9 Key Principles to Successful Organization Strategy

In the day-to-day dynamics of managing your business, it is important not to lose sight of the basic principles upon which success is built. This article provides a reminder of 9 principles that form the foundation of successful organizational strategy. When you apply them in your daily activities and transformational projects, they provide a powerful toolkit for growing your business.

Introduction

Strategy is a dynamic endeavor. However, as we get caught up in the daily activity of selling our products and services, delivering upon our promises to customers, and managing our organizations, it is easy to lose sight of the need to continually evaluate our organizational strategy and the progress we are making. Inattention will ultimately diminish our return on investment across the pool of strategic decisions we have made. And, it risks the sustainability of our organization because an ignored strategy or a strategy that is unclearly defined, poorly executed, or based on unsound principles is a recipe for a failure.

The purpose of this paper is to review a few key principles that form the foundation of successful organizational strategy. Individually, they play a critical role in defining our success. Collectively, they form a powerful toolkit to aid us in sustaining and growing our business. The nine principles outlined are based on years of experience leading transformational initiatives and an array of published research from Harvard Business Review and McKinsey Quarterly. Readers are encouraged to review the referenced materials for further detail and insight.
First, let’s start by addressing many popular but unreliable components of organizational strategy.

- **Hope** – As we know, hope is not a strategy. Yet, too often, we rely on chance to define our success.
- **Status Quo** – Ultimately, status quo thinking leads to deteriorating performance versus our competition.
- **Matching our Competitors** – To play in the game you need “me too” capabilities, but winners don’t follow the herd. To win the game or to develop your own game you need to be distinctive.
- **Implementing Best Practices** – Operational excellence is important, but efficient, effective processes are not enough to drive growth at a rate needed to beat the competition.
- **Following the Latest Craze** – Even for first entrants, advantages are lost when not scalable, bundled with complementary services, or aided by a structural market barrier to competition.
- **All or Nothing** – Whether bold or desperate, this approach is highly risky and not sustainable.
- **All Things to All Customers** – Not only is this unrealistic, it leads to blandly blending into the fabric among our competition.

Instead, we should leverage sound principles and proven approaches to sustainable competitive advantage.

**Principle 1: Be Different**

The first principle of a winning strategy is to be different. Famed Harvard Business School professor Michael Porter termed this as Strategic Positioning, which means performing different activities from our competitors or performing similar activities but in different ways. This requires us to define our competitive strengths and then bundle those strengths into product and service offerings that are unique while also creating a barrier to replication by competitors.

Market advantages are derived from a position of strength. Competitive strengths are distinguished by having a structural advantage (with a high barrier to market entry) or special capability (such as a product patent or unique skillset). The more strengths that can be combined or bundled into distinct service offerings the more difficult it is to replicate in the marketplace. There are three positioning strategies commonly used to create differentiation:

- **Variety Based**: offering unique value for a subset of products or services within an industry
- **Needs Based**: tailoring and satisfying the majority of needs to a target customer segment within an industry
- **Access Based**: providing access limited products or services to customers based on geographic position, self-defined customer segments, etc.

The key in any of these positioning approaches is to define a strategy that offers compelling value to customers in a way that is different from our competition.
Principle 2: Target Growth at a Granular Level

The second principle is to target growth at granular level. To grow, we need to be clear on which markets we are going to win. Growth generally comes in three forms: mergers and acquisitions, market share gains, and overall industry gains (by riding the wave of momentum).

Sources of Growth

Market share gains and overall industry gains are two forms of organic growth that are more easily exploited when opportunities are defined at a granular level. The more granular the definition, the greater the focus, the more precise the allocation of resources, and the greater the likelihood of success.

The goal is to discover and exploit “white spots” of opportunity. White spots are niches within the market or geographic landscape where our bundled service capabilities offer compelling value to largely untapped sources of demand. The challenge is in defining the right portfolio of opportunities, which leads to our next principle.

Principle 3: Be Insightful

The third principle is to be insightful. Being insightful is far less about “gut-feel” than it is about leveraging information in a meaningful way. Of particular importance is leveraging privileged information. Many organizations consider themselves data rich but information poor. Nonetheless, data rich organizations have the opportunity to mine valuable insight into the white spots within the market by exploring the activity taking place at the intersection of products, services, customers, geographies, and channels. By shining a light at these intersections, we can expose high momentum areas of growth in which to target products, services, and promotions.
Perhaps even more valuable is proprietary knowledge and insight gained through field observations and, more importantly, customer feedback. How well do we know our customers? How well are we satisfying their needs? What are they telling us? Are they behaving differently than in the past? Organizations that seek to experience the world from a customer’s perspective are likely to develop a more insightful strategy.

