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Bestselling Author on Strategic Thinking

STRATEGIC

— THE SKILL TO —
SET DIRECTION, CREATE ADVANTAGE,
AND ACHIEVE EXECUTIVE EXCELLENCE



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WILEY

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INTRODUCTION

“C_loudy weather, cloudy.”

The Lockheed Electra plane flew through the overcast sky under a blanket of rain, having already traveled more than 22,000 miles of the planned 29,000-mile journey.

“KHAQQ calling *Itasca*. We must be on you, but we cannot see you. Fuel is running low. Been unable to reach you by radio. We are flying at 1,000 feet.”

The U.S. Coast Guard cutter *Itasca* was stationed just offshore of Howland Island, a whisper of land 1.5 miles long by .5 miles wide in the South Pacific, approximately 2,000 miles southwest of Hawaii.

“KHAQQ calling *Itasca*. We received your signals but unable to get a minimum. Please take bearing on us and answer 3105 with voice.”

The U.S. Coast Guard cutter *Itasca* attempted to get a bearing on the transmission and failed.

“KHAQQ to *Itasca*, we are on the line 157 337, will repeat message, we will repeat this on 6210 KCS. Wait. We are running north and south.”¹
Silence.

The two pilots aboard the aircraft were never heard from again.
Or were they?

A day later in Rock Springs, Wyoming, 16-year old Dana Randolph was tuned in to a shortwave band of his parent’s radio and reported hearing a woman say, “This is Amelia Earhart. Ship on reef south of the equator. Station KHAQQ.”²

The same day in St. Petersburg, Florida, 15-year-old Betty Klenck was also tuned into her family’s radio shortwave band. She reported hearing a woman, sounding in distress, say, “This is Amelia Earhart.”³

The most extensive air and sea search in naval history, covering 250,000 square miles of ocean, found . . . nothing.

On May 20, 1937, Amelia Earhart departed from Oakland, California, with Fred Noonan, in an attempt to become the first woman to fly around the world. Over the course of more than six weeks, they followed a route that included 28 stops in exotic locales such as Caripito, Venezuela; Natal, Brazil; Asaab, Ethiopia; Bangkok, Thailand; Bandoeng, Java (Indonesia); Darwin, Australia; and Lae Papua, New Guinea. They were scheduled to stop on Howland Island to refuel and complete the trip by flying to Honolulu and then returning to Oakland, California. Just prior to her final flight from New Guinea, Earhart said, "Not much more than a month ago, I was on the other shore of the Pacific, looking westward. This evening, I looked eastward over the Pacific. In those fast-moving days, which have intervened, the whole width of the world has passed behind us, except this broad ocean. I shall be glad when we have the hazards of its navigation behind us."⁴

Those last words, "the hazards of its navigation," are eerily prophetic. What few people know is that shortly before her fateful trip, she received the following letter from world-renowned navigation author, inventor, and instructor P.V.H. Weems:⁵

May 14, 1937

MISS AMELIA EARHART

c/o G.P. Putnam

2 W. 45th ST. NEW YORK, N.Y.

Dear Miss Earhart:

In case you could find time to come to Annapolis for a few weeks intensive work in celestial navigation, I believe you would be well re-paid for the efforts. I have just had Miss Amy Johnson here for two weeks. She did beautiful work and seems to be more than pleased with the results.

As I see the picture, both of you ladies are in the flying game of your life-time work. Aside from piloting, about which there is no question of your both having a great deal of ability, the only important contribution you can make to a flight is the ability to see the direct course as not to miss the objective.

As both of you know a great deal about dead-reckoning and radio, I recommend that you make a special effort to perfect yourself, not only in radio including the Morse Code, but also in celestial navigation, since radio and celestial navigation afford the only means for fixing your position above the cloud or over the water

I further believe you would save a great deal of expense and perhaps worry by practicing until you could lay out your own charts and do your own navigation all the way through. You can then take any reasonably dependable co-pilot with you and be sure of hitting your objective. In addition, it would give you a great deal more confidence and you could keep your plans more confidential when necessary . . .

Yours sincerely,
P.V.H. WEEMS.

Amelia Earhart's disappearance remains a mystery to this day. Several theories have emerged as to what happened to her: she crash-landed on the remote Gardner Island and died a castaway there; she landed in the Japanese-held Marshall Islands where she was taken prisoner and transferred to the island of Saipan. Another theory holds that she was then released from the Japanese island and repatriated to the United States under an assumed name. The U.S. government's official explanation was that the plane ran out of fuel and fell into the ocean.⁶ While no proof of Earhart's true fate has been confirmed, and each of these theories has been disputed, what is indisputable is that she will be remembered as a courageous visionary with an indomitable spirit.

Earhart was a pioneer and trailblazer in aviation and a fearless role model for men and women alike. Her long list of achievements includes being the first woman to fly across the Atlantic Ocean, the first woman to fly solo across the Atlantic, the first woman to fly solo nonstop coast to coast, setting numerous speed records in domestic and international flights, published author, and recipient of awards including the National Geographic Society's gold medal from President Herbert Hoover, and the Distinguished Flying Cross awarded by the U.S. Congress.⁷ However, floating out there like the insidious cloud cover on that fateful day, the question remains: Would Amelia Earhart have completed her amazing

journey around the world if she had taken P.V.H. Weems's offer to enhance her navigational skills?

Navigate Your Business

To navigate is to direct or manage something on its course—in other words, to control the movement from one place to another.⁸ To navigate means to determine one's position and direction and make a way over or through. Historically, the field of navigation is most prominent in air, sea, and space as the primary skill in successfully guiding planes, ships, and rockets to their intended destinations. More recently, the term “navigate” has been used in an array of contextual landscapes including politics, relationships, ecosystems, and business.

As Earhart's story demonstrates, the ability to navigate is critical to success. In Earhart's era, it was estimated that 50% of aircraft accidents were due to bad navigation. Navigational authority P.V.H. Weems noted, “Many flyers are really lost a good part of the time.”⁹

Today, research indicates that “human error contributes to 80% of navigational accidents and that in many cases essential information that could have prevented the accident was available to but not used by those responsible for the navigation of the vessels concerned.”¹⁰ The business corollary of this issue is exemplified in a 10-year study of 103 companies that found that strategic blunders—the inability to navigate an organization's course—were the cause of the greatest loss of shareholder value a whopping 81% of the time.¹¹

Whether you are navigating a vehicle or a business, it's imperative that you're able to effectively determine your current position and then set direction. A study of 250,000 executives showed that setting strategic direction is the most important role of a leader and the number-one factor that improved organizational health.¹² Despite the importance of leaders' ability to set direction, research by Gallup over the past 30 years with more than 10 million managers found only 22% of employees strongly agreed that the leaders of their organization have set clear direction for the business.¹³

During my strategic executive coaching work the past 20 years, the issue of how to best navigate the business has become a recurring theme

for many highly effective leaders, as the following direct quotations demonstrate:

“One issue I’m wrestling with is how best to navigate that with the team.”

