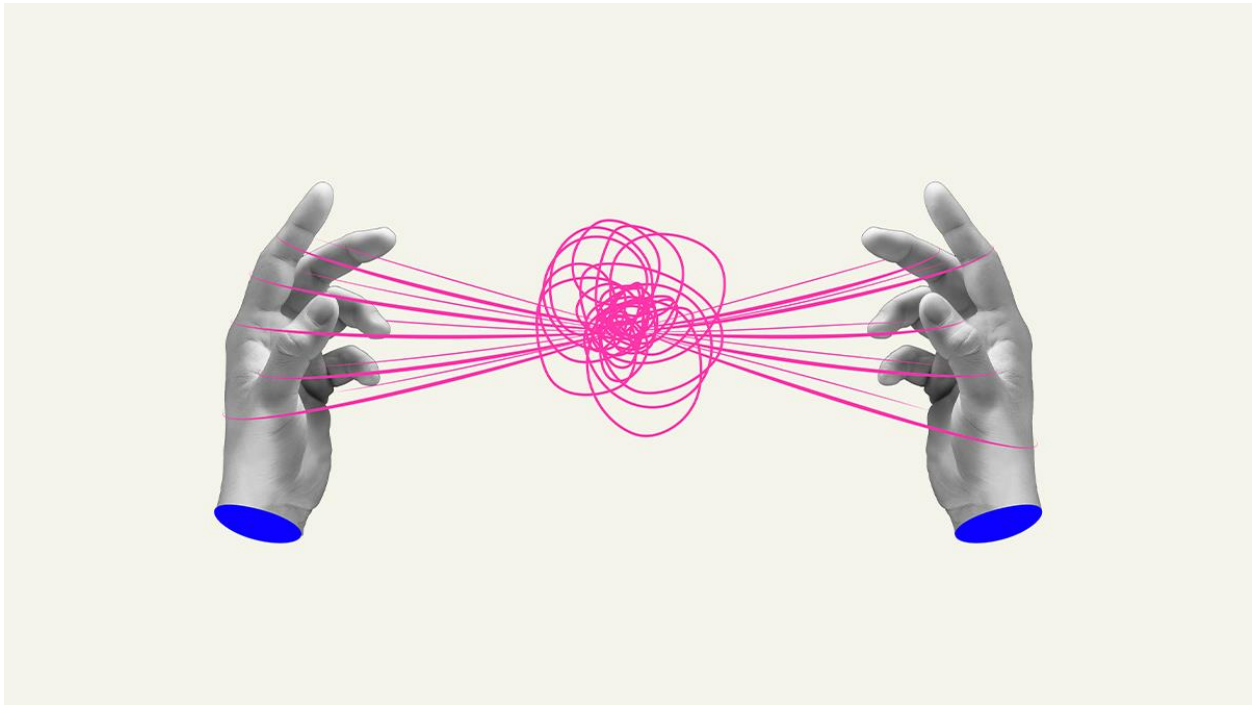


# The Hard Questions to Ask When Planning Your Strategy

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'Tis the season for annual strategic planning. For most companies, the process is a spectacle — a ritualistic game of jump ball for budget where emotions run high and departments defend their turf. Marketers cringe as non-marketers dish out “expert” wisdom. Salespeople shake their heads at the mention of “stretch goals.” And every business unit believes it is the chosen one.

Everyone knows this corporate song and dance costs a ton of time and resources. Employees endure the meetings, despite knowing that sidebars, pre-meetings, and post-meeting debriefs are where many decisions are actually made. CEOs watch their teams compete and cajole for budget, despite the fact the company is tied to one profit and loss statement and stock price.

To try to solve this problem, try shifting your organization from strategy planning to strategy therapy.

Strategy planning is a rational, more external, analytic exercise that focuses on the market. The answer to a healthier and more productive annual strategy planning process is not additional analysis, but increased honesty. Strategy therapy is an emotional, more internal exercise that focuses on self-awareness. We're not talking about team-building and trust falls, or an exact

parallel to traditional therapy, but rather a path toward transparency and truth. Strategy therapy uses the same kinds of analyses and frameworks as strategy planning, but it forces leaders into hard discussions they don't want to have.

First, let's simplify strategy planning. Strategy feels complex because academics, consultants, and other experts benefit from the perception it is complex. But strategy is as simple as answering three questions as honestly as possible.

- **Where are we now?**
- **Where do we want to go?**
- **What is a credible path to get there?**

One reason most companies fail right out of the gate is because they do not answer "Where are we now?" with real honesty about their strengths and weaknesses.

Many market leaders do not truly understand why they are number one, largely because many of the executives who are running market-leading businesses inherited the business and their market leadership. They can no more explain their success than a trust fund kid can explain how to build wealth. Because the strengths of their business are often inherited rather than something they built themselves, executives may fail to fully understand and pinpoint their one true source of strength.