Another critical component to an insightful strategy is to take a dynamic approach to market trends. Strategies based solely on extrapolating the recent past are about as successful as trying to drive a car forward while focusing on the rear-view mirror. An effective strategy should direct our organization toward where the trends are taking us not where we have been.

Trends can emerge slowly over time or suddenly (such as through regulation changes or the introduction of a new technology). In either case, trends matter. Strategies slow to react to emerging changes in the market are strategies doomed for sub-par results.

So, how do we identify and incorporate trends into our strategy? First, we should look to broader societal trends that are impacting our organization (e.g. globalization of supply and demand, shifting population and age demographics, shortening time cycles, increasing dependence on technology, and increasing mobility). Second, we should look to the edges of our current markets. What new requirements are emerging from our customers? What are our smaller, nimble competitors offering? What technologies could change the game? Then, we should look to more specific trends that impact our span of control such as new service or product offerings, changing sources of demand, or rising costs. And as we identify potential trends, we need to ask ourselves if they significantly impact our ability to grow revenue, our responsiveness to customer demand, or our profitability. Each trend answered with a “yes” should be followed with a corresponding strategy or tactic, at minimum, to maintain or enhance our competitive position.

Principle 4: Hedge Your Bets

The fourth principle is to hedge your bets. Change and risk are inevitable parts of life and business. Try as we might to accurately predict the future, it cannot be done with certainty. The key is to manage change and associated risks in a way that maximizes the return on the investments we make to sustain and grow our business. In practice, this means pursuing a portfolio of initiatives to manage the tradeoffs between costs, risks, and rewards. Think of it as the convoy approach to business war whereby we deploy a convoy of strategic initiatives into battle in order to improve our overall odds of success.

No organization can continually rely on a historical advantage in product, service, or geography to sustain growth. We must all adapt to changing market conditions and operate in the vast gray area between absolute certainty about what we have done it the past and complete ambiguity about what will happen in the future. What results, in attempt to propel our business forward, is the need to make major strategic decisions requiring large capital investment and long term commitment of resources without certainty as to the outcome. Ideally, we could predict financial outcomes accurately enough to support our strategic platform on the basis of a discounted cash flow model. But, this is unrealistic and attempting to do so naturally leads to highly conservative strategic decisions and deteriorating financial performance in comparison to more aggressive competitors. On the other end of the spectrum, bold strategic decisions based on “gut feel” rather than true insight or constructive analysis can lead to disastrous results.

Therefore, we need to hedge our bets by pursuing a portfolio of initiatives across the landscape of the markets in which we choose to compete. The portfolio approach allows for the reality that the future cannot be predicted with certainty and that some investment bets will pay off better than others. Hallmarks of this...
approach include disciplined research into the opportunities, explorative investment and experimentation in previously unfamiliar territories, bold investments made on true insight rather than leaps of faith, continual monitoring of results, and natural paring of initiatives that fail to meet expectations.

However, before concluding on what initiatives to include within our strategic arsenal we must ensure that our thinking is clear. This leads to our next principle.

**Principle 5: Minimize Bias**

Our fifth principle is to minimize bias. We improve our odds of success if we minimize the bias within our portfolio of strategic initiatives. Bias is a natural part of human nature. It can also be an impediment when developing our strategy. The following are a few of the more pervasive biases.

<table>
<thead>
<tr>
<th>Bias</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Over-Optimism</td>
<td>When we believe too strongly in our own abilities and forecasts. Seldom are optimism and a bias to action seen as a potential weakness within the strategy. But, over-confidence can mask the facts or potential risks, especially when the message is communicated by a high ranking authority.</td>
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<tr>
<td>Risk Aversion</td>
<td>When we place too much emphasis on avoiding loss. This often results in strategies based on status quo. It also makes it difficult to jettison bad investments with sunk costs.</td>
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<tr>
<td>Personal Interest</td>
<td>When we place more emphasis on self-serving outcomes rather than the overall interest of our company.</td>
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<tr>
<td>Groupthink (or Herding)</td>
<td>When we too easily conform to the dominate view of the crowd. A strong and persuasive personality can often sway a room in the wrong direction.</td>
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<tr>
<td>Misinformation</td>
<td>When we have an incorrect perception or understanding of the facts or priorities. This commonly occurs when we overvalue information consistent with our belief while ignoring contrary evidence.</td>
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Biases are such a natural personal and corporate behavior that they cannot be completely eliminated from strategic decision making. However, they should be surfaced and guarded against when making the bolder, high investment decisions. A few potential approaches to minimize the bias in our strategic decisions are as follows:

