Does Your Strategy Have a Spine?

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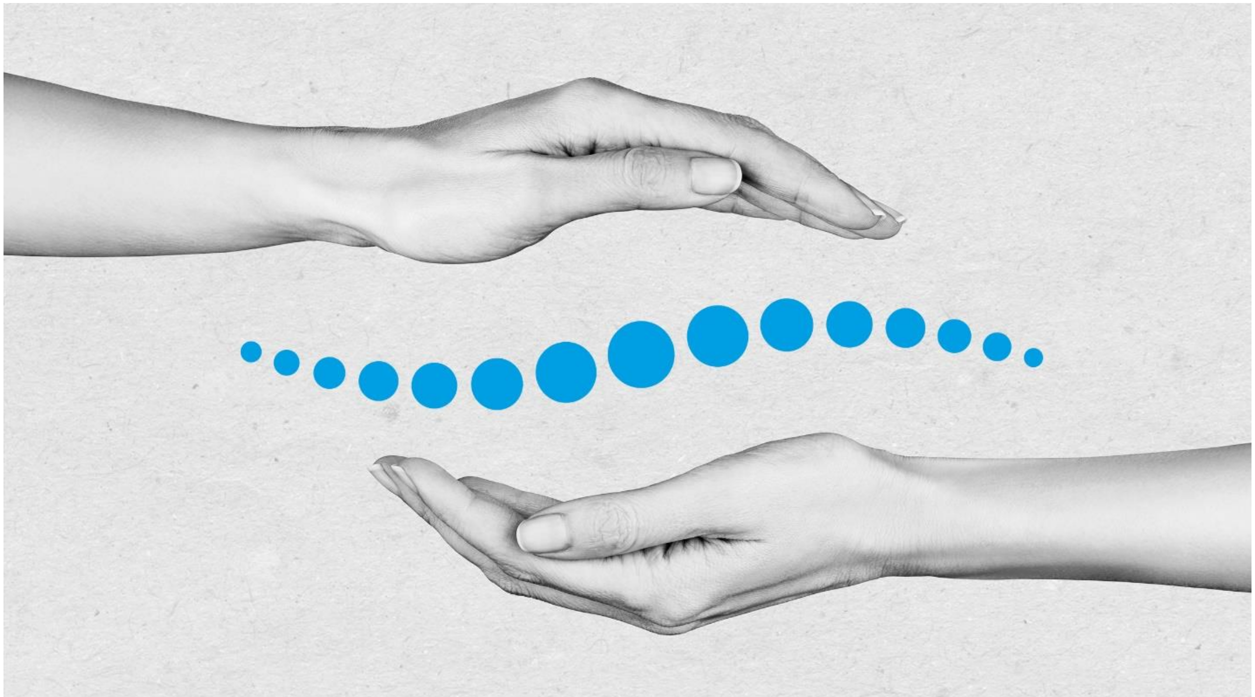

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For all the ink spilled on the concept of strategy, it continually proves to be a surprisingly slippery idea. In practice, leaders often struggle to define and communicate strategies to their team. In their 2008 article, "Can You Say What Your Strategy Is?" David Collis and Michael Rukstad don't mince words: "Most executives cannot articulate the objective, scope, and advantage of their business in a simple statement. If they can't, neither can anyone else."

Here, I'm going to describe a document that you can think of as a bridge between your strategy and the seemingly endless communications you need to make to get various stakeholders comfortable with backing it. I call it a "strategy spine" because it describes how the strategy translates into specific flows of resources. Much as your own spine serves to tie together many different parts of your body to create capability for movement, a strategy spine shows key stakeholders exactly how all the pieces fit.

Back from the Future

Before you can start building your strategy spine, you need to be clear on objectives, scope, and key advantages, for, say, a five-to-six-year timeframe. An exercise that I recommend is for those who are involved with creating the strategy to write a story from the future. Write it as though an admiring reporter for a leading publication in your sector were telling the story of your success.

