

STRATEGY AND LEADERSHIP

Does your company matter?

That's the most important question every leader must answer.

If you closed the doors of the business today, would your customers suffer any real loss?¹ How long would it take, and how difficult would it be, for them to find another firm that could meet those needs as well as you did?

Most likely, you don't think about your company and what it does in quite this way. Even if you've hired strategy consultants, or spent weeks developing a strategic plan, the question probably still gives you pause.

If it does or if you're not sure how to respond, you're not alone.

I know this because I've spent the better part of my life working with leaders on their business strategies. Again and again, I've seen them struggle to explain why their companies truly matter. It's a difficult question.

Can you answer it?

If you cannot, or if you're uncertain of your answer, join me as I explore this question with a group of executives now gathering.

It is evening on the campus of the Harvard Business School. The kickoff orientation to the Entrepreneur, Owner, President program ("EOP" for short), one of the flagship executive programs at the school, is about to

commence. Along with five of my fellow faculty, I sit in the “sky deck,” the last and highest row of seats, in Aldrich 112, an amphitheater-style classroom characteristic of the school, and watch as the newest group of executives stream into the room.

I see that there are considerably more men than women, and that the majority appear to be in their late thirties to mid-forties. Most exude an air of seasoned self-confidence. That’s no surprise—they’re all owners, CEOs, or COOs of privately held companies with annual revenues of \$10 million to \$2 billion—the kind of small- to medium-size enterprises that drive much of the global economy. Most arrived on campus within the last few hours and have had just enough time to find their dorm rooms and meet the members of their living groups before heading here to Aldrich.

The information they provided in their applications tells part of their stories: Richard, a third-generation U.S. steel fabricator; Drazen, CEO of a media firm in Croatia; Anna, founder and head of one of the largest private equity groups in South America; and Praveen, the scion of a family conglomerate in India. But this is just a taste of their diversity and accomplishments. The richer details and the breadth of the class will emerge in the weeks ahead.

As the clock ticks past the hour, some last-minute arrivals burst through the door. They are typical first-time EOPers in their lack of concern about being late. Most of these people hail from worlds where meetings don’t start until they arrive. That will change in the coming days, as they make the adjustment from the top-of-the-line leather chairs in their offices back home to the standard-issue seats that line the classrooms. Indeed, for their time here, they will be without many of the supports they rely on in their daily lives, such as administrative assistants and subordinates to whom they can delegate work and problems. Families are strongly discouraged from living near campus and are prohibited from dorms once classes begin. BlackBerrys and cell phones are allowed, but never in class.

A final hush settles as the program begins with an overview of who’s

here: 164 participants from thirty-five countries, with a collective 2,922 years of experience. Two-thirds of their businesses are in service industries, the remainder in manufacturing.

They are here to participate in an intensive management boot camp for experienced business leaders. It spans topics in finance, marketing, organizational behavior, accounting, negotiations, and strategy, and runs for nine weeks in total, divided into three three-week sessions spread over three years. Between sessions, students return to their businesses and start to apply what they have learned. Debriefs the following year are an opportunity for feedback and reflection on what has worked and what hasn't. This structure has given the faculty an exceptional opportunity to develop a hands-on curriculum that brings theory and practice much closer together, even for a school that has always championed the connection.

Why do these talented, seasoned managers from every major world culture come to this program? As heads of their companies, why do they elect to spend tens of thousands of dollars to send *themselves* to school?

THE VIEW FROM THE BALCONY

If past participants are any indication, these executives have not come to seek specific answers to narrow questions. They have come to learn how to be more effective leaders and to find ways to make their businesses more successful. Successful in what ways, and through what means, for most, is still an open question. They are here to throw themselves into the program, to be challenged, to discover what they might learn in this environment.

This experience will be an important juncture for many, in their careers and even their lives. What they learn here will lead them to think in broader, more far-reaching ways. To explain how this happens, I've always liked the metaphor of a dance taking place in a great hall.² Most dancers spend all their time on the dance floor, moved by the music, jostled by dancers around them, completely absorbed in the flow.

But it's not until they extricate themselves from the crowd and move to the balcony above that the larger picture becomes clear. It is then that overall patterns become apparent and new perspectives emerge. Often these reveal opportunities for better choices about what to do down on the dance floor.

Many EOPers have spent years without ever leaving the dance floor. Absorbed by the day-to-day challenges of running a business, they've never gone to the balcony. On one level, our job is to help them understand the value of going to the balcony in the first place. On another, it is to equip them with the tools to see their dances in new ways, ways that reveal options they may never have considered before.

THE STRATEGY COURSE

When it's time for the faculty to introduce their courses, I stand and give a quick summary of the work we'll be doing in strategy. Like most businesspeople, these managers are likely to be familiar with at least a vague definition of strategy. The word itself comes from the ancient Greek for "general"—specifically for the general on campaign in the field. In business, strategy is a company's campaign in the marketplace: the domain in which it competes, how it competes, and what it wants to accomplish.

We will begin our journey with the fundamentals—what strategy is, how to craft it, and how to evaluate it. We'll then push the envelope on current practice by challenging strategy's elusive goal—the long-run sustainable competitive advantage—and introduce a dynamic model of strategy that is better grounded and better suited for the competitive realities most managers face.

All of this material is prelude to the last and most challenging task they will face here, when every member of the class will be asked to apply the concepts and frameworks we've been studying to their own companies and present their own strategies for critiquing by their EOP colleagues. The exercise takes several days and, in the end, the class

votes on a winner, what they consider the “best strategy” in the group.

