

"What is Strategy and how can you incorporate it into what you do!"
For RampUpSolutions

January 28 @ 6 PM PACIFIC Time

The Four Basics Of Creating and Implementing High-level Strategy

With Mitchell Levy, Director and Chief Strategy Officer of the Silicon Valley Executive Business Program

"Tactics is knowing what to do when there is something to do.

Strategy is knowing what to do when there is nothing to do."

--Savielly Tartakover, Polish Grand Master

Ask any CEO or senior manager if they have a strategy and they'll say yes. But what really *is* strategy, how do you create it and how can you incorporate it into what you do?

To make things more difficult, the word "strategy" has more meanings, connotations and applications than almost any business term used today—*not* a good thing.

Whether you're a corporate CEO, an entrepreneurial founder, or owner of a small business you need strategy, i.e., consistent useable blueprints for both high-level and tactical actions. They are necessities for your long-term survival.

Join me and learn the 4 basic steps to creating a high-level strategy as well as evaluating the one you already have in order to improve it. The 4 basic steps are:

1. Crafting your vision
 - o Embodied in your 30-second pitch
2. Coming up with 3-5 goals that will allow you to achieve your vision
3. Putting the metrics in place to monitor the goals
4. Ensuring the metrics are part of the performance evaluations of your employees and *yourself*.

Depending on time and interest we will explore how to create the business models that will allow you to achieve your strategy.

DISCUSSION TRANSCRIPT

"What is Strategy and how can you incorporate it into what you do!"
For RampUpSolutions

MIKI: Welcome to RampUp Solutions' TalkBack program. RampUp specializes in management mentoring and business consulting in the areas of corporate culture, staffing, employee communications, motivation and in doing more with less—a necessity in today's business world. We host TalkBack as a way of demonstrating one aspect of our business mentoring skills: namely connecting you with other SMEs (subject matter experts) such as tonight's speaker, Mitchell Levy. If you think you or your company could benefit from management mentoring or would just like more information about our programs, please send an email to miki@RampUpSolutions.com for more info or phone us at: 866-265-7267.

MITCHELLEVY: Hello Folks, good to be here, Miki let me know when you'd like me to start.

MIKI: Hi Mitchell, It'll be a few more minutes. Give people a chance to come

MIKI: OK:) First, here's a little more about us. For those of you thinking/rethinking your career, goals and plans for 2004 and beyond (and everyone should do that at least once a year), you'll find RampUp Solutions' founder Miki Saxon's book, "The Swamp and the Alligators: a (slightly) irreverent guide to career planning and the search process," extremely useful. We're offering the book at a special TalkBack attendee price of just \$14.95 including S&H. Contact miki@RampUpSolutions.com for more info (we're working on our ecommerce section) and to order your copy.

RampUp Solutions also offers individual mentoring programs as well as corporate programs. By choosing mentoring from RampUp, you can be mentored by someone who regularly teaches managers "how/when/what and why to hire," and take advantage of a unique program that will teach you how to write a quickly customizable and extremely powerful résumé.

And now I'd like to introduce tonight's discussion, The Four Basics Of Creating and Implementing High-level Strategy with Mitchell Levy, Director and Chief Strategy Officer of the Silicon Valley Executive Business Program (<http://SiliconValleyPACE.com>). It's all yours Mitchell

MITCHELLEVY: Thanks Miki

DESCRIPTION: Ask any CEO or senior manager if they have a strategy and they'll say yes. But what really is strategy, how do you create it and how can you incorporate it into what you do?

For me, strategy sets the values and drives the structure and operations of the company. Done properly, it helps everyone in the company make the "right" decisions. If any employee is posed with a choice, the decision they make should be shaped by the strategy the company has deployed. In short, it sets the values

and helps to shape the marching orders.

DESCRIPTION: To make things more difficult, the word "strategy" has more meanings, connotations and applications than almost any business term used today—not a good thing.

There's often confusion with the phrases strategies and business models. Additionally, there's corporate strategy, business unit strategy and functional strategy. Tactical planning is also put into this category. I often hear CEOs treat strategy like a 4-letter word. "We don't do strategy at our company".