What would that world look like? What experiences would customers be having that they would be willing to pay for? Which ecosystem partners will you be collaborating with? What kind of environment is it going to be like for your employees? If you are in a mission-driven organization, what kind of impact will you have had and for whom? Make sure that you mention the key decisions and resource allocation choices you have made along the way to that future success.

Through this process, what you will find is that you are going to be, intentionally or not, making choices about what things led to that success and what things could have detracted from it. Then, coming back to today, you can start to fill out your strategy spine document.

Creating the Strategy Spine

The strategy spine document consists of six elements, as follows:

- Sources of revenue: At the end of the day, if you don't know where your critical resources are going to come from, you have a long way to go to creating a durable strategy. A basic question here is who is going to provide funds to you? Through what vehicles? For what reasons? Using what business model? This will structure the whole rest of the document, so its critically important to be super-clear about this.

- Key assumptions. By definition, a strategy that moves your organization into the future is preparing for a world that doesn't yet exist. In this part of the spine, you'll lay out the most important assumptions you are making with respect to your sources of revenue. A big tendency you'll have to resist is to get defensive if you are challenged on your assumptions — don't fall into the trap of trying to be right when what you should be doing is learning.

- Key Goals by your time horizon: Next, spell out the metrics that your stakeholder can use to determine if you are making progress toward your key objectives, at some future point in time — say, in five years. Again, you'll be driving these metrics from your sources of revenue. The metrics may need to change over time as you convert your assumptions into knowledge, but it's helpful to have them laid out in written form. Otherwise, you may find yourself in a world of constantly changing goalposts.

- Revenue implications by your time horizon: Having identified the sources of revenue, key assumptions and goals, you now want to articulate what this all means in terms of the revenue the strategy will be creating when you reach your desired time horizon. This is a discipline very much related to discovery driven planning in which we suggest you define success before you even start working on a plan in uncertain conditions.

- Necessary supporting investments: This next step asks that you articulate the investments that are specific to creating a complete offering for each revenue provider. If you need to invest in technology, buy a physical asset, bring on a particular number of employees, whatever, this is where it belongs. What you want your stakeholder to understand is the connection between future potential revenue and investments made today.

- Additional infrastructure needs: Aside from investments to support each revenue source, sometimes you need to make basic commitments to keeping things up to date. This may be investing to retire legacy systems, bringing physical infrastructure into the modern age, updating old equipment, and so on. The distinction here is between stuff you need to invest in to operate at all, and the things that are specific to a particular part of your strategy.

To show what an actual spine looks like, I'm going to look at a well-known firm tackling a big new opportunity. I'll begin by describing the firm's strategy and I'll then fill out what could have been that company's strategy spine. I should note that I am not working with the company referred to nor do I have any insider information.

Unilever's Positive Beauty Growth Platform

In September of 2021, consumer packaged goods giant Unilever kicked off a new venture, called the Positive Beauty Growth Platform. It's part of a larger strategy for the firm which is aimed at linking together the twin issues of inequality and environmental sustainability. Sustainable brands already represent high-growth opportunities for the firm, as it reported in 2019 that its purpose-led brands have outperformed the others in its portfolio in terms of growth.

The platform seeks to fund startups and scaleups to give it a cutting edge look at the changing way in which people are buying, most notably through mechanisms involving social connections. Grandview research finds that this way of buying is worth about $474.8 billion in size today but is slated to grow rapidly to some $3.4 trillion by 2028. So this is a classic investment in a set of options — investments with huge upside potential that you can access with a relatively contained downside.

One would want to know, when doing this for real, what the objectives are for the project to contribute to the personal care division. Although I'm not privy to this information, we can play around a bit with what we do know. The division's revenue in 2019 was some $24.5 billion and it has been growing successfully, according to Statista.

