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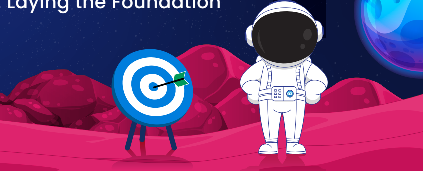
Powerful Strategic Frameworks

Part 1: Laying the Foundation

E-Book



CONTENT

"It's not hard to make decisions when you know what your values are." – attributed to Roy Disney

"The goal shouldn't be to make the perfect decision every time but to make less bad decisions than everyone else." — Spencer Fraseur, The Irrational Mind: How To Fight Back Against The Hidden Forces That Affect Our Decision Making

"There comes a time when one must choose between what is easy and what is right." – Albus Dumbledore, a character in J.K. Rowling's Harry Potter and the Goblet of Fire

Introduction

Successful organizations must make strategic decisions that drive growth, innovation, and long-term success. The question is, how to ensure that when choosing between alternative strategic initiatives, decisions are made objectively, and that the selected initiatives more fully support both the organization and the current business, including stakeholders and customers. All organizations regardless of size have limited time, budgets, and resources available for the 'new,' and must choose between many different options.

One of my colleagues was Chief Strategy Officer for a large, global insurance company, and he talks about how they would get between six hundred and eight hundred Capex requests every year – how can any organization truly rank them and ensure the ones that have been selected fully support the company and today's complex economy (and keep in mind this number doesn't include the hundreds of non-Capex initiatives put forward). Without a clear and objective strategic decision-making framework, the choices made may not support the organization, its goals, and the current business that it is in.

An objective framework that guides decision making and choices between strategic alternatives, however, will ensure that chosen strategic initiatives support all three. Without such a framework, negative consequences can result, such as misalignment with organizational goals, increased bias and subjectivity, inconsistency in decision-making, reduced adaptability, poor stakeholder satisfaction, increased risk, and hindered innovation. To avoid these pitfalls and ensure effective decision-making, it is crucial for companies to develop and implement an objective strategic decision-making framework.

This eBook, Part 1 of a two-part series, aims to provide insights and guidance on the importance of developing such a framework and its essential components.

Having an objective strategic decision-making framework in place offers numerous benefits to organizations, including:

1. Alignment with organizational goals: A well-designed framework ensures that decisions are made objectively, considering all relevant criteria, and ultimately driving success for the organization.

This alignment helps organizations focus their resources efficiently, enabling them to achieve their vision, mission, and strategic objectives (Chapter 1).

2. Enhanced clarity and direction: Vision and mission statements provide directionality, ensuring alignment across the organization and are included as criteria for the strategic framework. A clear and consistent framework that includes the vision and mission helps organizations maintain focus on their long-term goals while navigating short-term challenges (Chapter 2).

3. Improved decision-making consistency: An objective framework standardizes the decision-making process across the organization, reducing inconsistencies caused by individual biases or preferences. This consistency fosters a more stable, predictable environment for employees, stakeholders, and customers and drives better initiatives that are asked for by teams, departments, divisions, and employees (Chapter 1).

4. Increased adaptability: A flexible and effective framework allows organizations to adapt to changes in the market, industry, and society. This adaptability enables companies to respond effectively to emerging trends, opportunities, and threats, keeping them competitive and relevant (Chapter 2).

5. Stronger focus on strategic priorities: The alignment of strategic drivers, organizational goals, and key performance indicators (KPIs) ensures that the organization's efforts are focused on achieving its overall objectives and aspirations. This focus helps organizations allocate resources effectively and maintain momentum toward their goals (Chapter 3).

6. Identification of gaps and opportunities: Regularly reviewing and updating the strategic framework enables organizations to identify gaps in their strategies and uncover new opportunities for growth and quickly change course as things change. This proactive approach helps companies stay agile and responsive to changes in the market and industry landscape (Chapter 4).

7. Enhanced innovation and competitiveness: Incorporating innovation criteria into the strategic decision-making framework encourages organizations to prioritize and invest in new ideas, products, and services. This focus on innovation drives growth, improves market position, and creates positive value for stakeholders (Chapter 5).

Consequences of Not Having a Framework	Benefits of Having a Framework
Misalignment with organizational goals	Alignment with organizational goals
Increased bias and subjectivity in decision-making	Enhanced clarity and direction
Inconsistency in decision-making	Improved decision-making consistency
Reduced adaptability to market conditions and industry changes	Increased adaptability to market, industry, and societal changes
Poor stakeholder satisfaction	Stronger focus on strategic priorities
Increased risk	Identification of gaps and opportunities in strategies
Hindered innovation and decreased competitiveness	Enhanced innovation and competitiveness

A comparison between the consequences of not having an objective strategic decision-making framework and the benefits of having such a framework in place reveals the significant advantages of implementing a structured approach.

Organizations that adopt an objective framework can address challenges and risks they face when making strategic decisions without proper guidance. By ensuring alignment with goals, enhancing clarity and direction, improving decision-making consistency, increasing adaptability, focusing on strategic priorities, identifying gaps and opportunities, and fostering innovation and competitiveness, organizations can better position themselves for success in today's fluid and ever-changing business world.

Not having such a framework in place can lead to negative (yet unintended) consequences:

1. Misalignment with organizational goals: Unobjective decisions may not align with the company's vision, mission, and strategic objectives, leading to a lack of focus, wasted resources, and reduced efficiency over the short and longer term.

2. Increased bias and subjectivity: Decisions made without an objective framework may be influenced by personal biases, emotions, or individual preferences, prioritizing short-term gains or personal interests over the long-term success of the organization. Oftentimes the 'loudest voice in the room' gets what they want, with little regard for the appropriateness of those initiatives.

3. Inconsistency in decision-making: Without an objective framework, decisions may vary based on the decision-maker's individual perspectives, leading to inconsistency in strategy execution and organizational direction.

4. Reduced adaptability: Unobjective decision-making can make it difficult for organizations to respond effectively to changes in market conditions, customer needs, or competitive landscape.

5. Poor stakeholder satisfaction: When decisions are made without a clear, objective basis, stakeholders such as employees, customers, investors, and partners may become disillusioned or disengaged, leading to reduced satisfaction, loyalty, and trust.

6. Increased risk: Unobjective decision-making can lead to higher levels of risk, as decisions may not be based on accurate assessments of potential threats, opportunities, or overall impact on the organization's performance.

