But without a sound strategy, the organization is like a body without a brain—there's no central intelligence guiding the actions of its parts, leading to conflict, waste, and duplicated effort.

Creating strategy can be an intimidating process, however. As Roger Martin, former dean of the Rotman School of Management, wrote in Harvard Business Review:

> [When setting strategy,] you need to be uncomfortable and apprehensive. True strategy is about placing bets and making hard choices. The objective is not to eliminate risk but to increase the odds of success.¹

Because that process does involve “hard choices,” plenty of chief executives pay lip service to strategy while doing very little actual work on writing, honing, and sharing a specific strategic plan. In fact, most companies I’ve dealt with cannot present their strategy in any digestible way.

Companies with a strategy in place are 12% more profitable.²

Strategy is about making choices, trade-offs. It’s about deliberately choosing to be different.

—MICHAEL PORTER

1. www.khorus.com

Contents

I. ANALYSIS
   + What is strategy?
   + How to seek intel from . . .
     • Competitors
     • Customers
     • Employees
     • Consultants

II. FORMULATION
   + Recommended process
   + Top strategy traps
   + The 10 strategy questions

III. EXECUTION
   + Sharing the strategy
   + Execution through aligned goals
   + Benefits of strategy

INTRODUCTION
Strategy creation is one of the fundamental responsibilities of the CEO. With a well-developed strategy in place, the organization can act as one in pursuit of a common vision.

Because that process does involve “hard choices,” plenty of chief executives pay lip service to strategy while doing very little actual work on writing, honing, and sharing a specific strategic plan. In fact, most companies I’ve dealt with cannot present their strategy in any digestible way.
EMPLOYEES ARE LOST WITHOUT STRATEGY

If the CEO and executive team can’t coherently present the organization’s strategy, you can bet the rest of the team is utterly lost. Numerous studies point to the same truth: in your typical company, employee understanding of strategy is the exception, not the rule.

Perhaps the most startling finding comes from Balanced Scorecard creators Robert Kaplan and David Norton. They write:

> Our research reveals that, on average, 95% of a company’s employees are unaware of, or do not understand, its strategy. If the employees who are closest to customers . . . are unaware of the strategy, they surely cannot help the organization implement it effectively.3

A situation in which the vast majority of employees are unaware of strategy is untenable for a modern organization, which must marshal the full capabilities of its workforce if it has a chance of competing.

A QUESTION-BASED APPROACH TO STRATEGY

When it comes to creating strategy, I’ve found that the most powerful tool at the CEO’s disposal is questions.

The strategic clarity you get from honest, prolonged reflection on a few key questions is, nine times out of ten, more useful than anything I—or an expensive strategy consultant with a pile of charts and numbers—could tell you.

At the heart of this guide are 10 questions that cut through the noise and clarify your strategy. If you’re like most CEOs I know, you’ll find that answering these questions makes a world of difference, offering your organization a common foundation for high performance.

—Joel Trammell, CEO, Khorus
PHASE I: ANALYSIS

Every CEO should regularly seek out information that will aid him or her in creating company strategy. This is an ongoing process, but there’s no reason not to devote at least 1–2 full days per quarter to gathering strategically significant information.

Here are four sources of intelligence that will give you the knowledge you need to build an informed strategy.

+ **Competitors.** Be active in your industry and closely follow key competitors. What are their approaches and strengths? Are their growth rates greater than yours? How is their win rate in competitive deals? Interviewing employees or ex-employees for positions at your company can give you a unique perspective on how the competition views you.

+ **Customers.** This one should be obvious. Consistently survey customers to see how they feel about you and your solution. Don’t just ask what products they want from you; get them to reveal their biggest problems so your team can figure out how to solve them.

+ **Employees.** It’s up to the CEO to own the strategy, but that doesn’t mean your employees don’t have key insights that should come to bear. Talk to employees about what they’re hearing from customers and how they see the company within the industry. Adding a new executive every year or two is a good way to inject fresh ideas into the company.

+ **Strategy consultants.** If you think your team needs a more immediate infusion of ideas—for example, to handle a sudden shift in the market or a sudden slowing of your business—you might consider working with a strategy consultant. That said, the CEO has to own strategy and should never hand over this role to an outside party.

