



The 5 Questions to Create a Perfect Strategy

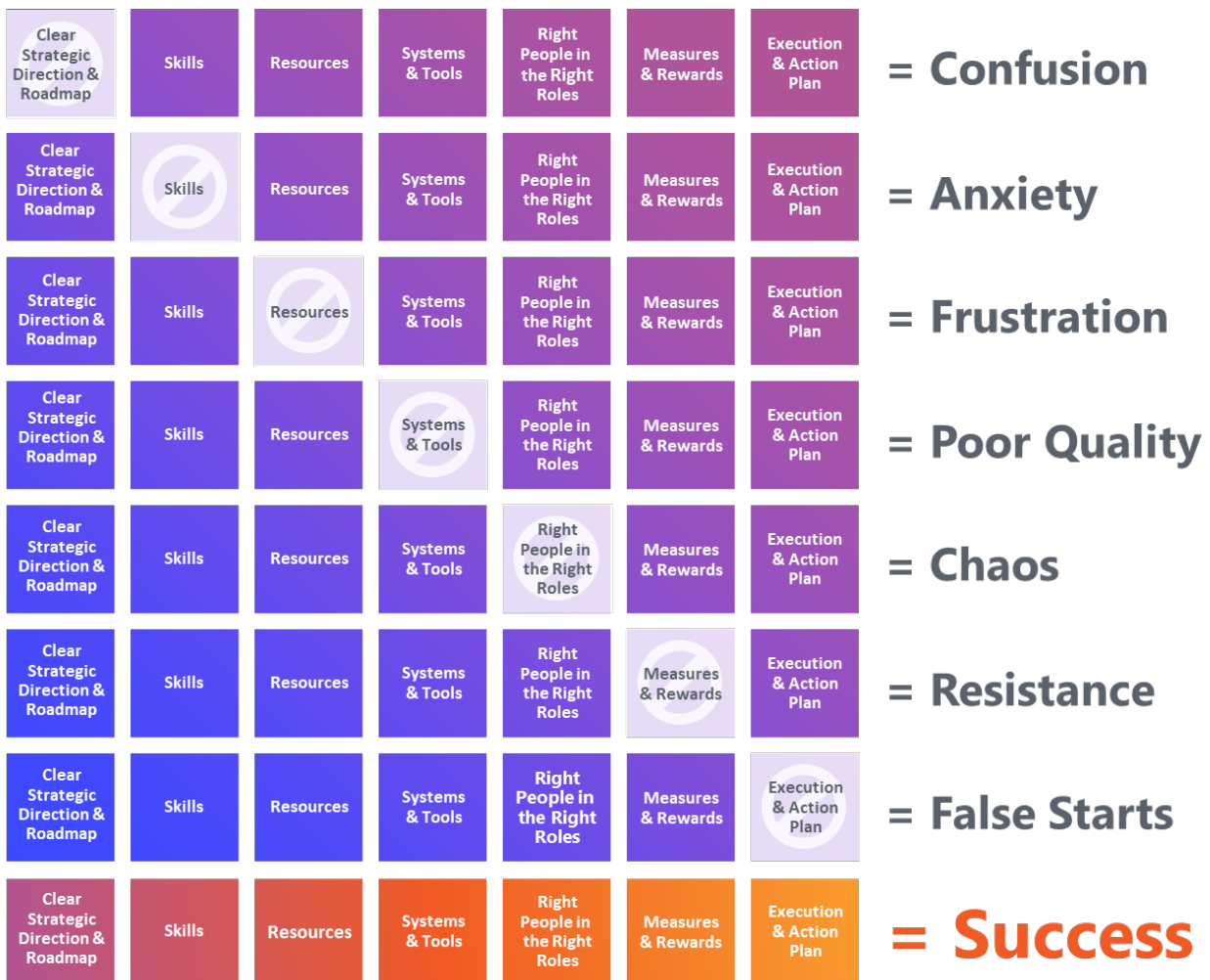
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This work is based on the book 'Playing to Win, How Strategy Really Works' by A.G Lafley and Roger L. Martin with the exception of some parts contributed by me and based on work I have done in my own businesses and those of my clients.

Strategy in business is one concept that is often clouded in complexity and it has an aura of being difficult to create a compelling and accurate strategy that you can execute effectively in your business. The 5 Question model eliminates the complexity. This model can also be applied to whatever depth and complexity you believe necessary. However, the 5-question framework is fundamentally simple, and you can maintain that simplicity by focusing on what you can realistically achieve in your business and with the resources available to you.

I use the 5-question strategy framework with virtually every client that engages my services to either conduct a strategy review or to develop a compelling new strategy. Once my clients undertake the process, they can apply the 5-question framework themselves for new product launches, expansion into to new markets, recruitment initiatives and any other project they wish to undertake in their business. I highly recommend this strategic framework to any entrepreneur planning to start a new business or launch a new business within an existing one. Although not as common in my experience, this framework is perfect for mergers and acquisitions by delivering clarity on key synergies and potential obstacles to a successful merger or acquisition.

