STRATEGIC THINKING

5 Strategy Questions Every Leader Should Make Time For

by Freek Vermeulen

SEPTEMBER 03, 2015

Have you ever noticed that when you ask someone in your company, “How are you?” they are more likely to answer “Busy!” than “Very well, thank you”? That is because the norm in most companies is that you are supposed to be very busy - or otherwise at least pretend to be - because otherwise you can’t be all that important. The answers “I am not up to much” and “I have some time on my hands, actually” are not going to do much for your internal status and career.

However, that you are very busy all the time is actually a bit of problem when you are in charge of your company or unit’s strategy, and responsible for organizing it. Because it means that you don’t have much time to think and reflect. And thinking is in fact quite an important activity when it comes to assessing and developing a strategy.

The CEO of a large, global bank once told me: “It is very easy for someone in my position to be very busy all the time. There is always another meeting you really have to attend, and you can fly somewhere else pretty much every other day. However, I feel that that is not what I am paid to do. It is my job to carefully think about our strategy.”

I believe his view is spot-on. And there are other successful business leaders who understand the value of making time to think. Bill Gates, for example, was famous for taking a week off twice a year - spent in a secret waterfront cottage - just to think and reflect deeply about Microsoft and its future without any interruption. Similarly, Warren Buffett has said, “I insist on a lot of time being spent, almost every day, to just sit and think.”

If you can’t find time to think, it probably means that you haven’t organized your firm, unit, or team very well, and you are busy putting out little fires all the time. It also means that you are at risk of leading your company astray.

As famous management professor Henry Mintzberg has described, much of strategy is “emergent.” It is often not the result of a strategic plan just being implemented, but driven by opportunistic responses to unexpected events. Stuff happens. Companies often engage in new activities - customers, markets, products, and business models - serendipitously, in response to external events and lucky breaks. But this also means that business leaders need to make ample time to reflect on the configuration that has emerged. They need to systematically analyze and carefully think it through, and make adjustments where necessary.

Many leaders don't make that time – at least not enough of it.

If you are in charge of an organization, force yourself to have regular and long stretches of uninterrupted time just to think things through. When you do so – and you should – here are five guiding questions that could help you reflect on the big picture.

1. What does not fit? Ask yourself, of the various activities and businesses that you have moved into, do they make sense together? Individually, each of them may seem attractive, but can you explain why they would work well *together*; why the sum is greater than the parts?

As the late Steve Jobs explained to Apple's employees when he axed a seemingly attractive business line, "Although micro-cosmically it made sense, macro-cosmically it didn't add up." If you can't explain how the sum is greater than the parts, re-assess its components.

2. What would an outsider do? Firms often suffer from legacy products, projects, or beliefs. Things they do or deliberately have not done. Some of them can be the result of what in Organization Theory we call "escalation of commitment." We have committed to something, and determinedly fought for it – and perhaps for all the right reasons – but now that things have changed and it no longer makes sense, we may still be inclined to persist. A good question to ask yourself is "what would other, external people do, if they found themselves in charge of this company?"

Intel's Andy Grove called it "the revolving door" when discussing strategy with then-CEO Gordon Moore; let's pretend we are outsiders coming new to the job, ask ourselves what they would do, and then do it ourselves. It led Intel to withdraw from the business of memory chips, and focus on microprocessors. This resulted in more than a decade of 30 percent annual growth in revenue and 40 percent increase in net income.

3. Is my organization consistent with my strategy? In 1990, Al West, the founder and CEO of SEI – the wealth management company that, at the time, was worth $195 million – found himself in a hospital bed for three months after a skiing accident. With not much more to do than stare at the ceiling and reflect on his company's present and future, he realized that although they had declared innovation to be key in their strategy, the underlying organizational architecture was wholly unsuited for the job. When he went back to work, he slashed bureaucracy, implemented a team structure, and abandoned many company rules. The company started growing rapidly and is now worth about $8 billion.

As a consequence of his involuntary thinking time, West did what all business leaders should do: he asked himself whether the way his company was set up was ideal for its strategic aspirations. What would your organization look like if you could design it from scratch?

4. Do *I* understand why we do it this way? When I am getting to know a new firm, for instance because I am writing a case study on them, I make it a habit to not only find out how they do things but also explicitly ask why. *Why do you do it this way?* You'd be surprised how often I get the answer "that's how we have always done it" [while shrugging shoulders] and "everybody in our industry does it this way."

The problem is that if *you* can't even explain why your own company does it this way, I am quite unconvinced that it could not be done better. For example, when more than a decade ago I worked with a large British newspaper company, I asked why their papers were so big. Their answer was "all quality newspapers are big; customers would not want it any other way." A few years later, a rival company - the Independent - halved the size of its newspaper, and saw a surge in circulation. Subsequently, many competitors followed, to similar effect. Yes, customers did want it. Later, I found out that the practice of large newspapers had begun in London, in 1712, because the English government started taxing newspapers by the number of pages they printed — the publishers responded by printing their stories on so-called broadsheets to minimize the number of sheets required. This tax law was abolished in 1855 but newspapers just continued printing on the impractically large sheets of paper.

Many practices and habits are like that; they once started for perfectly good reasons but then companies just continued doing it that way, even when circumstances changed. Take time to think it through, and ask yourself: Do I really understand why we (still) do it this way? If you can't answer this question, I am pretty sure it can be done better.

5. What might be the long-term consequences? The final question to ask yourself, when carefully reflecting on your company's strategy and organization, is what could possibly be the long-term consequences of your key strategic actions. Often we judge things by their short-term results, since these are most salient, and if they look good, persist in our course of action. However, for many strategic actions, the long-term effects may be different.

Consider a practice adopted by many of the UK's IVF clinics - of selecting only relatively easy patients to treat, in order to boost short-term success rates (measured in terms of number of births resulting from the treatment). The practice seems to make commercial sense, because it (initially) makes a clinic look good in the industry's "League Table." But, as my research with Mihaela Stan from University College London showed, it backfires in the long run because it deprives an organization of valuable learning opportunities which in the long run leads to a *lower* relative success rate.

When you start a new strategy or practice it is of course impossible to measure such long-term consequences ex-ante, however, you can think them through. For instance, when we asked various medical professionals in these clinics what might be the benefits of treating difficult patients, they could understand and articulate the learning effects very well. They could not measure them, but with some careful thought they could understand the potential long-term consequences before even engaging in the strategic action. Actions often have different effects in the short and long run. Sit down and think them through.

Strategy, by definition, is about making complex decisions under uncertainty, with substantive, long-term consequences. Therefore, it requires substantial periods of careful, undisturbed reflection and consideration. Don't just accept the situation and business constellation you have arrived at. Leadership is not just about doing things, it is also about thinking. Make time for it.

Freek Vermeulen is a professor of strategy and entrepreneurship at London Business School and the author of *Breaking Bad Habits: Defy Industry Norms and Reinvigorate Your Business* (Harvard Business Review Press, 2017). Twitter: @Freek_Vermeulen.

This article is about STRATEGIC THINKING

FOLLOW THIS TOPIC

Comments

Leave a Comment

POST

27 COMMENTS

Manoj Gandhi 2 years ago

Very aptly said, though I think one of the other important question one need to ask constantly..... How relevant my business / business model or delivery model? In fast changing space one constantly has to keep looking at behavioral changes in and out to stay to the pace so as not to become irrelevant one fine morning...... Nokia.....

REPLY 1 0

JOIN THE CONVERSATION

POSTING GUIDELINES