7. Hindered innovation: Without an objective framework to evaluate and prioritize innovative initiatives, organizations may struggle to identify and capitalize on new opportunities, leading to stagnation and decreased competitiveness.

I realize that most organizations have a process for deciding on strategic (and other) initiatives, and a framework such as described here should become part of that process to ensure alignment and objectivity. And if decisions are made that don't seem to be aligned with either the process or the framework, then a re-evaluation and adjustment of one or both should probably be undertaken.

This eBook is divided into five chapters, each focusing on essential aspects of creating an objective strategic decision-making framework:

Chapter 1 emphasizes the importance of a cohesive strategic framework that allows organizations to make consistent and objective decisions while remaining flexible and adaptable to their unique circumstances, avoiding the negative consequences of unobjective decision-making.

Chapter 2 discusses the significance of vision and mission statements in ensuring alignment and serving as criteria for the strategic framework, helping to prevent misalignment and inconsistency in decision-making.

Chapter 3 explores the role of strategic drivers, organizational goals, and key performance indicators (KPIs) in aligning a company's initiatives with its overall objectives, reducing the risk of poor stakeholder satisfaction and misaligned initiatives.

Chapter 4 highlights the importance of identifying gaps and opportunities in the business and the industry, and including them in the strategic decision-making process, using examples from various industries to demonstrate how a robust framework can help organizations stay focused, agile, and adaptable.

Chapter 5 delves into the critical aspect of incorporating innovation criteria into the strategic framework, emphasizing the need for process, speed, and collaboration to drive growth and create value for stakeholders while avoiding stagnation and decreased competitiveness.

By the end of Part 1, you will have a comprehensive understanding of the importance of an objective strategic decision-making framework and its various components. In Part 2 of this series, we will focus on the actual creation of the strategic decision-making framework based upon this foundation, providing practical steps and guidance to help you implement an effective framework tailored to your organization's unique needs and circumstances.

Implementing an objective strategic decision-making framework offers numerous benefits that contribute to an organization's overall performance and long-term success. It can help drive growth, innovation, and better initiatives as they are based on the reality of what is best for the organization, objectively. Alignment with goals, enhanced clarity and direction, improved decision-making consistency, increased adaptability, a stronger focus on strategic priorities, the elimination of gaps and capitalizing on opportunities, and enhanced innovation and competitiveness are natural outcomes of such a framework.

Chapter 1 – Empowering Your Teams for Success: Crafting a Cohesive Strategic Framework

"Building a visionary company requires one percent vision and 99 percent alignment," — Jim Collins & Jerry Porras, Built to Last: Successful Habits of Visionary Companies.

The question is how do you get that alignment across the enterprise?

No, seriously: How do **you (and your organization)** get in alignment when making choices between strategic initiatives?

In today's fast-paced and competitive business world, it's more important than ever for organizations to have a consistent and objective way of making strategic decisions.

Without such a framework, it's often difficult to understand how initiative options truly support your business and the current strategic focus of your business. Having a clear and established framework—with criteria that everyone in the organization uses to judge initiatives—can go a long way in ensuring that decisions are made objectively and with the best chance to support the organization in both the short and long terms.

“Leaders honor their core values, but they are flexible in how they execute them,” — Colin Powell.

Almost ironically, a framework needs to incorporate not only the overall ethos of the organization unflinchingly but also flexibility—which is actually key. Flexibility needs to be incorporated into the model and the process. The framework needs to be adaptable, to reflect changes to the organization (such as an acquisition), changes to the strategic focus (pursuing new strategic directives or deciding to not pursue one that was previously part of the strategic plan), and changes to the industry (new technologies or competitors). And then to allow those changes to be quickly incorporated into the framework, allowing strategic initiatives to be re-evaluated against this new reality. This allows quick and objective re-evaluation of existing and new opportunities, and the possible redistribution of resources and change in direction across initiatives.

“The essence of strategy is choosing what not to do,” — Michael Porter, Harvard Business Review

Good strategy is about making choices; about saying yes to some things while saying no to others. As Michael Porter famously noted, “The essence of strategy is choosing what not to do.” Creating a framework that permits managers up and down the line to actually say no to new ideas can allow their teams to remain focused on the initiatives already underway and agreed to. It can also allow them to say yes and understand the ramifications of incorporating these new initiatives midstream. However, making these choices objectively can be a challenge, especially in an environment in which organizations are limited by time, budget, and resources—what organization isn’t—and everyone wants their piece of the (limited) pie.

A framework for objective strategic decision making can help to ensure that these choices are made with objective clarity and impartiality.

Such a framework creates a shared understanding of the decision-making process, allowing for objective decisions by quantifying criteria for understanding how initiatives compare to each other.

There are three kinds of criteria that companies can include into a framework: Common, Industry-specific, and Company-specific.

Common criteria are very common across all organizations and include:

- ROI
- Costs/time
- Staffing
- Measurability
- Reach

(This is just a sample of common criteria—there are many more that are common across most organizations.)

Industry-specific criteria are those that are specific to an industry. These may include:

- **Legal/regulatory requirements.** Different industries have different levels of regulatory requirements. Some, like life sciences/pharmaceuticals, are heavily regulated and Legal and Compliance are involved in almost every initiative. Others are, to varying degrees, either less or more regulated depending on the types of initiatives being considered.
- **Customer preferences are similar in most industries.** A buyer of Life insurance's needs and desires have commonalities across all insurance companies, for instance. If there is a differentiation for a specific company, then those differences should either be included in the company-specific criteria or the industry that the organization is in should be redefined. For example, a Life Insurance company that exclusively sells to High-Net-Worth buyers would have different customer preferences – and therefore criteria – than a more 'general' insurance company. In fact, their customer base and thus, the initiatives, may be much different and focused exclusively on high-net-worth money managers and bankers rather than the actual policyholders.

Company-specific criteria are those criteria that are specific to each company and their specific way of doing business such as:

- The organization's vision and mission
- Strategic drivers
- Specific goals, metrics, KPIs
- Organizational gaps and opportunities that have been identified

It's important to have all initiatives tie back to—and support—the specific vision and mission, the strategic drivers, and KPIs, while filling in gaps and other opportunities. One should literally be able to answer the question of how well that specific initiative supports the vision (or mission, driver, KPI, gap) compared to other initiatives.

Currently, most organizations don't have the capability to do this during their strategic planning process.