“There are just some things that I don’t know how to, I don’t know how to navigate them.”

“That’s what I want healthcare to be like. That’s what my family wants. Yes, it’s fragmented. It’s confusing to know how to navigate it, and how are we going to solve that?”

“As our market becomes even more competitive with nontraditional players entering, I’m just trying to constructively navigate.”

When Disney brought back Bob Iger for his second stint as CEO, his return was described this way in the *Wall Street Journal*: “Walt Disney Co. has brought back the CEO responsible for its pivot to streaming. As he returns, Robert Iger has to navigate a competitive landscape that is far more challenging than when he left less than three years ago.”¹⁴

The navigational role of a leader was further described by Hilton CEO Chris Nassetta in the following manner: “I have a philosophy in life, and that is keeping a steady hand on the wheel. Have a plan and work the plan and adapt the plan. The plan needs to change. Let me use driving vernacular. I don’t take every exit, but I will change lanes and I will take exits that really make sense. My longevity has been the ability to just sort of filter noise out and know when to take an exit occasionally, when to change lanes, but not doing it so often that everyone around you is rattled and they can’t see what tomorrow is going to be.”¹⁵

The essential meta-skill of a leader is to navigate their business with a thorough understanding of their current situation, vision to see the future destination, and the ability to create the path to reach it. When you have the knowledge, tools, and skills to navigate your business, it produces both competence and confidence. How then do you acquire, maintain, and grow the ability to successfully navigate your business, moving from your current position, over and through obstacles, to reach your goals?

It requires you to be strategic.

Being Strategic

The primary definition of the term “strategic,” according to Merriam-Webster’s dictionary, is: “of, relating to, or marked by strategy.”¹⁶ Since that’s about as helpful as an umbrella in a hurricane, I’d like to share the following definition:

Strategic: Possessing insight that leads to advantage.

We can break this definition of *strategic* down into its two core elements: insight and advantage. An insight is when you combine two or more pieces of information or data in a unique way to come up with a new approach, new offering, or new solution that moves the business forward. Simply put, an insight is a learning that leads to new value. Advantage is inherently an element of strategy. It commonly refers to a desired end in the form of gain, profit, benefit, or position of superiority.

When we use this definition of strategic, it helps us clarify what is and is not strategic. A person or plan can be strategic because both have the potential to possess insight that leads to advantage. The word “strategic” is plastered in front of a lot of other words to make them sound important, but their meanings don’t hold up. Phrases such as “strategic objective” or “strategic imperative” are examples of terms that sound proper but don’t pass the test of being able to house and leverage learnings. Eliminate the overuse of the term “strategic” and you’ll clarify and simplify communication among your team.

Here’s something you’ll never hear in business: “Let’s promote her to a senior leadership role . . . she’s highly tactical.” One of the greatest compliments a person can receive is to be referred to as “strategic.” A survey of 10,000 senior executives asked them to select the leadership behaviors most critical to their organization’s future success and they chose “strategic” 97% of the time.¹⁷ Additional research with 60,000 managers and executives “found that a strategic approach to leadership was, on average, 10 times more important to the perception of effectiveness than other behaviors studied. It was twice as important as communication (the second most important behavior) and almost 50 times more important than hands-on tactical behaviors.”¹⁸

Business leaders, academicians, and boards of directors echo these findings:

“To me, the single most important skill needed for any CEO today is strategic acuity.”

—Indra Nooyi, former CEO, Pepsi¹⁹

“After two decades of observation, it is clear that mastery of strategy is not an innate skill. Most great CEOs learn how to become better strategic thinkers.”

—David Yoffie, professor, Harvard Business School, and Michael Cusumano, professor, MIT Sloan School of Management²⁰

“The #1 trait of active CEOs that makes them attractive board candidates is strategic expertise.”

—Corporate Board of Directors Survey²¹

“The No. 1 capability boards are looking for in a CEO: strategic capability.”

—Cathy Anterasian, Senior Partner, Spencer Stuart.²²

As the research and thought leaders demonstrate, the importance of being strategic is universal. After all, who doesn't want to be seen as providing new value that leads to benefits, gains, or profits for their organization? For instance, label someone what many perceive as the opposite of strategic—tactical—and it won't be taken as a compliment. Another descriptor for the purely tactical is “unstrategic.”

The Unstrategic

In recent years, zombies have amassed in quantity and popularity, securing a place for the undead in the supernatural landscape. The zombie's doppelgänger in the business arena is the unstrategic. The unstrategic are those individuals unable to raise themselves from their tactical tombs to contribute to the business at a higher strategic level. You wouldn't tolerate a zombie attempting to eat Mark from finance during the staff

meeting, yet the unstrategic can cause a similar—albeit less mortal—outcome for your team. Which of these three sins of the unstrategic are being committed in your organization?

1. **Wandering aimlessly.** The undead wander the landscape aimlessly, attracted by loud noises and bright lights. The unstrategic lack direction, which causes them to latch onto each and every new shiny opportunity that pops up. Fundamentally, they lack priorities and the appropriate filters to keep them focused. As Cal Henderson, co-founder of Slack, said, “What are the things that are the most strategically important, and am I allocating my time to them correctly? Am I spending the right percentage of my time on them? It’s easy to get lost in the weeds.”²³

In my experience, facilitating strategy sessions with executive leadership teams to shape strategic direction, I’ve found it important to address two obvious but often obscured questions: 1) What are you trying to achieve? 2) How will you achieve it? Look at your most recent plan. Are these two questions answered immediately up front in the first slide or two? If not, there’s a good chance the answers are buried in Excel spreadsheets or colorful graphs, and not known or recognized by the team. Research shows that when teams believe their leader is competent in setting good strategic direction, they are 40% more committed to successfully executing the strategy.²⁴

2. **Doing everything.** The undead lack the discipline to select just one victim—they try to eat everyone. The unstrategic lack the discipline to say no. They try to be all things to all customers, both internally and externally. When Mary Barra took the reigns as CEO of General Motors, she compared her new approach with that of the previous leaders by saying, “We’re here to win. We aren’t going to win by being all things to all people everywhere. It’s not the right strategy.”²⁵

The dirty secret of being strategic is that you have to say no to people, both internally and externally. Managers need to be deliberately unresponsive to some types of customers so that they can be highly responsive to others where they can provide maximum appreciable value.

