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STRATEGY FROM A VISION, VALUES AND TALENT PERSPECTIVE

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Strategy from a Vision, Values and Talent Perspective

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Every good strategic leader works hard to design a business strategy that creatively serves the needs of *customers* in the face of tough *competitors* and delivers *enterprise value*. Business school core courses have been shaped and consulting firms created to help executives responsible for strategy analyze and synthesize their way to this straightforward goal.

But there is a quite different approach to strategy that many companies and businesses might be wise to think about. By focusing on vision, values and talent, companies can engender much more substantive thinking and discussion about where they want to go and what it will take to get there.

"Transformative business leaders – those who truly build enduring franchises that are devilishly hard to compete against – think about strategy very differently than do those who take a more custodial approach," asserts Tom Woodard, Senior Advisor to HighPoint Associates. Woodard has over 35 years of experience working with corporate management teams on strategy and organizational design.

THE TEXTBOOK APPROACH TO STRATEGY DEVELOPMENT

The textbook approach to business strategy, and the one reflected prominently in almost all strategic plans, calls for a clinical consideration of six fundamental questions (see Exhibit 1). Products, markets and competition take center stage in this traditional approach.

- Understand your strengths and weaknesses, relative to competitors
- Look for opportunities and threats in the marketplace
- Design a business system that carefully considers what you want to do yourself and what you want to outsource based on core competencies
- Develop and evaluate the pro forma financial outlooks

"There's nothing at all wrong with this product/market/competition approach to strategy development," explains Woodard. "In fact, you probably want to do all of these traditional analyses. However, this intense focus on products, markets and competition can be both blinkered and myopic.

The BIG strategic questions go unaddressed because they are, often, unacknowledged."

STRATEGY FOCUSED ON VISION AND VALUES

Woodard suggests there is a quite different approach to strategy that many companies and businesses might be wise to think about, and cites recent work with a valued client. "This company considered itself to be good, but not great. It wanted to create and pursue a strategy to become great, and gave itself up to ten years to reach that audacious, if somewhat unspecified, goal. Instead of defining success as achieving the #1 or #2 position in a given market relative to a given set of competitors, it just wanted to be a great company."

Working with the senior team – the CEO, the President and COO, and the Chief Strategy Officer – Woodard focused their thinking on eight critical strategic dimensions (see Exhibit 2). These dimensions are both fundamental and tangible, requiring executives to:

- Decide why the company (or the business unit) is in business
- Agree on a Credo that shapes and motivates individual behavior
- Debate and imagine how they would like the company to be described 10 years into the future
- Get specific about how they want to run the business and where leadership will be exercised
- Detail the strategic programs essential to reaching the company's ten-year vision.

The questions around these eight dimensions set up the debate on strategy with an emphasis on vision, values and talent – a markedly different orientation than the traditional questions suggest. That's not to say that competitive advantage, market segmentation and value creation were omitted from the discussion. Rather, that competitive advantage often derives from more subtle and powerful sources than mere product differentiation or superior technology.

HAND IN HAND: STRATEGY AND TALENT

"In a vision and values-driven strategy, success is all about the people, which is a markedly different orientation than that to which the traditional strategy questions normally lead," explains Woodard. "This fact invariably placed talent and talent management at the top of the strategic agenda for our client."

The client aspires to be a magnet for talented people who "get" its business model and buy into its values. One of the key "Strategic Programs" the client is pursuing aggressively develops the tools, disciplines and culture needed to attract, develop and retain the very best talent. The talent program is equal in importance to the core business-building initiatives and programs to improve management processes critical to operational and financial discipline.

When we take a closer look at other truly successful companies, often it's their talent strategy and people management that sets them apart. Just look at the *Fortune* Most Admired Companies list of 2014. Of the top 50 companies, over 75 percent received a ranking of one or two when it comes to people management (one of the nine criteria on which companies are judged). Of the companies who ranked overall highest just in people management, only one of the ten fell outside the top 50 most admired.

Like Woodard's client (and *Fortune* third overall in people management), Facebook has made spreading the right mindset (i.e., engendering the same priorities, skills and beliefs across the organization) a top priority above a more traditional product/market/competition approach to strategy. Employee orientation is led by engineers, pulled away from their line responsibilities to mentor the newest "class" – demonstrating Facebook's belief that it's better to slow down and ensure you have the right people with a shared mindset¹.