With all that in mind, most framework models will have between 40 and 60 criteria across these three areas.

It's only by considering all relevant criteria that organizations can make impartial decisions that truly, objectively compare the relative impact and deliverability of initiatives. No single initiative will fully support all criteria, but some will support more—at a higher level—than others. And those that do are the initiatives you would probably want to consider.

One of the effects of having the criteria known in advance by everyone is that better, more well-thought-out initiatives are put forward. If something is important to the organization then knowing that forces the proponents of the initiatives to cover more bases across the criteria. For example, DEI (Diversity, Equity, Inclusion) has become very important to many organizations. Rethinking an initiative from that lens from the beginning will help ensure that it will better support or include superior elements of supporting DEI.

One of the key aspects of such a framework for strategic decision making is the objective evaluation of initiatives across three areas:

- Ease of implementation
- ROI and impact
- Transformation potential

These three factors are essential indicators of the success and potential of an initiative and must be carefully considered to make informed decisions. But how does an organization do this? The criteria that were identified above are grouped into these three areas, and an overall score is given to each project for each of these based on how well they support the individual criteria.

Ease of implementation refers to the ease and feasibility of executing an initiative. A good framework should objectively evaluate how easily an initiative can be implemented, taking into consideration factors such as resources, time, and budget.

ROI (return on investment) and **impact** are two different—yet equally important—considerations. ROI refers to the financial return that an initiative will provide, while impact refers to the wider impact that the initiative will have on the organization and its stakeholders. Historically ROI was the main factor to determine an initiative's relative importance, but there are many other considerations in today's world—such as DEI, as mentioned above—that can't be quantified are fairly subjective and more important than they used to be. A good framework should turn these into objective criteria and should allow the organization to objectively evaluate both the ROI and impact of an initiative, taking into consideration factors such as long-term benefits, customer satisfaction, and brand reputation.

Finally, **transformation potential** refers to the potential of an initiative to drive positive and transformational change and growth within the organization. A good framework should objectively evaluate the transformation potential of an initiative, taking into consideration factors such as how many groups, departments, geographies, or divisions within the organization will be impacted, how well does it support vision and mission and strategic drivers, innovation, and the potential to disrupt traditional business models.

Having such a flexible framework for objective and strategic decision making is crucial for any organization that wants to stay ahead in today's competitive business environment. It helps to ensure that decisions are made objectively, with all relevant criteria considered and the best interests of the organization in mind.

As strategy guru, Richard Rumelt, talked about in his book Good Strategy/Bad Strategy, it's imperative for a good strategy to contain an internally consistent and integrated set of choices.
Having a framework in place ensures that these choices are made with clarity, impartiality, and consistency, and will drive success for the organization.

Chapter 2 – Vision and Mission: Not just words on a web page, but criteria for your strategic framework

"Vision without action is a daydream. Action without vision is a nightmare." – Japanese proverb

How do you ensure that the strategic initiatives you are focusing on are in alignment and fully support the overall direction of your company? No, seriously, **how do you (and your organization)** get alignment to the organization's aspirational path forward?

When it comes to making strategic decisions, it's necessary to have a framework that allows objective decision making across all initiatives. An effective framework is a flexible framework, one that needs to be able to support the organization as things change – whether the fluctuations are caused by external or internal forces. As change occurs, the framework needs to allow initiatives to be periodically reevaluated against the new set of criteria. Flexibility is key.

The flexible framework, to be a successful business driver, needs to be grounded in the overall goals and objectives of the organization, which change much less often and much more slowly.

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This ensures that the criteria used to evaluate initiatives aligns with the organization, its goals, and its positioning both for the future and, to some degree, the past. At the highest level, every initiative needs to be able to be tied back directly to the fundamentals of the organization: its vision and mission.

The vision and mission of an organization are crucial to ensure alignment across everything the company does. As Michael Porter is quoted as saying: "The purpose of a vision statement is to provide a clear, inspiring picture of the future that your organization is trying to create." If initiatives aren't directly relatable back to the vision (and mission), a future that is directionally different where the organization is looking to go can't happen. What vision statements and mission statements provide is directionality, allowing everyone in the organization to be aligned and facing in the same direction, but giving various teams enough leeway to allow different paths to get there.

Using the insurance industry as an example, some companies have missions to provide peace of mind to their customers by offering quality insurance products. Allstate's mission is "to help people realize their hopes and dreams through products and services designed to protect them from life's uncertainties and prepare them for the future." Mapfre Insurance's vision is "To be the most trusted global insurance company," and its vision is "We are a multinational team that works to constantly improve our services and develop the best relationship with our clients, distributors, suppliers, shareholders, and society at large."

When creating a strategic framework, these vision and mission statements need to drive specific criteria that will be different for each company. For instance, Allstate's mission to "realize hopes and dreams" and have products "that protect from life's uncertainty" means that criteria that support these need to be woven into the initiatives for those initiatives to be prioritized. On the other hand, Mapfre's focus on "improving services" for "clients, distributors, suppliers, shareholders, and society" means that initiatives aimed at improvement (innovation maybe?) and a broader stakeholder set (rather than just one) should possibly be evaluated at a higher level than other options. This could involve launching new and innovative improvements to existing programs, and offering platforms that bring in distributors and suppliers, rather than one or the other.

Similarly, other companies like State Farm, Cincinnati Insurance Company, and Nationwide vision and mission statements would also drive different criteria for their strategic frameworks. Nationwide's mission statement includes that they want "to be the world's most customer-centric insurer" and even specifically mention so on their website (**customer experience at the heart of Nationwide protection**). Because of this, almost all initiatives should have their customer's experience at the heart of what they are trying to accomplish. (I say 'almost' as some initiatives are what we call 'Foundational' that are needed to be done first to provide for other, higher ranking programs – but more about that in an upcoming chapter). The Cincinnati Insurance company's vision is "to be the best company serving independent agents." This easily translates to (one or more) criteria that will rank initiatives focused on serving independent agents better than those that don't.

Can you see how each of them will drive a different set of criteria for the framework to ensure that initiatives and programs under consideration are more aligned with organizational aspirations? Some of the criteria will be the same for multiple organizations, but some will be very specific to a single organization.

Two more examples

FM Global's full mission statement is:

We have a unique risk management focus. Our clients look to us to develop cost-effective insurance and risk-financing solutions, to minimize business interruption and financial impact if a loss does occur.