WHAT IS STRATEGY?

Part of the confusion around strategy is the plethora of meanings the word can have depending on who you’re talking to. Are we talking about setting the vision? Making concrete plans? Both?

Stephen Bungay, author of The Art of Action, proposes a simple definition:

*Strategy is a framework for decision making, a guide to thoughtful, purposeful action.*

That is what you will be creating by using this guide. By answering the 10 strategy questions and refining your answers, you will build a framework that drives decisions and actions in the organization, from CEO to intern.
PHASE II: FORMULATION

Once you’ve done analysis, you’re ready to answer the 10 questions and outline your strategy. Here’s the process we recommend:

1. **First stab.** As CEO, you should answer the questions on your own first. You may have an existing strategy document in place; use that as background as you answer the questions, but also challenge previous assumptions. Bring in the outside perspectives you got during the analysis phase. Your answers do not need to be long. In most cases, 2–5 sentences is plenty, but spend sufficient time considering each one.

2. **Feedback** from executives and board. Responsibility for creating strategy lies with the CEO, but the executive team and board must be bought in. Once you have answered the 10 questions, set up a meeting with executives and/or board members to share your work and see how it resonates. You will likely not reach full consensus. However, you need to hear out all perspectives, consider them fairly, and ask all stakeholders to commit to the end strategy even if they disagree.

3. **Finalization.** With feedback from the board and executives, revisit your answers and make any necessary changes. You may also want to pull out the key points and consolidate them in a short “elevator pitch” of your strategy. Consider any mission/vision statements and core values you have in place—Do they align with your current strategy? Do they need to be updated?

Move on to the 10 strategy questions.

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**TOP STRATEGY TRAPS**

- **Confusing strategy with budgeting.** Strategy creation shouldn’t be driven by budgeting cycles or detailed planning at the business-unit level. You’re setting a decision framework, not a rigid plan.

- **Jargon overload.** Write strategy in plain English. Employees need to understand and apply strategy. Buzzword bingo will push them away.

- **Overlooking human capital.** With financial capital cheaper and more abundant than ever, growing and nurturing your workforce must be a cornerstone of strategy.

- **Strategy as time-suck.** Strategy creation can become an expensive type of procrastination. Move quickly to follow-through.

- **Getting locked in the past.** Strategy creation is an intensely future-oriented process. Do not become imprisoned by historical data and the status quo as you set your future direction.

- **Lack of differentiation.** Your strategy must set you apart from rivals. If you’re not clarifying how you are different from everyone else, your strategy isn’t good.

"If one does not know to which port one is sailing, no wind is favorable."

—SENECA
1. What is the vision we want to own?
Explain the idealized view of the world your organization hopes to create. Focus on the essence of what inspires stakeholders—customers, employees, shareholders, etc.—to engage with the organization and the difference it makes in their lives.

2. How is the organization going to grow?
Share your thoughts on how the organization will grow sustainably, and specify the level of growth desired. Then explore how that growth will be achieved (organic growth, expansion into new markets, development of new products, M&A, and so on).

3. What should the organization do more of?
Explain the organization’s greatest strengths as of this moment—the elements that are foundational to its performance and should be increased or at least proactively maintained. Do not be afraid to challenge assumptions and conventional wisdom here.

4. What should the organization quit doing?
Explore processes and activities the organization currently participates in that should be discontinued. What items are hurting organizational focus and consuming resources without creating actual value, whether it’s an unpromising customer segment you’re pursuing or an internal process that decreases agility? Again, think deeply and challenge your assumptions.

5. What are the biggest roadblocks the organization faces?
Give your take on the biggest threats to organizational performance, both external and internal. These may be items the organization has battled historically or issues that you anticipate worsening soon.

6. What could disrupt our organization?
Whether it’s the rise of a strong competitor or the release of a game-changing technology, assess the potential disruptions your organization faces—the sudden shifts that could change everything. What will you do about them? Can you initiate any disruptions of your own?

7. How can we improve the product we offer?
Share your ideas on how the products or services you bring to the market can be improved. Explore your own observations on the organization’s offerings, as well as product improvements needed to address competitor plays, market changes, or customer difficulties.

