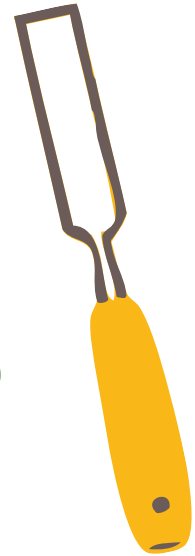


# HAMMER, CHISELS AND TROWELS



Successfully shaping strategy requires the right approach. **Marcus Barber** looks at those who use hammers and chisels, and those who use trowels.

**T**oday, more than ever, the requirement for organisations to select, design, shape and implement effective strategy is critical. Or perhaps it might be more accurately put that the requirement on boards and senior managers to select, design, shape and implement effective strategy is critical.

Given the demands of such a task, the process of strategy development remains a largely immature field of inquiry. For far too many organisations it could be said that learning about strategic design and decision-making stops the moment a person reaches senior management level. At that point, it is presumed, an individual should – and, if carrying the almost mandatory MBA, is expected – to already know it all.

Yet the many well-known and the many more less well-known poor business decisions made by the upper echelon of organisations from publicly listed entities through to NGOs

**Senior managers do not know it all. It is unfair to expect that they do.**

and public institutions like universities, would seem to highlight one very stark fact – senior managers and board members do not “know it all”. It is also unfair to expect that they do. I’d argue that the only fair expectation to have of senior executives is that they keep an open mind on possibilities.

Strategy is from the Greek root word “strategos”, literally “an instruction from the general”. In eons past, the Greek general would take a position on a hillside overlooking the battlefield and position the troops prior to engagement with the enemy.

That is a critical thing to understand – assorted decisions on how, when and where to move were made beforehand.

Unfortunately for shareholders and employees alike, today

strategy is often decided after things have been set in concrete. The end result is that organisations are required to shape their processes on the hop, using hammers and chisels to chip away at predetermined outcomes. And any builder can tell you that shaping concrete after it has set is a time-consuming and arduous task.

## HAMMER AND THREE CHISELS APPROACH

Organisations with a preference for a hammer and three chisels rarely get it right. They mistake activity for productivity and their managers have a preference for managing by crisis. This is the realm of the message from on high. Senior managers, or the board, determine a desired outcome, draw a line in the sand and then ask their organisation to deliver.

Unfortunately the desired outcome is often selected with little consideration of alternative perspectives and with minimal

understanding of other potential (unexpected) outcomes arising from the strategic choices made.

After all, these people are senior managers and expected to know it

all so why not act like they do? But, with the strategy set in stone, the company moves off with the chisels and hammer and tries as best it can to deliver. Sometimes it even does.

Yet a critical question revolves around a far more pressing issue that board members and managers must come to terms with: “Were there other alternatives better suited to delivering the same result with substantially less effort and, alternatively, could a better result have been delivered given the level of effort invested?”

In many cases, I would suggest that the answer to both questions is “yes”. So why were the alternatives missed or ignored?

When the board makes a poor choice at the start of the strategy selection phase, the organisation suffers a waste of resources



*Hammer*



*Fish*



*Banker*



*Trowel*

and substantially lower returns on the organisational effort invested. Poorly created strategic options emerge from unrealistic expectations (myopia) and invalid assumptions (scotomas) and doom the organisation to using a hammer and three chisels to shape from the actual existing raw material an outcome that looks like the one pre-determined by the board in the selection phase. Myopia (short-sightedness) and scotomas (blindspots), as symptoms of “organisational vision impairment disease” are widespread yet easily cured.

The cure will not be found in the practice of hindsight and nor will it be found in the forward-thinking tool of choice by simply following trends. The reality is that things like trends only appear in hindsight and hindsight is utterly useless for changing the past. There is no such thing as a future trend – if there was, how would anyone get burned in a stockmarket crash or housing downturn? Trends are historical indicators only and the best way to change the past is to get the future right.

What is needed is more strategic foresight, where the aim is to work out the best possible options and contingencies in advance, and less strategic hindsight, where the aim is try to work out what went wrong and lay blame.

## STRATEGIC MYOPIA, STRATEGIC SCOTOMAS

Strategic choices typically emerge through rationalising a decision through a funnel. This is a sensible approach because organisations cannot hope to pay attention to and act on every possible variable. If they did, they would never make a decision at all.

So the task assigned to the board or senior managers, and the ultimate reason they command the salaries and benefits they do, is to make decisions.

But what happens when the board or senior managers suffer from what I call strategic myopia (short sightedness in decision-making) or worse, strategic scotomas (blind spots in seeing decision options)?

