

# Intelligent Strategy

Business strategy that really works

v2.0

## THE DILEMMA

*"To think is easy. To act is hard. And the hardest thing in the world is to act in accordance with your thinking."*

*Johann Wolfgang von Goethe (1749-1832)*



- Two completely different disciplines are needed for a business to succeed: *strategic*, and *operational*
  - Every strategy needs to be converted into operational reality for it to have any impact
  - Operational excellence will become redundant unless it is linked to a sound business strategy
- Organisations usually experience difficulty turning their Thinking (the strategy) into Action (operations)

## THE STRATEGIC ORBIT

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- Strategic disciplines:
  - intuitions
  - uncertainty
  - accepting risk
  - 'divergent thinking'
  - medium/long timescales
- Involves:
  - complex relationships
  - external engagement
  - working towards outcomes
  - many/varied stakeholders
- 'Outside-In'

3

## THE OPERATIONS ORBIT

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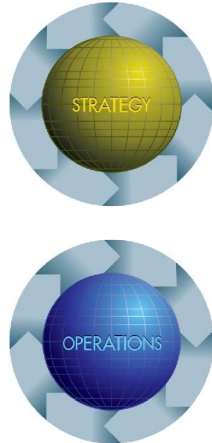


- Operations disciplines:
  - control
  - certainty
  - efficiency
  - risk avoidance
  - 'convergent thinking'
  - short/medium timescales
- Involves:
  - hierarchical relationships
  - internal processes
  - managing tangible details
  - relatively few stakeholders
- 'Inside-Out'

4

## A UNIVERSAL GAP

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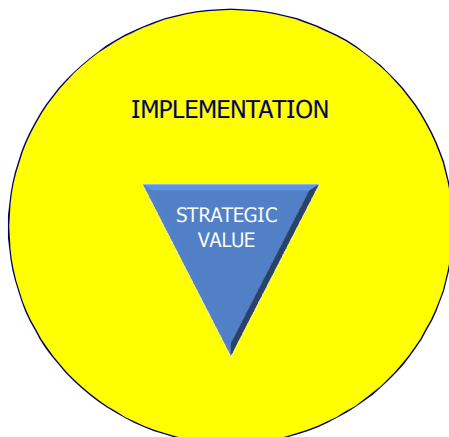


- The orbits are so different that in many ways they are oppose each other
  - impossible to think strategically and think operationally in the same moment
  - most people will tend to gravitate towards one or the other
- Each discipline is self-contained in itself, reinforcing their 'separateness'
  - communication is difficult when people are effectively speaking different languages
  - little coherent logic or language exists in businesses to bridge the gap
- The gap between the different orbits is natural and commonplace
  - it exists throughout the industry

5

## NORMAL APPROACH TO STRATEGY

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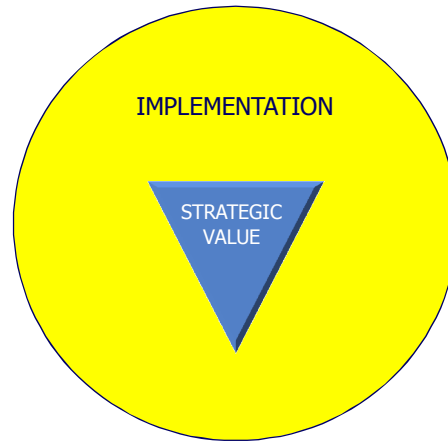
- Work focuses primarily on the strategic *value* of the idea, it's business worth
- Once the strategy is agreed, move into full implementation by operations
  - 'Big bang', 'Bet the shop'
- Standard problems (non-trivial):
  - Huge time and cost over-runs
  - Flaws only detected once the money and time has been spent
  - Key people have conflicting interpretations of what the strategy really is
  - Changes in the business environment undermine the rationale
- Loads of everyday examples
  - Invasion of Iraq, 3G mobile phones, Millennium Dome, Scottish Parliament Building, Concorde, Virgin Rail, Channel Tunnel etc etc

6

## WHY DOES THIS HAPPEN?

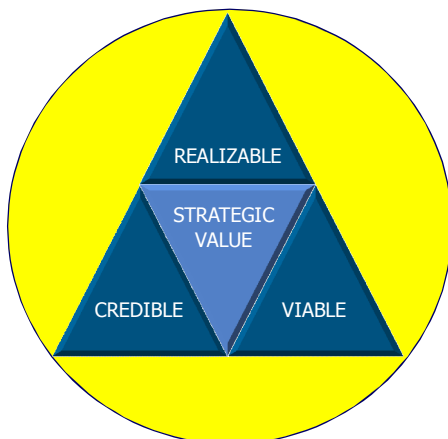
For good reasons:

- Action-orientation is highly valued in business
- The proponents of the strategic idea, usually the most powerful people in the business, get excited and motivated
- Having visualised the strategic benefits, people want to get the results as soon as possible
- Because the negative implications are not apparent yet, there is no evidence for not going ahead
- Appeals for more consideration before action can easily be mistaken for foot-dragging or negativity



7

## INTELLIGENT STRATEGY



- Completes the strategy by testing it against the real needs, capabilities and resources of the organisation
- Takes less time, has lower risks and total costs, and a higher success rate
- 3 dimensions:
  - **Credible:** do people have a sufficiently clear understanding that they know what is required and are prepared to commit?
  - **Realizable:** how will the strategic concept be turned into reality, and how can it be optimised to maximise the chances of success?
  - **Viable:** how much will it cost to implement and can the organisation survive until it starts to become profitable?

