



THE ESSENCE OF STRATEGY

THE WHAT, THE WHY AND THE HOW

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What is strategy? While executives talk a lot about it, and while it is widely acknowledged that it is of critical importance, there is a remarkable lack of clarity about what strategy actually is? This is troubling, because having a clear understanding of the meaning of “strategy” is critically important, both to make better strategic decisions and, equally important, to get them implemented.

Most fundamentally, strategy is about choice. Not any kind of choice, but the critical forks in the road; those moments where you have to make discrete choices whether to turn left or right, without having the option of turning back easily if things don’t turn out the way you hope they will. Strategic decisions are trade-off decisions, which require us to weigh one option against the other, and to resolve daunting dilemmas. This is why making, and even more so, implementing strategic decisions can turn into overwhelming tasks that often lead to failure.

First and foremost, given the “fork-in-the road” character of strategic decisions, strategists need to integrate three key words into their vocabulary: *options*, *criteria* and *trade-offs*. As we discuss below, doing so allows us to do a better job at deciding *what* choices to make, convincing our teams *why* these choices are the right ones and clarifying *how* they should be executed.

Decide on the “What”

The first critical element of any strategic choice is to think through potential *options* that could be pursued. If there is but one option, there is no choice to be made. Typically, however, there are two or more options to choose from to achieve specific objectives. For instance, when thinking about whether to accept a new job offer for a high-paying, exciting position, you could decide to stay with your current job or you could take the new job that is being offered. However—and that is what we often forget when faced with such a choice—you could also explore other options, such as becoming self-employed or to quitting work altogether.

To actually choose which option to pursue, you must have clarity around your objectives, or *criteria*. Criteria give you a sense of what qualities to look for in a specific strategic option. In the job example, a list of criteria might include considerations such as salary, the quality of the team, job security and long-term prospects, satisfaction with the job, time with family and happiness of your spouse. What makes a decision *strategic* is not only that the decision is important for you and/or your environment, but also that there is no silver bullet solution that ticks all the boxes. Instead, different options will score high on some criteria and low on others. If this was not the case, the choice would have been obvious. When this one obvious choice does not exist, you ultimately need to make *trade-offs* between different strategic options — a concept, which is central to strategic choice. For example, a job opportunity to build up the sales force for your company in an emerging economy might provide a high salary and excitement, but will be challenging from a family perspective. Staying with the current job that you have been in for the last 15 years might be safe and practical for the family, but the thought of continuing the same old routine for years to come without much prospect for development and salary increase, is also daunting. And what makes this choice so complicated is that it really is a choice—meaning: you can’t take both jobs, and, once you’ve taken one job, you can’t easily revert your decision.

Strategic decisions in management are similar. For instance, investing in a new product line or moving into a new geographic region also entails trade-offs to be made around expected future growth and profitability, and required investments and risk. Moreover, your company’s resources are limited. Thus, you can’t choose both options, or easily revert your decision once you have started to implement it.

When making strategic decisions, it is critical to be clear about option spaces and the trade-offs they entail. On the one hand, we need to ask and challenge ourselves if we have thought broadly enough about potential options. In our personal life, we often find ourselves stuck with the choice of only few options, such as taking the one new job offer that has come up, or staying with the old one, both of which might not seem to be overly attractive. However, if we take the time to explore, there might be other, more attractive options available. On the other hand, we also need to gain clarity around the criteria that matter, and we need to understand what matters most in the specific context we find ourselves in. For instance, at this stage of our career, are we mostly concerned about salary or do we want to spend more time with our family; and, what are the minimum threshold levels that we need to fulfil with regards to other criteria in order to make a choice workable?

