

**Dan Coughlin's Guide
to
Make Strategy Practical**

**Clarify the Present,
Determine Your Future,
Manage the Transformation**

A Strategic Overview

A strategy is a story. It tells what an organization wants to achieve and what it intends to do to achieve those outcomes. This guide is written for those individuals responsible for formulating, communicating, and implementing an organization's strategy. If you skim through this guide, you might think that formulating a strategy is really complicated.

It's really not.

Essentially, you clarify what you want driving decisions in your organization and decide how you will leverage your organization's values, strengths, and passions to attract and keep customers in a sustainable and profitable way. Then you tell your organization's strategic story until all of your employees understand it and can easily explain it to other people.

I will walk you through a series of steps to help you understand your current strategy, determine the alternative you want to select for your future strategy, and guide the process from the former to the latter. Just take each piece one at a time, digest it, and then gradually move to the next piece.

Keep in mind this is not a complete book on strategy. Instead think of it as a car owner's manual. Imagine you're going on a long trip, say 3,000 miles. You want to get to your destination efficiently but also in a sustainable manner. You don't want it to be the last trip you ever take in this car. So every once in a while you will pull out the owner's manual and take a look at what needs to be done to formulate, communicate, and implement a winning strategy.

Clarify the Present

Describe Current Level of Financial, Branding, and Customer Outcomes

The reason to formulate a strategy is to guide decisions and behaviors throughout your organization toward improving key outcomes. If yours is a for-profit organization, then those key outcomes include financial results, the strength of your brand in the marketplace, and the improved results that your customers achieve as a result of buying from you.

If yours is a not-for-profit organization, your key outcomes include the fulfillment of your mission in terms of the people you're serving and the funding of your initiatives with dollars and volunteers. Also, the donors and volunteers need to feel that their needs are being met in adding value to your organization.

Take out a sheet of paper and write down the current results for the following key desired outcomes:

For A For-Profit Organization

- Your organization's financial performance in terms of revenues, profit, and return on investment.
- The strength of your organization's brand in terms of customers and prospective customers thinking of you first as opposed to your competition.
- The results your customers achieve as a result of buying from your organization.

For a Not-For-Profit Organization

- Your organization's financial performance in terms of revenues from donations and grants.
- The strength of your organization's brand in terms of being known by clients (the people you serve), donors, volunteers, and board members.
- The results your clients, donors, and volunteers achieve as a result of being associated with your organization.

In the end, your work in formulating and implementing a strategy for your organization is successful if you are able to improve your key desired outcomes in a sustainable manner. Keep that in mind as you go forward.

(Recommended Resource: The Strategy-Focused Organization by David Norton and Robert Kaplan. They do a great job of showing the connection between results that lie outside of an organization and the strategic factors inside an organization that generate those outcomes.)

The Strategy-Tactics Analysis

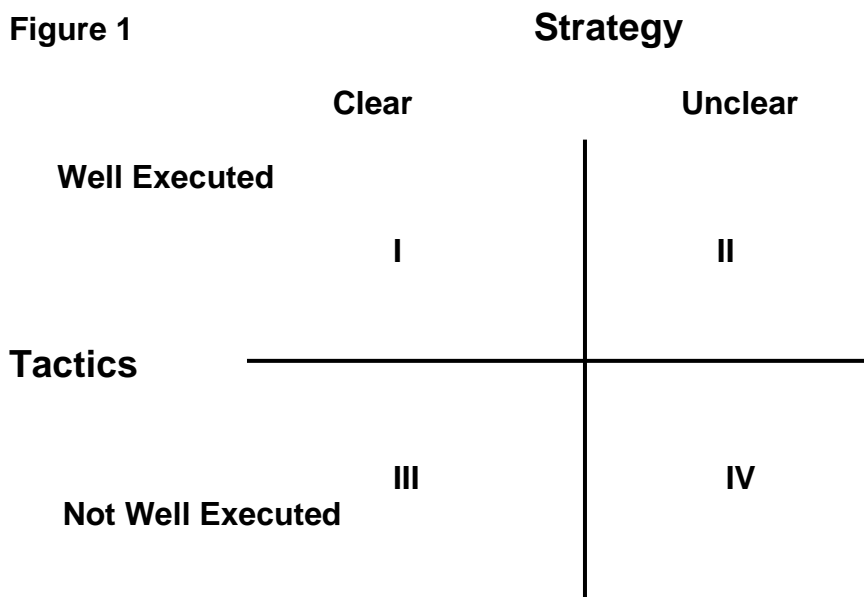
Before you decide whether or not your current strategy should remain in place or change to something different, it's important to evaluate how strong your current organization is at communicating a clear strategy to all employees and at executing the tactics that have been selected to support that strategy.

Since you might very well change your strategy, why is it important to do this analysis?

