Strategy

Strengthening strategic capabilities

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Article abstract

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Strengthening strategic capabilities

In today's fast-changing and uncertain times, investing in strengthening strategic capabilities can help organizations adapt more dynamically to challenges and opportunities. By **David M. Booth**

ABOUT THE AUTHOR

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The way strategic planning is undertaken in organizations is changing. Why divert the organization's efforts in a resource-intensive, mostly top-down project to produce a document whose relevance might be superseded within months?

The rapid pace of change requires more flexibility to respond and adapt. A detailed strategic plan document – however glossy – is not going to be sufficient. Unless people throughout the organization have a clear understanding, are fully engaged with the strategic plan, and can influence it dynamically, the organization is unlikely to have the agility to deal quickly with any 'turbulence'.

Developing understanding and building commitment are crucial. A rigid process and timetable can hinder this. Engagement takes time, but is essential to embed the sense of purpose and drive to implement strategy successfully.
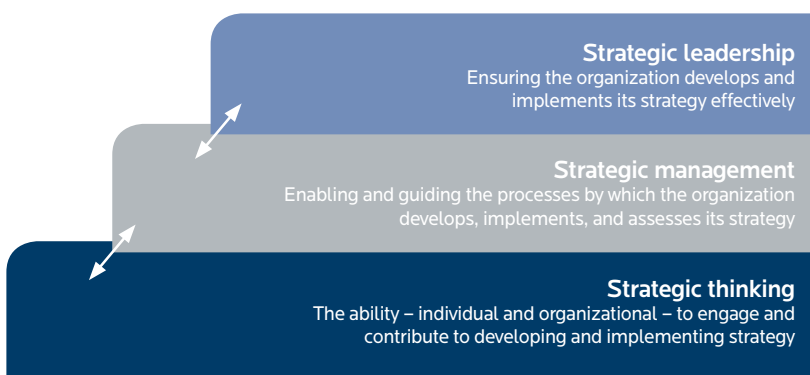
Arguably, strategy development should be live and dynamic in an organization rather than confined to specific project time periods. Organizations need to be able to anticipate and address challenges and opportunities as they arise, and have the confidence to modify their 'strategy journey' accordingly.

This article describes three strategic capabilities needed by organizations in order to adopt a more flexible, dynamic approach to developing and implementing strategy; it shows how these can be strengthened using examples drawn from working with organizations that have sought to do this.

What are strategic capabilities?
In this article, the term 'strategic capability' is used to mean the capacity, knowledge, skills, and ability required by an organization to develop and implement strategy.

Figure 1: Strategic capabilities

Strategic leadership
Ensuring the organization develops and
implements its strategy effectively

Strategic management
Enabling and guiding the processes by which the organization
develops, implements, and assesses its strategy

Strategic thinking
The ability – individual and organizational – to engage and
contribute to developing and implementing strategy

To adopt a dynamic approach to strategy development and implementation an organization needs to develop:
- The ability of people to think, and talk, strategically – and the confidence and opportunity to do so ('strategic thinking' capability).
- Effective processes to engage people in the discussion of strategy and consequent decision-making and implementation, and the ability to facilitate and manage these ('strategic management' capability).
- An ability to achieve consensus for how and when to use such processes, and the confidence that these will work well ('strategic leadership' capability).

All three of these capabilities are required – and they are mutually supportive in developing the organization's approach and abilities in developing and implementing strategy (Figure 1 shows how they relate).

Strategic thinking

Strategic thinking is the ability to think and talk strategically, using different perspectives, seeking to understand situations in depth, considering alternative scenarios, and thinking through future implications. While many strategy courses focus on the tools and techniques used to develop strategies, strategic thinking as defined here involves more fundamental aspects, including asking the right questions, challenging assumptions, developing insights, having 'rich conversations', and the importance of sense-making – developing the ability to consider strategic issues from first principles.

Developing a strategic thinking capability within an organization requires time, space, and the opportunity for people to develop these skills and gain confidence in applying them: there are therefore both individual and collective aspects to this.

Organizations without this capability struggle to have the depth of conversations required to achieve a shared understanding of fundamental issues and to work through what they should do to address these. Conversely, when a strategic thinking capability is well developed in an organization, people are able to engage confidently in the type of interaction that leads to the organization being able to map out a route forward.

How to strengthen strategic thinking
An organization wanted to increase the contribution to its strategy of a key function in which it had recently invested. Over three months, the team learned how to use – and stretch – their 'strategic thinking muscles':
- An initial workshop focused on 'perspectives, questions, and conversations', including group work on three different exercises to develop this practically.
- Small groups worked on selected challenges, and the second workshop was used to share this work and develop it collectively – including revising the thinking based on comments from the rest of the team.
- Intensive development of the groups' strategic projects followed, including a challenging but supportive third workshop, leading to a presentation to senior management and commitment to progress these involving the wider organization.

Individuals commented on how hard they had found it initially to use a new way of thinking and communicating, but how rewarding they had found the process, and how much more confident and determined they were to contribute to the organization's future strategy.