8

## INTELLIGENT STRATEGY OVERVIEW

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### Normal approach to strategy

1. Develop the strategy
2. Implement the strategy

### Results

1. Slow, uncertain implementation
2. High risk of failure
3. High costs
4. Need to keep repeating

### Intelligent Strategy

1. Develop the strategy
2. Top-slice exercise
  - 'first-look' at operational impact
  - refine the strategy as appropriate
3. Implement the strategy
4. Manage the Results Orbit
  - keep the strategy and operations in sync
  - cope with unexpected events over time
  - allow the strategy to evolve

### Results

1. Faster, more assured implementation
2. Few bad surprises
3. Costs managed against results
4. Strategy evolves and self-corrects over time

9

## TOP-SLICE

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- A 'first-look' at operational impact
- Creates a structured, controlled, conversation between strategists and operations people
- Familiar manifestations of this technique are concept cars, software prototyping, wind-tunnel testing, computer simulations
- Not as obvious in a service industry, but can be done:
  - Develop Design Principles (a bridge between strategy and operations)
  - High-level delivery milestones
  - Describe real-life outcomes
- Likely operational implications are fed back into refining the strategy

10

## TOP-SLICE ADDS INTELLIGENCE

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### CREDIBLE

- People can see, hear and feel in a more tangible form what the strategy is about – and so really get behind it
- Expectations are set more cleanly – eg the Board cannot say in future “you never told us it meant this”
- While people are often happy with concepts, they always ask for the “what-it-really-means” information that top-slice can provide

### REALIZABLE

- Accelerates implementation by generating clearer and more robust milestones and generating real momentum
- Many flaws/problems spotted early and eliminated or minimised
- By making the strategy more tangible, top-slice makes implementation much easier to manage

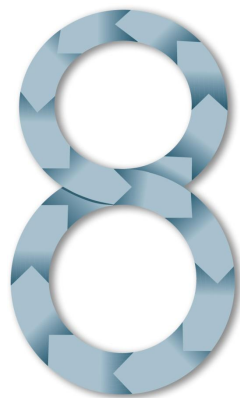
### VIABLE

- Although a strategic idea focuses on value, costs can only be determined using an operational mindset
- Similarly, timescales (which also determine the extent of short-term stress on the organisation) cannot be estimated from a concept
- Costs and timescales are much easier to generate from top-slice output

11

## STAYING IN SYNC: THE RESULTS ORBIT

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- Maintain the link between strategy and operations over time
  - Ensure that strategic criteria drive operational decisions properly
  - Feed operational impact back into strategic decision-making
- Needs experienced people
  - Few people do this naturally - most have a strategic or operational bias
  - No ‘standard texts’ for learning how to do it
- Develop mechanisms
  - eg Management Information, Control Tower, Governance structures
  - Project management is necessary but never sufficient
  - Needs to fit the specific organisation

12

## RESULTS ORBIT ADDS INTELLIGENCE

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CREDIBLE

- Strategists can see and audit that their thinking is turned into operations
- Operations people get the satisfaction of doing something that moves the organisation forward
- Fewer surprises to upset senior management and Board

REALIZABLE

- Delivery is shaped to meet both strategic and operational requirements, rather than just one or the other
- Consistency of results increases confidence and motivation
- Costs and risks are actively managed against the business value being created

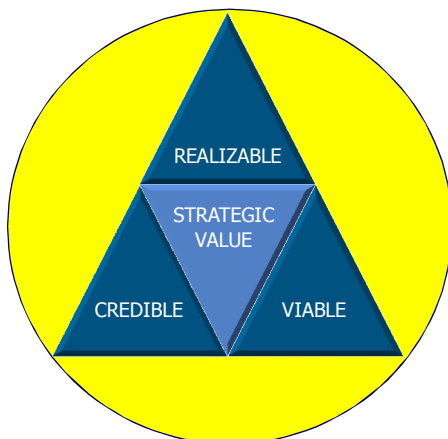
VIABLE

- Captures strategic value by converting it into tangible operational reality
- Reduces delivery costs and avoids the massive cost of failure to deliver at all
- Minimises the financial stress created by long implementation timescales

13

## INTELLIGENT STRATEGY: SUMMARY

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- Strategy is about creating value
  - requires 'Outside-In' strategic mindset
- Value cannot be determined properly until you know the cost
  - cash, time, opportunity cost
  - requires 'Inside-Out' operations mindset
- Commonly, strategy leaps straight from concept to implementation
  - operational impacts revealed too late
  - high failure rate
- Intelligent Strategy adds operational 'inoculation'
  - test against the real world
  - minimises costs, risks, timescales
  - maximises success

14