

## **Key Points of the Mind of the Strategist**

In his book *The Mind of the Strategist*, Japanese strategy consultant, Kenichi Ohmae, wrote "Analysis is the critical starting point of strategic thinking. Faced with problems, trends, events, or situations that appear to constitute a harmonious whole or come packaged as a whole by common sense of the day, the strategic thinker dissects them into their constituent parts. Then, having discovered the significance of these constituents, he reassembles them in a way calculated to maximize his advantage."

"In business as on the battlefield, the object of strategy is to bring about the conditions most favorable to one's own side, judging precisely the right moment to attack or withdraw and always assessing the limits of compromise correctly. Besides the habit of analysis, what marks the mind of the strategist is an intellectual elasticity or flexibility that enables him to come up with realistic responses to changing situations, not simply to discriminate with great precision among different shades of gray. (pp. 12-13)"

The purpose of strategy is to maximize one's advantage. On a battlefield, this means picking the right place to fight, the right time to attack, the right time to retreat, weighing and re-assessing as circumstances change, but always with gaining maximum advantage in mind. Strategy is intuitive, but it is also analytical; it is analytical, but also intuitive.

Analysis is a cognitive process of breaking a complex topic into smaller parts to gain a better understanding of it. Analyzing means separating a situation into parts and examining the parts in an attempt to understand what is occurring. In business situations, analysis involves identifying business needs related to a situation, identifying critical issues and determining possible solutions.

## Identify the Main Issue

The first step in strategy is to identify the one issue that matters most "the critical issue". To do this, you must **frame the question properly**. Suppose a company is incurring high costs for overtime work. What is the correct question?

1. Could it be: How can we reduce overtime or maybe
2. Do we have enough staff or perhaps,
3. Does our staff have the necessary skills to do the work in a timely manner?

Each question would elicit a different response. Clearly, though, it is necessary to answer the third question before moving to the second, and then the first. *Unfortunately, many business people would simply assume away the two most critical questions and focus on the first. It takes a certain disciplined creativity to question what everyone else takes for granted. Some people can intuit the critical issue, but they are few.*

Analytical methods can help anyone arrive at a workable definition of the critical issue. This methodology can apply to a broad spectrum of business issues:

- 1) Diagram the issue or question (e.g., Can we lower costs on this product?) Ask what are the causes?.
- 2) Identify the issue components (e.g., Fixed costs, variable costs, design specifications).
- 3) Question each issue component (e.g., Can we change the design specs to use cheaper materials?). Look at the advantages and disadvantages of changing that component. and
- 4) Offer a specific plan of action for each issue component.

## Four Strategy Paths

Strategic thinking and strategy formulation is about achieving competitive advantage. If there were no competitors, there would be no need for strategy. This fact suggests that the most important strategic issue is competitiveness.

A company can tolerate certain internal deficiencies, but firms cannot survive competitive disadvantages. Allowing the company position to deteriorate vis a visits competitors means the company's fate is determined by the competition. People think differently when they face competitive survival. This changes their focus.

They recognize that the best is the enemy of the good, and possibly the friend of the competition. Good enough is GOOD ENOUGH. There's no point in looking for the perfect strategy or the perfect competitive situation. The object is to gain an advantage over the competition at a reasonable cost. Do that often enough and you will win. This can be accomplished in four different ways:

1. Re-allocate resources.
2. Focus on exploiting one's relative strength.
3. Redefine the key issue of the business by taking a bold action.
4. Exploit any degrees of freedom to act.

### Re-allocate Resources

Every industry has one or two factors that determine business success. No matter how complicated the industry may seem, at its heart it is simple. Banking, for example, is about collecting money at a low cost and lending it at a higher return. The critical factors in an industry can be identified several ways. One is to analyze the industry, looking at each segment, defining how competitors in each area behave and drawing some overall conclusions about the

success factors. Another is to examine the conduct of winners and losers to define the behavior, advantages or resources that made the difference. Once you have identified the key factor for success (KFS) in your industry, re-deploy your resources to focus on building strength in that key factor. If it is service, focus your resources on developing outstanding service. If product design is a key factor, focus on that.

