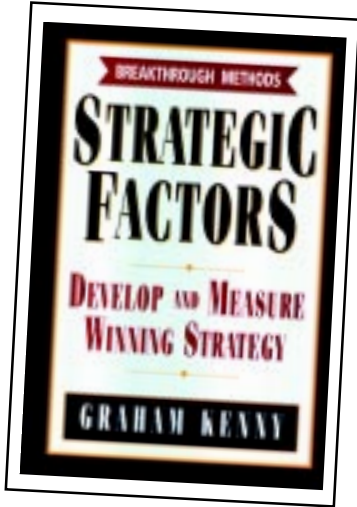


UNDERSTANDING STRATEGY



Strategic Factors: develop and measure winning strategy

By: Graham Kenny

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When companies go through difficult times, as many have in re-

cent years, it's difficult not to become seriously self-focused – to look inside for things to manage the enterprise out of trouble. And that insistence on looking at performance from the inside out, rather than the outside in, is what has prompted Australian strategic planner Graham Kenny to write this book, that and the fact it is a handy reference text for the extensive consulting and seminar work he does here and in Australia.

He might take 250 pages to explain it, but the reason managers have difficulty identifying the essential ingredients of their organisation's success is, he says, "simple". They insist on this inverted "inside out" rather than "outside in" approach toward strategising. "We're like the fly in the honey," he writes. "We become entrapped by our own organisation. We become weighed down by policies, procedures, systems, processes, practices and they become our world. What's worse, they become *the* world."

He's right of course. It is easier to focus on the home front and it's tempting to bow to internal pressure and deploy the latest gadgetry rather than keep managerial eyes firmly fixed on the wants and needs of customers, suppliers, owners and other stakeholders.

Kenny's book describes his patented and "proven" Strategic Factors System. Strate-

gic Factors provide a step-by-step process and system for tying diverse strategy concepts together.

Strategic Factors are "those things that your organisation or business unit needs to get right in order to succeed with your key stakeholders".

Kenny says the tendency to develop a catalogue of enhanced internal processes and system improvements might be useful but it does not determine success or provide competitive advantage. It is a "fatal flaw" in many organisational strategies that they "misunderstand" the meaning of competitive advantage.

Managers become obsessed with "best practice" or "high quality". He, on the other hand, is inclined to say "so what" to managers who claim to have created a world-class enterprise – unless, presumably, world class means the application of a winning competitive strategy. But, "if you don't understand what competitive advantage is, you can't do a strategic plan" according to Kenny. It's as simple as that.

Competitive advantage in Kenny's book is doing something better than a competitor, but in a way that is valued by stakeholders. What's important is not what managers or employees consider competitive advantage to be.

What is important is how key stakeholders define advantage. Competitive advantage is not the same as having superior internal capabilities. Capabilities may be a springboard to deliver competitive advantage, but managers should not be misled into thinking that they constitute competitive advantage itself.

Kenny has developed a step-by-step approach to helping managers disentangle themselves from day-to-day operational myopia to refocus on the view of an organisation from the stakeholder's perspective. The pervading external viewpoint provides continuity for presenting Kenny's strategic factors system as a series of building blocks,

the first step of which is identifying key stakeholders.

The remaining steps in the process include identifying strategic factors for key stakeholders; assessing performance on strategic factors; setting targets on objectives; developing a strategy to achieve targets; setting targets on strategic factors and finally, writing a strategic action plan. Peppered with fascinating case studies to make his points, Kenny delivers, as he has for 12 years on the New Zealand and Australian seminar circuit, easy to comprehend, common-sense management advice.

The things managers do to enhance their organisational performance, including staff training and high tech upgrades, mean nothing to customers or any other stakeholders unless they translate into something that is valued.

For example, better information technology only means something to customers if it delivers better customer service or if it allows an organisation to achieve a lower price.

It may be that more highly trained and skilled employees provide better customer service, but if they don't, additional training is of no consequence to customers. It also means nothing in terms of competitive advantage.

Kenny thinks much of the confusion with strategic objectives harks back to a basic misunderstanding of what strategy is all about. Managers frequently under-perform because management lacks a common language when it comes to talking and defining strategy. Managers don't properly comprehend strategy themselves and therefore have difficulty explaining it to staff.

For the manager who takes a critical look at his or her current strategic plan and finds it biased toward an introspective view and heavy on improving internal processes, turn a couple of hundred pages of Graham Kenny's plan and see how it stacks up alongside your own. 