Getting clarity around potential option spaces and the priorities of criteria is particularly important when there are multiple stakeholders involved in the decision process — be it your management team and other employees in the company, or, for private decisions, your family. Simply put, when there is confusion and misunderstanding regarding what could be done and what is to be achieved, it becomes difficult if not impossible to work out the critical trade-offs between different options. Decisions often end up “being made”, without clarifying the underlying thinking. The resulting problems are twofold: first, you end up making choices that could have been improved if you had spent more time exploring and debating the underlying trade-offs. Second, even if the choice you made is sound, you are likely to run into problems when you need to convince other members of the organization who might have preferred a different way forward (a point we return to below).

In contrast, once you have established clarity around the options, criteria and trade-offs, you gain immense clarity in your strategic thinking process. Making trade-offs explicit is the pre-condition for understanding the strategic challenge your organization is facing, exploring and discussing the different options and ultimately making a well-reasoned choice.

To help you and your team gain more clarity around making these important strategic choices, you must ask and discuss the following questions:

- How do you evaluate whether a specific option would be a good strategic choice? Which criteria are most important to you? Do you agree in your team on which objectives matter most, and which ones are of secondary importance?
- Did you sufficiently explore different possible options and clearly lay out all potential choices you could make?
- Are you clear about the trade-offs that come with each option? What are you going to gain and give up with each one of them?

Communicate the “Why”

Alas, just making a strategic choice is not the end of the story: if it is poorly implemented in the organization, the strategy is likely to fail. While there are many reasons why even well thought-out strategies don't get implemented, one critical issue is that senior managers fail to bring the rest of the organization on board and convince them about the new course of action. The underlying problem is that those managers who have not participated in the strategy process around exploring options and criteria, and weighing off trade-offs are at some point just confronted with a choice that's been made. In fact, they might not even know the reasoning that led to the choice, but they are nonetheless supposed to implement it.

However, not having gone through this process, they are likely to think differently about the most important goals and what the best road forward should be. For instance, instead of looking at the long-term sustainability of a strategy, they might emphasize the short-term job security for the teams they manage. As a result, they also often prefer options that maintain the status quo over those that would lead to profound change, and, in turn, the strategy process gets stuck.

We are not arguing here that you should be giving in to these pressures, but want to emphasize the importance of creating a sense of “fair process”. Research has shown that defendants in court are more likely to accept and respect a verdict if they perceive that they have been listened to during a trial and that their views and their arguments were taken into account — even if the punishment ultimately turns out to be more severe. Similarly, acceptance of a strategic choice and the likelihood of its implementation is also likely to be higher, if senior managers can convey that they have considered a broad range of options. Those on the receiving end want to know that the pros and cons of each option were sincerely debated before the choice was made — in other words, that they went through a fair process. While some might still not agree with the course of action, they are more likely to walk away knowing that their viewpoint and reasoning were taken into account and sincerely discussed. Ultimately, this sense of fair process can have an important impact, especially when it comes to implementing difficult choices that place a heavy burden on the employees.

When communicating strategic choices to your organization, ask yourself the following questions:

- In communicating of your strategy to your staff, do you clarify the key objectives that you are trying to achieve? Are you clear about the inherent tensions between these objectives?
- Can you clearly explain the option space that you have explored? Did these alternatives considered include different options that different stakeholders in your organization might prefer?
- Do you understand why some stakeholders might prefer other options than the one you have chosen?
- Can you sincerely explain the trade-offs that you have made that ultimately led you to make the choice?

Clarify the “How”

Even if you have made clear choices about what to do and have convincingly communicated why it is the best way forward, this is still no guarantee for successful implementation. In particular, if organizations are deeply entrenched in a specific way of running their operations, it is challenging to change how “things are done” at the operational level. Then, it is not enough just to define what the new strategy is, but it is equally important to be clear about the actions that will be out of scope. So, which activities will be stopped or not permitted anymore as a result of the strategic choice? For instance, if a company decides to shift its sales focus from focusing on large corporate buyers to mid-tier clients, sales agents don't just need to know about the new focus, but they also need to have clarity that it is no longer optional to pursue the traditional customer base. If this is not made clear and appropriately backed up in the systems and processes, the default option is to revert to the old approach. Put differently, strategic choice is not just about stating what to do, but equally important about clarifying what not to do. Here again, going through the process of outlining options, setting up and prioritizing criteria, and working out trade-offs of different options enables you to rule out certain choices and activities, and to do so in an explicit manner, backed up by reason.