Unfortunately, these CEOs are causing 1 of 3 outcomes:

- 1) They have an intuitive understanding of the company and are forcing the company to revolve around this particular figurehead (empowerment is not part of this type of company)
- 2) They are forcing strategy to be done further down the organization below the CEOs radar
- 3) They are forcing the company on a path of its demise

Unless there are questions, let me share two definitions...

ROBLAUR: AT what point is it essential to have an articulated strategy? Don't most companies start with a "leaders" ideas?

MITCHELLEVY: Those ideas can come from the CEO, however, in Silicon Valley it often comes from the CTO as well. We can come back to that point.

Yes, most companies start with a leader's ideas. Let me go on.

Strategy is defined by dictionary.com as: "The science and art of using all the forces of a nation to execute approved plans as effectively as possible during peace or war."

Unfortunately, this was the best definition I could find. Substitute nation for company and one could certainly look at companies as always being at war.

JACKYHOOD: The Dictionary.Com definition sounds like tactics. Surely strategy precedes plans.

MITCHELLEVY: Yes, Jackie, it does sound a little tactical, let me get on with my comments on strategy, then we can address that question. I believe my remaining thoughts articulate a good response for you.

TOMBLOCK: it's war alright and differentiating the competition in the fog is like a blind man on a frog hunt, everything looks the same and the targets keep moving

MITCHELLEVY: So right you are Tom, the key is to figure out how to look at your competition, not just in it's current form, but in the form it may end up taking!

Hello TK, could to have you join us from Australia

MKIRSCHN: Can we hold out comments and questions until after the speaker has a chance to make his point? Thank you.

TK2: "...Surely strategy precedes plans..." So what is a strategic plan?

MITCHELLEVY: Let me share my thoughts on a strategic plan, then address some questions.

Getting back to definitions: Business models are defined by ECnow.com as a combination of Business Processes, Transaction Types, Participants and internal and external Influences that are combined together to produce a specified result.

DESCRIPTION: Whether you're a corporate CEO, an entrepreneurial founder, or owner of a small business you need strategy, i.e., consistent useable blueprints for both high-level and tactical actions. They are necessities for your long-term survival.

The 4 basic steps are:

1. Crafting your vision (Embodied in a 30-second pitch)
2. Coming up with 3-5 goals that will allow you to achieve your vision
3. Putting the metrics in place to monitor the goals
4. Alignment: Ensuring that the metrics are part of the performance evaluations of your employees

If you wouldn't mind picking up a PDF I put out there today, please either go here: <http://ecnow.com/consulting.services.htm> and click on "PDF of process" at the bottom of the page, or go directly here: <http://ecnow.com/ECnow.com.Strategy.Setting.Process.pdf>. Please let me know when a couple of you have picked up the PDF. Sorry it wasn't in the original notes.

JBZIEGLER: got it

MITCHELLEVY: Jonathan, I knew you'd be the first one to the bat...Nice to see you.

JBZIEGLER: likewise - thanks

TK2: Me 2

RBARTHEL: I have the PDF open now

MITCHELLEVY: Great, let me wait for 1-2 more, then I'll move on.

BSHERRYG: got it

TOMBLOCK: got it

MITCHELLEVY: Ok, let's move on.

1> Crafting the vision.

The cloud is not the Internet cloud, but the cloud of possibilities that are available to any company. Crafting the vision allows you to put a box around the set of possibilities. Your job is to draw the boundaries. Every employee of the company needs to be able to state the vision and the goals of the company. The vision should be expressed in a way that it's easy for everyone to understand and articulate. That vision needs to be carried into everything the company does (e.g. culture, goals and objectives, product and/or service, marketing material, customer service offering, etc.) The vision typically will span 18 months. In the past, vision statements lasted 3-5+ years. Today, they should be evaluated at least every 18 months.

2> Coming up with 3-5 goals that will allow you to achieve your vision

Regardless of the size of the company, there should be 3-5 goals the company wants to achieve. These goals can then be further broken down by division or function into sub-goals. This is the blueprint the company uses to set direction for the day-to-day activity. There should be a mix of qualitative and quantitative goals. These goals should be set for a 12-month period. This is to align with the performance evaluations of the employees.