The necessary role of trade-offs in strategy is to intentionally make some customers unhappy by focusing resources in areas destined to provide the most value to the customers most willing to pay for it. If you fail to prioritize what's important, then nothing is important.

3. **Killing meetings.** The undead continually utter gibberish due to their severely diminished brain activity. The unstrategic kill strategy meetings by taking conversations down rabbit holes, preventing progress, and causing widespread frustration among the other members of the group. Research has shown that executives spend an average of 21.5 hours per week in meetings, and a frightening 83% of executives said that these meetings are an unproductive use of time.²⁶ Why? It's often due to one or two members of the group who are unstrategic, taking the team off-topic until people lose interest and become numb to the epic waste of time.

As a facilitator who has led hundreds of strategy sessions, I'd recommend several ways to address this issue. An effective preventative step is to educate the team on the difference between strategy and tactics, with examples of each. This helps people better understand which topics are strategic and which are tactical, enabling them to contribute appropriately. Another technique is to establish a "Tactical Parking Lot." Playing off the parking lot flipchart concept, the tactical parking lot allows the facilitator to quickly move any rabbit-hole tactical comments to the flipchart, resuming the group's strategic-level conversation.

Strategic Fitness

Consider your business for a moment: What are the predominant market trends and patterns and the resulting impact on your business? How have customers' thinking and actions changed during the past year? What type of nontraditional competitors are entering your market and what have your traditional competitors been doing to take your customers? Does your culture support your initiatives and are each and every functional group's strategies aligned? Do these answers make you want to reach for a bottle of aspirin? Wine? Scotch?

You're not alone.

A Gartner survey of 75 human resource leaders on how their managers were coping with their business found 68% reporting that they were overwhelmed. And only 14% of those companies have developed a plan to help their managers overcome the challenges of navigating their business.²⁷ Running a business today can be likened to trying to put together a jigsaw puzzle where the sizes and shapes of the pieces are constantly changing, and oh, by the way, you don't have all the pieces, either.

A magnetic compass typically contains a small, magnetized needle and always points north due to its attraction to a large magnetic deposit near the North Pole. When you consider the many different instruments used in navigation, the magnetic compass is arguably the simplest and most reliable. Based on more than 25 years of helping executive leadership teams develop their strategic capabilities to set direction, create advantage, and achieve their goals, I created the Strategic Fitness System, as represented by a compass (Figure I.1) to help leaders navigate their business and enhance their executive performance.



Figure I.1 Strategic Fitness System.

There are four areas of strategic fitness that contribute to navigation and development: Strategy, Leadership, Organization, and Communication.

Strategy Fitness refers to your ability to understand and develop strategy, set direction, allocate resources, make decisions, and create competitive advantage.

Leadership Fitness is built on a leader's philosophy, personal performance, mental training, and ability to master time and calendar.

Organization Fitness is determined by one's ability to create the appropriate business structure, evolve the business model, develop talent while planning for succession, and innovate.

Communication Fitness revolves around the facilitation of conversations, effective collaboration, bringing value to customers, and leading productive meetings.

While simple in structure, each area contains dozens of tools, techniques, and checklists to give you a methodical and comprehensive approach to mastering your business. The result: the ability to think, plan, and act strategically to successfully navigate your business.

What's Your Strategic Quotient (SQ)?

To navigate means to determine one's position and direction and make a way over or through. It may be helpful as part of this journey to determine your current position as it relates to your strategic capabilities. One option I've designed to assist in this process is the Strategic Quotient Assessment. The Strategic Quotient (SQ) is a measure of a person's strategic capabilities as exhibited through their mindset and behaviors.

The SQ is based on the 3A Framework of the three critical disciplines for being strategic. These three disciplines are:

- **Acumen (Thinking):** The generation of insights to create new value
- **Allocation (Planning):** Focusing resources through strategic trade-offs
- **Action (Acting):** Prioritizing and executing initiatives

The SQ is used to identify opportunities for development of a person's strategic capabilities, and, following a targeted intervention, to determine whether the individual understands and applies the disciplines of Acumen,

Table I.1 Primary and Secondary Dimensions of the Strategic Quotient.

ACUMEN (Thinking)	ALLOCATION (Planning)	ACTION (Acting)
• Context • Insight • Innovation	• Resource Allocation • Decision Making • Competition	• Collaboration • Execution • Personal Performance

Allocation, and Action. A person’s score on the SQ may indicate the likelihood they can successfully apply and demonstrate these strategic capabilities. Table I.1 identifies the foundational elements of the Strategic Quotient.

The SQ Assessment is comprised of 50 statements to determine the performance level of how one thinks, plans, and acts strategically. Table I.2 contains sample statements from the SQ Assessment.

For additional information on taking the assessment and discovering your SQ score, visit www.StrategySkills.com.

As you move through the book, you’ll find several additional techniques to facilitate your understanding and application of the material:

Rocket Burn: Due to the lack of atmosphere, a spacecraft coasts for the majority of its journey. Therefore, astronauts navigate at a few critical moments by setting their trajectory with precise burns of the rocket engines during the voyage. The rocket burns in this book will provide you with quick tips and techniques to successfully navigate your business and calibrate your learning trajectory.

Off Course: To navigate is to manage something along its course. In navigating a ship or plane, challenges in the form of weather conditions, other crafts, and human error can hinder one from reaching their destination. In these sections, we’ll identify issues to be aware of and mitigate in order to enhance your ability to navigate the business.

Trail Blazes: Experienced hikers will recognize the term “blaze” as the most common type of trail marking to help guide one’s adventure. Blazes are typically in the form of paint or carvings on trees along the trail. You’ll discover a trail blaze page at the end of each chapter containing a summary of insights to ensure you’re on the right path.

Ready? 3 . . . 2 . . . 1 . . . liftoff!

Table 1.2 SQ Assessment Sample.

	Never	Rarely	Sometimes	Often	Always
I record my assessment of the current business situation					
I meet with colleagues from other areas to align on strategy					
I update my business plan with new insights					
I take time at the completion of projects to record key learnings					
I schedule time in my calendar to think about the future of my business					



Trail Blazes

To navigate means to determine one's position and direction and make a way over or through.