### **Exploit Relative Strength**

Examine your product and identify areas where you can focus on achieving a relative advantage. This may mean literally taking your product apart, taking your competitor's product apart and comparing the two. For example, Fuji and Sakura competed in the market for photographic film. Their quality was comparable, but Fuji had an advantage in its name, which suggested the sharp colors and contrasts of Japan's scenic, holy mountain. Sakura means "cherry blossom," and connotes a vague, hazy sort of beauty. Sakura analyzed the market to find out whether it could reverse its loss of market share to Fuji, and found that consumers were becoming more concerned about cost and often tried to squeeze an extra shot or two onto a roll of 20 exposure film. Sakura decided to introduce a 24 exposure film at the same price as Fuji's 20 exposure film. Strategically, this change made sense. Sakura could not win the image contest - Fuji had relative strength there. But Sakura could develop relative strength on the basis of cost/value. The corporate strategist who relies on relative strength should think through competitors' likely reactions to each move, and prepare to defend against those reactions.

### **Take Bold Action**

Simply put, this is about asking Why? to test every assumption that is ordinarily taken for orthodox wisdom in your industry. One of the best practitioners of this method is Taiichi Ohno of Toyota. He asked why car companies had to keep costly-to-finance inventory on hand, and

wound up inventing? just-in-time? material management practices. Keep asking why. Great breakthroughs come from answering this question.

### **Exploit any Degrees of Freedom to Act**

Take advantage of strategic degrees of freedom? Having identified the key factors for success, precisely identify what courses of action may be open. In the case of an auto company, perhaps safety is a KFS. An automaker can do many things to improve safety, but can't do all of them at once. Meanwhile, there are some things that might improve safety but that the company simply cannot do. Strategic planning and strategic action should proceed in the areas where the company is indeed free to move.

Attempt to avoid errors of strategic thinking, including:

#### **Tunnel vision**

You must keep alternatives in view at all times.

#### **All or nothing**

In fact, half a loaf, even a quarter, is preferable to none.

### **The Strategic Triangle**



Think of strategy as a triangle with three sides: company, customer and competition. Changes in any of these elements affects the market and may make it necessary to change strategy. However, strategic change is usually very difficult. Here are some strategic thrust examples:

A. Company-based strategy? One Japanese air conditioner company with an outstanding reputation for engineering decided to cope with a competitive threat by developing a line of high-quality, high-priced home air conditioners. The product went to market and flopped. It was well-engineered, but so heavy that distributors were not willing to carry and install it. There's an old saying to the effect that when the only tool you have is a hammer, every problem looks like a nail. Beware. Strategic planning must be broad and comprehensive; it must address not only immediate possibilities but what if consequences. Companies that opt to outsource some operations make a clear decision, a commitment, usually based on costs, to change what their company does and to focus their resources on what they do best.

B. Customer-based strategy? Generally, a company should identify one subset or segment of customers and focus on them, instead of trying to satisfy the entire market. This means knowing your customer segment very well and understanding why you might have a relative strength with this group. Japanese car companies adopted this type of strategy in the 1970s, when they introduced fuel-efficient compact cars to the segment of the U.S. market that was the most receptive to them.

C. Competitor-based strategy? Seek areas where the competitive situation allows you to develop a clear edge. Sony had a great reputation for quality in the U.S., but its reputation in Japan was comparable to its competitors' reputations. Sony invested heavily in advertising, PR and marketing, and soon commanded a price premium over its Japanese competitors because it had built relative superiority on the image front. Business strategy concerns how best to operate in a given economic environment; it would be foolish to ignore the implications of the overall economy. Low growth, for example, can exacerbate competitive pressures. Meanwhile, advances in technology or changes in industry structure may well derail strategies based on the assumptions of the past.

## Be aware, use foresight and never stop asking Why??

Remember that your purpose in developing a strategy is to gain competitive advantage. Many small steps can add up to advantage over the competition.

Strategic thinking involves trying to anticipate what might, will or could occur in a situation and how it is possible to shape or influence what is occurring so that what one wants to occur actually occurs. Strategic thinking involves both thinking about consequences and choosing actions to achieve objectives. Strategic thinking involves trying to turn a situation to one's advantage. Also, strategic thinking involves asking the right questions in a solution-oriented manner and conducting appropriate analyses to formulate plans and strategy. Strategic thinking also involves anticipating competitor actions and preparing to counter or thwart them.

In summary, according to Ohmae the three characteristics of the mind of the strategist are:

1. Analysis is the critical starting point of strategic thinking.
2. Managers need intellectual flexibility and creativity to devise realistic responses to changing situations.
3. Strategists need to ask the right questions in a solution-oriented manner and conduct appropriate analyses to formulate strategy.

The object of strategy is to "bring about the conditions most favorable to one's own side. Help your organization succeed in its purpose."

**References** Ohmae, K. The Mind of the Strategist: The Art of Japanese Business, McGraw-Hill, 1982.