should not be frivolous wish lists.

The time frame for an objective should be the planning cycle, which is usually one year. If a long term objective is developed, it should be labeled as such and should not exceed two or three years. Long term objectives should be listed separately from annual business objectives. It should be noted that it may be difficult to fit completion dates on long term objectives, and even more difficult to attach specific strategies and implementation to these objectives. Longer term objectives may be covered better under vision.

A company's performance or a department's performance is measured by how well it does when compared to the objectives the company or department sets for itself. It is a measure of outcome that helps an organization keep an eye on whether or not it is achieving what it set out to achieve.

There is an old business saying that states, "You cannot manage what you cannot measure," or put another way, "What gets measured, gets done." Objective setting is one of the best tools for helping a company set out strategy and action for achieving success. If you have mediocre and vague objectives – such as, lower costs, improve competitiveness, increase revenues – you will have mediocre and vague performance. The achievement of business objectives should accomplish exactly what the

company wants to achieve. Objectives must provide guidance about where a company or a department wants to be.

An analysis of objectives set and objectives achieved is often labeled a gap analysis. Once a gap is identified, it is then up to management to come up with plans to narrow or close this gap. This could mean adjusting the objectives or the strategy used to reach the objectives. Realism is important when setting objectives. An old Navajo philosophy, “You need to be in harmony with reality,” is important to keep in mind when setting objectives. Objectives need to be developed for all units in an organization, even at the individual level. Objectives can cover a wide area – financial, marketing, manufacturing, human resources, and technology. Setting objectives is a cornerstone for developing strategy (how to achieve the objectives), and action (what has to be done to put the strategy into action), such as activities, investments, and budgets. This is the to-do list.

### Objectives or Goals?

What is the difference between an objective and a goal? None – objectives are generally used for business planning, and goals for personal planning. Many people use objectives and goals to mean the same thing.

### **(3) Developing the Strategy – How to Achieve the Objectives**

The principal elements are to determine what business the company is in, what products and services it plans to offer, and what customers and market segments it plans to service. Strategy will also include the level of technology and the activities to be undertaken in order to reach the objectives, and where these activities will take place. By defining what to pursue, the company also defines what not to pursue. In his book, *The Modern Firm*, John Roberts points out that *strategy is a discipline device that helps sort out which of the myriad opportunities that will arise the firm should pursue and on which it should pass*. This sets the scene for the Marketing department to develop a strategy based on the corporate strategy. John Roberts pushes the concept of developing strategy further by suggesting that the firm’s competitive advantage(s) be detailed, and indications of *how the firm’s offer will lead others to deal with it on terms that allow it to realize its goals* be developed. Other questions in the

strategy that require answers include the profitability of target markets and how to create customer value,

A strategy develops a range of activities that must be carried out in order to meet the company's stated objectives. Thompson, Gamble and Strickland use Mintzberg's phrase, *crafting a strategy*, in an entrepreneurial fashion, to mean that a company should search for opportunities to do new and different things, or to do existing things in new and different ways. They see strategy as a series of how to:

- . How to grow the business
- . How to please customers
- . How to out compete rivals
- . How to respond to changing market conditions
- . How to manage functional areas
- . How to develop organizational capabilities
- . How to achieve financial and strategic objectives

What characterizes a good strategy?

- . It must be aligned with the external environment, and with the organization's internal environment.
- . It must be built on an understanding of the key success factors of an industry.
- . It must fit with the organization's competitive advantage(s).
- . It must eventually lead to better performance.
- . It must work.

### **Implementation – Executing the Strategy; Action**

Implicit in the strategy is a set of activities that must be done by the organization, or more specifically by the people in the organization. A strategy without action has little value, yet you cannot execute a strategy without an effective organization. A good strategy and a dysfunctional organization will not work. At the root of a good implementation is leadership, not only at the top, but across all functions in the organization. The second component necessary for implementation is a proper organizational structure aligned with the strategy and possessing people with the needed skills and expertise. The third component is a company culture

that supports the strategy execution. Corporate culture embodies the beliefs, values, and climate within the organization, and culture is undoubtedly the least understood component of implementation. Corporate culture can be an implementation facilitator or a major roadblock. Unless there is an alignment between the corporate culture and the implementation strategy, it will be extremely difficult to implement a strategy.