A study of 250,000 executives showed that setting strategic direction is the most important role of a leader and the number-one factor that improved organizational health.

Strategic: Possessing insight that leads to advantage.

A survey of 10,000 senior executives asked them to select the leadership behaviors most critical to their organization's future success and they chose "strategic" 97% of the time.

The Unstrategic:

1. Wandering Aimlessly
2. Doing Everything
3. Killing Meetings

Four areas of Strategic Fitness:

1. Strategy Fitness
2. Leadership Fitness
3. Organization Fitness
4. Communication Fitness

The Strategic Quotient (SQ) is a measure of a person's strategic capabilities as exhibited through their mindset and behaviors.

The SQ is based on the 3A Framework of the three critical disciplines for being strategic. These three disciplines are:

- Acumen (Thinking): The generation of insights to create new value
- Allocation (Planning): Focusing resources through strategic trade-offs
- Action (Acting): Prioritizing and executing initiatives

PART I

Strategy Fitness

“Once we reach a certain level of expertise at a given discipline and our knowledge is expansive, the critical issue becomes: How is all this stuff navigated and put to use? I believe the answers to this question are the gateway to the most esoteric levels of elite performance.”

—Josh Waitzkin, U.S. Junior Chess Champion,
martial arts champion, and author



The distance around the earth is divided into 360 units called degrees. We can measure longitude from 0 to 180 degrees both east and west. Latitude is measured north and south from 0 to 90 degrees, from the equator. One degree is comprised of 60 units called minutes, and each minute is broken into 60 seconds. Wherever we are, we have 360 directions to select from to travel to a destination of our choice. While 360 potential directions may seem like a dizzying array of choices, there's great power in knowing that you always have different options to choose from.

CHAPTER 1

Strategy

“Good strategies promote alignment among diverse groups within an organization, clarify objectives and priorities, and help focus efforts around them. In essence, they act like a map and compass. They provide direction.”

—Clayton Christensen, former professor,
Harvard Business School

The concept of strategy initially sprang from the need for people to defeat their enemies. The first treatises that discuss strategy are from the Chinese during the period of 400–200 BCE. Chinese general and philosopher Sun Tzu’s *The Art of War*, written around the fifth century BCE, has received critical acclaim as the best work on military strategy, including those that have followed it centuries later. However, unlike the later theoretical treatises, the Chinese works took the form of narratives, including poems and prose accounts. An example of this prose form of strategy can be seen in the poem by Lao Tzu, the father of Taoism:

Once grasp the great form without a form
and you will roam where you will
with no evil to fear,
calm, peaceful, at ease.
The hub of the wheel runs upon the axle.
In a jar, it is the hole that holds water.
So advantage is had
from whatever there is;

but usefulness rises
from whatever is not.¹

While at first glance it may be difficult to identify an element of strategy in the poem, a key principle found here is the importance of “not,” because strategy demands trade-offs—choosing your “nots.” The business parallel is the need for disciplined focus that comes from making strategic trade-offs: What products will we not offer? What customers will we choose not to serve? As Meg Whitman, former CEO of companies such as eBay and Hewlett Packard Enterprise, proclaimed, “Our strategy is as much the art of exclusion as it is the art of inclusion.”²

The term “strategy” is derived indirectly from the classic and Byzantine (330 AD) Greek *strategos*, meaning “general,” but no Greek ever used the word. The Greek equivalent for the modern concept would have been *strategike episteme* (general’s knowledge) or *strategon sophia* (general’s wisdom). “Strategy” retained this narrow meaning until Count Guibert, a French military thinker, introduced the term *La Strategique* in 1799, in the sense that is understood today. Strategy as a term entered the English language in 1810.³

Strategy Fitness refers to your ability to develop strategy, allocate resources, make decisions, and create competitive advantage. Strategy is a prerequisite for success whenever the path to a goal is obscure. Charting a clear path to a desired destination starts with a common understanding and language for strategy. Yet research with 400 talent management executives showed less than half believe their organizations have either a universal definition (44.3%) or a common language (46%) for strategy.⁴ And research spanning a 25-year period on the term “strategy” uncovered 91 different definitions!⁵

Strategy Is Not . . .

*Essence (noun): the basic, real, and invariable nature of a thing.*⁶ If there was ever one thing that needed to be returned to its “basic, real, and invariable nature,” that thing is strategy. Like a boat with no anchor flailing about in the open sea, strategy has become unmoored from its true meaning. It has become meaningless. In determining the essence of a thing, it’s helpful to begin with what that thing is not. Think ABCs.

Strategy is not **Aspiration**. How often have you seen a vision or goal masquerading as strategy? A vision is the future aspiration, what you'd like to be in 10 or 15 years. A goal is generally what you are trying to achieve. To become the market leader or the premier provider of your secret sauce or the world's most sustainable product are noble aspirations. Just don't confuse them with strategy.

Strategy is not **Best practices**. If you benchmark the competition and then adopt the best practices, you have not developed strategy. You have converged with the competition, not distanced yourself from it. Strategy serves to differentiate your offerings and your company from the competition by providing superior value to customers.

Strategy is not **Cautious**. Find a strategy that's not last year's leftovers reheated and dolled up with some salt and pepper to make it palatable to the group going down the same path that they've been down a dozen times before. Find a strategy that isn't afraid to upset some of the customer base because it actually contains real trade-offs that are not designed to appeal to everyone, especially the unprofitable, high-maintenance customers you should have fired years ago. Find a strategy that doesn't bore the people expected to implement it because it contains nary a new insight. As Disney CEO Bob Iger said, "The riskiest thing we can do is just maintain the status quo."

Off Course: Strategy is not Aspiration, Best practices, or Cautious.



The following are examples of strategies pulled from real companies:

"Become more profitable."

"Grow our audience."

"Be number one in the market."

"Execute integration and capture synergies."

"We're trying to find the people who were customers and didn't come back. That's a major strategy."

That last one still cracks me up. Make no mistake: bad strategy can literally kill a company. In a 25-year study of 750 bankruptcies, the researchers found that the number-one cause of bankruptcy was bad

strategy.⁸ Bad strategy often begins with imprecision in applying planning terms to our business. As the Chinese philosopher Confucius noted, “The beginning of wisdom is to call things by their right name.”