3> Putting the metrics in place to monitor the goals

This is where many companies fall down. It's important to know what defines value for a company and the blueprint the company will use to get there. It's as important to know the metrics that are going to be measured to judge the progress. It's also important that these metrics be shared with all parties that can help the company be successful. Not just management, but employees and key partners.

4> Alignment: Ensuring that the metrics are part of the performance evaluations of your employees.

Unfortunately, not all employees work for the good of the company, but for the paycheck ;) Given that, it's important to incentivize employees to deliver performance that's in line with the vision and goals of the company. This is done by incorporating the vision, goals and metrics into their performance evaluations. This step is crucial!

Concepts to remember:

- 30-second pitch, 18 months
- CORPORATE GOALS: 12 months, used to determine employee compensation

- **METRICS: Measure goals, used to determine employee compensation (one page, share with all)**

To get back to your question Jacky, the vision/architecture is where the overarching direction of the company is set. The goals articulate that strategy in bite-size chunks and the metrics help ensure that you deliver it. Make sense?

TOMBLOCK: in the realm of possibilities there is what I know, what I don't know, and what I don't know that I don't know....it's the latter I need help

JACKYHOOD: What you say makes sense but doesn't jive with the dictionary.com definition. I don't like war analogies to business. War is about destruction of an enemy. Business is about building products and services. There is no "customer" in a war.

MITCHELLEVY: Good point. To be controversial, in most companies, there appear to be no customer either...

JBZIEGLER: touché

MITCHELLEVY: I know that the vision might say we treat customers right, but that does not jive with how they act. Let me share some thoughts. If you look at the goals of the Fortunate 1,000, one of the goals of every company will be "let's deliver great customer service." However, if you look at the compensation of employees by function, customer service will have been paid the least amount of money. That's a problem that the Internet age (once we enter it) will help to solve.

BSHERRYG: or it may have been outsourced "to save money"

MITCHELLEVY: Sherry, great point. If you outsource customer service, then you are potentially giving up some of the positive interaction you can have with your customers. If you do outsource it, you need to ensure that a robust SLA is in place and that there's good communication between the information the outsource customer people receive and management at your firm.

BSHERRYG: also a great source of input on your products IMHO

JBZIEGLER: that's because "customer service" is a top-down "sentiment" - not necessarily something that every employee strives to accomplish

PK4: yes, but how much did the crm package cost?

MITCHELLEVY: Ah, CRM cost plenty and if they only worked the way we wanted them to ;)

TOMBLOCK: there is a cost in providing great customer service and yet in today's market climate everything is about price...how does one make the distinction between service and value?

MITCHELLEVY: Tom, good customer service will deliver the info that can replace some of the R&D that's being done in other places of the company.

TOMBLOCK: not clear what you mean?

JACKYHOOD: Goals can seldom be used to determine employee compensation which is set by the market, by union contracts, by minimum wage laws. At best, goals can be used for bonuses.

MITCHELLEVY: Jacky, getting to your point, the short answer is yes.

JACKYHOOD: The companies that understand service provide it and profit from it. IBM's Services division provides nearly half the revenues and is the most profitable division. IBM has the same revenues as HP/Compaq but 8x the profit and twice as many employees. What is HP doing? Laying off. Wrong strategy.

MITCHELLEVY: I'm a big fan of carrots over sticks. Goals and metrics can be used to help deliver bonuses of employees. At the same time, if an employee doesn't deliver on what they said they should, it is grounds for termination.

TOMBLOCK: sounds like one is shifting resources from one business unit to another

MITCHELLEVY: Tom, you got it. With the Internet, the customer service person can have tools that allow them to perform marketing, sales, finance & R&D functions. That's what a "working" CRM package should deliver.

Getting back to strategy, are the 4 points clear? Is this process straight-forward and understood: <http://ecnow.com/ECnow.com.Strategy.Setting.Process.pdf>

TK2: The process is straightforward enough - it's the implementation that is usually the stumbling block

JBZIEGLER: Are they really that simple?

MITCHELLEVY: You know it's never as simple as it appears academically.

TOMBLOCK: haha

TOMBLOCK: at the same time one needs a fully engaged employee who understands and can communicate the message

MITCHELLEVY: Yes, Tom, that is part of the alignment component in #2. It's important for management to align the vision, goals & metrics with employees compensation. It's the best way to ensure that you have fully engaged employees.