We meet these needs with customized programs that draw upon our:

- State-of-the-art loss prevention engineering and research
- Risk management skills and support services
- Tailored risk-transfer capabilities
- Superior financial strength

Even as we evolve, our focus remains the same: When our mutual policyholders benefit, our business benefits.

Supporting this mission statement and everything that flows from it (strategic directives/imperatives, goals, KPIs) is much different than supporting The Hanover's:

Vision: To be the premier property and casualty franchise by helping independent agents transform the way customers experience insurance.

Mission: To help our partner agents and policyholders prepare for and recover from the unexpected.

Creating the specific criteria for each of these mission and vision statements is the art behind the science. They need to drive to the heart of the meaning of the words and very often will need input from the executive level of the organization. The criteria also need to be well defined (and measurable) to be consistently applied in the framework across initiatives. It's not as easy as it seems at first glance, but it's a necessary step that will drive much better results. One needs to be able to draw a straight line from each program and initiative back to how it supports the overall focus of the organization.

The next level down from these in creating the framework would be the strategic drivers, organizational goals, and specific KPIs and metrics (all of which should support the Vision and Mission). More about these in upcoming chapters.

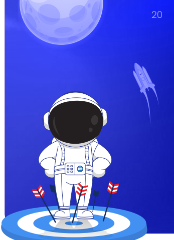
Having a framework for objective strategic decision-making is crucial for any organization. Such a framework needs to be flexible enough to accommodate changes in the company, in the market, and in society as a whole, but should also be grounded in the company's overall vision and mission. The vision and mission statements of a company will drive some important criteria for the strategic framework that are used to ensure alignment of initiatives with achieving the organization's overall goals and objectives.

Chapter 3 – The Role of Strategic Drivers, Organizational Goals, and KPIs in a Strategic Framework

"However beautiful the strategy, you should occasionally look at the results." –Sir Winston Churchill

How do you ensure that your goals and metrics are in alignment and fully support the overall direction of your company? No, seriously, how do you (and your organization) get alignment to your organization's aspirational path forward?

As I spoke about in the last chapter, a company's vision and mission statements provide the overall direction for the organization and need to be included as base criteria when creating your Strategic Decision Making Framework. These criteria will change infrequently, as they represent the foundational cornerstones of an organization. A vision statement is a future-oriented declaration of an organization's purpose and aspirations, providing a clear and inspiring picture of what the organization hopes to achieve. A mission statement outlines the organization's reason for existence, its core values and priorities, and the customers it serves.



You should be able to clearly articulate how the initiatives being considered either fully (or less) support the vision and the mission, and the framework criteria that were created to support them. The vision and mission are rocks that may change slowly over time but for successful companies remain near-constant over the long term.

"Sound strategy starts with having the right goal." –Michael Porter

On the other hand Strategic Drivers, Organizational Goals, and Key Performance Indicators (KPIs) provide the focus and detail needed to turn the vision and mission into a roadmap for success and can (and very often) change every year, or even more often as the pace of business change continues to dramatically increase and thus the goals of the organization change to reflect the new realities.

Some definitions:

Strategic Drivers are the key priorities and initiatives that an organization focuses on in order to achieve its goals. They are the critical areas of focus that determine the success of an organization's strategy and they should be aligned with the overall vision and mission. The strategic drivers should be prioritized, and all initiatives should be evaluated against the drivers to ensure they are aligned with the organization's priorities. For example, a company that is focused on customer experience might identify customer satisfaction as a strategic driver.

Organizational Goals are the specific outcomes that the organization aims to achieve through its strategy in both the short and long term. They are specific, tangible, and measurable and help to provide focus and direction for the organization. They should also be realistic, considering the company's resources and capabilities. The key is that they are measurable which means there is a way to determine achievement (or not) – so there needs to be agreement from the beginning on how they will be tracked. For example, a goal might be to increase customer satisfaction by 10% in the next year, which would require a mechanism to track customer satisfaction.

Key Performance indicators (KPIs) are metrics that organizations use to measure the success of their goals. KPIs should be directly tied to the goals, and they should be chosen carefully to ensure they accurately reflect progress and also reflect the ability to change direction to positively affect them. They provide a means of tracking progress toward the goals and help organizations understand whether they are on track to achieve them. Following on from the examples above, customer satisfaction might be measured using a customer satisfaction survey, and the goal to increase customer satisfaction by 10% in the next year would be tracked using the results of the survey.

A fuller example of these may be something along the lines of:

Strategic Driver: Customer Satisfaction – Provide a positive customer experience that fully meets the needs of customers. [NOTE: There will probably be more than one strategic driver for any company.]

An Organizational Goal that supports that could be: Increase customer satisfaction by 10% over the next year. [NOTES: 1. There would need to be agreement on how to measure the percentage increase in customer satisfaction. 2. There may (and probably will be) more than one goal per strategic driver.]

And the KPIs that could be used to measure the success of that goal could include:

- Net Promoter Score (NPS)
- Customer Satisfaction Survey Results
- Customer Complaint Resolution Time
- Customer Retention Rate

You'll notice that these goals are fairly generic – different companies and different industries will have different and specific Drivers, Goals, and KPIs based on what they are trying to accomplish.

For example, an insurance company that is focused on Customer Satisfaction as a key Strategic Driver could include KPIs such as:

- **Customer Satisfaction (CSAT):** This score can be measured through customer surveys and feedback mechanisms. (The average CSAT score for the insurance industry is around 76). Insurance Companies that are focused on CSAT might aim to achieve a customer satisfaction score of at least 85%, well above the industry average.
- **Renewal Rates:** This KPI is a measure of how many customers are choosing to renew their policies with the company, and it is an indicator of customer loyalty and satisfaction. A CSAT-focused insurer might look to achieve a renewal rate higher than 84%, which is the industry average.
- **Claims Processing Time:** This measures how quickly the company can resolve claims and pay out benefits to policyholders. This is one of the (if not the) leading indicators of customer satisfaction in the insurance industry. Carriers would look to process claims within a specific number of business days. The industry average is about 11 days to settle a claim so a carrier that is focused on customer satisfaction would look to achieve a much shorter average timeframe for claims settlement.
- **Net Promoter Score (NPS):** The NPS is a measure of customer loyalty and is calculated by asking customers how likely they are to recommend the company to others and then using a formula on the responses to calculate NPS. Any score above 0 is positive, but most companies strive for a much higher and ever-increasing NPS. Insurers might aim to achieve an NPS of at least 5 points above the industry average for that year (the benchmark for Insurance is 71).