Regardless of whether or not your current strategy is effective, you want to have an understanding of how well your organization communicates a clear strategy so you can decide if this is a skill that needs to be improved. If your current strategy is unclear to most of your employees, then even if you determine a more

effective strategy for the future it won't have a positive impact because you still won't be communicating it clearly. If your organization is currently doing a poor job in executing tactics that support your current strategy, it will do a poor job of executing tactics to support a new strategy, unless you strengthen that skill.

It's time to dive in. Look at *Figure 1*. This is a diagnostic tool I learned from my mentor, Dr. Alan Weiss, author of **The Best-Laid Plans**, a powerful book on strategy. Think about your current organization. Place a dot on the graph that represents how clearly the employees in your organization understand the organization's strategy and how well they execute the tactics that have been selected to support that strategy.



Take your time and decide where the dot representing your organization should go. Regardless of where you place your dot, then answer these two questions that I learned from an excellent strategist, Amanda Setili:

In terms of clarifying our strategy for our employees, what are we doing well, what are we not doing well, and what could we do better?

In terms of executing the tactics that support our strategy, what are we doing well, what are we not doing well, and what could we be doing better?

In other words, the goal is to move up and to the left on the graph. The answers to these two questions will help you sharpen your skills at clarifying your strategy and communicating it clearly to all of your employees. They will also help you better execute the tactics you've selected. Those skills will come in very handy as you move toward formulating and implementing a new strategy.

The Upper Left Quadrant

There is one place on the graph where people rarely place their dot. It requires a few special comments. That spot is the upper left portion of Quadrant I. If you placed your dot there, it means you feel your employees clearly understand your organization's strategy and they execute the tactics that have been selected to support that strategy extremely well. If your organization is in that position, then there are two possibilities: either you have an effective strategy or you do not.

If your current strategy is effective and you are delivering the types of results you want to generate, then you can improve your future results through innovation within your current strategy. Innovation is the process of identifying, combining, and selecting ways to add more value to your customers. It requires destroying less value-added activities and replacing them with more value-added activities.

On the other hand, if your current strategy is not effective in terms of delivering the desired results in spite of the fact that it's clearly understood and the tactics supporting it are well executed, then you need to establish a new direction, a new strategy, for your organization.

Identify Your Organization's Values, Strengths, and Passions

Values are the beliefs that drive behaviors. Look at the behaviors in your organization. How do people consistently act? Observing those consistent behaviors will help you understand the current values in your organization.

What are the things that people do well in your organization? This doesn't have to be a strength of every single person in your organization, but it does have to include a strength that is consistently demonstrated by a reasonable number of employees.

Finally, what do people in your organization get passionate about? Is it solving customer problems, is it developing breakthrough innovations, is it finding a new market to penetrate, or is it something else?

No matter how clear your strategy becomes or how well the tactics are executed, the strategy will only be effective over the long-term if it fits within the framework of your organization's values, and leverages the strengths and passions of the people in the organization.

(Recommended Resource: Good to Great by Jim Collins, who does a great job of explaining the Hedgehog Concept. The Hedgehog Concept defines the critical point where your organization's strengths and passions meet the market needs.)

The Strategic Intersection

Understanding the intersection of your organization and your customers

Your organization meets its customers at your products and services. In other words, customers don't come inside your organization to see how well managers and employees communicate with each other or how well your marketing team is crafting an advertising initiative. The interaction is between the customer and your products and services. Effective marketing may lure potential customers in to look, but there is no interaction with your organization until they purchase your productS or service.

In the end, your customers will compare your organization to your competitors in three areas: products, service, and relationships. Consciously or subconsciously, customers will be asking themselves these questions:

- *How good is this product compared to what I can get from the competition? (Product)*
- *How efficient is this organization at delivering value to me compared to what I can get from other organizations? (Service)*
- *How effective is the solution to my situation that this organization delivers to me compared to the solutions I can get from other organizations? (Relationship)*

Look at it this way. From the perspective of your customers, how would they rate the following as compared to your major competitors on a scale of *below average, average, above average, or extraordinary?*

Your organization's products _____ .
Your organization's service _____ .
The relationship with your organization _____ .

(Recommended Resource: The Discipline of Market Leaders by Fred Wiersema and Michael Treacy. These two do a terrific job of explaining that market leaders achieve their dominance through product excellence, operational excellence, or customer intimacy.)

At this point, a few examples outside of your industry might help. These examples are just my opinion, but they will give you an idea of what different strategic intersections look like.

Dell: average to below average product compared to Apple or Hewlett-Packard, excellent service in terms of efficiency of inventory management that results in much lower prices, and above average relationship because of their ability to customize the computers they build.