TOMBLOCK: agreed....the process is clear the problem is execution

JBZIEGLER: if it were, we wouldn't need independent experts in there to correct the problems!

MITCHELLEVY: Theoretically, it's that simple, practically, it needs to be implemented well. The first step is to ensure that there's a robust vision that's understood by all employees of the company.

MITCHELLEVY: This step sounds simple, however, at least 50% of the companies I see, this is not done.

TANIAHA: How do you align the departmental sub goals, which will overlap, with the overall corporate goals in a meaningful way?

TANIAHA: How important is employee buy-in on the creation of the vision (step #1)?

MITCHELLEVY: Hi Tania, good questions. The answer to your section question (employee buy-in) depends on the corporate culture. Bill Schneider in the "The Reengineering Alternative" identified 4 cultures: Competence, Control, Cultivation and Collaboration. Culture is one of the tools available to management and the type of culture will answer your question. For instance, IBM has a control culture. They are typically not first to market. They watch the marketplace, then plan what they are going to do, then work the plan.

TANIAHA: Small company, I feel a lot of employees have attitude that the mission/vision is just a plaque on the wall and disconnected from their day to day lives - what culture is that?

TOMBLOCK: enrollment into the vision is what differentiates the great company

MITCHELLEVY: Yes, Tom, I agree. And unfortunately, a number of management teams go out of their way to ensure that this doesn't happen.

TOMBLOCK: I work at a same company 30 emps....I've created a vision and am on a mission to enroll my colleagues

MITCHELLEVY: Ok, I just stopped laughing from Tania's last comment. I'll get to that after answering Tom's question.

Tom, it's great that you are working the vision/mission/etc. How bought in is the CEO?

TANIAHA: I get excited with the submit button ...

MITCHELLEVY: While I'm waiting for Tom's response, let me address Tania's...I can't answer your question with the limited info supplied. Happy to talk off-line if I don't answer it completely in this session.

TOMBLOCK: the company is at a nexus...no strategy it's either die or get real and I am committed to transforming the company and shifting the focus from a commodity to player in the hardware market

MITCHELLEVY: Interesting time. There is a component of your statement that is true for most startups today.

TOMBLOCK: CEO is a long time friend...he is been disengaged for a time and is finally coming back around

MITCHELLEVY: It's either achieve the results or disappear. First, it's important that the CEO and his staff is on board. They need to walk-the-walk of the talk-they-talk. Second, although strategy appears at some companies to be a plaque on the wall, it should be used as a tool to empower everyone in the company with the passion to get done what needs to get done. Does that make sense?

BSHERRYG: Can you give us an example of a good strategy statement?

TANIAHA: Yes, thank you - I think our management team is trying to enroll everyone in the vision, it's not an overnight process, I know.

MITCHELLEVY: Here again, please feel free to share your companies strategy statement (vision) and I'd be happy to comment on it. An easy vision statement for me to grab is the one I use for ECnow.com. You can read it on the home page: <http://ecnow.com>. It's: ECnow.com is a management consulting firm helping companies grow with strategic consulting and targeted business education.

TOMBLOCK: my inspiration comes from albert einstein, "We can't solve problems by using the same kind of thinking we used when we created them."

MITCHELLEVY: In general, good vision statements state the industry the company is in and what the company does to deliver the solution for the customer problem. For ECnow.com, I'm stating that the company is a management consulting firm whose goal is to help companies grow and I state

how I achieve that goal. Does that help?

BSHERRYG: it would be helpful to hear how that is then translated into the 3-5 goals

MITCHELLEVY: Good question. Let's use a customer example then since I don't want to appear to be tooting my horn. The vision for a mail order company without a robust Web presence was to deliver 90% of the functionality of their offline business, achieve \$x of "profitable" revenue while increasing customer satisfaction by 20% This lead to 5 goals. Let me share 1 or two:

1. Achieve \$x of "profitable" revenue by the end of the year. The metrics, of course, were to watch the growth of revenue linearly throughout the year.
 2. Deliver 90% of the offline functionality online The metrics were to get an accurate count of the offline functionality delivered, they track the number of components/tools available until the 90% goals was met
 3. Increase customer satisfaction by 20%. The metric involved creating a metrics package that accurately reflected customer satisfaction, then measuring it.
- Does that help?