### **Evaluation and Adjustment – Changes Made Based on Actual Experience and a Review of the Strategy to Date**

Strategies sometimes require years to take effect and measurement is often difficult in the short run. At other times, it becomes obvious that fine tuning is necessary, or major retooling, the latter often a result of a change in the nature of the industry, the competition, or technology. Many times, various environmental components change at different speeds; for example, technology moves quickly, but society's values are slow to change. Large companies change slowly, while smaller companies can frequently implement changes immediately.

It is important to identify shortfalls or performance gaps early so that corrective action can be taken. In *Concepts in Strategic Management*, Wheelen, Hunger and Wick lay out the following evaluation and control process:

- . Determine what to measure.
- . Establish standards of performance.
- . Measure
- . Compare actual to standard.
- . Take corrective action.

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TABLE I

THE COMPONENTS OF STRATEGY

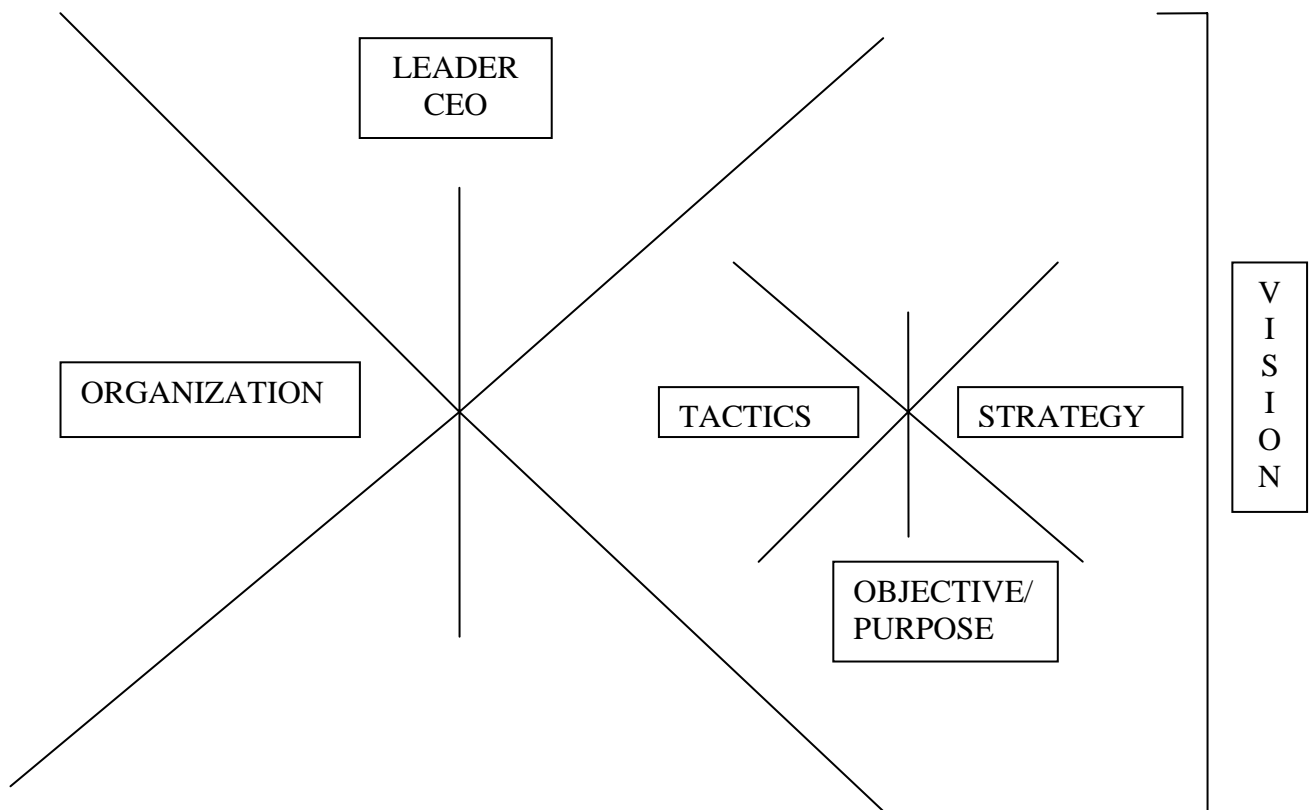


TABLE II

