

STRATEGIC THINKING

By Ken Moskowitz in Conjunction With Harris Kern's Enterprise Computing Institute

Strategic thinking is not a once a year process or a road to a document, it is a perspective that can be developed and can be taught. It is a behavior that can be learned and must be reinforced at all levels of the organization. "The ability to connect one's job to a larger mission is not primarily a matter of competence, work ethic or other such traits that good workers naturally possess. Instead, the job-mission connection comes about through communication that starts at the executive level and resonates throughout the ranks."

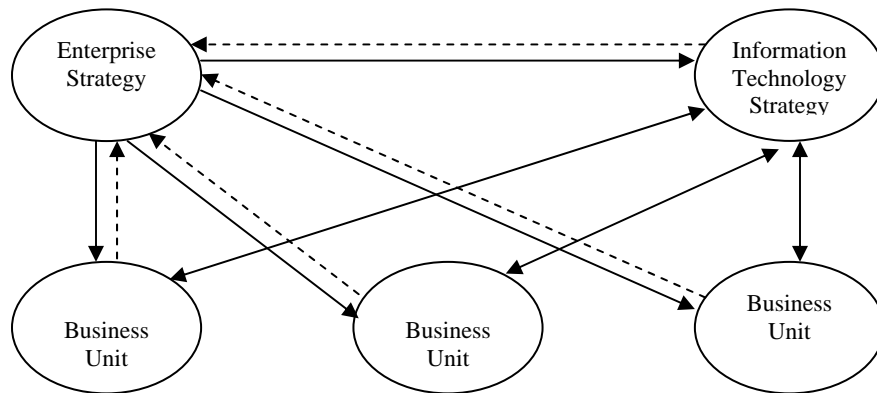
Strategic thinking stresses enterprise points-of-view over, seat-of-the-pants, silo thinking. An interesting example is acquisition planning and its attendant due-diligence. Enterprise acquisition strategy may require integration of technology, emphasize economies-of-scale, require product integration, marketing integration, supply chain integration etc. It may require consolidation or complete independence of businesses or anywhere in between. IT needs to be part of every due-diligence effort and needs to budget and plan accordingly. While it is unlikely that technology becomes a deal-breaker, it can happen. Appropriate due-diligence that incorporates integration planning avoids the untenable situation of building "islands of automation" through short-term thinking. The result is an expensive and non-competitive enterprise with little ability to react to its marketplace.

The Practice Of Management in 1954 was the first book that asked the question, "What is a business?" No one had asked that. They thought we knew, and I asked that question because my clients asked it. I was a securities analyst 70 years ago in London, so I can say that no financial man will ever understand business because financial people think a company makes money. A company makes shoes, and no financial man understands that. They think money is real. Shoes are real. Money is an end result. What is a business? The only function of a business is to create customer {value} and to innovate (Business 2.0 The Guru's Guru - Peter Drucker). The "financial man" is a powerful example used by Mr. Drucker but is by no means the only example of such thinking. In the technology arena we often encounter technologists who implement technology for technology's sake.

We are all in the business of contributing to the creation of customer value and innovation. Thinking strategically means consistent decisions incorporating foresight replace trendy decisions that are often inconsistent and rarely synergistic. It means understanding and planning for the implications of decisions. It means being proactive not reactive. We can proactively make a decision that is counter to our technology strategy, for a clear business purpose, but it is done consciously and with a plan to converge eventually with the enterprise technology strategy. It means that we do not avoid the tough questions in order to simplify a short-term decision. For example, it is not enough to put together a disaster recovery plan for technology without pressing the organization to confront the issue of business continuity. Business continuity is often reduced to disaster recovery and left in the hands of IT. If this is the case it is incumbent upon the CIO to educate executive management on the need for a business continuity plan and the role of technology within such a plan.

Business Strategy Formation sets the context that relates the enterprise to individuals and individuals to the enterprise. A simplified illustration of the Business Strategy Formation process is shown in Figure 1.1 below.

Figure 1.1 Business Strategy Formation



Business Strategy Formation

Enterprise strategy is the cornerstone of Business Strategy Formulation. Enterprise strategy informs business unit and IT strategy, which, in turn, influence enterprise strategy. However, business unit strategy and enterprise IT strategy are more interdependent and are created in partnership. This is an arduous and exacting process that begins with a vision.

