

Does Your Strategy Still Work?

Professor Thomas Lawton

Steve Macaulay

It used to be thought that strategic planning was the be all and end all. And in fact, business schools and consultancies pushed the idea that strategic planning was the answer to everything. Well the recession put paid to that. Now in the studio today is Professor Thomas Lawton.

Now, Thomas, what has gone wrong with strategy? It seemed to work for a while.

Thomas Lawton

I don't believe strategy itself has become discredited, Steve. I think what is discredited is the idea of planning, and in fact I have never been an advocate of planning; I believe it has been discredited for a long time, before the recession was even heard of.

The idea of futurology in a sense, and I think equating strategy with looking into the future and predicting the future, has never been a good idea. And really the idea of a more dynamic and responsive approach makes sense for everybody.

Steve Macaulay

So does that mean making up policy on the hoof?

Thomas Lawton

Absolutely not. We still need strategy, but strategy has to be something which is more embedded within the organisation, in a way that it is almost really mapped onto the culture ideally and everybody can understand it implicitly and live and breathe the strategy of the organisation.

Steve Macaulay

So give me some examples where this living, breathing strategy seems to actually be working.

Thomas Lawton

Well one of the best ones that I have been studying for quite a long time would be in a company like, say, Ryanair where it has been consistently successful now for – well, it has been profitable for over twelve years, in an industry which is of course highly cyclical and highly sensitive to recessions. This is a company that continues to produce double digit growth, high performance strategy well ahead of any other rivals because its strategy is so clear, so consistent, so embedded and so flexible and responsive to change.

Steve Macaulay

So let's unpack this a bit more then; it sounds a great idea, what does it look like? How do you put together this fast responsive strategy that everybody lives and breathes?

Thomas Lawton

Well it comes down to a number of clear principles where you really have to strike a balance, I think, between change and consistency in how you approach strategy. So therefore the starting point is the

clarity of vision; and vision is about purpose and identity to some extent, it is about where you want to get to and what you want to be. And if you think of entrepreneurs and any small companies that do well, it is pretty much implicit in the mind of the entrepreneur what this company is to be and what it should look like and where it is going towards; that is imperative.

Now, you have to be very careful not to change that too much because that creates mixed messages and that can cause lots of confusion for every stakeholder.

The other key point is really what is it you are trying to sell to the customer? What is your differentiator? What is your proposition to the customer? Again, there has to be a certain degree of consistency around that which needs to change sometimes, but really it has to be pretty consistent.

Where the change comes is really on how you deliver on that, I think, and that is where you need to be responsive and adaptive and flexible. How do you deliver? How do you put into play the strategy in different contexts?

Steve Macaulay

So let's look at the practicalities; somebody says well, we seem to have quite a decent strategy process, it is not working as well as we hoped and this recession has really shown some big holes in it. How would you go about getting hold of it and changing it into the kind of ideal that you have been talking about?

Thomas Lawton

I think there are two types of companies that have suffered particularly during the recent recession. The first type are those that actually have no strategy, or where they strategy became exhausted many years ago and was out of touch with the market and with the customers. One can think of the collapse of Woolworths for example, as a case in point, of a company that the strategy really was rather tired for a long time and they were therefore pushed over the edge by the recession.

A second type is those that have been adversely affected really at the forefront of recession, such as the car industry where even good companies with clear and consistent strategies – like a Toyota or a Honda – have obviously been badly hit and have had to really reel in their growth and expansion. But there are other companies that have been very much on the offensive, particularly during 2009 or the latter half of 2009, and those are the cash rich companies that have very clear and consistent strategies. I am thinking here of Intel; I am thinking of Pfizer's; I am thinking of lots of high tech companies – in particular in pharma, in IT etc – that have been very much on the offensive during the recession, particularly the latter half of the recession, buying up and expanding very aggressively.

Steve Macaulay So in other words, you are saying is strategy isn't a dead duck, but you need to rethink how you apply it and what you do with it?

Thomas Lawton I think strategy is as relevant today as it was before the recession and as it was 100 years ago, if not a 1,000 years ago in a sense. I think what is important is how you approach strategy as a process and a practice within your business and not to make it too rigid. Not to lock yourself into some sort of long term growth plan which is communicated to everybody because then you become like, one can think of a massive oil tanker at sea that needs to change course rapidly – it takes time. What you want to be is that sail boat that can quickly tack and turn around rapidly in the face of a storm or some sort of adverse conditions.

Steve Macaulay Tom, thank you very much indeed. There are some powerful messages there.

Thomas Lawton Thank you, Steve.
