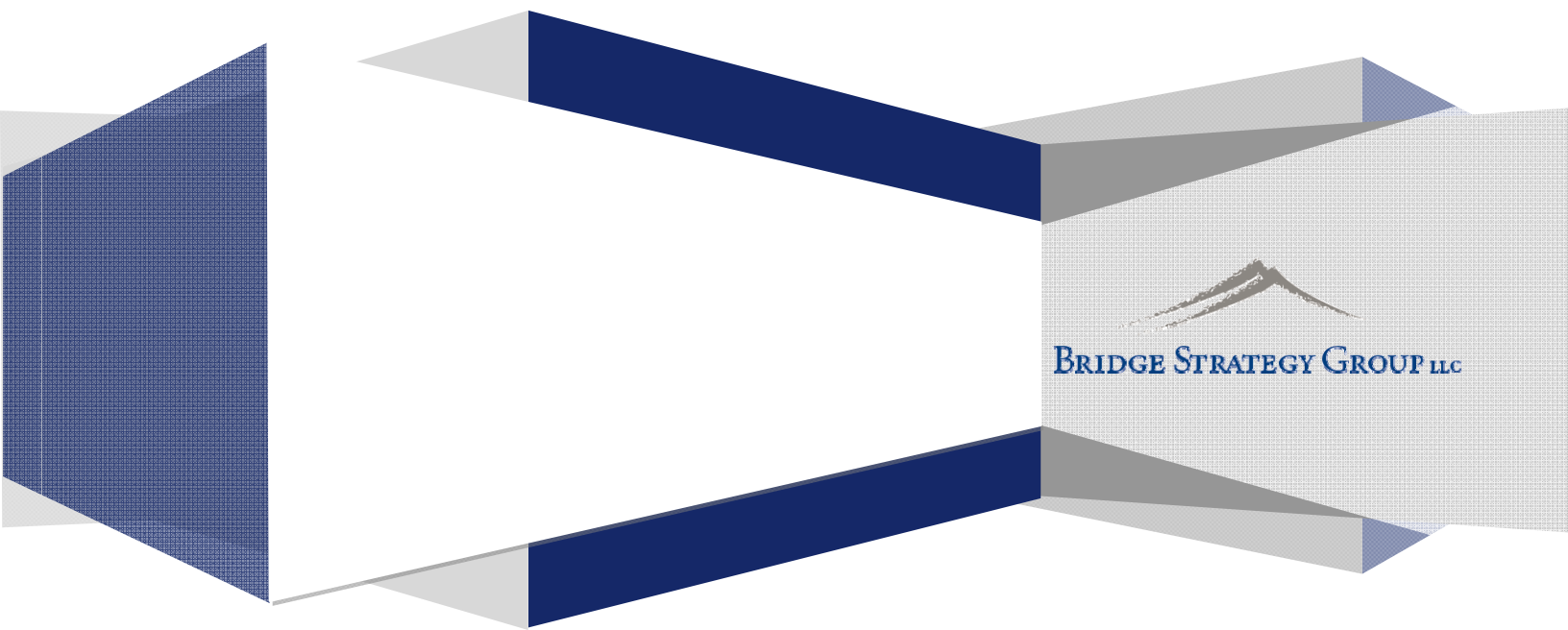


Information Platforms

The Foundation of Strategy Development



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Symptoms of Insufficient Information for Strategy Development:

1. *Frequent debates arise over the relevance of different sources of market, competitive, & business performance*
2. *Decision-making is inhibited by strong, conflicting, and impossible-to-prove opinions*
3. *The firm's strategic plan/vision changes frequently, or is not tied in a meaningful way to the business tactics and budgets*
4. *The strategic plan is generally considered by the rest of the organization to be unattainable*

"Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances."

Sun Tzu
Chinese military strategist
circa 490 BC

"However beautiful the strategy, you should occasionally look at the results."

- Sir Winston Churchill
English statesman
1874-1965

inevitably, in the course of a business's lifecycle, it becomes necessary for a company to rethink its strategy. In fact, we would agree with Sun Tzu that companies that do not regularly rethink their strategies and tie them back to business results do so at their own peril. Yet a surprising number of companies have not put in place a regular, systematic, data-driven process to achieve this. While there are many reasons for this, we have observed that one frequently cited reason is the perceived amount of work it takes to prepare for a "strategy overhaul." Companies often do not have at hand the level of synthesized data needed to conduct the appropriate analyses, and the burden of gathering this information all at once is daunting. As a result, they typically have one of three reactions:

- a) Give up on strategy development altogether as an explicit process;
- b) Default to a strategy that is based on a consensus of opinions rather than facts – or even worse, one person's opinions, often the CEO;
- c) Call in the consultants for an all-out assault to gather the data as quickly as possible (usually just in time to get a hastily-conceived strategic plan to the board for the annual review).

The science of strategic planning begins with reconnaissance: the gathering of information about the operational environment and enemy strength, position, and capabilities.