- Populate the decision making group with people with divergent opinions and interests
- Encourage an open discussion of potential biases, and ask questions such as - Are we being too optimistic? Are we being too risk averse? How will personal and department incentives be impacted (positively or negatively)? Are we being too broad or too narrow in our viewpoint? What do we know to be true and what are our priorities?
- To quell over-optimism, ask for dissenting facts and opinions
- To overcome risk aversion, develop stretch goals or develop a clean sheet budget (unbiased by sunk investments)
- To overcome personal interests – surface them, acknowledge them, and seek common ground across a group with divergent interests
- To counter groupthink – develop objective decision criteria or invite outside opinions
- To minimize misinformation – be very clear of the baseline facts, key assumptions, and the priorities for the business.
Once we are certain we have minimized the bias in our decision making, we can move forward to our next principle.

**Principle 6: Recognize that Tradeoff Decisions Must Be Made**

Our sixth principle is to recognize that tradeoff decisions must be made. Commitment to the strategy requires that we rebalance our finite pool of resources in order to align our capabilities with the strategy. We need to determine where to compete, how to compete, when to compete, and where to allocate our resources. In turn, we need to choose what not to do and where to divest. Often, this requires defunding projects, jettisoning past investments, lowering the priority of popular but underperforming investments, and cutting operational budgets and staffing in lower priority areas. Making these tradeoff decisions and getting buy-in across the organization can be very difficult. Nonetheless, as leaders we need to avoid the path of least resistance and allow logic and data to dictate the bold decisions necessary to sustain and grow our organization.

**Principle 7: Create an Agile Organization**

The seventh principle is to create an agile organization. Being nimble and alert are key attributes of an agile organization. Agile organizations are able to quickly recognize market opportunities and swiftly move to exploit them. Agility is not restricted to small organizations. But, it does require organizations of any size to employ quick decision making capabilities, particularly when faced with game-changing opportunities. It also requires the ability to quickly shift resources (cash, people) to areas with the greatest need or opportunity.

For larger organizations, it requires delegating key decision making responsibility and accountability to dozens or hundreds of leaders who are better positioned to understand and react to the more granular opportunities that arise. In empowering our field leaders, we are able to overcome the stereotypical bureaucracy of large company decision making, build a stronger sense of ownership at lower levels of our organization, and more effectively inspire and motivate our employees in a way necessary to successfully manage change.

**Principle 8: Lead with Conviction**

The eighth principle is to lead with conviction. As leaders, we must be aligned, clear, and evangelical in the journey we taking our organization. Any misalignment, misunderstanding, miscommunication, and mistrust among the leadership team leads to dysfunctional behavior that emanates like a virus throughout our organization. Therefore, teamwork at the top of the organization is critical to the success of the strategy.
Performance as a leadership team can be attributed to how closely we are aligned in direction, the quality of our interaction, and the openness and frequency with which we interject new ideas and perspectives into our conversations. So, it is vitally important to proactively reinforce behaviors that encourage these attributes.

Further, as catalysts for change, we must enthusiastically articulate what strategic decisions have been made, why they have been made, how they will impact our organization, and what our action plan is for moving forward from where we are today to where we need to be and when we need to get there.

We also need to be certain our first step leads our organization in the right direction. So, not only do we need to be clear on where we are going, we also need to be clear on our starting point and our baseline performance against which future levels of performance will be compared. And, for our action plan to succeed, it needs to pragmatically address the timelines, dependencies, and accountabilities for implementing the many changes required of our organization.

It is also essential we serve as positive role models and take personal responsibility for behaving consistently with the changes we are promoting, which leads to our final principle.

**Principle 9: Motivate Change**

Our ninth principle is to motivate change. As important as any other principle is the capability to successfully implement change. Successful change requires a true commitment throughout the organization. The cornerstones of a rational change management program are a compelling story, role modeling, capability building, and reinforcing mechanisms. And, it is strengthened by the conviction, energy, and behavior of our leadership teams. But, this prescription is still not enough to motivate employees to action.