Before I begin with the 5 questions framework, I want to show you my 7 components of effective strategy model. This model applies regardless of the size or type of business. To have a great strategy, every one of the 7 conditions along the horizontal rows needs to be met. If one or more conditions are not met, the result will be the issues listed on the left, confusion, anxiety, etc.



The 5-question framework process, when conducted with depth and diligence will eliminate the gaps and relieve your business of any of the issues listed. In a perfect world a business would have all the components covered as in the last line, however the reality is businesses are dynamic and comprised of people. These components may ebb and flow a bit in your business depending on circumstances and the operating environment. The key here is to use this model to identify and hopefully prevent gaps from occurring and if they do, take action to correct them.

What is Strategy?

Let's make strategy very easy. I have broken it down into three parts. There may be other, more complex descriptions, but for most people in business these will suffice.



Strategy is about making choices

To succeed, a firm must choose to do some things and not others.



Strategy is about increasing the odds of success, but not guaranteeing it.

There is no such thing as a perfect strategy.



Strategy development requires rigor, logic and creativity

When you look at the seven components diagram above, the success or failure of each component is dependent upon choices you make. For example, if you identify your business as having an issue with completing projects or starting projects and then abandoning them, you have a gap in your Execution and Action Plan component. You may identify that you made a choice not to implement shared task and project management systems. This may have led to each person or team operating under their own preferences about what tools they use and whether execution is monitored and reported on.

You can see from the example that the 7 components diagram is a great tool when you undertake the 5-questions framework process as well as cross checking and diagnosing issues that may arise at any time.

Before we look at the process, there are some important points to keep in mind as shown in the table below.

Successful Strategy	Ineffective Strategy
Starts with people & clients rather than money. A successful strategy clearly identifies what success means to clients.	Focuses only on serving a customer a customer segment. Money focused rather than focused on outcomes for clients.
Includes a strong competitive dimension by identifying competitors and relative strengths.	Focuses on an internal metric, for example revenue growth.

The Five Questions

To begin looking at the 5 question process framework, have a look at this strategy cascade. Each part of the cascade is a question we will explore shortly. You will note this cascade begins at the bottom. Why? Businesses will find it next to impossible to succeed in developing great strategy if they cannot come up with a clear, compelling and concise answer to 'What does winning look like'. In my consulting experience, this is the second most difficult question for business owners and leadership teams of the five. As you move up the cascade each question is dependent upon all those preceding it. For this reason, you are advised not to start your process at any point other than the first question.



Strategy Question 1

The first strategy question is ‘What does winning look like?’ I have added some other ways to phrase this question but the intent is the same for every one of them. Below are some others that may help you get started.



What is your goal for the firm? One year, three years, five years, ultimately.



What is the purpose of the firm?



What does it mean to win in our firm?



What does our firm exist to do?



What does winning (succeeding) look like for us?

I suggest you and your team, if you have one, spend as much time as it takes to arrive at a clear, compelling answer to this question. It is so common to ask individual managers and senior leaders this question and each one has a different reply. If you are a business owner or entrepreneur, try to get back in touch with the feelings and ambitions you had when you first started the business. If these thoughts elicit good feelings, maybe you need to reconnect with them and include them in your answer to this question.

It is essential that you are clear on your time horizon when working on question 1. Most of my clients choose a time horizon of 2-3 years. One year is a stepping stone the achievement of the answer you develop for this question. A horizon of 5 years is ok, but many of us get a bit wobbly when considering this time horizon given the rapid pace of change and seemingly increasing number of impacts that occur in current events.

You cannot pay somebody to answer this question for you. It may help to have a person facilitate the process but the answer can only come from you and your team if you have one.

Of all the questions, brevity is most important in this one. You may have a longer version for your eyes only, but you need to communicate the answer to your people, customers and other stakeholders. Time spent crafting a short concise and compelling answer to this question is time well spent.

Strategy Question 2

Once you have completed question one, you can proceed to question 2. Question 2 is where the rubber hits the road that require you to make choices. These choice may include abandoning failed or lagging products and services, reconsidering your ideal clients, expansion, contraction, location and other factors critical to your building a successful strategy.

Brevity is not critical to this question. You may go as deep as you need. Many businesses choose to include research to supplement their choices in this question. You should be able to answer the question succinctly to an investor, employee or other stakeholder, but behind your answer may lie a pile of data and observational evidence.



Where will we compete?



In what markets will we compete?



In what markets will we not compete?

Customer segment(s)
Referral arrangements
Product(s) or service(s)
Geography
Client size and other descriptors

Strategy Question 3

you now know exactly where you are going to compete. It may be in the same market sectors with the same products and services or there could be some transformational change in your choices. Whichever it is, you now need to make some choices about **how**

you are going to compete. These choices are what I call ‘pre-marketing’ as your marketing strategy and tactics will flow from the choices you make here. It is premature to dive into marketing if you have not first of all answered this third question.

Again, I have included a few ways you can ask the question to find one or two that resonate with you.



What is our competitive advantage?



What are our competitive strengths?



What innovation can we apply to create a competitive advantage(s)?



