

STRATEGIC RESPONSE

FROM THE WORLDWIDE STRATEGY PRACTICE OF

**KEPNER®
TREGOE**

VOLUME 02 : NUMBER 01

Creating Strategic Excellence

THE CHALLENGE:

Organizations without a strategy may survive, but they will never thrive

THE KEPNER-TREGOE RESPONSE:

Organizations need to create and implement an effective strategy in order to excel in today's marketplace

Working on a global basis with many of the world's leading companies and government bodies, we have found that the following definition of strategy has stood the test of time over the past 25 years:

Strategy is defined as "a framework within which the choices about the nature and direction of an organization are made."

Framework means boundaries or parameters defined by clear criteria which help determine what lies inside or outside the scope of the organization's strategy.

The choices to be made are what products and/or services will and will not be offered; what markets (customers, consumers, and geographies) will and will not be served; and what key capabilities are needed to take products to markets.

The nature of an organization is its very essence. Hence McDonald's is defined by its fast food, Dunhill by luxury goods, and Goldman Sachs by financial services.

Direction means where an organization is headed.

A FIVE-PHASE MODEL

Kepner-Tregoe's five-phase model for strategy formulation and implementation has been used effectively with many of the world's great organizations

including The Bank of Ireland, Corning, Hallmark Cards, Hong Kong Town Gas, Lagoven (State Oil company of Venezuela), the Irish Development Agency, Kennametal Inc., and Dunhill. Other models typically do not cover strategy formulation, planning its execution and its actual implementation. Our experience indicates that only when all five phases are in place can there be a realistic chance of achieving strategic excellence. The model must be iterative.

PHASE I—STRATEGIC INTELLIGENCE GATHERING AND ANALYSIS

This ensures that the depth and breadth of information on which strategic decisions are based is up-to-date, accurate, and relevant. The quality of strategic decisions will depend very largely on this. The intelligence gathered includes, for example, competition, technology, markets, macroeconomic, political and social trends, and regulation, among other subjects of more specificity to each organization. Key to this phase is the determination of the implications of this intelligence to the organization during its strategic time frame.

PHASE II—STRATEGY FORMULATION

Using our definition of strategy, this phase results in the creation of a strategic vision or profile. Such a vision answers nine key questions:

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1. What are our fundamental beliefs and values?
2. What are the assumptions upon which we will make our future strategic decisions? (These are drawn from Phase I)
3. What products/services will we, and will we not, offer and what are their characteristics?
4. What customers and end user groups (if they are different) will we serve and not serve and what are their characteristics?
5. What is our geographic scope?
6. What products/services and markets represent the greatest potential for growth and require the most investment and resource allocation?
7. What competitive advantage(s) will enable us to succeed?
8. What key capabilities do we need to ensure we take our products/services to market and to support our competitive advantage(s)?
9. What financial and nonfinancial goals (e.g.: market share, technology leadership) do we aim to achieve?

PHASE III—STRATEGIC MASTER PROJECT PLANNING

During this phase, the plan for strategy implementation is developed. The execution of a significant number of projects (often several hundred) is required for successful implementation. The creation of a Strategic Master Project plan and the development of an optimal project portfolio help guide the organization in how these projects should be prioritized, defined in detail, sequenced, scheduled, researched, executed, and monitored.

A Strategic Master Project Plan can contain projects covering a wide variety of activities including:

- New product and market launches
- Filling capability gaps
- Aligning organization structure with strategy
- Complexity reduction

- Synchronizing planning and budgeting with the strategy process
- Functional strategy development
- Merger, acquisition, and disposal activities

PHASE IV—STRATEGY IMPLEMENTATION

During this phase planned actions are taken, implementation is monitored, and the Strategic Master Project Plan is modified as circumstances change and projects are amended, completed, or abandoned and new ones added. During this phase, the involvement of significant numbers of employees is a vital ingredient to successful execution. The higher the degree of ownership for the strategy among employees, the more commitment they will have to playing their part. This ownership, commitment, and involvement begins with a major communications exercise to ensure there is full understanding of the strategy for each employee.

PHASE V—STRATEGY MONITORING, REVIEW, AND UPDATING

Given the rate and pace of change in the 21st century, this is a vital need that must be fulfilled. Continuous monitoring of strategic progress, goals, and indicators of success is a full-time task and a key input to regular (generally quarterly) reviews. Such reviews examine whether the assumptions used to underpin the strategy are still valid and whether the organization's strategic direction is still robust and viable. They are also critical for monitoring the progress of implementation. Strategic updates are an output of the monitoring and review process.

While setting and implementing strategy is never easy, organizations that make the investment in time, effort, and thinking are better equipped to excel in the marketplace and outperform their competitors.

This issue of *Strategic Response* is adapted from an article by Mike Freedman.

KEPNER-TREGOE : WORLDWIDE LEADER IN STRATEGIC PROCESS CONSULTING

A leader in worldwide strategic consulting and facilitation, KEPNER-TREGOE was the first to apply rational decision-making approaches to the strategic dimension of organizational success. KEPNER-TREGOE has worked with hundreds of the world's leading organizations for over 40 years. In the area of strategic decision making, KEPNER-TREGOE has pioneered the key strategic concept of Driving Force®, along with separating strategy formulation from long-range planning, and linking strategic success to master planning and implementation.