8. How are our customers changing and what might they want in the future?
Explore the dynamics of your customer base and the implications for strategy. Bringing in specific examples—such as market research or conversations with customers—lends credibility, but don’t be afraid to synthesize your observations and give your gut take on what your customers might want and need from you in the future.

9. How will we engage and empower the talent in our organization?
Share your thoughts on how the organization will strategically grow its ability to attract, retain, and capitalize on talent. Think through what the organization currently does well in this domain and where it might lack. Also consider anticipated changes in the level or type of talent required to fulfill the strategic plan.

10. How do we best serve our shareholders?
Explain what the owners of the business expect the business to deliver. It may be cash flow, stock appreciation, or another type of growth. What bearing does this have on strategy?
PHASE III: EXECUTION

As we saw earlier, Kaplan and Norton estimate that 95% of employees don’t understand their company’s strategy. Is it any wonder, then, that other studies consistently find that strategic initiatives fail about two-thirds of the time? 

Now that you have developed a strategy, it’s time to share, share, share.

+ Publish the strategy somewhere the whole workforce can see it.
+ Personally present the new or revised strategy to the company, using examples.
+ When you make decisions, explain them in the context of strategy.
+ Use the strategy as a basis for creating company goals.

STRATEGY EXECUTION THROUGH ALIGNED GOALS

This last point is an important one. We all know that the other side of strategy is execution. The line between strategy and execution is blurry, but once you’ve outlined your strategic intent for the company, break that down into the most important things that need to happen next.

Then, allow your entire company to define their own strategy-aligned goals. Quarterly goal setting works well, allowing for both progress and adjustment in the face of changing circumstances.

THE BENEFITS OF A CLEAR STRATEGY

- **Shared priorities.** With strategy in place, everyone is following the same North Star. All departments use a common vocabulary and can define the objectives suited to arriving at the right destination.

- **Informed decision making.** If you’ve done a good job, all employees can make strategically sound decisions without you or their boss looking over their shoulder.

- **Nimble resource allocation.** Rapid allocation of resources, in pursuit of opportunities that align with strategy, is only possible within a well-formed strategic framework.

- **Differentiation from rivals.** A good strategy sets you apart from the masses. Uniqueness will not just inspire your employees but will also send a clear message to customers about why they should do business with you.

- **Future orientation.** Finally, the discipline of strategy keeps you focused on the future—one of the most vital aspects of serving as CEO. If you’re not setting the course and constantly looking at the road ahead, underperformance is assured.
WHAT IS KHORUS?

Khorus is software for delivering predictable performance. In one consolidated system, the CEO can record the company’s strategic goals and get actionable, forward-looking performance insight every week.

Communicate strategy to every employee
Answer the 10 strategy questions in Khorus, then break strategy down into measurable goals for the quarter.

Align and engage the entire workforce
Khorus brings everyone in on the plan, capturing the CEO’s objectives, plus the team and individual goals that support them.

Track performance in real time
Each week, Khorus delivers goal predictions from the entire organization in a simple dashboard—allowing the CEO to spot developing issues and steer the company effectively.

Schedule a demo

About Khorus

Khorus Software, based in Austin, Texas, and founded by veteran CEO Joel Trammell, provides software and services that help CEOs run their organizations more effectively.

With Khorus, CEOs can easily manage companywide performance against strategic goals, resulting in alignment, engagement, and predictability.
Further reading

Articles

“*The Office of Strategy Management*” Robert Kaplan and David Norton

“*Can You Say What Your Strategy Is?*” David Collis and Michael Rukstad

“*Strategy in the Age of Superabundant Capital*” Michael Mankins, Karen Harris, and David Harding

Books

*The Art of Action: How Leaders Close the Gaps Between Plans, Actions, and Results*, Stephen Bungay

*Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Michael Porter

*The CEO Tightrope: How to Master the Balancing Act of a Successful CEO*, Joel Trammell

Notes

5. Randy Ottinger, "What Happens When the Strategy Consultants Leave?" Forbes.com. Here Ottinger cites research from Kotter International and McKinsey. The famous "70 percent" statistic has been argued, but even its detractors find failure rates close to 50 percent.

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