**Successful Transformational Change**

- Compelling Story at a Personal Level
- Reinforcing Mechanisms Largely Non-Monetary
- Role Modeling Especially Leaders
- Capability Building & Constraint Blocking
Approximately two of every three transformational change management programs fail. As leaders, we need to realize that team members at lower levels within our organization often have motivations different than our own. Hence, a story that is rational and compelling to us for the need to change, often fails to resonate. Research has shown that it is far more effective to guide team members to write their own story in a way that is appealing to their personal motivations. When an individual rationalizes the need for change on their own terms they become far more committed to the outcome. Further, the persuasiveness of the story is enhanced when it is balanced with both positive and negative factors that require us to change. The reasoning is that a story based on changing what is wrong is fatiguing and hints at blame whereas an overly positive story easily leads to cynicism or watered down aspirations. The reality is that most of us are more emotionally motivated to change when faced with the prospect of losing what we already have than we are when faced with the opportunity to gain something more. Therefore, a little anxiety is useful to spur change, but we need to temper it with the upside opportunity in order to create positive rather than negative energy.

As leaders, we must also embody the strategic decisions we are promoting by serving as role models in how we change our own behaviors. The fact is the vast majority of us believe we are better than average. Most men think they have better than average athletic ability. Most women believe they are more attractive than average. And, most of us think we are better than average drivers, correct? So, it is natural to believe less change is required of us than it is of others. But, no one is immune when transformational organizational change is required. And failure on a personal level to serve as a visible symbol of change is a surefire way to torpedo the effort.

Another critical component to successful change is to build new skills and capabilities across our organization. It is not as simple as teaching these skills and then expecting them to be applied. As leaders, we must be cognizant of the natural constraints to behavioral change. Good skill-building programs consider that we learn better by doing than by listening. Better skill building programs reinforce the use of these newly learned skills in our work environment, and then eventually creating barriers to the use of outdated practices. Great skill building programs embellish this approach by addressing the practical constraints to change such as time and complexity as well as the emotional barriers that impede change.

We also need to incentivize change. Interestingly, research indicates that money is an expensive and often ineffective way to motivate people. For many organizations, it is difficult to link the result of change with the compensation system. It can also be difficult to measure and compensate individual performance in a way that is perceived to be fair by everyone. Fortunately, research also shows that for most of us satisfaction equals perception minus expectation, meaning that small, unexpected rewards can have a disproportionately favorable impact. Hence, rewarding behavioral changes can be accomplished creatively and inexpensively.

Putting these Principles into Action

Undoubtedly, all of the nine principles to organizational strategy outlined in this paper are included in some measure in our discussions at the leadership level. And, intuitively, we all understand their importance. Yet, we often fail to successfully develop and execute strategies that meet expectations. As leaders, it is our responsibility to continually remind ourselves and our organization of the importance of each of these principles and to put them into action.
## 9 Key Principles to Organizational Strategy

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<th>Summary</th>
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<td>Bundle strengths to differentiate products and services and increase the difficulty of replication by competitors</td>
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<td>2. Target Growth at a Granular Level</td>
<td>Target opportunities, focus, and resources at white spots in the market</td>
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<td>3. Be Insightful</td>
<td>Leverage privileged information, customer feedback, and trends to combat the pitfalls of status quo thinking</td>
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<td>4. Hedge your Bets</td>
<td>Research and pursue a portfolio of initiatives to increase the likelihood of overall success</td>
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<td>Do not allow natural human and organizational biases to cloud sound judgment</td>
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<td>6. Recognize that Tradeoff Decisions must be Made</td>
<td>Rebalance our finite pool of financial and people resources to align our capabilities with the strategy</td>
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<td>7. Create an Agile Organization</td>
<td>Empower decision making in areas where we need to be swift, nimble, and alert to needs and opportunities</td>
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<td>8. Lead with Conviction</td>
<td>Foster teamwork across the leadership team and remain aligned, clear, and evangelical regarding the strategy</td>
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<td>9. Motivate Change</td>
<td>Be a role model, and recognize change must appeal to the unique, personal motivations of each team member</td>
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Like many professionals, our success is limited by the quality of our tools and how adept we are at using them. Please consider including these principles in your personal and corporate toolkit as you lead your organizations forward. Good luck in your journey!

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