A plan answers two fundamental questions:

1. What are you trying to achieve?
2. How will you achieve it?

GOST Framework

I created the GOST Framework™ (Figure 1.1) to help leaders and their teams develop a consistent approach to answering these two key questions and provide a common language for strategy.

A goal is **WHAT** *generally* you are trying to achieve, let’s say reaching the top of a mountain. The objective is **WHAT** *specifically* you are trying to achieve, so in this example ascending 3,000 feet each day for four days until we reach the 12,000-foot summit. Objectives are often described with the acronym SMART: Specific, Measurable, Achievable, Relevant, and Time-bound.

The strategy is **HOW** *generally* you’ll reach the goal and objective, in this case your general approach to reaching the top of the mountain—hiking straight up, zigzagging, or ascending a path on the opposite side. The tactics

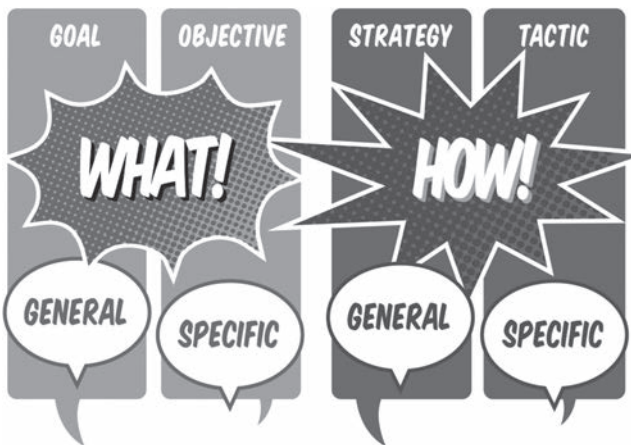


Figure 1.1 GOST Framework.

then are HOW *specifically* you'll achieve your goal—using ropes, pickaxes, or maybe an inflatable raft to paddle around to the other side.

Here is an example for the business application of the GOST Framework:

Goal:	Become the market leader in wearable biotechnology.
Objective:	Achieve 40% market share in the apparel category by Q4.
Strategy:	Neutralize competitor product entries through real-time innovation.
Tactic:	Key customers contribute to product engineering platform.

Rocket Burn: The GOST Framework enables you to clearly and consistently answer the two foundational questions at the core of a plan:

1. What are you trying to achieve? [Goals & Objectives]
2. How will you achieve it? [Strategy & Tactics]



Ozan Varol, author of the book *Think Like a Rocket Scientist*, reinforces these definitions when he writes, “A strategy is a plan for achieving an objective. Tactics, in contrast, are the actions you take to implement the strategy. We often lose sight of the strategy, fixate on the tactics and the tools, and become dependent on them. But tools can be the subtlest of traps. Only when you zoom out and determine the broader strategy can you walk away from a flawed tactic.”⁹

A common challenge is distinguishing between strategy and tactics. The complementary nature of strategy and tactics has defined their intertwined existence. In the military realm, tactics teach the use of armed forces in engagements, while strategy teaches the use of engagements to achieve the objectives of the war. The original meaning of “tactics” is “order”—literally the “ordering of formations on the battlefield.”¹⁰

However, the current use of “strategic” and “tactical” stems from World War II. “Strategic” is associated with long-range aircraft and missiles, while “tactical” has referred to shorter-range aircraft and missiles. The term “strategic” then became associated with the completely incidental quality of long range, which bombers might need to attack industrial targets in some geographic areas. In turn, that caused “tactical” to take on the aura of short range.



Off Course: Putting the word “strategic” in front of other planning terms such as “goals” or “objectives” adds no value and only muddies the water. Keep goals, objectives, strategies, and tactics separate.

From a business perspective, a more accurate and useful distinction than time for strategy and tactics is general versus specific. Strategy is how *generally* to achieve a goal while tactics are how *specifically* to achieve a goal. If your team struggles with the difference between strategy and tactics, perhaps the “Rule of Touch” will help. If you can reach out and physically touch some aspect of the item in question, it is most likely a tactic. Strategy, on the other hand, is abstract, like leadership or love. In his writings that became the book *The Art of War*, Sun Tzu described the difference between strategy and tactics this way: “All the men can see the tactics I use to conquer, but what none can see is the strategy out of which great victory is evolved.”¹¹

Strategy Defined

Strategy can be defined as the intelligent allocation of resources through a unique system of activities to achieve a goal. Simply put, strategy is how you plan to achieve your goal. With this definition comes the caveat of competition—both direct and indirect—which will attempt to prevent you from reaching your goal. That is why plans must be fluid and strategy created and calibrated with a continuous flow of strategic thinking.

Based on strategy’s definition as “the intelligent allocation of resources through a unique system of activities to achieve a goal,” let’s break strategy down into its three primary components:

1. **Allocation of Resources.** How you and your organization use your resources—time, talent, and budget—comprises your strategy. You may have a strategy written down in a PowerPoint deck, but observe how your people are spending their time, talent, and budget every day and you’ll see your true strategy. Discipline is a key ingredient. Aimlessly investing a few hours each day on tasks that are

not directly supportive of your goals may seem productive but will destroy your chances of real success. If you have not clearly written out and communicated the strategy on a consistent basis, then where people channel their resources becomes a matter of chance. Good leaders don't leave strategy to chance.

2. **Unique System of Activities.** Perhaps the most common error in business planning is mistaking operational effectiveness for strategy. Operational effectiveness is the proverbial wolf in strategy's clothing. It means performing similar activities in a similar manner as competitors, trying to do them a little better or faster. However, employing operational effectiveness without strategy is like running the same race as competitors, only hoping to run a little faster. Creating strategy indicates that we are going to run a different course than our competitors are running—one that we ourselves have designed to win. A study of more than 200 companies found that 93% of the top 20% of financial performers have a strong form of differentiation at their core.¹² Do you? If your strategy does not include different activities or similar activities performed in different ways, then it's not going to create distinct value. Not until you get off the beaten path can the beating begin.
3. **Achieve a Goal.** In preparation for facilitating strategy workshops and executive coaching with senior executives, I review roughly 300 plans a year, and some are too complex, too long, or both. A good plan simply answers the two questions we introduced earlier: 1) What are you trying to achieve? 2) How will you achieve it? Your goal and objective represent the answer to the first question (what you are trying to achieve), and strategy and tactics answer the second question (how you will achieve it). While it may be tempting to start with the strategy in developing a plan, remember that you first have to determine your destination before you can identify how to get there.