Do we compete on low cost?



Do we compete on differentiation?

Below is a table that gives an example of two choices you should consider as part of your work on question 3. Some businesses in some markets choose to go for lowest cost producer and others choose to differentiate and not compete on price. Some commodity based businesses often opt for lowest cost producer strategy.

Low Cost	Differentiation
Achieve systemic understanding of cost drivers	Strive for deep understanding of client needs.
Consistently drive costs down.	Offer services that customers want and appreciate.
Eliminate non-conforming clients.	Apply resources to customer retention & attraction.
Offer standard products/services.	Customise products/services to meet client needs.

Strategy Question 4

This question proves to be the most difficult to answer to many owners and leadership teams. The question is very broad as you will see below. This question demands some specificity in your answers and this alone can make this question a project unto itself. It really depends on what capabilities you have now, their level of maturity and what you need to achieve the answers you can completed for questions 1, 2, & 3.



What specific capabilities do we need to support our competitive advantage?



What activities will enable our firm to fulfill our choices made in 'where to compete' and our 'competitive advantages'?

Below are some prompters to help you get started exploring your answer to question 4. There are a number of capabilities and people capabilities, (skill, knowledge etc.) are only one facet of the over capability profile of your business.



Skills, capabilities and behavioural preferences.



Are the right people in the right roles?
Resource allocation.



Specific domain knowledge.



Professional experience.



Strategic relationships and partnerships.



Innovation in all or most facets of the business.



Deep knowledge of customer segments.



Ability to adapt to internal and external forces.

There are a number of ways to document the process in question 4. You may choose to create a list for each are of your business that you are examining for capabilities. You can list the capabilities and then put a rank, for example 1-5, and this will help you identify the capabilities that require some work. If there are gaps in your capabilities, for example a fast response customer support, then list that and identify the actions you will take to address it. Some capabilities may be outside your current ability to resource the changes

or additions, however you still need to list these and add some timeframes and goals about when they will be addressed.

Strategy Question 5

The final question is going to tie all the preceding questions together to help you look at improving and/or adding systems to make your business operate more effectively. I recommend you do an audit of your existing systems and test their veracity against the answers you have developed in questions 1-4. You may find that you need a transformational approach to your systems and in some cases just some minor tweaks. I have clients who made the choice to explore workflow automation and robotic process automation to remove manual processes completely and focus people on higher value activities.



What management systems do we need?



Management systems include processes, structures and rules that build capability and support, reinforce and measure the firm's strategic choices.

Whether you need to do some tweaks or you need to redesign some systems and processes, visual is always better. Look for a tool that will help you document your processes visually. Great systems usually start out on a whiteboard, and make sure you capture this and transfer to a digital medium for further work.

I have included some prompters below to help you get started working on question 5.

People Systems



RECRUITMENT



ONBOARDING



PROFESSIONAL
DEVELOPMENT



PERFORMANCE
MANAGEMENT



LEADERSHIP, COACHING
AND MENTORING

Marketing Systems



INBOUND
MARKETING



BRAND
DEVELOPMENT



CONTENT
DEVELOPMENT



COLLATERAL
DEVELOPMENT



EVENT AND CONTENT
BASED OUTBOUND
MARKETING

Sales Systems



CUSTOMER
RELATIONSHIP
INFORMATION
MANAGEMENT



SALES
PROCESS



REVENUE
FORECASTING



PARTNER REFERRAL
PROGRAMS

Operational Systems



LOCATIONS



COST
MANAGEMENT



PROJECT/
ASSIGNMENT
MANAGEMENT



ACCOUNTS RECEIVABLE
& PAYABLE

Innovation Systems



IDEAS CAPTURE
PROCESS



ASSESSMENT



INNOVATION

Conclusion

The 5 question process framework for developing strategy is one of the easiest and comprehensive strategic planning templates you can use. The elegance of the 5 question process is both its simplicity and its scalability. The framework is just as useful for a global multi-national as it is for a solopreneur or small business.

Do not try to rush the process. Even if you are working alone, take time with each question and do not advance until you feel confident that your work on each question represents your focus on achieving what you answered in question 1. If you are working with a team, it may remove pressure and encourage greater contribution and participation if you have a third party facilitator.

I have found that spending time alone or individually journaling and capturing ideas about the 5 questions is a great way to start the process. For example, you may choose to gather your management team for a session to introduce the 5 questions and then ask them to spend time preparing individually for a week or two. I would not recommend extending this phase of the process longer than two weeks if you choose to do it all.

As mentioned at the outset, the 5 question strategic planning framework can be applied to create a strategy of any complexity and depth. There will likely be a need for some research and assessment during the process. My strong recommendation is you and others involved in the process are meticulous in taking notes and capturing information and data so that others can access it and comprehend it. Choose your capture methods and information management tools before you get started. You should also consider setting up a separate communication channel if you are working with a team of people. This will keep your communications out of your inboxes and keep it all in one source.

If you have any questions arising from your interest in undertaking a strategic review or plan development using the 5 question framework, please do not hesitate to get in touch with me.

Now go create a great strategy!

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