This same information gap which makes strategy development difficult also manifests itself in the notion expressed by Sir Winston – that the effectiveness of the current plans, such as they are, should be directly tied back to the *results* that they generate. We believe that fundamental strategies should not see dramatic change on an episodic basis, but rather more continuous adjustments as markets evolve and competitors shift their positions. The goal of this article is to discuss a better approach to data gathering and information processing to support such a strategy development process.

STRATEGIC PLANNING AND RECONNAISSANCE

The practice of strategic planning originated in the military, and is defined in the dictionary as the “science and art of combining and employing the means of war in planning and directing large military movements and operations.” The *science* of strategic planning begins with reconnaissance: the gathering of information about the operational environment and enemy strength, position, and capabilities. This information then forms the foundation for the *art* of scenario development and strategic planning. Military strategy requires a deep understanding of the present situation as well as the vision and creativity to develop future scenarios and plans.

Strategy development principles are widely applied in business environments today, generally as guidelines for the annually recurring corporate planning process. The corollary practice of reconnaissance is less ubiquitous, and more unevenly executed. Firms’ approaches to gathering strategic information tend to fall into one of four categories: 1) information is not deliberately collected, and the strategy is based upon intuition and bits of information collected by participating individuals; 2) the firm engages in an exhausting and hurried effort to gather the necessary information immediately prior to the strategic planning kick-off; 3) the firm collects mountains of disconnected information but does not process it; or 4) the firm engages in a continuous and conscious effort to gather strategic information throughout the entire year.

The first three approaches to business reconnaissance often feed unwieldy, unverified or conflicting data into the strategy development process. The resulting ambiguity requires additional research or guesswork to resolve. Strategies based upon such shaky information are often timid or misdirected.

In contrast, a firm that engages in continuous reconnaissance understands its current situation and has already developed potential stratagems for resolution prior to the launch of the strategy development process. In fact, because the firm is constantly

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monitoring its environment, minor strategic issues are identified early and addressed as they arise. Areas of strategic blindness have been resolved and areas where assumptions are required clearly identified. Since information gathering and processing requires collaboration throughout the organization, agreement on the state of operations and environment has already been garnered. With this solid information base, strategic discussions are focused on clearly identified emerging threats and opportunities, and the resultant strategy grounded in a solid fact base.

Continuous reconnaissance is not free; it requires organizational investment in resources responsible for information gathering, vetting, and dissemination. Depending on the complexity and mutability of the environment, a number of individuals may need to be dedicated to the effort. However, given that organizational success and survival depend upon decisions made during the strategy development process, the investment is clearly justified. Furthermore, the firm is prepared to address asynchronous strategic opportunities when they arise, such as an unexpected change in the economic outlook or unanticipated activity by competitors.

Best practice continuous reconnaissance is embodied by firms that identify, develop, and maintain essential areas of strategic information, which we call Information Platforms. Information Platform development consists of three steps: 1) Identify and define information platforms; 2) Assign and cultivate information platform ownership; and 3) Develop information platform infrastructure.

STEP 1: IDENTIFY AND REFINE INFORMATION PLATFORMS

Business landscape assessment tools and frameworks are very simple: Porter's Five Forces, SWOT, PEST, STEER, etc. Yet assessing a firm's situation, identifying options for action, and making decisions can be incredibly difficult. Part of this difficulty is the result not just of the uncertainty of the future but also the ambiguity of the present. Executives often have a surprisingly cloudy view of their own operating environment, from both an internal and an external perspective. Valuable data generated internally may not be collected or analyzed.

External information can be too aggregated or general to apply the company's specific situation. The first step to rectifying this problem is for executives to identify key areas of strategic information need.

All firms need to be aware of both their operating environment and their own operations. In order to cultivate this awareness, we recommend the development of Information Platforms in each of the areas described in **Table 1** below.

Table 1

| Information Platform | Information Need |
|-----------------------------------|--|
| Macroeconomic & Regulatory | Macroeconomic trends, projections, and potential business impacts. Emerging geographic or regulatory areas of opportunity. Regulatory changes potentially affecting the business. Options for influencing development of future legislation. |
| Market & Competitive Intelligence | Target market size and trends (volume and revenue). Primary and emerging competitors, their strategies, and their pricing. Industry alliances, risks, and benefits to membership. |
| Customer Needs & Trends | Current and prospective customer product and service needs. Current customer volumes, revenues, profitability and level of satisfaction. Customer segmentation. |
| Production and Delivery | Trends in company sales, production volumes, and production costs. Options for investment or divestiture. Opportunities for operational improvement and associated cost/benefit. Areas of supplier risk and options for mitigation. |

Depending upon the nature of a firm's business, additional platforms may also be required in order to fully comprehend the factors affecting company. In the case of a technology services firm that we assisted with Information Platform creation, we created two additional platforms, which are outlined below in **Table 2**.