Rocket Burn: Strategy is the intelligent allocation of resources through a unique system of activities to achieve a goal.



When to Change Strategy

We as human beings don't like to change. The Johns Hopkins School of Medicine reports several studies of people who underwent a type of heart surgery called CABG, or "coronary artery bypass grafting." The doctors met with patients immediately following the heart surgery and told them they must make changes in their lifestyles, including diet, exercise, and medication. Two years later, the percentage of patients who did not make any sustainable changes was 90%.¹³ That's right—90% of patients made no changes despite being told that without those changes, they had a greater chance of dying.

If it's that difficult for people to make changes when their lives are at stake, what's the chance we'll change our business strategy when the time comes? And exactly how do we know when the right time is to change it? One thing is for sure: not changing strategy at the right time can start a death spiral for your business.

Research on 500 companies examined their stall points, or continued periods of revenue decline, and found that 70% of stall factors resulted from a choice about strategy. During these stall points, companies lose on average 74% of their market capitalization in the decade surrounding the stall point.¹⁴ The ability to modify strategy at the right time can literally save or destroy a business. Here is a checklist of five moments when it is critical to reevaluate your strategy.

1. **Goals are achieved or modified.** Since goals are "what" you are trying to achieve and strategy is "how" you're going to get there, it makes sense that if the destination changes, so too should the path to get there. As you accomplish goals and new goals are established, changes in resource allocation are often required to meet them. In some cases, goals are modified during the course of the year to reflect changes in the market, competitive landscape, or customer profile. It's important to reflect on the strategy as these changes occur to see if it also needs to be modified.

Ask yourself: Have goals been achieved or changed?

2. **Customer needs evolve.** The end game of business strategy is to serve customers' needs in a more profitable way than the competition. But as the makers of VHS tapes, printed encyclopedias, and pagers

will tell you, customer needs evolve. The leaders skilled in strategic thinking are able to continually generate new insights into the emerging needs of key customers. They can then shape their group's current or future offerings to best meet those evolving needs.

Ask yourself: Have customer needs changed?

3. **Innovation in the market.** The word “innovation” is used by almost everybody and consistently practiced by a very few. In the vast sea of articles and books on innovation, the simplest definition is “creating new value for customers.” The new value may be technological in nature, but it can also be generated in many other ways, including service, experience, marketing, process, and so on. It may be earth shattering, or it may be incremental in nature. The key is to keep a tight pulse on the market, customers, and competitors to understand when innovation, or new value, is being delivered and by whom. Once that's confirmed, assess your goals and strategies to determine if they need to be adjusted based on this new level of value in the market.

Ask yourself: Is there innovation in the market?

4. **Competitors change perceived value.** For many years, fast food was fast food. There are burgers, tacos, chicken, pizza, and hot dogs—the standard fare. Within each category, there was greater similarity between competing offerings than distinction. Enter Chipotle, a company that has focused on a “Food with Integrity” campaign in which their healthy ingredients have played the starring role in their burritos, tacos, and bowls. Sourcing their food from farms rather than factories, they became the first national restaurant chain to voluntarily disclose the presence of GMOs (genetically modified organisms) in their food. Increasing the perceived value of an aspect of your offering—in Chipotle's case, ingredients—through marketing campaigns, social media, celebrity endorsers, and so on, is a real weapon or threat, depending on your position.

Ask yourself: Have competitors changed perceived value?

5. **Capabilities grow or decline.** A final consideration when determining whether to change strategies falls under your own roof. Having led strategic thinking and planning sessions for the past 25 years, I know how challenging it can be for organizations to honestly evaluate their capabilities and their effectiveness. A list of 17 strengths during the SWOT Analysis (strengths, weaknesses, opportunities, and

threats) is one indication. However, objective assessment of the group's capabilities relative to the competition is a starting point. If they have significantly grown, it may open up new avenues or strategies for increasing profits. If the capabilities have declined, it may call for new approaches, whether neutralizing strategies or exit strategies.

Ask yourself: What is the state of our capabilities?

3A Strategic Framework

While there are many skills an executive must be proficient at in order to successfully run a business, the research shared earlier shows that none are as important as their ability to develop strategy. How then do you ensure that strategy development isn't a weakness that torpedoes your career and your company? By becoming more effective at thinking, planning, and acting strategically.

Introduced earlier as the conceptual foundation of the Strategic Quotient Assessment, the 3A Strategic Framework (Figure 1.2) represents the key areas of being strategic:

Acumen (Thinking): Generating insights to create new value

Allocation (Planning): Focusing resources through trade-offs

Action (Acting): Prioritizing and executing initiatives

Acumen begins with ensuring that all of your people are accountable for contributing new ideas that lead to customer and organizational value. Elite leaders design insight networks that connect people and their ideas across functions and levels. Some have taken this a step further by assigning accountability to their direct reports for harnessing insights from their teams on a monthly basis and generating "Insight Updates" across the matrix. This means that everyone is contributing ideas on how the business can be more effective, efficient, and innovative. As Apple CEO Tim Cook said, "We want ideas coming from all 80,000 people, not five or three. A much smaller number of people have to decide and edit, and move forward, but we want ideas coming from everywhere."¹⁵

Allocation begins with active disengagement. Inventory the areas where your time, talent, and budget are currently being spent and then match those aggregates with your priorities. You'll be amazed at how

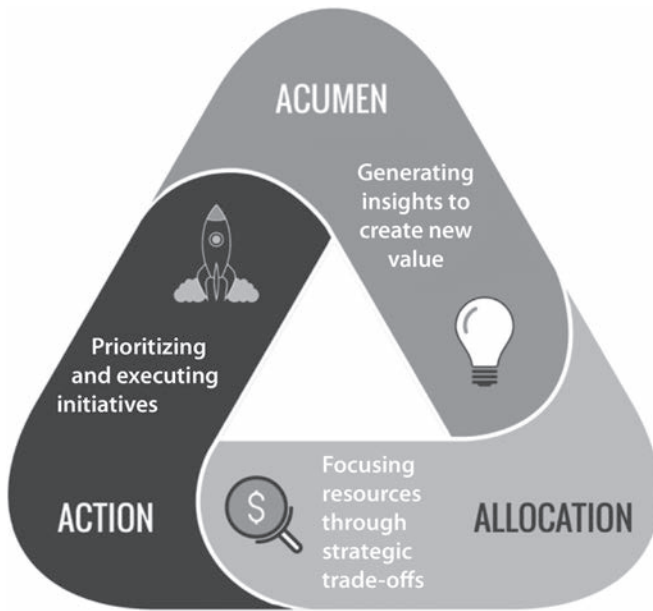


Figure 1.2 The 3A Strategic Framework.

much time and budget is continuing to be invested in areas that don't yield value. Then have the guts to pull the plug on things that aren't working—not slowly over nine months, but now! Research by the MIT Sloan School of Management shows that 80% of mid-level managers say their senior leaders fail to kill unsuccessful initiatives quickly enough.¹⁶ How many tasks and initiatives are your team currently working on that add little value while sucking up the time and energy of your best people?