While there are many other insurance industry-focused metrics, not all of them would be directly related back to this specific customer satisfaction-focused goal and strategic driver. Metrics like Average Cost per Claim, Return on Surplus, Loss Ratio, Frequency, Severity, Expense Ratio, Strike Rate, Average Policy Size, and many others are probably metrics that most insurance companies would want to track to support other drivers and goals, but wouldn't be (necessarily) related to this specific combination of the two.

Now that we've identified all the Drivers, the Goals, and their associated Metrics / KPIs, we need to turn them into criteria for the Framework, and then we need to define what we mean by them and how they are assessed (more about this in upcoming chapters). Not every initiative will support every Driver, Goal, and Metric, but 'better' initiatives will more fully support more of these criteria and at a higher level than 'lesser' initiatives. And since the Metrics are associated with Goals that are associated with Drivers, which then fully support the Vision and the Mission, a straight line can (should?) be drawn from each initiative that is ranked by the framework back to the vision and mission of the organization. If not, chances are it won't be ranked as highly as others that do.

While some metrics could apply across all (most?) industries (such as Net Promoter Score), different industries have different metrics specific to those industries. A Travel and Hospitality (T&H) company, for instance, may have a similar Customer Satisfaction Driver to the example above, but the Goals and therefore the Metrics would all be different.

An example set for a (again, fictional) T&H company could be:

Strategic Driver: Customer Satisfaction

Goals:

- Increase customer satisfaction ratings by 5% YoY
- Reduce customer complaint resolution time by 50%
- Increase customer loyalty by 10% through repeat bookings for both new and existing loyalty members

KPIs:

- Net Promoter Score (NPS)
- Average Resolution Time (ART)
- Repeat Booking Rate (RBR)

Chapter 4 – Keys to a Successful Strategic Framework: Seizing Opportunities, Closing Gaps

In the previous chapters, I wrote about the importance of having a clear vision and mission, as well as identifying strategic drivers, organizational goals, and KPIs when creating a Strategic Decision Making Framework. These building blocks provide the necessary direction and focus needed to turn a company's aspirations into a roadmap for success, and they ensure that the framework drives initiatives that fully support the overall core of the organization, as well as the current strategic direction. Without these, we can't always be sure that what we are doing is driving the organization forward. However, before we can start evaluating strategic initiatives and options against the criteria defined in the framework, we need to identify gaps and opportunities, in relation to these.

Identifying gaps and opportunities is a crucial step in creating a comprehensive Strategic Decision Making Framework. It helps to ensure that the framework is robust and that it addresses critical areas that either need remediation or opportunities that the organization is not taking advantage of.

There is no magic to identifying gaps and opportunities. We use a variety of very traditional research methods, including interviewing key stakeholders, conducting market and competitive research, creating a current state analysis, and customer research. While these are time-tested and conventional approaches, they yield the results that we are looking for.

Just so we are all on the same page, some definitions:

A gap can be a disparity or difference between an organization's current state and its desired state. In the context of strategic planning and creating a framework, we want to identify areas where the organization is falling short in meeting its goals, in the way it goes about its daily business, or where there is a disconnect between different levels or groups of the organization. Gaps are mostly internally focused and can be caused by a variety of factors such as changes in market conditions, technological advancements, legacy systems, and processes, a mindset of "that's the way it's always been done," shifts in consumer behavior, internal organizational issues, just to name a few.

An **opportunity**, on the other hand, is a favorable circumstance that presents itself and can be exploited to achieve a strategic goal. Opportunities come from changes in the external environment that competitors have not yet capitalized upon, including technological advancements, shifts in consumer behavior, or changes in regulations, among many other factors. In the context of a strategic framework, opportunities are identified through an analysis of the industry and market landscape. They are mostly outward facing. The identification of opportunities is critical for organizations to stay ahead of the competition, capitalize on trends, and achieve strategic goals.

There is a tendency to rewrite Gaps as Opportunities, depending on the organization and the management team – sometimes they just do not want to hear about their deficiencies. I once (literally) had the CEO of a large retailer tell me that he didn't want us to do the research because then he would know what the issues actually were, and then he would have to do something about it. Which is sheer craziness. So don't rewrite them – Gaps are gaps, and Opportunities are opportunities and each should be viewed that way. And once we have identified the gaps and opportunities we add the relevant ones as criteria to our model.

Interviewing key stakeholders, both inside and outside the organization, is essential to gain a thorough understanding of the organization's strengths, weaknesses, opportunities, and threats. Key stakeholders can provide valuable insights into the company's current performance, as well as the potential for growth and expansion and their vision(s) for where they see the organization going over various timeframes. It's important when speaking with stakeholders to speak both across and up and down the organization, and with as many departments as you can speak to. My experience has been that the views of the executive and leadership team are different than the views of middle management and likewise different for those in the field or with direct client and customer contact. In fact, this is something that I have found in every case. You are looking for two things when speaking with the various teams and individuals within the company: consistency, and differences. Very often, simply identifying consistencies and differences, and bringing them to light a secondary goal of "understanding" between various departments and groups can be achieved.

"I understand now." – My clients

For one client that I worked with (a major book publisher) the production, marketing, and sales teams were always at odds fighting each other.

Leadership just wanted everyone to work together to achieve common goals. After the interviews were completed, we identified these differences, and during a workshop displayed them in a grid as part of the discussion. As each team talked about what we had captured, the other teams were literally saying "I never knew that's what you meant. I understand now." And while we didn't solve all of the issues between the teams, that understanding allowed us to create a common framework across the organization, and the teams started to work closer to the vision the executives had in mind.

As an aside, SWOT analyses are also time-tested methods that organizations use to look at their gaps and opportunities. As long as the SWOT analysis isn't the end-deliverable (and very often it is) and is used as an input to identify model criteria it's a valid exercise.

Market and competitive research are crucial tools for identifying gaps and opportunities. By researching the market and analyzing the competition, we can gain a better understanding of the industry landscape and identify any gaps (opportunities?) in the market that the organization can fill. We can also identify potential threats that may impact the organization's performance, which can then be used to create more criteria for the strategic decision-making framework. When looking outside the organization, especially in today's always-connected and digital world, it's important to also look within adjacent industries, and even to see what is happening in non-related industries. Your key stakeholders, whether they are customers, employees, vendors, or partners are by and large actually people – and these people are using tools and apps across a variety of aspects of their lives, and their expectations are getting set by not only what is going on in your industry, but across their day to day interactions with everything they interact with.