Non-market leaders make similar but inverse assumptions. These leaders are also trapped in the past. They assume they are weak across the board vis-à-vis the market leader. Even if they believe they have strength, they lack a challenger brand mindset and assume failure is more likely than success.

The key to answering "Where are we now?" with a strategy therapy mindset is to be embarrassingly honest about your core belief regarding strategy and the one true strength of your products, company, and category. The first step is to admit you have a problem.

There are three sub-questions we force leaders to ask themselves.

1. What is the one thing that makes our business special?

Is it your product? If so, is it the benefits, experience, or price? Or is it the company because of your marketing, sales, or supply chain? Or is it that neither your product nor company is special, but you are in the right category at the right time?

This is an excruciatingly painful exercise. What product person wants to admit their product is not special, but they win because of supply chain excellence? What marketer wants to admit that their marketing is not unique, but they win because they have an awesome salesforce?

Feedback from leaders who have gone through the process have said facing the pain upfront makes the entire strategy planning process go faster, smoother, and easier because everyone is honest and on the same page.

2. How special is the one thing that makes our business special?

Just because your product is special to your company doesn't mean it is special to the category. Classical strategy planning exercises can be very useful for this question, if used to force brutal honesty.

Price elasticity tells the truth about your product or service. Can you raise the price by 10% tomorrow without losing much volume? Just thinking about this makes most leaders sweat. If you can't command a price premium, don't say your product is special to the category.

Marketing mix modeling tells the truth about your marketing. Did you win awards? Good for you, but does the math say a dollar of marketing spend yields more than a dollar of gross margin? Marketing that does not produce revenue or market capitalization is just arts and crafts.

Benchmarking advertising spend to sales tells you the truth about your product and brand. If your product and brand are so special, why do you have to spend billions on advertising trying to convince consumers that your products are unique? Robert Stephens, the founder of Geek Squad, said it best, "Advertising is the tax you pay for being unremarkable."

Source of volume analyses tells you how different your product, company, and category are. You grew market share last year? That's awesome, but where did the share come from? If it came from other competitors, the customer is saying you are substitutable. Or are you adding entirely new types of consumers to the category, like video games are adding middle-aged women gamers playing casual games? You are doing something different!

3. How far are we willing to go to make the one thing be truly special?

There are three levels of specialness to aspire to — be better, be the best, be different/unique. The vast majority of leaders settle for better versus aspiring to be the best or different.

Being better is only about being the winner by competing and defeating others. There is no greater mission than to be the number one market share leader. Cost leadership and economies of scale matter more than consumer benefits and innovation. Earnings before interest, taxes, depreciation, and amortization (EBITDA) is driven by volume and operating leverage.

Being the best is about improving and increasing the price premium. This is where R&D, innovation, and brand are paramount. EBITDA is driven by pricing and gross margins.

Being different is about designing and differentiating. These companies identify a category problem and articulate a radically different point of view. They drive product, business model, and data innovation that drives EBITDA via highly incremental topline sales and much higher gross and operating margins.

Our work has proven that "being different" as a category designer makes a company far more profitable. Yet the vast majority of companies unconsciously choose a "be the winner" strategy, largely because that is what they have been taught. Many executives we run into believe strategy is a zero-sum game — for them to win, competitors must lose. This is not surprising, as much of traditional strategy thinking comes from military strategy. One of the most famous books on strategy by Michael Porter is literally called Competitive Strategy.

But is that actually true? Apple and Microsoft competed over operating systems. Now, they are largely complementary trillion-dollar market cap companies because they chose to design and differentiate different futures.

In strategy, the instinct to compete may mask deeper, more important questions. Do we really want to take market share from the other company? Or are we unsure if our ability to truly innovate measures up?

Toyota's North American vision is "To be the most successful and respected car company in America" (e.g., "be the winner"). BMW Group "aspires to be the most successful, most sustainable premium manufacturer for individual mobility" (e.g., "be the best").

Tesla's mission is "accelerating the world's transition to sustainable energy." This is clearly a "be different" strategy. Tesla opened their charging network to other brands. They've open-sourced their patents. They've offered to license their full self-driving software to others. Is this good business? Likely yes, but in the long run — in the short term this carries costs. But would Toyota or BMW have done the same?

The choice to be better, the best, or different is rooted in a leader's fundamental belief about whether the world is full of scarcity or abundance. Leaders who default to scarcity often compete to chase market share with little regard for the long view. Leaders who default to abundance fall in love with innovation or category design and create a new future that solves existing problems the present category cannot solve. Most executives have never really examined their belief system at their core.

This is why strategy therapy matters more than strategy planning. Strategy therapy is about brutal honesty and embracing a seemingly naïve belief in abundance. Honesty is a superpower available to all, and abundance creates new possibilities and the greatest strategies.