## Strategic myopias are the reason we will read more about organisations making mistakes.

Figure 1 indicates how these conditions impact on the strategy decision cycle. We see that, commonly, the ability for an individual or board to assess the range of available information is limited. This is the mouth of the decision funnel and the management group assesses those options that appear in the mouth. The better informed and aware the management group is, the wider the mouth of the funnel will be and the more options and choices will be available to it as it comes to decide.

When time limitations exist, those vested with responsibility make choices based on what they recognise, understand or accept. In that limiting view, they will tend to make a choice based on something most closely matched to a predetermined outcome and from that moment on discount or ignore any-

thing that does not fit in with their predetermined goal. Time limitations lead to myopic strategic decisions and the impairment to effective organisational strategy is obvious.

In the decision-funnel process, information that matches or can support a predetermined goal is allowed to permeate the funnel boundary thus adding further weight and support for the initial decision. This is at it should be, because it allows an organisation to focus on a target and work towards it. But that is where things turn bad. The funnel boundary works differently depending on the type of information available. Information that supports the board’s decision is allowed to filter through. Information that does not support the decision is rejected or ignored – it cannot permeate the decision process to better inform the decision-makers of options or alternatives or the need for a change in direction. This is strategic scotoma at its most damaging.

These strategic myopia/scotomas are the reason we will continue to read more about organisations making critical (and expensive) mistakes and why shareholder activist groups will continue to cry foul when their income is affected but senior managers seemingly escape penalty.

Fund managers, business owners, shareholders and employees at all levels have greater expectations of those vested with decision-making responsibility and demand a higher level of strategic decision-making quality. Expect increasing demands for accountability in the future.

The organisation’s initial awareness is shown in green as a funnel mouth. The factors known to decision-makers appear inside the funnel mouth and decisions are made by selecting the preferred choice from within that grouping. Simultaneously, other information residing outside the funnel mouth is available to decision-makers yet time constraints act to shrink the size of the funnel mouth thus limiting options and reducing strategic effectiveness.

Once a decision has been made, alternative perspectives are ignored (seen as information residing outside the funnel) or rejected (shown as the blue star bouncing off the funnel information barrier). High-alert signals (shown by the ever-increasing size of the lightning bolt) are ignored until they strike the predetermined outcome, rendering it unattainable.

However, a further dynamic exists. Any information that supports the initial decision is allowed to permeate into the mainstream thinking (shown by the pink star breaching the funnel barrier).

If one were to look down the funnel, the predetermined outcome would appear as a guiding star for the organisation and information that supports that decision is accepted as valid and relevant. This is the realm of self-fulfilling trend development and a critical breakdown in strategic thinking.

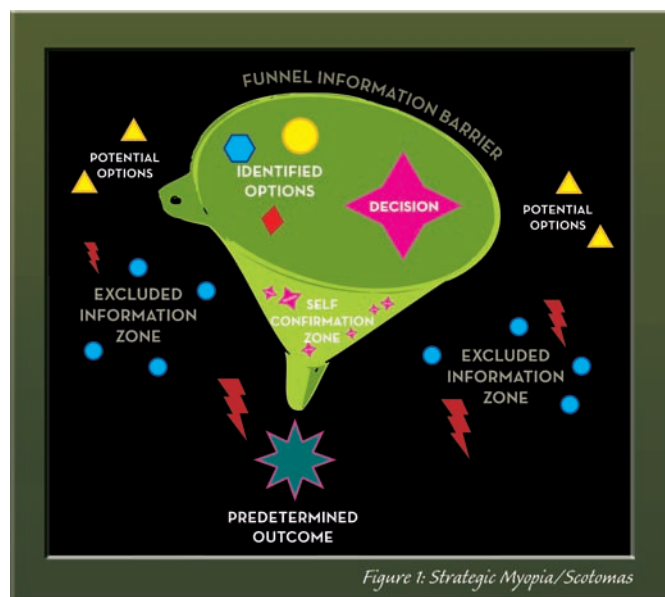


Figure 1: Strategic Myopia/Scotomas

## USE A TROWEL

If the best time to shape concrete is when it is still wet and flowing, then I suggest it is a useful metaphor for how we can cure organisational strategic myopia and scotomas.

This is when a trowel is used to shape and form strategic choices before the concrete sets. The organisational trowel has a particular construction that requires the organisation to expand the size of its initial information-awareness field of view (ie widen the mouth of the funnel to capture more information initially) thereby enabling a greater range of data to be used to inform the board in its decision phase by posing a wider range of choices. The organisation then creates an organic assessment process to keep looking for alternative perspectives as its chosen strategy unfolds. This high-end awareness helps it construct flowing strategic decisions. There are three steps involved in using a trowel:

### *Step One – environmental scanning*

The first step required to cure these two strategy diseases is via environmental scanning (ES) to feed the organisation's executive team. This might be the task of the existing management team or it might be a specific person or unit charged with the task of acting as a scouting party to look for emerging issues of potential importance. The scouting party seeks out what I refer to as advanced warning signals.