Action begins with a more strategic approach to your time. A Harvard Business School study of 60,000 CEO hours identified the CEO's largest time commitment is meetings, at 61% of their time.¹⁷ Since meetings are on average the largest consumer of an executive's time, they need to be as productive and efficient as possible. Currently, they are not. A whopping 71% of executives say that their meetings are unproductive and inefficient.¹⁸ To add insult to injury, half of all companies surveyed indicated senior leaders' meeting agendas were either exactly the same or completely ad hoc.¹⁹ It's difficult to act strategically if your calendar manages you, instead of you managing your calendar.

The 3A Strategic Framework of Acumen, Allocation, and Action can be an effective mental model to trigger you to think, plan, and act strategically on a regular basis. It requires the discipline to prioritize learning, harness your team's best thinking, and set a course to continually overcome challenges in the pursuit of excellence. Being a senior leader should no longer be dictated by years on the job, but by the expertise and value a person brings. It's an honor to lead people, so approach it as such. Do it strategically with a hunger for new insights and you'll make the most of the opportunity. Do it tactically with complacency and you won't do it for long.

Strategy Development

Strategic thinking is the ability to generate insights that lead to advantage. Strategic planning is the channeling of those insights into an action plan that drives people's activities. The strategic plan should clearly describe where the business is today, where it's going, and how it's going to get there. Inherent in that description is what you choose to do and—equally important—what you choose *not* to do. Great strategy demands trade-offs, and trade-offs come from the ability to make decisions, and cut things off from your time, attention, and resources. As *Money* magazine research noted: “The higher you go, the more valuable strategic thinking becomes. Both ‘strategy development’ and ‘business strategy’ are skills that set executives apart. Moreover, even within that elite stratum, workers with those skills earn 9.1% and 8.2%, respectively, more than those without.”²⁰

Research demonstrates that 66% of organizations lack a coherent set of strategic thinking frameworks and 81% of managers say they do not have a consistent process for developing strategy.^{21,22} An effective method for strategy development includes regular conversations guided by strategic thinking frameworks. These frameworks are shaped by a concise strategy process that helps leaders take a consistent approach to setting strategic direction and ensures that they are thinking holistically about the business. With more than 150 strategic thinking tools to choose from, it's important to select the few that are most relevant to your business so as to not overwhelm the team.

A few years back I was invited to Venice, Italy, to lead a strategic thinking workshop for executives from western Europe. Following the

workshop, I traveled to Florence, Italy, and had the opportunity to visit the Accademia Gallery, home to perhaps the most famous of all sculptures, Michelangelo's *David*. After taking in this awe-inspiring work of art, I walked back down the hall to view some of Michelangelo's other sculptures, including the *Four Prisoners*. It was here that his unique approach to sculpting came shining through for me.

His approach involved the element of discovery. Whereas his counterparts would carve their figures into the stone, Michelangelo started with the belief that the figure was *already* in the stone before he touched it. His gift was to uncover the figure that lay waiting in the stone. Michelangelo's works such as *The Atlas* demonstrate this approach: the figure is only partially visible and the remainder lies embedded in the stone. His task was to uncover, or *free* the figure from the stone.

For thousands of years, strategists and sculptors have used similar techniques to create their works. Sculptors employ one of two techniques: modeling or carving. Modeling sculptors begin with an intense study of their subject and then mold soft materials such as clay or wax into specific shapes. Carving sculptors, on the other hand, create an art form by removing or chiseling material from a shapeless block of wood or stone, often without having a specific end result in mind.

The modeling technique of sculpture is analogous to the classical school of strategy development where intense analysis of the industry and competitive landscape is used to form the strategy. Similarly, the carving technique of sculpture is comparable to the evolutionary school of strategy development, where strategy emerges from the marketplace environment. Michelangelo's sculpture and your business strategy share the common element of both starting out buried in their compositions. However, once intense analysis and the accompanying synthesis occur, they both begin to emerge with clarity and vision.

Michelangelo's belief that the figure is embedded in the stone, requiring vision and skill to draw it forth, teaches us a valuable business premise: your business strategy lies embedded in the form that encompasses your customers, competition, company offerings, and marketplace opportunities. What is required of you is the strategic thinking necessary to free your strategy.

The process of developing strategy is quite similar to the process that a sculptor uses to navigate the process of creating a work of art. Therefore,

we can describe the five phases of the best-of-breed strategy development process in concert with the five phases of sculpting.

1. Discovery: “Choosing the Tools”

A sculptor begins the process by selecting the material to work with (clay, marble, metal) and the appropriate tools (hammer, chisel, knives) with which to work. Similarly, the discovery phase of strategy development involves the selection of the people, process, and information to be used.

The discovery phase of the strategy development process entails designating the team, outlining the process being used, and disseminating the prework. The prework involves intelligence gathering on the market, customers, competitors, and the organization. Specific tasks include primary research with customers and employees in the form of one-to-one interviews, focus groups, and the Strategy Survey.

2. Strategic Thinking: “Playing in Space”

Once a sculptor has chosen the tools, they begin working ideas out in space by creating a maquette, or small 3-D model of the intended work. The strategic thinking phase provides the forum for the group to begin generating and capturing their business insights in model format.

The strategic thinking sessions, conducted with the strategy development team, are designed to generate new insights through a methodical and comprehensive examination of the four key areas of the business: market, customers, competitors, and company. In examining these areas, often the primary challenges identified can act as the seeds of strategy. The main reason so many strategic plans collect dust and are not actively used to drive daily activities is because they don't contain any new thinking on current challenges. The lack of insights in a plan is often due to the management team's failure to invest time in high-level strategy conversations guided by a thoughtful process.

3. Strategic Planning: “Building the Framework”

After creating the miniature 3-D model, the sculptor working in clay creates a skeletal structure or wire frame, known as an armature, to serve as

the foundation of the sculpture. The strategic planning phase acts in the same manner, creating the framework for the strategy and all of its elements.

