



# Create Strategic Focus



Have an explicit strategy? Know how effective it is? Need to know sooner?

Use systems thinking to decide what to do & what to measure

### What is strategic focus?

It's understanding the feedback mechanisms that deliver organizational performance. These mechanisms are the "structure" through which an organization carries out its strategy.

### Why an explicit focus?

Nothing grows without reinforcing, or positive, feedback. An explicit, shared understanding of feedback creates alignment and fosters growth.

This focus is vital. Reinforcing feedback is a two-edged sword! It creates either a virtuous or a vicious cycle. When it's not working for us, it's working against us.

Mechanisms that bring success can also bring failure.

Defining structure makes different points of view explicit.

This is important not only because people often don't agree, but because *they don't know they don't agree* and work at cross purposes. It creates a "theory of the organization." After all, the root of the word "theory" is the same as for "theater" ... both display ways of thinking.

Finally, a team developing strategic focus is engaged in "strategic learning," that is, learning that improves strategy, as opposed to "operational learning" that improves operational performance.

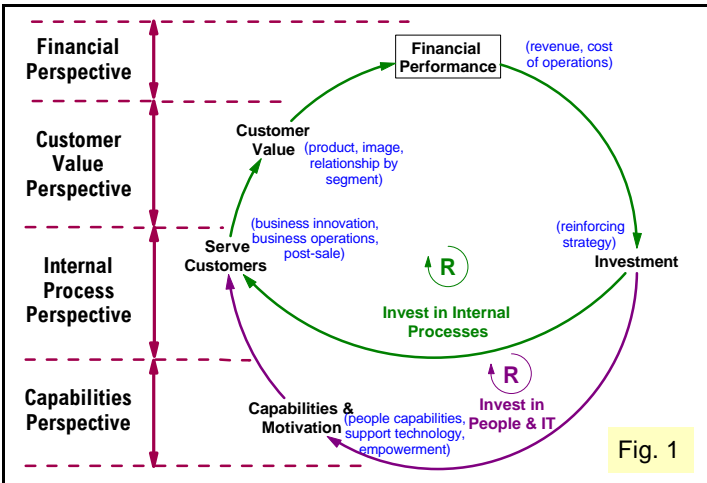
### Which is first, strategy or structure?

Using a military analogy, would we structure our forces to carry out strategy ... or would we create a strategy based on the forces available? This is like the

**What is systems thinking?**  
Seeking to understand system behavior by examining "the whole" ... instead of by analyzing the parts.

"chicken or the egg" riddle. Such questions ask for an "either-or" answer, but instead the answer is "both-and." Strategy and structure are two sides of the same coin.

We must develop both ... iteratively.



These are the fundamental, high level reinforcing processes for improving performance. They define the expected financial returns, the customer value that will provide the returns, the processes that will provide the customer value, the capabilities needed to support the processes, and the investments that will be made in processes and capabilities.

### What does structure look like?

A generic structure is shown in Figure 1.\* It has two reinforcing feedback loops: "Invest in Internal Processes" and "Invest in People & IT." It guides defining explicitly how financial performance (in new sales or reduced costs) will be achieved.

The Customer Value Perspective describes the value the organization provides to customers that produces the financial returns. The Internal Process Perspective defines the key processes that

support providing customer value. The Capabilities Perspective determines the key skills and capabilities that support the processes.

Describing the investments in processes and capabilities that reinforce strategy completes the loops. This complements the standard operational budget with an explicit *strategic budget*.

### Is theory practical or merely academic?

It's practical. And it's essential to improving performance. Here's why. Organizations measure a lot of things ... and *be-*

*hind every measure there is either an explicit or implicit theory.* Someone thought that each measure was important ... there was a rationale behind it. We manage by these measures whether

**Keep it simple?**  
Everything should be made as simple as possible, ... but not simpler.  
Albert Einstein, 1879 - 1955

\* This is basically the "balanced scorecard" structure described, but not shown, in Kaplan & Norton, *The Strategy-Focused Organization* 2001 © 2001 Continuous Improvement Associates

they're key to organizational success or not; what we measure gets attention. So it's vital we measure what's most important for success.

We can use the explicitly defined structure to select the measures that are truly important ... the ones that tell us whether our strategy is working.

And tracking the measures tells us whether our perception of structure is correct. When measurements show the expected structural links aren't valid, we learn what isn't working and adapt ... strategy becomes emergent.