Strategic management

Strategic management is how an organization enables and guides the processes by which strategy is developed, decided, and implemented. While awaydays and formal departmental presentations can have roles to play in developing strategic plans, it is the opportunity for quality conversations throughout the organization, efficient conduits for sharing the thinking, and effective decision-making that are key to successful strategy formation and implementation.

Organizations without a strategic management capability can struggle to develop strategies effectively – for example, collating inputs from different departments without identifying an organization-wide narrative, or being impatient to reach a conclusion at the expense of the depth of thinking and conversation required to develop an effective solution. "What will the document look like?" is not an uncommon question at the start of a strategic planning process, long before the fundamental issues have been identified and the organization's strategy story developed.

Strategic management involves enabling discussions with depth that lead to insights and understanding, articulating the thinking to help develop shared understanding, guiding the process of developing this, steering clear decision-making, and establishing engaged commitment to ensure a successful implementation.

Individual and organizational skills, knowledge, and experience, and the consensus and confidence within the organization to support such processes, are all factors affecting the organization's strategic management capability.

Strategic leadership

Strategic leadership is ensuring that an organization develops and implements its strategy effectively. There are three key aspects:
- Ensuring people in the organization have the capability to think strategically.
- Ensuring that they have the opportunity to engage effectively with both strategy development and implementation through efficient processes that lead to shared understanding and commitment to the strategy, including the ability to anticipate, react, and adapt appropriately to external or internal changes.
- Assessing and achieving a consensus about when to use these processes to review or refresh the strategy (either because of such changes or the life cycle of the current strategy) or revitalize its implementation (reinvigorating organizational energy and focus).

Strategic leadership applies both on an individual level and as a collective shared responsibility. Indeed, the health of an organization depends on having the capabilities (people and processes) to determine a clear strategic direction and the energy to implement this.

Without a strategic leadership capability, an organization can fail to respond adequately to emerging threats or opportunities, or attempt to implement strategies that are poorly understood and have limited commitment. Organizations with strong strategic leadership have the ability to review and develop their strategy in anticipation of market changes, and achieve understanding and support across the organization to implement this.

How to strengthen strategic management

Learning by experience is powerful. Working closely with an organization's management team as a mentor, and guiding and facilitating their strategic planning process is a valuable opportunity to help them develop their understanding of what is involved in strategic management, and providing them with the competencies to undertake and build on this in the future:
- An important reframing is from strategic planning as a complex analytical project to the organization's 'strategy journey', by which people make sense of how their organization should develop and how they can help achieve this. This helps people focus on the quality and depth of the conversations, and how they can enable these to happen effectively. The emphasis shifts from a project management approach to a people engagement process.
- Building the confidence – of individuals and the organization – is also key: to realize that the process can be flexible, that the quality of outcome is at least as important as time deadlines, and that such a strategic management approach is likely to result in more effective strategy implementation.

Helping an organization develop this capability is very satisfying – as are hearing people's comments about their learning and seeing their confidence grow so that they can build on this by themselves in the future.

How to strengthen strategic leadership

It is the people and process aspects of strategy development and implementation that are key to developing strategic leadership competencies. Developing such competencies is a vital part of broader leadership skills; coaching (or mentoring) can be an effective way to help individuals acquire these because:

- It provides a safe and objective space for more extended and deeper conversations about strategy and the organization, enabling discussion and learning to develop over time.
- Questions are powerful tools to stimulate such conversations, prompting the exploration and development of ideas.
- The coach can act as an independent sounding board to test the thinking and help work through the likely responses and implications of various approaches.
- The thinking developed through this process can be shared and developed further with others (for example, frameworks to help assess organizational health, monitor the relevance of current strategies or the momentum behind their implementation).

 The trusted relationship that can develop through such a process can be a useful support when required for the strategic leadership challenges that might occur in future.

> **"Strategic planning is about people making sense of where their organization is going and how they can contribute to getting there.**

Assessing strategic capabilities

The test of the strength of these strategic capabilities in an organization is through assessing how successfully it responds to a critical strategic threat or opportunity. Such events are unlikely to be frequent or always welcomed(!). However, assessing preparedness to tackle strategic issues of whatever degree is a useful measure of the progress made, and the strategic leadership competencies outlined above can provide a framework for this.

There are both individual and organizational aspects. Individual aspects should assess both the extent of individuals' capability (depth), and how widely this extends across the organization (breadth). Although qualitative responses involve an element of subjective judgement, arguably they reflect the confidence within the organization about its strategic capabilities, which is a key factor in its ability to deal with any future situations that might arise.

There are a couple of important points to consider:

- Every organization is different, with its own context and circumstances, and the opportunities to develop, practice, and enhance these capabilities will need to reflect these.
- It takes time and sustained effort to develop these capabilities. While some benefits will be seen in the short term, it is likely to be over a longer period that all three strategic capabilities become embedded in the organization.

Strategic planning is about people making sense of where their organization is going and how they can contribute to getting there. Strategy development and implementation are ongoing journeys. Building these three strategic capabilities will strengthen the ability of an organization to anticipate and deal effectively with challenges and opportunities, especially in times of rapid change when the ability and agility to respond and adapt could be vital to the organization's survival. ∎