Apple's iPod: excellent product because there is very little like it available, above average service in terms of their ability to efficiently provide a wide array of iPods, and above average relationship because the consumer can receive personalized advice for how to optimize the product at the *Apple* retail stores.

DisneyWorld: above average product because the experience at the park is so unique, excellent service because they are able to provide this level of fun and entertainment to millions of visitors each year, and above average relationship because the cast members at the park are on the look out for how to add more value to individual families.

Wal-Mart: average products because they are available in many places, excellent service because of their superior efficiency in managing inventory and understanding consumer buying patterns that results in amazingly low prices, and above average relationship with their customers because they provide a one-stop shopping experience.

Nordstrom's: average product compared to competitors in the same price range, above average service because of the efficiency with which they deliver value, and excellent relationship because the customer service is so mind-bogglingly good in delivering solutions to customers, especially in difficult situations.

Southwest Airlines: below average product because the planes are old and average looking and you have to stop so often, excellent service because they are consistently friendly and on-time and their efficiency as an organization reduces their prices, and above average relationship compared to other airlines because they consistently provide solutions that other airlines don't, such as dealing with passengers coming off of delayed flights.

Why is it important for your organization to understand what this intersection looks like in comparison to your competitors from the perspective of your customers?

Customers aren't comparing your operations team to the operations team of your competitors. They are not comparing your marketing department or your training department or your human resources department with those of the competition. The only thing a customer has to compare is the perception he or she has of your products, services, and relationships with the perception he or she has of the competition's products, services, and relationships.

If you want to shift your customer's, or even potential customer's, perspective of your organization, you need to make an adjustment in the way your products, services, and relationships are perceived by them. Shifting the strategic

intersection is one valuable way you can reformulate your strategy and accelerate sustainable, profitable growth.

(Recommended Resource: Blue Ocean Strategy by W. Chan Kim and Renee Mauborgne. This is a great book on how to change a few key areas of your organization and create a space for your organization in the marketplace where you have no competition.)

The Nine Strategic Drivers of Decision-Making in Organizations

If you step back far enough, you can determine what primarily drives the decisions of where to place time, talent, energy, and money in your organization. There are nine potential strategic drivers. The idea is to clarify your organization's current top two strategic drivers.

(Recommended Resource: Top Management Strategy by Ben Tregoe and John Zimmerman, from whom I learned these nine strategic drivers. This is one of the original classics on strategy formulation.)

The Nine Strategic Drivers

Products/Services (What you sell.)

Markets served (Whom you sell to.)

Method of sale. (How you sell.)

Method of distribution. (How you distribute the value of what you sell.)

Technology (A learned body of knowledge, which is reproducible and extendable.)

Operations capability. (Your capacity to produce a wide range of products and services.)

Natural resources. (Your ability to own or control a significant natural resource.)

Size/Growth (The size and growth of your organization.)

Return/Profit (The profit and the return on investment your organization generates.)

Examples of the Nine Strategic Drivers

Ultimately, I'm going to ask you to clarify the current primary and secondary strategic driver for your organization's decisions. Before I do that, here are some examples, at least from my perspective, for each of these strategic drivers. It's ok if you would put these organizations with different strategic drivers. The idea is to become familiar with what drives decisions in organizations. By considering examples from outside of your industry, you will better understand your organization's current strategic drivers.

Products/Services

Toyota Motor Company makes incredibly high quality cars and trucks. They sell those to a wide variety of people. "Products/Services" is the primary strategic driver for their decisions. They are constantly searching for ways to make better cars and trucks. The secondary strategic driver is "Markets served." In other words, they are going to sell to car/truck buyers. They don't sell clothes or computers. But once they select a specific type of buyer to serve, they create specific cars and trucks to meet the needs of that type of buyer.

Markets served

Nordstrom's sells to mid-range to upper-end customers who want great customer service. Their primary strategic driver is "Markets served." Their secondary strategic driver is "Products/Services." They sell men's clothes, shoes, and accessories, and women's clothes, shoes, and accessories. They sell a variety of items, but they don't try to sell every conceivable item that mid-range to upper-end customers would be willing to buy. They focus on clothes and shoes and clothing accessories like purses, belts, and jewelry. And they rarely discount their prices and never sell low-end items.

Method of sale.

Southern Living, *Tupperware*, and *Pampered Chef* are businesses driven by a unique selling approach. "Method of sale" is their primary strategic driver. Women invite their friends into their houses and those friends become customers. Their secondary strategic driver is "Products/Services." *Tupperware* sells plastic containers and constantly tries to come up with better versions of plastic containers, but they don't sell pots and pans, which is what *Pampered Chef* sells.

Method of distribution.