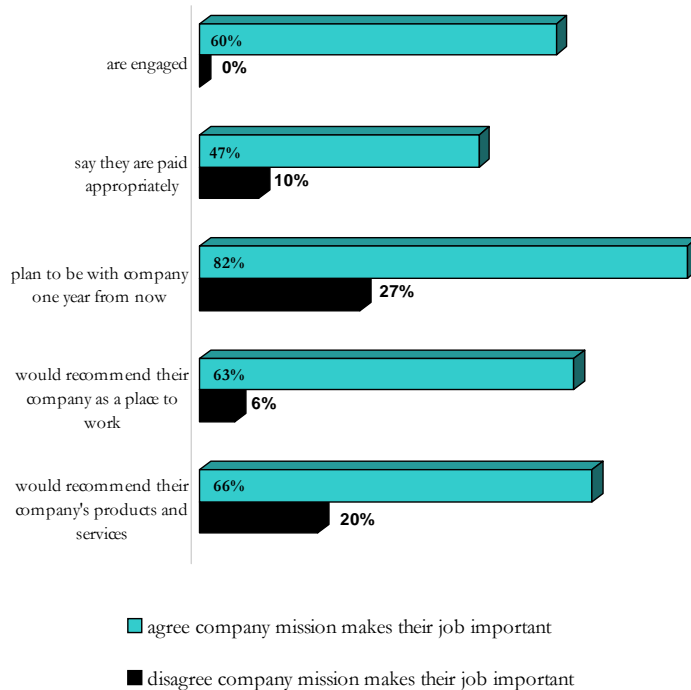
Companies whose employees understand the mission and goals enjoy 29% greater return than other firms (Watson Wyatt Work Study). Vision statements need to obey some fundamental principles. The vision statements should be:

- ***Simple***
- ***Clear***
- ***Timeless***
- ***Powerful***
- ***Memorable***
- ***Actionable***

What many executives don't realize, however, is that a company's mission statement can also be a management tool. But it is only useful to the extent that each employee links the mission to his or her job... "High scores on the... mission question correlate positively to all desirable business outcomes,"... but especially to productivity and profitability. This is validated quite effectively in Table 1.1 (Esprit De Corps). The ability to connect one's job to

a larger mission is not primarily a matter of competence, work ethic or other such traits that good workers naturally possess. Instead, the job-mission connection comes about through communication that starts at the executive level and resonates throughout the ranks. The best statements... are short, direct, and set a value system.” (Gallup Management Journal Winter 2001, page 6 On A Mission by Susan Ellingwood).

Table 1.1: Esprit de Corps



Enterprise Vision

Boehringer Ingelheim, GmbH, Germany, with 7 billion dollars in revenue, is one of the world's 20 leading pharmaceutical companies. It has a particularly well-written vision statement that can be summarized in three words: Value Through Innovation. This is simple, clear, timeless, powerful, and memorable, and, by itself, insufficient. By itself, it is a slogan. When explained within a vision it becomes actionable:

- *Boehringer Ingelheim's corporate vision is founded on five key principles; statements which together form a shared ambition and worldwide commitment.*

- **Change is our opportunity:** without change there can be no progress.
- **Value will be our competitive advantage:** in a competitive world, we expect our customers constantly to demand more for less.
- **Innovation in everything will be our challenge:** We will only deliver outstanding value to our customers if we are innovative in everything we do.
- **Waste is our enemy:** We need to have one of the lowest cost bases in the industry, if we are to deliver outstanding value to our customers.
- **Our distinctive character is our strength:** We are worldwide and measure ourselves against world-class standards. Yet we are also a corporation with family traditions in which people are valued as individuals.
- Collectively, the principles add up to **Value through Innovation,** the vision, which strengthens Boehringer Ingelheim's business worldwide and keeps it more competitive.

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. “Value through innovation” is now a vision and Boehringer can create a strategy to implement its vision in its chosen markets utilizing its core competencies.

An enterprise vision is a pre-requisite to a successful IT vision and an enterprise strategy is a pre-requisite to a successful IT strategy. It is the CIO’s responsibility to educate the CEO on the need for an enterprise vision and an enterprise strategy.

Technology Vision

Vision statements can take many forms. A rather unique form of technology vision statement can be found at Hershey Foods, Inc.