Clearly, one of the goals of this strategy is to meet customers where they are — which increasingly is not in conventional retail outlets for the kind of products Unilever sells. Indeed, Seb Joseph reports in Digiday that 8% of Unilever's total sales in 2020 were coming from e-commerce channels, as opposed to 6% the year before. If we figure that by the time the strategy is mature, e-commerce of some kind will represent 10% of the Division's sales, that implies investments to capture some $2.5 billion of consumer spending by those engaged in social activities combined with commerce.

A Strategy Spine for Unilever

Here's how Unilever might fill out the six components of a strategy spine for its Positive Beauty Growth Platform.

	Sources of social revenue			
	Livestreaming and shopping	**Shoppable media**	**Gaming and e-commerce**	**Group buying**
KEY ASSUMPTIONS	•Consumers will increasingly be influenced to buy personal care products accompanied by advice or demonstrations. •Trusted influencers, not retail outlets, are the new gatekeepers. •We can offer influencers enough value that they work with us without going independent. •Users are motivated to order during the livestream or else miss out on deals.	•The purchase experience will increasingly be integrated with content consumption, collapsing the traditional funnel. •Fast-moving consumer goods (FMCG) companies can reduce ad spending if they can sell directly without ads. •Working with other platforms can reduce our dependence on Big Tech companies such as Facebook and Google.	•People already purchase digital products as part of playing games; this will extend to physical products as well. •Partnerships with technology and game producers will yield ever-better platforms through which to sell our products. •Even post-pandemic, gaming will continue to be an important way in which people (especially young people) socialize and connect.	•The Tupperware buying experience can go digital. •Group shopping proves attractive to shoppers looking for both social connections and other benefits (such as a discount). •The community-buying model created by entities such as Kickstarter and GoFundMe takes off in other areas of commerce. •Customers enticed to group buying by deals will make future purchases.
ILLUSTRATIVE KEY GOALS, 2026	•Be present at 35% of all livestream events featuring our products or competitors' products. •Be among the top five players in share of mind when users are logging on.	•Have offers available for at least 50% of all target customers' content-consumption time.	•Have partnership agreements with the five largest-footprint game developers.	•Capture 25% or more of group-buying dollars for beauty and self-care products.
REVENUE IMPLICATIONS BY 2026	Not specified; being an outsider I wouldn't know, but you'd want to put an aiming point for revenues from this revenue source for about five years out. Based on the above information, the four sources of revenue would have to total to about $2.5 billion in new revenue (or retained revenue) to be considered successful.			
SPECIFIC SUPPORTING INVESTMENTS REQUIRED	•Create a tech stack that supports shopping + livestreaming: video, product info, chat, reaction space, on-demand options, coupons, and purchase completion. •Invest to create loyalty levels.	•Integrate payment and fulfillment solutions across multiple platforms. •Make prices, product information, and stock information consistent across platforms.	•Offer partnerships and investments with game designers to make working with us attractive. •Invest in the software needed to integrate purchasing into the gaming environment.	•For this idea to work in the West, an omnipresent social commerce app, such as those currently at work in China, would need to be developed. Otherwise squad shopping is unlikely to take off.
INFRASTRUCTURE	•Flexible e-commerce systems that support multiple platforms •Secure systems that are not vulnerable to hacking or misuse •Back-end customer identification, loyalty, and group identification processes			

A Hypothetical Strategy Spine

The exhibit The Strategy Spine shows what it might look like, all filled out. Without insider knowledge, it's hard to put specific numbers and goals in the boxes, but I'll offer some illustrative examples.

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How should you use the document? You can think of this as a living document bringing the principles of agile working to strategy — you can create one, learn more, get feedback, and update it as new information comes in. What it allows you to see, in a simple format, is how all the different pieces of revenue and investment fit together — or don't. You can now use it to work backward to establish the annual metrics and goalposts that becomes part of your operating plan. This way, you can modify the plan as you test your assumptions and learn more about what is viable or not. Good luck!