When deciding how to implement your strategic choice, ask yourself the following questions:

- Are you clear about stating which choices are to be made going forward and what this implies for the individual members of the organization? Do your structures, systems and processes reflect the importance of these new choices?
- Are you also clear about which choices do not form part of the new strategic orientation? Are these “off-limit” activities clearly communicated?

As we point out in the title of the article, the essence of strategy is about choosing what to do and not to do — it's about gaining clarity around criteria and options and making informed trade-offs to decide what strategic choice to pursue. Furthermore, it is critical to provide a convincing why to reinforce a sense of fair process for those people in the organization who would have preferred other choices. Being able to convey the strategic choice you made in terms of trade offs around a vast array of option, is a powerful tool to signal to your organization that you have thought deeply about what the best road forward is and that you have taken their perspectives into account when making your choices. Finally, as you delve deeper into the actual execution aspects, you need to clearly state what should be done as well as what should not be done (anymore). Otherwise, the default option is often to continue with the status quo.

In closing, how do you know if you and your organization are becoming more strategic in the way you think and act? A good indicator is to pay attention to the language you use when you talk about strategy. In your discussions about strategy, do you focus on options, criteria and trade-offs? While there is no guarantee for success, these words help to focus your thinking and conversations around the essence of strategy: to make well thought-out choices, to bring your organization on board, and to drive focused implementation.

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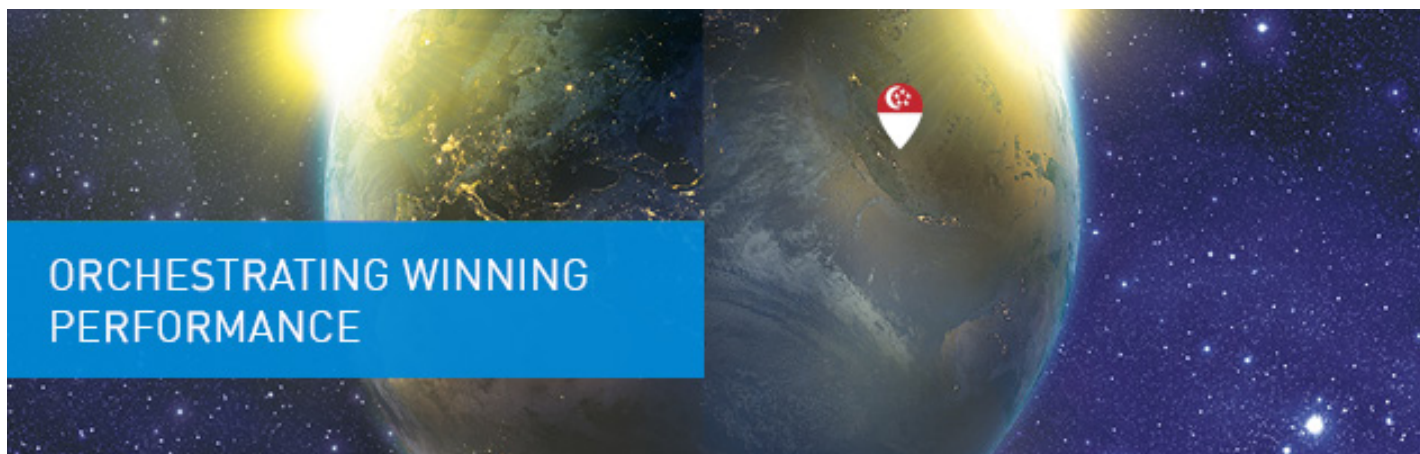
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