"Method of distribution" is the primary strategic driver for *McDonald's*. *McDonald's* has an amazing capacity to distribute food products. Whether or not a new product can be distributed over 30,000 stores plays a major role in whether or not it gets into the *McDonald's* system and stays in it. Its secondary strategic driver is "Markets served." They work to meet the eating needs of a variety of people who want fast, hot, and low-cost food.

Technology

Apple has a learned body of knowledge that is reproducible and extendable in the area of electronic products. “Technology” is *Apple*’s primary strategic driver. They apply this learned body of knowledge in ways that generate incredible innovations. Their secondary strategic driver is “Markets served.” They saw markets that wanted more sophisticated electronic products and were able to meet those desires for personal computers, MP3 music players, and more effective cell phones. They applied their strengths in technology to the needs of the market rather than just focusing on improving a single product, i.e. computers.

Operations capability

Simon & Schuster is the publishing operation of Viacom Inc. They provide fiction and nonfiction books for consumers of all ages, across all printed and multi-media formats. “Operations capability” is their primary strategic driver. They are able to produce a vast array of book products for a vast array of intended audiences. Their secondary strategic driver is “Markets served.” In other words, they also carefully select the book titles and authors for each of the markets they sell to.

Natural resources.

ExxonMobil exists because it controls key oil refineries that produce gasoline. “Natural resources” is the primary strategic driver for *ExxonMobil*. Without that natural resource, it would not exist. Its secondary strategic driver is “Markets served.” By providing convenient products for their targeted customers at their gas stations, they are able to add a great deal of profits to their coffers.

Size/Growth

As *SBC* bought a variety of phone companies culminating with the purchase of *AT&T*, and then took that famous brand name as their own, it positioned itself immediately as the number one telecommunications company in the world. During that time, its primary strategic driver was “Size/Growth.” Its secondary strategic driver was “Operations capability.” It is now able to provide a vast array of telecommunication products and services that can meet the needs of virtually every market in the world. Organizations only use the primary strategic driver of “Size/growth” for a relatively short period of time. Once they achieve the size and growth they need for their strategic purposes they shift to a different primary strategic driver. Today “Operations capability” is the primary strategic driver for the new *AT&T*.

Return/Profit

For this to be an organization’s primary strategic driver, it would mean the company would get into or out of a business primarily based on its ability to increase profits and return on investment. This is almost never the case for most companies. For example, would an insurance company suddenly become a coffee shop if it felt it could make more money? Not usually. However, *GE* is the

classic example of an organization that has successfully used “Return/Profit” as its primary strategic driver. *GE*’s secondary strategic driver is “Technology.” By that I mean its ability to use its learned body of knowledge in developing world-class managers who can then run businesses in any industry.

Whether or not you agree with my assessments of companies is not the main point here. The idea is to see that great companies do have primary and secondary strategic drivers that are separate from the personalities or egos of their CEOs. I encourage you to try this exercise yourself. Write down a list of 12 famous companies and then decide what you consider to be each of their primary and secondary strategic drivers.

The Impact of Changing the Strategic Drivers

Notice what could happen to an organization if it changed its primary and secondary strategic drivers. If *Apple* suddenly changed its primary strategic driver to “Operations capacity,” it would focus on making as many different types of computers as possible to meet the needs of every type of consumer computer need. If it did, then the cachet it has created around innovation and uniqueness would be gone. Or if *McDonald’s* suddenly shifted to a primary strategic driver of “Products/Services” and started making the best hamburgers in the world, their prices would rise dramatically and their ability to easily replicate those best-in-class hamburgers in every restaurant would fall just as dramatically. Customers would no longer get the same experience in every restaurant.

The Downside of Not Defining Your Strategic Drivers or Not Sticking with Them

If you don’t know what’s driving your decisions today, then you very easily could change your strategic drivers every week. You could become all over the board in terms of the markets you serve, the products you make, and the knowledge you use. This would not be very effective in terms of attracting and retaining customers for the long term.

Imagine this.

One week you focus on providing the best products in the world in some category. The next week you try to meet the diverse needs of a specific market. The next week you use your learned body of knowledge to create new value-added products and services. The next week you base your decisions primarily on making your organization bigger. The next week you focus on optimizing profit margins and so you sell your current business and get into a new one that is potentially much more profitable.

If your organization changed its primary and secondary strategic drivers each week, what do you think would happen to your customers, your revenues, your profits, and your brand?

Clarify Your Current Primary and Secondary Strategic Driver

Ok, time for application.

What is the current primary strategic driver for making decisions in your organization?

What is the current secondary strategic driver for making decisions in your organization?

Unless you know what's driving your decisions today, you won't be able to decide what the best strategic drivers are for your organization in the future.

Define Your Performance Business

What performance business are you in?

