A List of Goals Is Not a Strategy

Graham Kenny

Let's say you're getting together with other managers and employees to develop your organization's or unit's strategy. No matter how much discussion and enthusiasm you bring to the task, you're likely to emerge with a list that looks like this:

- Growth
- Superior operational outcomes through efficient work practices
- Becoming competitive in an existing market
- Increasing product sales to take market leadership
- Expanding into other regions
- Optimizing ROI
- Developing a service delivery model that incorporates tactical projects

When you're done, you might scratch your head and reflect: I think this looks OK. It doesn't. It contains what might be called goals, objectives, actions, and vague statements of intent — but alas, no strategies.

So how do you *really* create strategy, rather than end up with a hodgepodge list like this? By following these steps:

Identify which stakeholders you depend on for success. It might seem obvious that you'd need to start here. But most managers, even at the world's largest companies, don't take this basic step. Instead, they focus on a narrow set of key performance indicators and wade right into developing solutions that feed those metrics, burrowing deeper and deeper into the details. Very quickly they lose their "helicopter view" and get stuck in fix-it mode. Suggestions come one after another: Engage sales outlets. Devise an advertising program. Attract, retain, and develop capable people. Good stuff, perhaps, but how would you know if you haven't defined a context for success?

Your organization or unit is completely dependent on others outside it for its good fortune. Without the support of stakeholders such as customers, suppliers, employees, and shareholders, for example, you *have* no organization. But you have to identify those who are key to the long-term survival and prosperity of your organization — and then satisfy them.

Here, we should take a lesson from John Mackey, co-founder and co-CEO of Whole Foods Market. His company has annual sales of $9 billion and more than 300 stores. It dominates U.S. natural-foods retailing and has become an iconic brand. In a *Harvard Business Review* interview, Mackey describes what has brought success to Whole Foods. "Customers, employees, investors, suppliers, larger communities, and the environment are all interdependent," he explains. "Management's job at Whole Foods is to make sure that we hire good people, that they are well trained, and that they flourish in the workplace, because we found that when people are really happy in their jobs, they provide much higher degrees of service to the customers. Happy team members result in happy customers. Happy customers do more business with you. They become advocates for your enterprise, which results in happy investors. That is a win, win, win, win strategy."

Recognize what you want from your stakeholders. Because most management teams don't identify key stakeholders, they don't even get to this point. And those that do often launch right into what they need to do *for* customers, *for* employees, and so on, without thinking first about what they want *from* them.

Why is sorting out the *from* so important? What an organization wants from each group of key stakeholders translates neatly into its objectives. For instance, sales and revenue growth will come from customers, productivity and innovation from employees, and quality goods and services at the right price from suppliers. What's more, company law requires that boards, CEOs, and senior executives act in the best interests of the *company*. All decision making should stem from that mandate. Of course, this doesn't preclude looking after customers' and other stakeholders' interests en route.

Although objectives and clear targets aren't a substitute for strategy, you do need to design them, stakeholder group by stakeholder group, before you can develop a smart strategy for each group. Otherwise, any old strategy will do. Unfortunately, strategies are often created in a vacuum. They won't be meaningful if you haven't decided what you want them to achieve.

Recognize what your stakeholders want from you. When management teams delve too quickly into problem-solving, they make assumptions. They think they already know what's good for their stakeholders. As a result, their companies end up with products and services that don't sell.

When you articulate what key stakeholders want, you're defining what I call "strategic factors." (They're not the same as "critical success factors" — a term you might already use. Those are generated by your management team, whereas strategic factors come from your stakeholders.) Strategic factors bring an external perspective. They are those *few* things that you must excel at if you are to achieve a competitive advantage and, simultaneously, meet your corporate objectives.

Here's a list of strategic factors from a company that manages a port and aims to attract as many ship operators as possible:

- Port capability (suitability for a ship's size and freight)
- Freight availability (to pick up on the return leg)
- Congestion (speed of unloading and turnaround time in the port)
- Location (which affects "steaming time," or time between destinations)
- Price (port charges for docking and remaining moored)

Note how these are defined from a stakeholder's point of view, not from management's. If you're not sure of them (that's the norm), interview your stakeholders to better understand their stories and needs.

If you've been struggling to develop strategy and write your strategic plan, what you may have been missing up till now is a method. These steps will help. Toyota doesn't produce defect-free cars day after day without a system. Surgeons don't operate on hearts and brains without clear procedures. You shouldn't expect to design effective strategy without a process, either.

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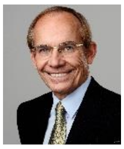

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