This step from the general to the highly particular, from the objective to the subjective, is where things become profoundly real for most executives. This is when the appraisals of cases—now *their* cases—get deadly serious and the discussions especially heartfelt. These are competitive people. A spirit of intense rivalry prevails. Most refine their strategies through multiple iterations, often working through the night for one more iteration. These weeks are arduous for some, exhilarating for others, and, for most, a healthy mix of both.

GETTING TO THE REALITY OF YOUR STRATEGY

Having seen hundreds if not thousands of such strategies in their initial form, what is clear to me is this: Many leaders haven’t thought about their own strategies in a very deep way. Often, there is a curious gap between their intellectual understanding of strategy and their ability to drive those insights home in their own businesses.

Some EOPers find it extremely difficult to identify why their companies exist. Accustomed to describing their businesses by the industries they’re in or the products they make, they can’t articulate the specific needs their businesses to fill, or the unique points that distinguish them from competitors on anything beyond a superficial level. Nor have they spent much time thinking concretely about where they want their companies to be in ten years and the forces, internal and external, that will get them there.

If leaders aren’t clear about this, imagine the confusion in the businesses three or four levels lower. Yet, people throughout a business—in marketing, production, service, as well as near the top of the organization—must make decisions every day that could and should be based on some shared sense of what the company is trying to be and do. If they disagree about that, or simply don’t understand it, how can they make consistent decisions that move the company forward? Similarly, how can leaders expect customers, providers of capital, or other stake-

holders to understand what is really important about their companies if they themselves can't identify it? This is truly basic—there is no way a business can thrive until these questions are answered.

Even so, the exercises in EOP are designed to do more than set high standards, communicate concepts, and improve participants' existing strategies. The overarching goal is something different, something deeper and more personal. It is to make clear to these executives that strategy is the heart of the ongoing leadership their companies need from them. That's why competition for "best strategy" is so hard fought and generates so much energy. CEOs, accustomed to asking questions and being deferred to, are challenged by their peers and encouraged to think and rethink parts of their strategies they'd taken for granted. Most of them describe it as a pivotal experience that fundamentally changes their views of their own businesses.

Behind the scenes, though, the real contest is closer in: It's each of these leaders pushing their own ideas to the increasingly high standards they themselves have come to demand of excellent strategies and of themselves as leaders. It's that process, more than any short-term answers they might find here, that will serve them well in the long run.

LEADERSHIP AND STRATEGY ARE INSEPARABLE

Many leaders today do not understand the ongoing, intimate connection between leadership and strategy. These two aspects of what leaders do, once tightly linked, have grown apart. Now specialists help managers analyze their industries and position their businesses for competitive advantage, and strategy has become largely a job for experts, or something confined to an annual planning process. In this view, once a strategy has been identified, and the next steps specified, the job of the strategist is finished. All that remains to be done is to implement the plan and defend the sustainable competitive advantage it has wrought. Or at least that's the positive take on the story.

But, if this were so, the process of crafting a strategy would be easy

to separate from the day-to-day management of a firm. All a leader would have to do is figure it out once, or hire a consulting firm to figure it out, and make sure it's brilliant. If this were so, the strategist wouldn't have to be concerned with how the organization gets from here to there—the great execution challenge—or how it will capitalize on the learning it accumulates along the way.

But this is not so.

What's been forgotten is that strategy is not a destination or a solution. It's not a problem to be solved and settled. It's a journey. It needs continuous, not intermittent, leadership.

It needs a strategist.

Good strategies are never frozen—signed, sealed, and delivered. No matter how carefully conceived, or how well implemented, any strategy put into place in a company today will eventually fail if leaders see it as a finished product. There will always be aspects of the plan that need to be clarified. There will always be countless contingencies, good and bad, that could not have been fully anticipated. There will always be opportunities to capitalize on the learning a business has accumulated along the way.

The strategist is the one who must shepherd this ongoing process, who must stand watch, identify and weigh, decide and move, time and time again. The strategist is the one who must decline certain opportunities and pursue others. Consultants' expertise and considered judgments can help, as can perspectives and information from people throughout an organization. But, in the end, it is the strategist who bears the responsibility for setting a firm's course and making the choices day after day that continuously refine that course.

That is why strategy and leadership must be reunited at the highest level of an organization. All leaders—not just those who are here tonight—must accept and own strategy as the heart of their responsibilities.

I say little of this tonight in the classroom. But it is on my mind as I return to my seat in the sky deck and reflect on all the would-be strate-

gists I've worked with over the years as well as those of you who are just starting out. My hope is that you will come not only to understand the vital role of the strategist, but also to embrace it for yourself.

Five years ago, when I first started teaching in EOP, I heard the program described as challenging and transformative. At the time, "challenging" struck me as right, but "transformative" seemed closer to hype. Having seen it happen again and again, I now share the optimism.

As our orientation session draws to a close, I join the executives and fellow faculty as we head en masse to Kresge Hall for cocktails and dinner. Our work is about to begin in earnest.

In all my classes, I pose one fundamental question: "Are you a strategist?" Sometimes it's spoken, often it's only implicit, but it's always there. We talk about the questions strategists ask, about how strategists think, about what strategists do. My intent is not to coach these executives in strategy in the way they might learn finance or marketing. As business leaders, they aren't going to be functional specialists. But they do need to be strategists.

Are you a strategist?

It's a question all business leaders must answer because strategy is so bedrock crucial to every company. No matter how hard you and your people work, no matter how wonderful your culture, no matter how good your products, or how noble your motives, if you don't get strategy right, everything else you do is at risk.

My goal in this book is to help you develop the skills and sensibilities this role demands, and to encourage you to answer the question for yourself. It's a difficult role and it may be tempting to try to sidestep it. It requires a level of courage and openness to ask the fundamental questions about your company and to live with those questions day after day. But little you do as a leader is likely to matter more.