George Roman, good to see you.

BSHERRYG: yes - thanks

MITCHELLEVY: Are there other question?

Tonight, we only covered a small part of strategy. The piece we covered is what I typically call "setting the stage" or "defining how the company defines value" It's interesting, you can have two companies that look the same, but based on their vision, can create completely different goals and subsequently act tremendously different in the marketplace. Based on the vision, they could both be successful.

Another document I created today for folks to look at can be found here:

<http://ecnow.com/ECnow.com.Strategy.Tools.pdf>

What I was trying to do with this document is show the different types of strategy tools that are out there. Another tool worth discussion during another session would be the Value Framework(tm) <http://ecnow.com/value/>

That tool allows you to create, manage and evolve the business models that will deliver upon the vision. Ok, I'm done with my diatribe. Any additional questions?

DERINDAG: that's a good document - i just printed it out!

TANIAHA: Thanks for all the good info

MITCHELLEVY: Thanks Derinda. Good to see you online. Please feel free to share comments on it when you get a moment. For those in the bay area interested in education, please check out either <http://SiliconValleyPACE.com/> or <http://BUMAtraining.com/>

DERINDAG: quick question, if I may still... How often should one be thinking about strategy? Once a year? Once a quarter?

MITCHELLEVY: Good question. For me, I've redefined the use of the term strategy, so let me share some thoughts.

TK2: Thank you - now to do something constructive with what I've learned from you

MIKI: Just a note, there is no time limit tonight as long as Mitchell is available.

MITCHELLEVY: The strategy discussed above should really be an annual exercise unless some catastrophic event occurs.

Thanks Terence.

MIKI: Mitchell, could you touch on implementation, that is the biggest problem for most companies. Making it happen.

MITCHELLEVY: Absolutely Miki, I was just heading there. Another thought on strategy are the business models that are put in place to deliver on the strategy.

Derinda, I'm constantly thinking of new business models. My thought is that strategy should not be a 1-time once a year event, but a continual process that's deployed, managed and evolved.

DERINDAG: i like the idea of quarterly - that gives time to implement and see if it's effective.

MITCHELLEVY: As such, the business models are there to deliver on the vision, once a business model is deployed, there should be metrics and customer feedback loops that help manage that model. Based on the management, one needs to evolve the model into something else.

Quarterly is ok Derinda, however, I prefer to put my vision in place annually, then continually deploy, manage and evolve my business models. Does that make sense? BTW: We might be saying the same thing here.

DERINDAG: ah, I think I see your point better now - they goal can be to become

"What is Strategy and how can you incorporate it into what you do!"
For RampUpSolutions

the best "X" (annual) and see what business models can get you there?
(quarterly)

MITCHELLEVY: That would certainly be a valid interpretation of it.

DERINDAG: I can see a few ways to apply this to my own business

MITCHELLEVY: Looking back at the dot.com days, a number of companies had "the acquisition of eyeballs" as their business model. However, once it was clear that that was not a good business model, it should have been a sign for companies to change. Some did, some didn't.

Glad to hear that Derinda. Happy to go over some of your ideas when you put them on paper.

You can pick up some additional thoughts at the ecnow.com/value site I mentioned before and at the <http://vms3.info> site which explores companies via the Value Framework(tm). In January, we did an analysis of the Social Business Networking industry, in February (not published yet), we did our second analysis of eBay.

DERINDAG: good stuff mitchell - glad to be able to see this in more detail

MITCHELLEVY: Great. Any other questions?

MIKI: Terrific session, Mitchell! I really thank you for coming tonight.

TOMBLOCK: thank you mitchell great advice

MITCHELLEVY: Well folks, I didn't know what to expect. I have to say it was fun, thanks for your participation! Thanks Miki, happy to be here.

BSHERRYG: Thanks, Mitchell!

MIKI: And all of you, we hope to see you at future TalkBacks.

MITCHELLEVY: Good luck everyone with deploying, managing and evolving your futures!

PK4: Thanks Mitchell -- good luck to you too!