Ralph Lauren is in the "I'm moving on up business." Whether a person buys a \$19 Chaps shirt, a \$120 Polo sweater, or a \$2000 Ralph Lauren suit, the idea is that the person feels as though they are becoming more successful. In that performance business, Ralph Lauren is one of the very best in the world.

Southwest Airlines is in the "democratizing the skies business." In that performance business, they are number one in the world. They are not the largest airlines company in size or revenues or number of employees or number of planes. But in the "democratizing the skies business" they are number one.

How do you define the performance business your organization is in?

Where does your organization rank in that performance business?

If you are number one or number two in your performance business and you want to continue to operate in that category, you can accelerate to greater sustainable, profitable growth through innovation.

If you're not number one or number two within your current performance business, you will have a hard time accelerating sustainable, profitable growth for your organization. The reason is because your customers and prospective customers will want to be with the best company in the world in the performance area they are looking for. In this situation, you can change the performance business you're in, become the category leader, and attract and retain

customers. In other words, you can determine your future and that's where we heading next.

(Recommended Resources: The 22 Immutable Laws of Marketing and Positioning by Al Ries and Jack Trout. These two books by these two master marketing strategists do a great job of explaining why an organization needs to find a performance category that they can dominate.)

Review Time

In order to clarify your understanding of your organization's current strategic situation, we have focused on the following areas:

The Six Components of Strategy

- Your current financial performance, the strength of your brand, and the outcomes your customers (and volunteers and donors if yours is a not-for-profit organization) achieve as a result of buying from your organization.
- The clarity with which your employees understand the current strategy and the degree to which the tactics supporting that strategy are executed well.
- The values that guide the behaviors of the people in your organization, and the strengths and passions of the people in your organization.
- The perception your customers have of your organization's products, service, and customer relationships.
- The primary and secondary strategic drivers that currently guide the key decisions in your organization.
- The performance business that your organization currently operates within.

If you wanted to describe your current strategic situation as an organization, you could simply describe each of those items. The entire description would take less than one page. In doing so, you would see in a clear and objective manner where you are at as an organization right now.

Determine Your Future

The whole point of formulating a new strategy, communicating it clearly to all of your employees, and effectively implementing that strategy is to make your organization's future situation better than your current situation.

In this section, I will guide you through each of the components of a strategy and ask you to determine what you want that component to look like in the future.

Determine Desired Level of Financial, Brand, and Customer Outcomes

What do you want your organization to achieve over the next 36 months in terms of financial, brand, and customer outcomes?

If yours is a for-profit organization, what revenues do you want to generate, what profits do you want to earn, and what return on investments do you want to generate? What do you want your brand to be known as, and by whom do you want to be known? What customers will you pursue, and how will those customers be better off as a result of working with you?

If yours is a not-for-profit organization, what funding do you want to generate, and what investments do you want to make in supporting your organization's mission? What do you want your organization to be known for by the people you serve, the volunteers who give their time, and the donors who give their money? How will your clients, volunteers, donors, and board members be better off three years from now as a result of interacting with your organization?

Start to discuss your answers with the other members of the strategy team, which usually consists of the 6-10 key executives responsible for formulating, communicating, and overseeing the implementation of the strategy.

Identify Market, Consumer, and Competitor Trends

- What's happening in the world that could have a major impact on your organization?
- What are consumers doing differently today than they were three years ago, and how can those new trends affect your industry and your organization?
- What are your competitors doing today that they weren't doing three years ago?

- What new skills or areas of expertise has your organization developed over the past three years?

Understand the lay of the land. It shifts rapidly, and each of those shifts creates opportunities and obstacles for you to consider as you formulate a new strategy. Take the time to step back and gain a broader perspective of the world outside of your business and the changes that have occurred inside your business.

(Recommended Resource: Only the Paranoid Survive by Andrew Grove, the former Chairman and CEO of Intel. This is a very valuable book on strategic inflection points, which are the dramatic changes that affect an organization's potential viability in the future.)

Evaluate the Impact of Various Strategic Drivers

Now it's time to start tinkering with your current strategy. Gather the members of the strategy team together and discuss what the future for your organization would look like if you changed your primary strategic driver. Go through the other eight drivers and discuss the pros and cons that would be created if you shifted to that particular strategic driver.

Take your time and really consider what the future would like if you had a different primary strategic driver guiding decisions throughout your organization. Create three to five options for serious consideration. Form subgroups from the strategy team to flush out what impact a specific new strategic driver would have on the organization's future. Have the subgroups present their predictions to the whole team. Seriously consider a variety of options.

Select Your Desired Primary and Secondary Strategic Drivers

Now that your strategy team has considered a variety of strategic drivers, it's time to make some decisions. Select the primary and secondary strategic drivers for your organization going forward. These could be the same strategic drivers in the future or different from what you have guiding your decisions right now.