"Your best competitors don't set the bar. They set the floor. And if you want to dance, you need to, at a minimum be on that dance floor" – Me

Everyone says that your competitors set the bar. I disagree with that statement. At a minimum, your best competitors (and others that your stakeholders interact with) don't set the bar that your strategy needs to attain. **They set the floor.** And if you want to dance, that's the level you need to be at, at a minimum. And your framework needs to encompass that 'floor' as criteria. It's a subtle shift in thinking, but I believe that it helps to drive better initiatives across the organization. This was part of Jack Welch's mandate that any business that GE was in needed to be either number 1 or 2 in that industry (I'm totally guessing, but it seems he wanted GE to be—at a minimum—dancing with the competition).

Customer research is also essential in identifying gaps and opportunities. By understanding the needs and wants of customers, we can identify gaps and opportunities. Customer research can also provide valuable insights into the customer experience, which can be used to create more criteria for the strategic decision-making framework. But more about this in an upcoming chapter.

Creating a current state analysis is also crucial in identifying any gaps and opportunities that may exist and will provide a clear understanding of where the organization stands today. A current state analysis looks at the people, processes, platforms, data, existing technologies and architectures, and applications currently supporting the business:

People: This involves assessing the skills, knowledge, and experience of the organization's employees, including leadership and key personnel. This will help identify any gaps or weaknesses in the organization's talent pool that need to be addressed.

Processes: A review of the organization's current processes and workflows can help identify areas for improvement and potential bottlenecks in the organization's operations. This can include processes related to product development, customer service, supply chain management, and more.

Platforms: The analysis should also look at the platforms and systems that the organization is currently using to support its operations, including hardware, software, and other technologies. This can help identify areas where the organization may need to invest in new technologies to stay competitive.

Data: Analyzing the data that the organization is currently collecting and using can help identify areas where data is being underutilized or needs cleaning, for instance. This can include customer data, financial data, and other types of data that are critical to the organization's success.

Existing technologies and architectures: Reviewing the organization's existing technologies and architectures can help identify areas where they are outdated or no longer meeting the needs of the business. This can include legacy systems, databases, and other technologies that may need to be replaced or upgraded.

Applications currently supporting the business: Finally, a review of the applications and tools currently used by the organization can help identify areas where new or more effective solutions are needed. This can include customer relationship management (CRM) tools, marketing automation platforms, line of business applications, project management software, and more.

By analyzing the current state of the organization, we can identify any gaps and opportunities that exist, which can then be used to create more criteria for the strategic decision-making framework.

“Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.” – Richard Branson.

One of the opportunities (no pun intended) when doing the current state is to do a full employee experience assessment which gives you a qualitative view of how your employees, at all levels and across departments, feel about what is actually happening, both inside the organization and outside with other stakeholders. Many organizations talk about the importance of keeping employees happy and with a focus on employee experience, but few actually take the pulse of what they actually think. As Richard Branson is quoted as saying that taking care of your employees is first, and the first step to that is to understand their experience.

(OZ has an Employee Experience Model that helps our clients look at 7 different categories across 5 employee experience pillars that gives a great view into your employees' experience across the organization that we include when doing this kind of research.)

Keep in mind that when we are identifying the gaps and opportunities we are not trying to solve them, we are trying to catalog them and understand if there are main themes that need to be addressed in the organization. This process is definitely more art than science.

Some examples for three industries (Insurance, Travel & Hospitality, and Healthcare) could be [NOTE: these are probably a little more generic than the gaps we would normally create during an engagement, but then again, possibly not]:

Insurance

Gaps

- Limited adoption of digital and automation technologies in the underwriting and claims process
- Limited focus on environmental, social, and governance (ESG) factors in investment and underwriting decisions
- Insufficient transparency and communication with policyholders, resulting in low trust and poor customer experience
- Inadequate risk management practices, resulting in unexpected losses and claims payouts

Opportunities

- Increased demand for cybersecurity insurance due to rising cyber threats and attacks
- Adoption of artificial intelligence (AI) and machine learning (ML) technologies for predictive underwriting and claims handling
- Offering personalized and tailored policies through the use of big data and analytics
- Incorporating ESG factors into investment and underwriting decisions to align with growing societal and regulatory expectations
- Leveraging emerging technologies such as blockchain and distributed ledger to enhance transparency and security in insurance processes
- Partnering with insurtech startups and other innovative companies to drive digital transformation and innovation within the industry

Travel & Hospitality

Gaps

- Limited personalization and customization in customer experiences, resulting in lower customer loyalty and retention
- Limited use of advanced technologies such as AI, VR, and AR in enhancing customer experiences
- Limited innovation and differentiation in travel products and services, resulting in a crowded and highly competitive market
- Inadequate attention to health and safety standards, particularly in the wake of the COVID-19 pandemic
- Insufficient use of customer data and feedback to improve service quality and optimize pricing strategies
- Limited adoption of emerging technologies such as blockchain and the Internet of Things (IoT) to improve operational efficiency and enhance customer experiences

Opportunities

- Developing new and innovative travel products and services, such as sustainable travel options and experiential travel packages
- Emphasizing health and safety standards in marketing and customer communications to build consumer confidence and trust
- Integrating IoT technologies such as smart room controls and wearables to enhance the customer experience and improve operational efficiency
- Developing more personalized and customized travel experiences through the use of data analytics and AI
- Increasing focus on sustainability and responsible tourism practices to meet growing consumer demand for eco-friendly travel options
- Expanding into new markets and customer segments, particularly in emerging economies with growing middle classes and increasing disposable incomes
- Partnering with other travel and hospitality providers, as well as technology companies, to create seamless and integrated travel experiences for customers
- Leveraging emerging technologies such as blockchain and distributed ledger to enhance transparency and security in insurance processes
- Partnering with insurtech startups and other innovative companies to drive digital transformation and innovation within the industry

Healthcare

Gaps

- Insufficient interoperability and integration of health data across different providers and systems
- Limited access to affordable healthcare services and treatments for underserved populations
- Inadequate patient engagement and communication leads to low adherence to treatment plans and poor health outcomes
- Limited adoption of digital health technologies and telemedicine, particularly in remote and rural areas
- Inadequate focus on preventive care and early intervention leads to higher healthcare costs and poorer health outcomes in the long run