The aim of environmental scanning is to expand the range of initial information available to the executive team before a decision has been made (widen the funnel mouth), thus leading to a more robust and critically assessed initial decision phase.

### *Step Two – scenario planning*

Engage in some critical thinking designed to generate a wider array of potential options for action. The best time to do this is well ahead of when those options might be required. Here we take a course of anti-myopia tablets in the form of scenario planning sessions as some of Australia's largest organisations are beginning to do. The scenario planning process has improved dramatically since its rise and fall of popularity in the 1980s. Incorporating business intelligence, competitor intelligence, ES and the gut instinct and brain power of its organisation, a rapid, informed and immediately relevant process can now be facilitated in a matter of days, rather than multiple months, delivering an immediate and high return on investment from the session.

The aim of the scenario planning process is to extend the time-frame in which decisions can be designed, considered and chosen. This effectively removes the strategic myopia because immediate time pressures are relieved, enabling the organisation to plan well ahead of anticipated organisational requirement. As such, we move back to the original strategos intention – decisions on how to move, when to move and where, are made prior to engagement. In other words, the organisation is better prepared to meet its intended objective before it sets out to achieve that objective and, importantly, this also leads to a much more effective array of strategic options being created.

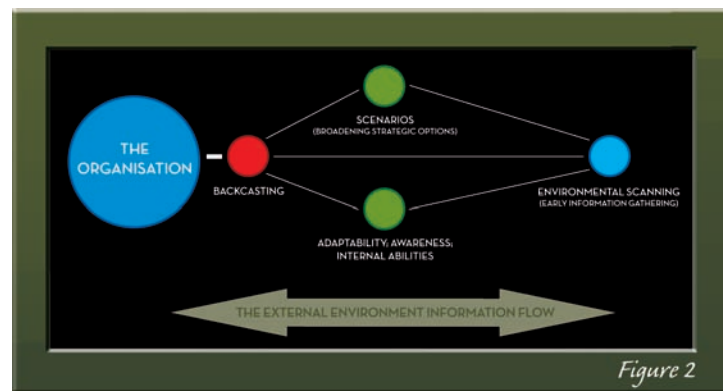
### *Step Three – backcasting*

Inject a dose of backcasting to create a permeable decision-funnel boundary and therefore remove the problem of strategic scotomas. Flowing on from the scenario planning session, backcasting links the future possibilities to today's strategic choices. The executive team works through a critical assessment identifying indicators that one or more of their potential decisions on how to move, when to move and where need to be implemented. As time continues, these indicators are spotted and act as go/no-go signals for the organisation's strategy.

This is also why ongoing environmental scanning is critical. The ES process continues to make the executive team aware of both confirming and non-confirming information that is used and integrated into the overall decision process.

The end result is that strategic scotomas are reduced or removed entirely. The board no longer needs to operate blindly nor needs to fight for a previous decision and expected outcome. Instead, it is informed in advance of how its chosen strategy is playing out and can then commit more resources, change direction or withdraw from the engagement before it hits corporate quicksand.

These three steps – ES, scenarios and backcasting – form the trowel that is used to shape strategy before it sets. This ensures a better fit, more effective use of resources and a greatly reduced likelihood of unrealistic expectations and invalid assumptions. (See Figure 2)



## SUMMARY

Strategic myopia and scotomas are common but unnecessary organisational illnesses that are relatively easy to overcome.

The key issues for organisations as they seek to maintain and build competitive advantage is not just whether they achieved a stated goal, but whether other, more lofty goals could have been achieved with the same effort, or if the same goal could have been achieved with less effort.

The choice for setting organisational strategy amounts to a selection from two processes: a hammer and three chisels, with all the wasted effort, blind spots and short-sightedness that such a choice entails; or a trowel that shapes strategy as information flows into and from the organisation and its operating environment. The result from the first approach is obvious, well documented and unnecessarily painful. The result from the latter approach is a more adaptive, prepared and higher-functioning organisation equipped to deal with competitive requirements.

Senior executives can expect that there will be greater demands placed on their thinking abilities in the future. Those suffering from myopia and scotomas can look forward to potentially very public and costly challenges from their key stakeholders, owners, partners and employees. Given the ease with which these organisational diseases can be cured, the smart choice seems clear. ■

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