### Developing strategy

Figure 2 shows the phases for developing strategy. In each phase there are steps for generating ideas, evaluating ideas and deciding on ideas to pursue. These are the divergent, connecting, and convergent steps used in *Facilitating Group Action*. In working through the phases considerable learning will take place, therefore more than one pass through them may be necessary.

### Determine Customer Value

First determine the customer value that will provide the financial returns. This will be different for different customer segments.

### Determine Key Processes

Figure 3 shows a generic value chain from identified "customer need" to "satisfied customer need."

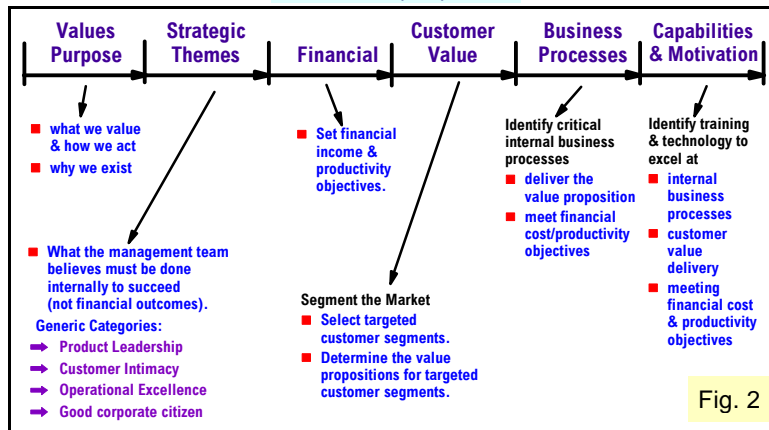
Number of Measures	
• Financial	5
• Customer	5
• Internal Process	10
• Capability	5
• Investment	5

We need measures at each level of perspective.

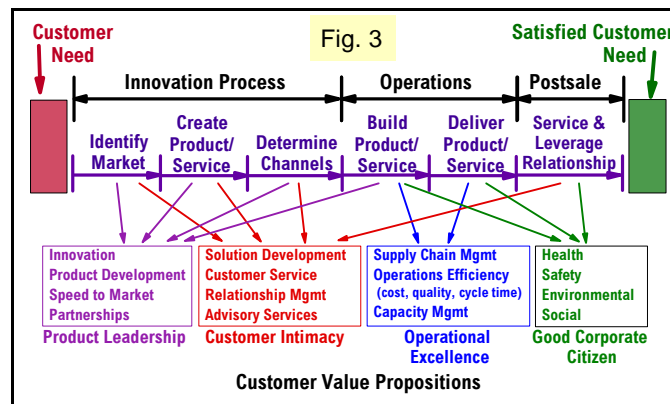
customer need." It shows links in the value chain that might support delivering different customer value propositions.

### Select measures & targets.

Finally decide on measures (and targets) for the four perspectives and investment. The mix should



The sequence of phases for developing strategic focus.



No organization can be all things to all people. Select a Customer Value Proposition (in the boxes) and improve the heck out of the processes that provide that value to the customers.

"Strategy renders choices about what not to do as important as choices about what to do."  
 Michael Porter

include leading and lagging measures (e.g., new product revenue & product development cycle time) and "hard" and "soft" measures (e.g., cost/unit & morale). The total number of measures should be ~30.

### A valid complaint

"But we already have a lot of measures and we have too much to do already."

Absolutely. And many, if not most, of them can be eliminated. The point is to focus on the measures that are most important. This reduces the overall workload.

### Conclusion

The first pass through the process will be less than perfect. It's uncertain whether the strategic themes will be successful. Measures will be needed that do not yet exist.

But the structure and measures don't have to be perfect, because continually managing

around the measures for success allows learning and continuous improvement.

That's leadership.

### Feedback is Power - Tap It

"The single most important point ... is the critical importance of creating tangible mechanisms aligned to preserve the core and stimulate progress." Collins and Porras, *Built to Last*

That's what this process is about: Building and monitoring feedback mechanisms that stimulate progress.

### Workshop Benefits

A workshop series on strategy provides much-needed time to stand back and focus on strategies to improve organizational performance. Strategic management reviews can shift from explaining the past to learning about the future. This is a creative process that develops energy for organizational change ... and the strategy creates feedback that reinforces the desired change.

### Adapt or Create?

Following a "machine" paradigm, we work to adapt to a future we try to predict in response to an environment we don't control.

Based on a "systems" paradigm, we work to design a desirable future and invent ways to bring it about.

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