Table 2

| Information Platform | Information Need |
|--|--|
| Downstream Value Chain | Volume, cost, and capability trends in the consumer products into which the firm's customers' components are integrated. Industry alliances and joint development programs. |
| Upstream Value Chain & Ecosystem Alliances | Major participants in the design and development value chain and associated product/service offerings. Options for various collaborations such as partnerships, alliances, acquisition and associated costs. |

While many information gathering efforts concentrate on the selection or development of an optimal tool, we encourage our clients instead to focus on identifying the best information sources, use ingenuity to fill information needs, and promote organizational alignment.

STEP2: CULTIVATE INFORMATION PLATFORM DEVELOPMENT

Developing insightful Information Platforms takes a concerted effort to collect, consider, analyze, and synthesize large amounts of disparate data and knowledge. While many information gathering efforts concentrate on the selection or development of an optimal tool, we encourage our clients instead to focus on identifying the best information sources, use ingenuity to fill information needs, and promote organizational alignment. To truly facilitate this process, the appropriate executives need to be engaged as new information sources are selected, old information sources are jettisoned, and knowledge coalesces.

Additionally, in order to coordinate this messy and complicated effort, a clear owner must be assigned to each Platform. This individual is responsible for the collection, synthesis, and distribution of information associated with each Platform. When information conflicts arise, it is the responsibility of the owner to resolve them, and when potential strategic threats are identified, it is the responsibility of this individual to escalate them to management. As owners integrate Platform maintenance into their routine, higher quality information is available continuously throughout the year and the mad scramble for inputs to the strategy development process diminishes.

The primary activities of an owner include:

1. **Collection and evaluation of industry data sources:** Identify and evaluate industry reports and databases. Determine whether the analysis and data is organized or disaggregated in a way that can aid strategic decision-making and whether the data agree with related sources and internal information. Evaluate the value provided by the data source and determine whether this value justifies the cost of subscription. Disseminate vetted information sources throughout the organization to serve as the basis for future analyses.
2. **Identification and collection of internal data:** Identify internal metrics that would provide insight into strategic issues or verification of external sources. Work with operations and business unit owners to determine the activities and systems required to collect these metrics. Champion important information collection activities and systems to the executive team.

Ideally, Information Platforms should be a permanent feature of the corporate landscape rather than a temporary effort organized solely to service the annual strategy development process.

3. **Collection of internal knowledge and solicitation of feedback:** Solicit information and feedback from internal experts and specialists, including sales and marketing staff. Many internal resources store valuable information on their hard-drives, in notebooks, and in their heads. Work with them to capture their knowledge in a central location and to identify creative sources for additional information.
4. **Tracking of environmental developments:** The owner should monitor the press for articles and announcements relevant to the platform, capture important emerging trends, and highlight developments that require immediate management attention.
5. **Flagging and filling information blind spots:** A significant amount of the information that a strategy development team would like to know is not available in a single location or report. The platform owner should search for alternate sources for difficult to quantify data and/or build models where the information can be derived without excessive assumptions. Information that is not known should be flagged as unknown and assumptions clearly stated rather than hidden inside of a complicated analysis.
6. **Synthesizing Information Platform intelligence into a report:** The users of the Information Platform will have limited time to process large amounts of data and analysis, so the owner must create a summary report of key strategic information and assumptions. This report should clearly reference vetted data sources, internal and external sources of intelligence, significant analyses, and key assumptions.

STEP 3: DEVELOP INFORMATION PLATFORM INFRASTRUCTURE

Ideally, Information Platforms should be a permanent feature of the corporate landscape rather than a temporary effort organized solely to service the annual strategy development process. Platforms that are active throughout the course of the entire year can flag potential shifts in the business environment, support ongoing and opportunistic strategic initiatives, and rectify internal disagreement. Fully leveraging Information Platforms requires supporting infrastructure. This infrastructure includes:

1. A centralized, searchable, and permission-managed depository for platform reports, data, and analyses, including an archive for historical documents.

Platforms that are active throughout the course of the entire year can flag potential shifts in the business environment, support ongoing and opportunistic strategic initiatives, and rectify internal disagreement.

2. A report distribution system that provides pushes the appropriate information to the right stakeholders at the right time
3. A year-long schedule for platform reports coordinated with external data availability and internal planning requirements but continuous in nature.
4. A feedback process for improvement in data collection, review, and dissemination.

SUMMARY

In the military world, the corollary to Information Platforms is surveillance teams sent out to gather intelligence and report back to HQ. In the business world, well-executed Information Platforms provide executives with a reliable and up-to-date information base for environmental assessment and strategic decision-making. Information Platforms are not a panacea that will solve all strategic woes--additional data collection and analysis focused on specific strategic issues and opportunities will need to be undertaken--but they will provide a solid foundation for a rapid and high quality strategy development process.

As Napoleon Bonaparte once said, "***War is ninety percent information.***"





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