Hershey Foods Corporation and its subsidiaries are engaged in the manufacture, distribution and sale of consumer food products. The Corporation produces and distributes a broad line of chocolate and non-chocolate confectionery and grocery products. Hershey is currently the U.S. market leader in chocolate confectionery. Hershey's Vision is to continually create value for shareholders, customers, and consumers as a focused, branded, global chocolate and confectionery snack company.

Hershey's technology vision is stated in a rather unique form. The format is powerful and memorable:

- **D**isciplined
- **I**nvestment guided by
- **S**trategic architecture that supports
- **C**ollaboration across the organization through
- **I**ntegration of
- **P**rocesses and people that facilitates
- **L**earning,
- **I**nnovation and
- **K**nowledge to yield
- **E**nterprise results

Strategy

Technology strategy creation must be implemented as a continuous business process. It is an analytical, operational, and creative process that does not result in a volume collecting dust on a shelf. The resulting strategy and the continuing process of strategy evolution needs to be communicated in the “common language” that we have spoken about. This is not to say that the technology strategy does not need to be written at a detailed technical level, still trying to avoid impenetrable jargon, but there needs to be higher level sections that speak directly to our business partners derived through a collaborative process. The value and contribution of technology to the future success of each business unit and the enterprise should be clear.

The characteristics of a successful technology strategy and process are:

- ***Clarity***
- ***Executive management participation***
- ***Business unit collaboration***
- ***Linkage with business unit processes***
- ***Continuous evolution rather than annual re-creation***

Does the firm have adequate objectives

The META Group states, “Traditional IT strategic planning is a yearly, typically static and discrete process. It takes considerable time (often four to six months) to produce a large, static document that details projects and timetables from a technology versus business viewpoint. Our research shows strategic IT planning is evolving away from this traditional approach toward a dynamic and continuous process...Leading Global 2000 organizations

(<20%) will adopt this dynamic process as an IT planning best practice by 2003/2004. They will achieve both a significant competitive edge and improved IT employee morale as a result, having achieved continuous, ongoing alignment of IT initiatives with business imperatives and opportunities. By the end of this year, most Global 2000 organizations (>75%) will adopt traditional IT strategic planning as a best practice, while the leading-edge organizations (<20%) will have fully integrated business and technology strategy planning into a seamless, ongoing value organization process.”

Making Strategy Operational

As important as it is to institutionalize the strategy creation process it is equally important to institutionalize a continuous dialogue between the strategy and operational decisions. It is reasonably straightforward to institutionalize higher-level dialogues such as the collaboration between the enterprise and its business units, business units and IT, and between IT and the enterprise, however, it is much more difficult to bring this down to a personal level.

If individuals and groups are making decisions in a larger context they are making enterprise decisions. It is the manager's job from team leader on up to continually reinforce larger objectives. A sense of context is a necessary component of team meetings. Whether the group is a full business team or only IT, it is important to remind the team of its context within a larger group objective and an enterprise objective. Never let the team forget where it fits and what it is contributing. There are times when the context will drive the team members to alternative and far more valuable solutions. This contribution to value is impossible without context.

Two effective ways to keep strategy in front of individuals are through business cases and through the performance management process. Business cases should be required for all work outside of routine maintenance and minor enhancements. Business cases are the instruments through which project priorities are set and are created by a joint business unit/technology team. It's a business case not a technology case. Business cases are required to address questions of enterprise business goals and technology goals. The business case process forces individuals and organizational units to engage in a continuing dialogue.

The performance management process needs to include agreed upon personal goals and objectives. These goals and objectives should be part of the annual appraisal process. Not only do they need to be reviewed annually but also they need to be revisited at least semi-annually in order to ensure that all individuals and all levels of management are continually challenged to address their role in meeting enterprise goals and objectives. This process needs to be given serious attention because it is often too tempting to treat this discussion superficially. Management in every level needs to be engaged and held accountable for a productive dialogue to take place.

How To Measure Progress (Part of The Marketing of IT)

Strategic progress needs to be demonstrably evolutionary continuing progress should be visible over a multi-year period. Annual technology plans should be placed side to side over multiple years and progress matched to enterprise goals and objectives. Operational and tactical successes should be viewed in the overall strategic context. Annual plans should fit neatly together as stepping-stones to the strategic goals. This presentation should be updated annually and presented to the executive committee of the corporation. Progress and obstacles to progress should be concisely presented. This presentation is itself a very useful tool for the marketing of IT.