This brings me to an important point. While the strategy team may consist of 10 people, it has to be clear at the beginning of the process who is the final decision-maker. That person needs to be willing to listen to the input of the members of the group, but also has to be willing to make a decision. Many times there will be long debates and individuals simply won't agree on the final primary and secondary strategic drivers. The key is that once the top person makes the final decision the other members of the group support that decision, even though they may not agree with it.

Describe Your Desired Strategic Intersection

Deciding on the primary and secondary strategic drivers is a decision based on looking at the future from inside the organization. Now it's time to look at the desired future organization from the outside; that is, from the perspective of the customers (or clients, volunteers, and donors in a not-for-profit organization).

How do you want customers in the future to describe your products, service, and customer relationships in comparison to your competition? What do you want to be average, above average, and excellent in? Trying to be excellent in all three areas is unrealistic. Being below average in two out of the three areas in order to be excellent in one is a recipe for disaster. You need a strong standard in all of them, but you will need to be excellent in one of them. Which one is it going to be? Simply fill in your areas in the blanks below.

From the perspective of your customers, in three years how do you want them to rate the following as compared to your major competitors on a scale of *below average, average, above average, or extraordinary*?

Your organization's products _____ .
Your organization's service _____ .
The relationship with your organization _____ .

Define Your Desired Performance Business

As you think about your future organization with the adjustments you may or may not have made regarding the strategic drivers and the strategic intersection between your organization and your customers, what performance business do you see yourself being in? Discuss this with the members of your strategy team, and try to finish this statement,

"We will be in the _____ business."

Once you clarify your answer, then ask the members of the strategy team to determine if your organization can realistically become number one or number two in that performance business. If it's not realistic, then you need to rethink the performance business you can be in. You may even need to rethink the primary and secondary strategic drivers you've selected and/or the strategic intersection you've selected.

In the end, you need to be in a performance business area that you can dominate because consumers, clients, volunteers, and donors only have so many options they can invest in. And those people want to make the best investments they can for their sake, not your sake.

Describe the Necessary Values, Strengths, and Passions

As you keep refining your strategy in terms of the strategic drivers, strategic intersection, and the stated performance business you're in, you will begin to gain a better understanding of the values, strengths, and passions you will need in your organization to effectively implement this newly formulating strategy.

You will want to keep some of your current values, strengths, and passions no matter how your strategy evolves. For example, if integrity and honesty are two of your values, you will want to hang on to them no matter what happens.

However, if being open-minded is not one of your organization's current values (and some organizations truly want their employees to keep their nose to the grindstone at all times and not wonder about alternative approaches) and you decide that you want to be known as a product excellent company, then you may want to develop open-mindedness as one of your organization's values.

Clarify what values, strengths, and passions you will need in your organization, and then decide which ones you already have, which ones can be developed within your current employees, and which ones will need to be brought in via new employees.

Describe Your Desired Key Elements within Your Organization

With the components of your strategy coming together, you can now begin to describe the necessary future for a variety of key elements within your organization. Here are some questions to help you determine what various functions will look like in the future.

With our new strategy in mind:

- Who will be our primary and secondary desired customers?
- How will our operations, marketing, and sales functions best support this new strategy?
- What type of talent do we need to attract, retain, and develop?
- What skills will be of primary importance throughout our organization?
- What investments do we need to make in terms of dollars and hours to support this new strategy?
- What old investments do we need to stop making that don't support our new strategy?

The Strategic Story-Telling Template

So far you and the other members of the strategy team have invested a lot of time and energy into thinking and deciding. Together you have formulated a new direction for your organization, a new strategy for moving into the future. However the ten of you aren't going to be successful if no one else in your organization understands the strategy.

You need to be able to explain the new strategy and its impact on the various elements within your organization in a simple, clear, and conversational manner. This strategic story should cover no more than two pages, and you should be able to tell it conversationally.

Here's a template for for-profit organizations to help you craft your strategic story. A not-for-profit organization would have slightly different questions for numbers 1, 2, 4, and 13.

Practice stating your answers to the following questions until you can tell them as a fluid and compelling story where each piece supports the rest of the story in a realistic, cause-and-effect manner.

Crafting Your Strategic Story – The 14 Strategic Statements

Output Questions for the Next Three Years

1. Our organization will achieve the following financial objectives in terms of revenue, profit, and return on investments:
2. Our desired customers will achieve the following as a result of working with us (Describe your answer for your primary and secondary desired customers):
3. Our brand will be recognized as:
4. Our customers will describe our strategic intersection with them as _____ products, _____ service, and _____ relationships. (The choices are *below average*, *average*, *above average*, or *excellent*.)
5. Our impact in the communities in which we work will be:

Input Questions for the Next Three Years

6. The primary and secondary strategic drivers guiding our decisions will be:
7. We will be in the _____ performance business.