The strategic planning phase transforms the insights generated from strategic thinking into the strategic action plan that achieves the organization's goals and objectives and includes the appropriate timelines and budgets. The key is that the deliverable is a concise one- to three-page map or blueprint for the business.

4. Strategy Rollout: “Sculpting the Masterpiece”

Once the framework has been developed, the artist sculpts the figure, adding and taking away material as necessary. In the same way, the strategy rollout phase transforms the strategic plan into the activities and offerings that move the business forward.

The strategy rollout phase ensures that the key elements of the strategic action plan are clearly communicated throughout the organization and that an implementation plan is in place. The following steps support the strategy rollout:

1. Development of the communication plan
2. Dissemination of the strategic action plan through the chosen communication vehicles to employees
3. Collection and review of feedback regarding the strategic action plan components and the effectiveness of their communication to the organization
4. Incorporation and application of the strategic action plan to employees' daily activities and their corresponding metrics
5. Periodic pulse-taking to monitor progress and assess effectiveness and relevance of both strategy and tactics and their understanding by employees

5. Strategy Tune-up: “Polishing the Form”

Once the sculptor finishes the work, they must ensure that adjustments, such as proper lighting, and maintenance activities, including cleaning and polishing, are performed on a regular basis to keep the sculpture in its best form. Similarly, the strategy tune-up phase serves to keep the strategy in an evergreen state.

Comprised of a half- to full-day session on a quarterly basis, the strategy tune-up consists of periodic formal reviews of the business by the strategy development team to hone their work. The team methodically reviews the four key areas of the business—market, customers, competitors, and company—to identify changes and make any necessary adjustments to strategy and tactics.

Great strategy, like great works of art, requires vision, creativity, and hard work. Are you and your team bringing each of these elements to your business? If not, your success may stay buried in mounds of irrelevant activities, like the figure in *The Atlas* struggling to free his potential. Successfully generating insights from these regular strategy conversations are the springboard for the strategic plan.

Designing a StrategyPrint

One way to evaluate someone's strategic capabilities is to take a look at their plan. If the plan is long, complicated, and not crystallized into a useable one- to two-page document, then there is work to be done. The longer the plan, the less likely it is to be updated with new insights and remain a relevant compass for one's strategic direction. Brian Chesky, CEO of Airbnb, shares his perspective on the strategic plan: "If you can't fit it on a page, you're not simplifying it enough. I told my team they have to put the entire plan on a page this big (8.5" × 11") by next week—same size font."²³

To help executive teams with this challenge of condensing their plans into useable documents, I developed the StrategyPrint®. The tool serves as a two-page blueprint for the business:

Page 1: Insights, People, and Priorities

Page 2: Action Plan

Page 1 is focused on insights, which are defined as learnings that lead to new value. Placing insights at the beginning acts as a behavioral trigger to move leaders to actively generate and capture them as a part of what they do. Categories of insights might include customer, team, business, and culture. A key step is to assign accountability for insights to ensure your team is aware of and actively engaged in discovering them.

Insights then shed light on priorities and the people to help achieve them. While priorities consist of the activities, initiatives, and projects

that drive your business, it's critical also to take a strategic look at the people who contribute to their accomplishment. Key people may include customers, select members of the board of directors, peers, direct reports, suppliers, and vendors. What are the development activities you have in place to continue to build and nurture those relationships?

Page 2 channels your insights and priorities into an action plan. The action plan needs to answer these two questions identified earlier:

1. What are you trying to achieve?
2. How will you achieve it?

It's useful to answer those questions by identifying the goals and objectives (what you are trying to achieve), and the strategies and tactics (how you will achieve them). There are a number of other elements that can be customized to this area based on your business, but be sure to answer those two key questions.

At the heart of your plan are the activities, which act as the hub for purpose, people, and resources. A common sign an organization is missing the discipline to make trade-offs, which in turn acts as the filter within the strategy, is the proliferation of activities and tactics to the point that people are drowning in them. Consider your team: Is there a clear set of three to five priorities on which the majority of your activities are based?

To take a quick check on how well your team is applying the concepts and tools of strategy to the business, take the complimentary 20-question quiz, "Is Your Team Tactical or Strategic?" at <https://www.strategyskills.com/is-your-team-strategic/>.



Trail Blazes

Strategy Fitness refers to your ability to develop strategy by allocating resources, making decisions, and creating competitive advantage.

Strategy is not Aspiration, Best practices, or Cautious.

A plan answers two fundamental questions:

1. What are you trying to achieve?
2. How will you achieve it?

GOST Framework:

Goal: What you are trying to achieve [General]

Objective: What you are trying to achieve [Specific]

Strategy: How you are trying to achieve it [General]

Tactics: How you are trying to achieve it [Specific]

Strategy can be defined as the intelligent allocation of resources through a unique system of activities to achieve a goal. Simply put, strategy is how you plan to achieve your goal.

Five moments to consider changing strategy:

1. Goals are achieved or modified.
2. Customer needs evolve.

3. Innovation in the market.
4. Competitors change perceived value.
5. Capabilities grow or decline.

The 3A Strategic Framework represents three key areas of being strategic:

Acumen (Thinking): Generating insights to create new value

Allocation (Planning): Focusing resources through trade-offs

Action (Acting): Prioritizing and executing initiatives

Five Steps of the Strategy Process:

1. Discovery: “Choosing the Tools”
2. Strategic Thinking: “Playing in Space”
3. Strategic Planning: “Building the Framework”
4. Strategy Rollout: “Sculpting the Masterpiece”
5. Strategy Tune-up: “Polishing the Form”

A StrategyPrint is a two-page blueprint for the business containing insights on performance, people, priorities, and the action plan.

ARE YOU TACTICAL OR STRATEGIC?

What's Your SQ?

Take the Strategic Quotient™ (SQ) Assessment to measure your strategic capabilities as exhibited through your mindset and behaviors, with a focus on the critical disciplines for being strategic:

- Acumen (Thinking): The generation of insights to create new value
- Allocation (Planning): Focusing resources through strategic trade-offs
- Action (Acting): Prioritizing and executing initiatives

Are you strategic? Take the assessment today and find out.

The Strategic Fitness System

The Strategic Fitness System™ (SFS) is an online platform for leaders to develop key business skills in the areas of strategy, leadership, organization, and communication. It contains more than 200 tools and forums for you to continuously learn and practice your skills, including:

- 50 Strategic workouts and exercises
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