Opportunities

- Leveraging data analytics and AI to improve patient outcomes and optimize resource allocation
- Developing and implementing telemedicine and remote monitoring technologies to improve access to care and reduce costs
- Increasing focus on preventive care and early intervention through proactive health monitoring and risk assessment
- Investing in patient engagement and communication technologies to improve patient experience and health outcomes
- Developing and implementing innovative payment models and reimbursement systems to incentivize value-based care and better health outcomes
- Investing in healthcare infrastructure and workforce development to improve access to care and reduce disparities in healthcare delivery

While each industry has its own unique characteristics and challenges, there are a huge number of gaps and opportunities that may be **common to all three industries**, if not most industries. Some examples are:

Gaps

- Insufficient adoption and integration of emerging technologies
- Limited focus on customer experience and personalization
- Inadequate attention to sustainability and responsible business practices
- Limited access to affordable and accessible products and services for underserved populations
- Inadequate attention to talent management and workforce development

Opportunities

- Leveraging data analytics and AI to improve operational efficiency and customer experience
- Developing and implementing mobile and self-service technologies
- Increasing focus on sustainability and responsible business practices
- Expanding into new geographic markets and customer segments
- Partnering with innovative startups and other companies to drive innovation and growth

Of course, the relative importance of these gaps and opportunities may vary across different industries and organizations within each industry. However, these gaps and opportunities are just as valid as others specific to that industry and/or company, and as appropriate should be included as criteria in the framework.

Identifying gaps and opportunities is an ongoing process, and it is important to continually evaluate and update the framework as new information becomes available. By regularly reviewing the framework and updating it to reflect new gaps and opportunities, the organization can stay on track to achieve its vision and mission.

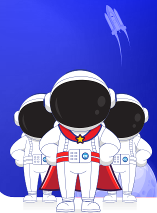
Identifying gaps and opportunities is a critical step in creating a comprehensive Strategic Decision-Making Framework. By using a variety of research methods and regularly reviewing and updating the framework, your organization can ensure that it is focused on achieving its vision and mission while also staying agile and responsive to changes in the market and industry landscape.

Chapter 5 – Incorporating Innovation Criteria into the Strategic Decision-Making Framework

“Innovation distinguishes between a leader and a follower.”
– Steve Jobs, Co-founder of Apple Inc.

Incorporating innovation criteria into the strategic decision-making framework can be a game-changer for organizations. Innovation is critical to the growth and sustainability of organizations in today’s rapidly changing business environment. Incorporating innovation criteria into the strategic decision-making framework can help organizations make more informed decisions that not only address current challenges but also enable them to be better prepared for the future. Your organization must prioritize innovation to stay ahead; it is no longer an option but a necessity to survive and thrive in the market. However, incorporating innovation into the strategic decision-making process can be challenging.

In this chapter, we will discuss how to incorporate innovation criteria into the strategic decision-making framework.



Digital Consulting.

First, a definition to make sure we are all on the same page:

Innovation refers to the process of developing new ideas, products, or services that provide unique value to the organization, customers, or other stakeholders. It can also mean improving existing products or services to make them more effective, efficient, or user-friendly. At OZ, we believe that innovation is partly art and partly science. It's important to incorporate free-range thinking techniques and approaches (like Design Thinking), but it's also important to have an actual process that your organization follows for both coming up with the ideas and then implementing them.

Innovation is important because it helps organizations to stay competitive and relevant in the market. It allows them to create new products or services that meet the changing needs and preferences of the customers. It also helps them to differentiate themselves from the competition, increase their market share, and improve their profitability.

"Innovation is the specific instrument of entrepreneurship… the act that endows resources with a new capacity to create wealth." – Peter Drucker, Management Consultant and Author

Moreover, innovation can also help organizations address societal challenges and create positive social and environmental impacts. For instance, companies can develop products or services that are more sustainable, reduce waste, or improve people's health and well-being.

Innovation can take many forms, such as technological innovation, business model innovation, and process innovation. It can also be incremental, which refers to small improvements to existing products or services, or disruptive, which refers to significant changes that disrupt the existing market.

In many organizations, innovation usually occurs like this: ideas are generated, whether that is through an individual coming up with an idea that they would like to implement, or by having an innovation team or committee 'ideate' initiatives. Once that happens an executive needs to be found to 'sponsor' the initiative, so a roadshow occurs to get buy-in. One client talked about creating a list of innovative initiatives, that everyone agreed would be tremendous add-ons to the organization, and then spending 12 to 18 months to find someone with the budget to actually sponsor the initiative. By then, they were no longer innovative.

"Creativity is thinking up new things. Innovation is doing new things." – Theodore Levitt (1925 – 2006), Economist

From my experience, innovation requires three elements: Process, Speed, and Collaboration, and each of these must have criteria that are incorporated into the strategic decision-making framework.

Innovation as a Process

Innovation is a process that involves the development of new ideas, products, or services that provide unique value to customers. Organizations must recognize that innovation is not a one-time event, but a continuous process that requires ongoing effort and investment. Therefore, the strategic decision-making framework should include a structured process for innovation, including ideation, prototyping, testing, and commercialization, and criteria should be created that allows the question "Does this initiative allow our process to be used?" to be answered.

Speed in Innovation

Speed is a critical component in innovation. Organizations must be able to quickly develop and bring new products or services to the market to stay ahead of the competition. The strategic decision-making framework should prioritize those initiatives that incorporate speed and agility in the innovation process; this enables organizations to move quickly and respond to changing market needs. Once charted, the framework will have an axis dedicated to this – what we call "Ease of implementation" where speed is a major component.

Collaboration in Innovation

Collaboration both inside and outside the organization is crucial to successful innovation. Internally, organizations must create a culture that fosters collaboration, cross-functional communication, and the exchange of ideas. Externally, organizations should collaborate with customers, suppliers, and other stakeholders to gain insights into customer needs and preferences, market trends, and emerging technologies. The framework needs to encompass criteria that reflect the fact that collaboration and buy-in have already occurred, where initiatives that are already on someone's plate for the year receive higher scores than those that are looking for sponsorship (and budget).

To incorporate innovation criteria into the strategic decision-making framework, organizations can follow these steps:

Step 1: Define innovation goals

The first step is to define the innovation goals that align with the organization's overall vision and mission. Innovation goals can be broad or specific, depending on the organization's needs and priorities. For instance, a company may want to develop a new product category, improve existing products' features, or optimize its supply chain processes. Just as defining overall goals for your company is an important step in creating a framework, defining specific goals around innovation is an equally imperative step in the process.