8. The type of talent in our organization to deliver this value will be:
9. The knowledge and skills our employees use to deliver the desired customer value will be:
10. The types of suppliers and alliances to help us deliver this value will be:
11. The way we use technology to deliver this value will be:
12. The values guiding the behavior of the people in our organization will be:
13. The way our organization communicates the value we have to offer to customers and prospects will be:
14. The strengths and passions we leverage to deliver this value will be:

Tell Your New Strategic Story

Before the members of your strategy team move out into the larger organization, it's important that they practice saying the new strategic story for the organization and hone it down to a single, simple, and conversational explanation. Here's a method that I have found to be effective in clarifying the strategic story.

Call on one member of the strategy team and ask him or her to explain the organization's new strategy in a conversational way to the other members of the team. Then ask the group to give feedback as to where this explanation was accurate or inaccurate and clear or unclear. Then call on another person to tell the story. Repeat this process until you get three or four people in a row to tell the story in the same way and with the same degree of accuracy.

Then have everyone stand up and take turns partnering with different individuals within the strategy team. Have each person practice telling the new strategy to one other person as though he or she was talking to another employee who wasn't at the strategy formulation meetings. Keep switching the pairs around until each person has been paired up with five or six different people.

When all the members of the strategy team feel comfortable that the stories sound very much the same and are being told in a relaxed, conversational manner have the members of the group begin to tell other members of the organization the new strategic story. Tell it verbally, tell it in a written format, and tell it in big meetings and small private meetings. Tell it over and over until every employee can explain the organization's new strategy in a clear, relaxed, and conversational manner to anyone he or she encounters.

Manage the Transformation

Clarify the Change Process

When you work with a mentor over a long period of time, you pick up several pieces of simple, powerful advice. Here's another one I learned from Dr. Alan Weiss. When you're guiding a group of people through a significant change, you have to answer three questions:

- What are we changing from and why?
- What are we changing to and why?
- How will we make that change?

The hard part for people is not dealing with change because we all deal with changes every day. The hard part is dealing with the unknown. When people don't know what is going on or why it is happening, they become anxious and frustrated. These negative emotions wipe out the person's time and energy and reduce their ability to effectively operate in the changing environment.

By understanding what the organization is changing from and why that is happening, what it is changing to and why that is happening, and how the changes are going to occur, employees can decide whether or not they want to be part of these changes and operate effectively in the new environment. If they don't know what is going on, they can't figure out what they're deciding on.

Communicate the change in strategy and why it's occurring and the effect it will have on various functions as often as you can during the early phases of the change. Even though this may stir up some angry emotions, you have to persevere in talking about what is happening and why it is happening. Not knowing what is going on is far worse for employees than having to deal with a changed environment. Rather than being anxious and worried, employees can now make decisions about what to do in this "new" organization.

(Recommended Resource: Process Consulting by Dr. Alan Weiss. This book is enormously pragmatic and useful in terms of explaining how to guide an effective transformation in strategy, culture, and activities.)

Provide Exemplars

I love the word: exemplar. It has sort of an old-fashioned, dignified sound to it. An exemplar is a person who embodies a concept. To successfully transform your organization from one strategy to another, you need exemplars in key positions throughout the organization. These are the people who will embody the change in strategy. If the new direction is all about speed and accuracy, then the exemplars are those key individuals who demonstrate speed and accuracy.

In the absence of exemplars, employees won't take the new strategy seriously. They'll blow it off and make fun of it. If the people they look up to aren't acting in alignment with the new strategy, they will wonder why they should abide by it.

The members of the strategy team are critically important exemplars because if they don't embody the new strategy, it will lose all of its credibility.

Identify Key Items to Resolve or Leverage

Shifting from one strategy to another is going to affect virtually every part of your organization. Issues are going to arise throughout this transformation. Have the members of the strategy team try to identify as many of these issues as they can during the strategy formulation time period. That way they may be able to make decisions that will resolve the issues before they communicate the strategy to all of the employees.

As issues pop up during the formulation and implementation phases, keep a running list. Bring this list out at every strategy team meeting before and after the strategy has been communicated to the entire organization. Keep working to resolve these issues that can weaken the success of the strategy.

Establish Roles, Responsibilities, and Timelines

A strategy itself is simply words on a few pieces of paper. It has zero impact on results until it affects the roles employees have in the organization, the responsibilities each employee has to fulfill, and the timeline that each of these employees is expected to fulfill his or her responsibilities within. In other words, a strategy only comes to life when it affects a person's job. If everyone does the same things they were doing before the new strategy was formulated, then they are really operating under the old strategy.

Place Dollars and Hours

The ultimate act of bringing a new strategy to life is when dollars and hours are invested. When money and time are spent on activities that support the new strategy and are taken away from activities that supported the old strategy, then you know there's a new strategy in town. Until that happens, all the talk about a new strategy is simply just talk.

