THE GLOBE AND MAIL

If you are comfortable with your strategy, it may not be good, former Rotman dean says

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Special to The Globe and Mail
May 9, 2022

The words strategy and planning go together like ham and eggs. But McGill University professor Henry Mintzberg points out strategy and planning don't combine easily because strategy is a creative right-brain activity while planning is an analytical left-brain activity.

Former Rotman dean of management Roger Martin adds another complication to ponder: Planning is easier than strategy, so we are inclined to jump into it and avoid the difficulty of first tussling with strategy.

Planning helps us cope with fears of the unknown. Strategy, on the other hand, plunges us into fear and discomfort. But that's necessary. "In fact, if you are entirely comfortable with your strategic plan, there's a strong chance it isn't very good," he writes in his book *A New Way to Think*

Planning is no substitute for developing strategy. But instead of the careful research, modelling and creative thinking required to come up with a solid strategy, we often settle for thinking simply of what it would take to achieve what we want.

In organizations, we focus on costs, because they are under the control of the company. We can plan with relative precision how many employees to hire, how many square feet of space to lease, how many marketing dollars to spend.

Revenues, which are under the control of customers, are far more uncertain. But we need to grapple with that crucial aspect of business, through strategy, finding opportunities to acquire and keep customers. That means being disciplined about strategy-making and accept that with it will come angst.

In doing so, his first rule is to keep the strategy statement simple. Focus on the two choices that determine success: What specific customers to target and how to win by creating compelling value for those customers. If you truly narrow it down to those elements, your strategy can be summarized on one page with simple words and concepts.

The second rule is to recognize that strategy is not about perfection. Unconsciously, he says, managers feel strategy should achieve the accuracy and predictive power of cost planning – it should be close to perfect. But strategy's impact is more elusive. At its best, good strategy shortens the odds of what you're betting on as a company.

His third rule is to make the logic behind your strategy explicit and test that logic. His all-important question is: For your choices to make sense, what must be true about customers, the evolution of your industry, competition and your capabilities? Write down the answers to those questions so you can compare them with actual events and adjust as necessary.

In improving decision-making, he says it's important to probe the models you are embracing, which may be fallacious. Over his years as a consultant, he was called in to help companies when things were amiss. Usually people figured that was because they weren't working effectively enough in pursuit of their goals rather than considering the possibility that the model of thinking they were following was wrong for the situation.

In his book, he upends other common-thinking models we subscribe to, stressing that his reformulations may have their own shortfalls, but people need to find what fits for their context. The classical model of management, for example, is that corporations compete and a central job of the corporate level is to organize and control the levels below it.

He suggests a more effective model of organization is that the competition happens at the front line where real customers are served; the job of every manager above the front-line level is to help all the levels below serve the customer better.

Although MBA degrees revolve around data analysis, the former business-school dean warns that management decisions cannot be reduced to an exercise in data analysis: Creating great choices requires imagination more than data. In assessing situations, he says a key skill is differentiating between the elements you can change and those you can't.

"Executives must deconstruct every decision-making situation into *cannot* and *can* parts and then test their logic," he says. And he turns mergers and acquisitions on their head, saying success will not be determined by whether you are gaining an attractive asset or capability from the acquired entity, but whether you are providing more value to the acquired entity than you are receiving.

Perhaps his most controversial challenge is to our belief that knowledge work should be arranged the same way we handle physical work – on the basis of full-time jobs in which the person performs a certain set of activities permanently. Instead, we need to organize around projects, as with professional-services firms or Hollywood movie studios.

Ironically, consultants are often hired because people in the contracting company are so busy with their jobs that they can't be quickly assigned to address a critical challenge. "Indeed, professional-services firms have grown so quickly in part because they are organized around projects, whereas their clients are organized around permanent jobs," he writes.

I'm not convinced on that point. But his ideas on strategy and planning – and costs and revenues – are particularly valuable. So is his overall message that we need to check the mental models by which we operate, rather than blame ourselves or those who work for us, and consider alternative models that may be more effective.

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