Step 2: Identify innovation opportunities

The next step is to identify innovation opportunities that align with the organization's innovation goals.

Innovation opportunities can come from various sources, such as customer feedback, market research, industry trends, and internal ideas. Bringing a diverse team together that includes stakeholders from both inside and outside your company is an important step to identifying initiatives and creating the initial planning for them. Those initiatives that are created and planned (to a high level, but have a plan nonetheless), with identified roadblocks, buy-in, and sponsorship should rank better than those that do not.

Step 3: Evaluate innovation opportunities

The organization should evaluate the innovation opportunities based on several criteria, such as their feasibility, market potential, strategic fit, and resource requirements. The evaluation criteria should align with the organization's overall strategic decision-making framework.

Step 4: Prioritize innovation opportunities

Based on the evaluation results, the organization should prioritize the innovation opportunities that offer the most significant potential value and align with its innovation goals as well as have buy-in and sponsorship.

Step 5: Develop innovation initiatives

Once the organization has identified and prioritized the innovation opportunities, it should develop innovation initiatives that outline the specific actions required to realize them. The innovation initiatives should include timelines, resource requirements, performance metrics, and risk management strategies. Criteria for these should be added to the framework, so initiatives that have a 'better' plan should rank higher than those that don't.

"If I had asked the public what they wanted, they would have said a faster horse." – Henry Ford (1863 – 1947), Founder of Ford Motor Company

Examples of innovation criteria

Innovation criteria can vary depending on the organization's needs and priorities. However, some common innovation criteria include:

Customer-centricity: How well does the innovation opportunity address the customers' needs and preferences?

Market potential: What is the size and growth potential of the market for the innovation opportunity?

Strategic fit: How well does the innovation opportunity align with the organization's overall vision, mission, and strategic goals?

Resource requirements: What are the resource requirements, such as capital, technology, and human resources, needed to develop and implement the innovation opportunity?

Risk and feasibility: What are the risks and challenges associated with the innovation opportunity, and how feasible is it to implement?

Competitive advantage: How will the innovation opportunity differentiate the organization from its competitors and improve its market position?

Social and environmental impact: What are the potential social and environmental impacts of the innovation opportunity, and how can it create positive value for society and the environment?

Different industries would view innovation from slightly or somewhat different perspectives.

Insurance

For example, the insurance industry has traditionally been slow to adopt new technologies and processes, but this is changing as insurers recognize the need to stay competitive and relevant in today's rapidly changing business environment. Incorporating innovation criteria into the strategic decision-making framework can help insurers develop new insurance products that meet changing customer needs (needs that didn't even exist even 2 or 5 years ago) and preferences and differentiate themselves from the competition.

For example, usage-based insurance policies have become increasingly popular in recent years, especially for auto insurance. These policies use telematics devices to track driving behavior, allowing insurers to price premiums based on actual driving behavior rather than just age, gender, or location. Insurers that incorporate innovation criteria into their strategic decision-making framework can develop these types of products more quickly and effectively, leading to increased market share and profitability.

Another area where innovation can have a significant impact in the insurance industry is fraud detection and prevention. By using data analytics and artificial intelligence, insurers can identify fraudulent claims more quickly and accurately, leading to significant cost savings. Incorporating innovation criteria into the strategic decision-making framework can help insurers invest in these types of technologies and processes, improving their bottom line and customer satisfaction.

Travel and Hospitality

The travel industry is constantly evolving, and travel companies must adapt to changing customer needs and preferences to stay ahead of the competition. Incorporating innovation criteria into the strategic decision-making framework can help travel companies develop new products or services that meet changing customer needs and differentiate themselves from the competition. For example, in recent years, there has been a growing demand for sustainable travel options. Travel companies that incorporate sustainability criteria into their strategic decision-making framework can develop eco-friendly travel products that appeal to environmentally conscious travelers. Additionally, with the pandemic, customers are now looking for more flexible travel options and safety measures. Personalized travel recommendations can help travel companies stand out in a crowded market by offering unique experiences tailored to individual customers' interests and preferences. By incorporating criteria that address safety, flexibility, and personalization into the strategic decision-making framework, travel companies can develop new products or services that meet these changing customer needs and preferences, leading to increased customer satisfaction and loyalty.

Healthcare

The healthcare industry is facing significant challenges, including rising costs and an aging population, and innovation is critical to addressing these challenges. Incorporating innovation criteria into the strategic decision-making framework can help healthcare organizations develop new products or services that improve patient outcomes and reduce costs. For example, telemedicine has become increasingly popular in recent years, allowing patients to access medical care remotely. This can be particularly beneficial for patients in rural areas or those with mobility issues. Incorporating innovation criteria into the strategic decision-making framework can help healthcare organizations invest in telemedicine more effectively and develop new ways to use this technology to improve patient outcomes.

Similarly, remote monitoring devices can help healthcare providers track patient health data in real time, allowing them to intervene early and prevent complications. Incorporating innovation criteria into the strategic decision-making framework can help healthcare organizations identify these types of opportunities more quickly and invest in them more effectively, leading to improved patient outcomes and reduced costs.

Incorporating innovation criteria into the strategic decision-making framework can be a game-changer for organizations. Innovation is crucial to the growth and sustainability of organizations in today's constantly shifting business environment. Considering various innovation criteria such as customer-centricity, market potential, strategic fit, resource requirements, risk and feasibility, competitive advantage, and social and environmental impact, organizations can identify and prioritize innovation opportunities that align with their overall vision and mission.

Innovation requires a process, speed, and collaboration both inside and outside the organization. Organizations must recognize that innovation is not a one-time event but a continuous process that requires ongoing effort and investment. The strategic decision-making framework should include a structured process for innovation, prioritize initiatives that incorporate speed and agility, and foster collaboration, cross-functional communication, and the exchange of ideas both to stay competitive and relevant in the market, organizations must prioritize innovation. With a robust innovation strategy and framework, organizations can drive growth, improve their market position, and create positive value for their stakeholders. Innovation can take many forms, and it is essential to have a comprehensive innovation strategy that encompasses all aspects of the organization's operations. By incorporating innovation criteria into the strategic decision-making framework, organizations can make more informed decisions that not only address current challenges but also enable them to be better prepared for the future.

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