Hold People Accountable

Once new roles and responsibilities are clarified with clear timelines in place, focused skill development has occurred, and budgets have been clarified for each function within the organization, then the employees of the organization are expected to perform within the new strategy. In other words, the employees will

be expected to act in accordance with the organization's values, accomplish certain activities, and deliver specific business outcomes.

Until employees are held accountable for their behaviors, communications, execution, and results, they can walk to the tune of any strategy they want

An Example of a Strategic Transformation

Sometimes a real-life example can explain better than any other method how these various strategic pieces fit together. Here's an explanation of one of my client's original strategy, their new strategy, and how they made the transformation.

The Original Strategy

My client operated a specialty advertising business. Their primary strategic driver was "Operations capability" and their secondary strategic driver was "Markets served." They worked with nearly 300 customers (mostly small to medium-sized businesses) and provided them with specialty advertising products (pens, shirts, plaques, awards, and so on) that they could give to their own customers and prospects in order to be better remembered.

Their purpose was to help their clients attract new customers and retain them. Their favorite saying was, "We're in the customer attraction and retention business."

In terms of the strategic intersection, their clients felt they received above average service, average products, and excellent customer relationships because of the extraordinary solutions this company provided to them.

The values driving behaviors in the company were honesty, integrity, teamwork, and an amazing focus on "take care of the client." Their strengths were their willingness to jump through any hoop to provide their clients with timely solutions. They had a passion for the details of meeting client needs.

The New Strategy

The industry trend was that literally thousands of competitors jumped in for these same customers. Many of these competitors were sole proprietors working out of their homes and leveraging the power of the internet.

While my client was still one of the largest companies in the specialty advertising industry, its business had shrunk because of the massive amount of small competitors. In essence, they were selling commodities that thousands of other

companies could provide as well. The CEO realized a change in strategy was necessary.

In the end, he and the other key leaders of the company landed on the idea of focusing on helping their clients retain their best employees rather than focusing on helping them attract new customers. They shifted their primary strategic driver to “Products/Services” and their secondary strategic driver to “Markets served.”

They now focused their marketing and sales efforts on companies with much larger number of employees. They concentrated on selling “Service Recognition Programs” to larger companies who would recognize their employees for years of service. While they focused on much fewer companies, they also found that there were only a few competitors who could offer what they could offer.

My client invested a very large amount of time and money in developing a best-in-the-industry Service Recognition Program. Their favorite saying became, “We’re in the talent retention business.”

They began to write monthly electronic newsletters for all of their clients and prospects about the importance of retaining great employees over the long term. They constantly worked on innovations to enhance their Service Recognition Program.

Regarding their strategic intersection, clients now felt they received an excellent product, above average service, and above average customer relationship because the Service Recognition Programs were still customized for each customer.

The values of the company changed only slightly as they began to embrace the value of being open-minded and constantly innovating. They became less willing to jump through any hoop if it meant focusing on trivial items that would not help their clients retain their best employees. They developed greater strengths and passions around using the internet to drive sales and add greater value to their clients.

The Transformation

After formulating the strategy with his strategy team, the CEO simply explained to the employees that a shift in the organization would steadily take place over the next 24 months. He said they would go from a specialty advertising company that did some service recognition projects to a service recognition company that did some specialty advertising projects.

He invested almost all of his time in enhancing the Service Recognition Program so it became the best in the industry and in meeting with large potential clients to sell the value of using this program for their employees. He shifted dollars away

from attending specialty retail conventions and instead attended human resources conventions to meet the people primarily involved in retaining great employees.

He had lunch once a week with an employee to reinforce the company's values. He listened to the person's needs and insights. He met with every employee in the organization for lunch one at a time, and then he started over with the first person. In this way, he kept his finger on the pulse of the organization and was able to make effective changes much faster than in the past.

The company's revenues and profits steadily grew. Instead of fighting in a commodities industry, his company was now seen as one of the very best in a very important line of work: retaining great talent. By focusing on a few dozen clients instead of 300, the word spread quickly that his company was providing a great product and tremendous service to its clients.

About Dan Coughlin

Dan Coughlin is a keynote speaker on business acceleration and a management consultant specializing in strategy. He is the author of **Accelerate: 20 Practical Lessons to Boost Business Momentum**, a #25 Business Bestseller at Barnes and Noble. He has been quoted in USA Today, the New York Times, and Investor's Business Daily. Dan's clients include Coca-Cola, Toyota, Boeing, Marriott, McDonald's, AT&T, American Bar Association, and the St. Louis Cardinals. He speaks on entrepreneurial habits, quality, leadership, branding, sales, and innovation.

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