

## Executive Insight >> Thought Leaders

### Why Strategic Integration and Fit Drives Sustainable Results

In January 1925, speaking to the Bureau of Business Administration, Mary Parker Follett reflected, “It seems to me that the first test of business administration, of industrial organization, should be whether you have a business with all it’s parts so coordinated, so moving together in their closely knit and adjusting activities, so linking, so interlocking, that they make a working unit – that is not a congeries of separate pieces, but what I have called a functional whole or integrative unity.”

In November 1996, Michael Porter, writing in the Harvard Business Review, featured Southwest Airlines, IKEA and Vanguard as the essence of the application of strategy, highlighting the interconnectivity of activities (“fit”) that drives their competitive advantage and the sustainability of business success.

Seven decades and thousands of business books separate Parker Follett and Porter, but the importance of their common theme of strategic integration and fit is such a vital one to understand and apply in business today for companies to achieve sustainable competitive advantage. Too often we find that companies are not bound together with a common cause, or that energies are channeled to one particular effort to the detriment of other interdependent aspects of their business. This leads to dysfunctional operations, mixed messages, inefficient processes, waste, bureaucracy and poor results.

These dichotomies occur too often. Consistently, under-performing companies are those who are unfocused and misaligned. Impressive and successful companies are those with clarity of vision, well-defined strategy and integrated operations. The right strategic planning process, facilitation and determination can quickly close the gap between mediocrity and competitive advantage.

#### How to Close the Gap Between Mediocrity and Performance

Companies that undergo a rigorous strategic development process, examine critical issues, formulate effective strategies, determine choices and tradeoff’s and then integrate the resulting practices and priorities into effective operations create powerful and sustainable competitive advantages.

Good facilitation and a well-focused methodology can greatly accelerate the achievement of strategic objectives. A well developed and facilitated process should:

- Make optimum use of limited available management resource and time.
- Examine and correct the conditions that may inhibit change.
- Keep focus, encourage creativity, provide support and fill any capability gaps in the business.
- Assure that executives face the important issues and make decisions.
- Create detailed, effective, realistic and complete plans.
- Integrate and fit operational activities for sustainable competitive advantage.
- Identify and eliminate non-essential costs.

Using experienced facilitation and a proven process, a CEO should expect results that include:

- A core value discipline established for the business.
- A set of well formulated and clear strategies.
- A management team committed to the developed plans and directions.
- Detailed plans leading to tightly integrated operations and competitive advantage.
- Actions that shed unnecessary business costs and activities.
- Proactive development of core competencies.
- A systemic review process that ensures focus, alignment and continuous improvement.

This approach to strategy development is predicated on the careful examination of critical areas that will effect and shape a company's direction. Some of these are below.

Unless a company is able and committed to invest prudently in shaping its future, competitive time will rapidly elapse and recovery will be so much more difficult.

Conversely, focused effort and a disciplined approach will close the gap and transform a company to high levels of business performance and shareholder value.

Central to good strategy development is keen examination of these critical areas:

### **Industry Foresight**

Industry Foresight requires an examination of emerging trends and disparate actions going on in your industry and related industries. This inquiry provides a base of knowledge and insight to view the future and to help to shape strategic direction. Exploring the unseen requires a curiosity that is as deep as it is boundaryless.

### **Stakeholder Interests**

Stakeholder interests require the application of critical thinking techniques to the needs and priorities of all stakeholders. Doing so supports balance and congruence of effort, prevents myopia, and where disconnects emerge leads to conscious choices and decisions, rather than counterproductive inadvertent conflict.

A developed intimacy with customers, in particular, requires a real understanding of the deepest dynamics of their business and industry. It means developing strategies, shaping products and services, and providing differentiated solutions that are critical to their success.

Highly developed customer intimacy is a strategic imperative that ensures viable marketplace fit for products and services, and creates interdependence, sharing of knowledge and synergy of operation. The goal is not to be led by customer demands, but to exhaustively explore a deeper insight into potential benefits of unarticulated customer needs.

### **Competitive Insight**

Competitive Insight requires a systematic effort in gathering and analyzing information about competitors' activities to further your own goals. It allows for the anticipation of marketplace changes, the prediction (and discovery) of competitors' actions and the identification of new and potential rivals. It also enables learning from the successes and failures of others and the identification of technologies, products and processes that effect one's business.

### **Discontinuities**

Discontinuities refer to those dramatic shifts or radical changes that threaten and challenge to reshape your industry, customer expectations or the value chain, whether these emanate from technology, regulation, consolidation, globalization, changing labor markets, consumer dynamics or some other force. It is vital to examine and anticipate these discontinuities and to get them onto the strategic agenda.

### **Strategic Positioning**

Strategic Positioning takes you beyond pure operational effectiveness (performing similar activities better than rivals perform them) to a higher

strategic plain and allows you to apply critical thinking and determine how you can perform different activities than rivals or perform similar activities in different ways.

For in today's world competing purely on the basis of operational effectiveness becomes harder and harder every day. True innovation comes from identifying marketplace gaps before anyone else does and rapidly transforming operations in ways you can preserve.

### **Tradeoffs**

Tradeoffs create the need for choice and purposefully limit what a company offers. Companies that try to be all things to all customers risk ongoing operational disconnects, inordinate cost and dilution of purpose.

Confusion becomes the order of the day, as employees try to make day to day operating decisions without a clear framework. Conversely, by clearly choosing to compete in one way or another, and making definitive tradeoffs, senior management makes priorities clear and efficiency of operation can prevail.

### **Core Competencies**

Core Competencies (what you have, what differentiates you, what you need to pursue your strategies etc.) then comes to the foreground, and consideration of the expert requirements needed in knowledge and skills, methods, technologies, relationships and product services come under the microscope.

Substantive consideration of each of these critical strategic areas provides an essential platform for effective strategy development and implementation.

### **Key Implementation Steps**

1. Take a long hard look into the future, based upon analysis of diverse information sources and the development of a competitive intelligence process.
2. Maintain a continuous focus on stakeholder needs and priorities; anticipate and respond to discontinuities.
3. Engage broad-based constituencies in strategy development.
4. Make vital decisions and choices that drive strategic positioning, investments, tradeoffs and business activities.
5. Assess and leverage core competencies. Identify and develop the new ones needed to support strategy deployment.
6. Identify and decide the future of non-strategic activities and non-core competencies.

7. Build business plans and set priorities as direct outcomes of strategy formulation; integrate business activities tailored to the creation of strategic competitive advantage.
8. Convert strategy into application and tighten the integration every day.



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