BlackRock, the world's largest asset management firm with \$4.32 trillion in assets, also received a top ranking in people management in the *Fortune* results. Not only do they relentlessly adhere to an explicit, concrete corporate mission, their talent strategy implicitly supports and sometimes drives the business strategyⁱⁱ. BlackRock established a global Human Capital Committee (consisting of 35 senior line leaders with only one from HR). This committee guides the talent management policies and practices, asserting their belief that talent is a precious resource for which line management is accountable.

"There's no greater motivator than a worthy purpose, a noble mission," concludes Woodard. "That's what inspires sustained work and creative energy, giving purpose to the company and attracting great talent. Money and promotions pale by

comparison."

WHOSE JOB IS TALENT?

"The benefit of taking a long-range view on strategy is that everything is changeable," asserts Woodard. "Companies may be stuck with the talent and talent-management systems they have in the short term. But they can be dramatically overhauled in the longer-term."

With respect to talent, think about Woodard's client and their "revolution in the rearview mirror." They have committed to evolve their talent and talent management processes over the next five years in a powerful but planned way – and the result, when they look back at what they will have accomplished, will be game-changing.

Clearly, the SVP of HR is still a critical player in any company's strategic success. But because talent lies at the core of virtually every aspect of strategy, responsibility for talent is a crucial part of every leader's job.

"Viewing talent as the key to strategic success is hardly a new idea, but acting on this truism is rare indeed," says Woodard. As such, Woodard asserts, "Pushing talent and talent management away from line management to the halls of HR is no longer an option."

EXHIBIT 1: Product/market/competition driven strategy questions

- 1 **Where to compete?** Which customer segments offer the greatest opportunity for success? Which are growing, which are shrinking? Which offer the possibility of pricing flexibility? Can we re-segment the market to play to our strengths?
- 2 **How to compete?** Do we take on the competition head-to-head? Can we differentiate our products to create an advantage? Perhaps we can provide valuable ancillary services bundled with the product?
- 3 **What can we learn from a SWOT analysis?** Relative to competitors, what are our strengths and our weaknesses? What are the greatest opportunities and threats in the marketplace?
- 4 **How should we design our business system?** Should we source designs from niche innovators? Should we outsource manufacturing? Would a direct sales approach work better than using distributors? How should we provide service after the sale?

5 **What core competencies will be essential for success?** Superior product innovation and renewal? A super sales force? Manufacturing process technology?

6 **How will the economics work?** How much can we afford to invest up front to secure a strong position in the market? What margins can we expect? How will shareholders be rewarded?

- i Robert I. Sutton, "The Scaling Lesson from Facebook's Miraculous 10-Year Rise," *Harvard Business Review*, February 4, 2014.
- ii Douglas A. Ready, Linda Hill and Robert J. Thomas, "Building a Game-Changing Talent Strategy," *Harvard Business Review*, January 2014.

EXHIBIT 2: Vision and values-driven strategy questions

1 **Mission:** Why are we in business? Why does the company exist and what unique role should the company play in the market? How is society served by our success?

2 **Credo:** How do we want to conduct our business? What are our guiding principles and values? Are these constraints on our success or the means to our success?

3 **Vision:** What would we like to look like in ten years? What are the key milestones three and five years out? How big do we want to be? How diversified? Where do we want to compete geographically? Do we want to use acquisitions as a growth engine? What will our talent pool look like? How do we want to think about performance?

4 **Core competencies:** What will we need to do exceptionally well? What skills and capabilities account for our success so far? What new competencies must we build?

5 **Organizational philosophy and framework:** What do we want to define the basic philosophy and spirit of our organization? How do we want to organize and operate? What must we do to energize our leaders and motivate our dedicated staff at all levels?

6 **Key strategic programs:** What work do we need to do to be great? What are our priorities? How fast do we need to move on each program? How much change can we manage?

7 **Healthy economics:** What financial performance do we need in order to fuel our progress toward great? What are healthy returns? What does a healthy balance sheet look like?

8 **Risks and contingencies:** What can go wrong? How can we mitigate these risks? Is there a Plan B?

ARTICLE CONTRIBUTORS

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TOM WOODARD has more than 35 years of experience working with management teams of global corporations on strategy, organizational behavior and design, and operational improvements. He is a former Director at McKinsey & Company, where his tenure spanned 28 years. At McKinsey, he led the firm's Electronics and Telecommunications Practices and helped establish the Strategy Practice. Tom also served as the firm's CIO for three years, led the Stamford office, and served on multiple key personnel committees. Following his time with McKinsey, Tom founded ClearView Advisors to provide consulting services to privately-held and non-profit organizations. Tom began his career as an engineer at Texas Instruments. He holds an MBA from Harvard Business School, an MSEE from Southern Methodist University, and a BSEE from Duke University.

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