Planning, Explaining and Executing Strategy – Why good leadership communication and storytelling matters for getting things done and implementing strategies

BY VEIT ETZOLD

A strategy only lasts until the first shot is fired.
Carl von Clausewitz, On War

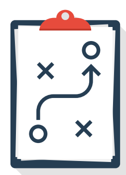
Everyone has a strategy – till they get punched in the mouth.
Mike Tyson

STRATEGY+STORY=IMPLEMENTATION
Strategy is the way in which you plan to achieve your goals in the fight against the competition. A story describes the way in which the hero reaches a happy ending in their fight against the villain. This is why a story is the best way to explain a strategy - and is the first step towards its successful implementation. One might express this idea as "strategy + story = implementation". In this article, Veit Etzold shows managers how to combine these three concepts to develop a holistic corporate image and enable themselves to present their "change story" in a way that cannot only be easily understood by all, but also sustainably implemented.

Planning a strategy – Where do you want your company to go?

The world has a problem. Most companies are failing or struggling in three aspects of their strategy: the strategy itself, its story and its implementation. The reason for this is that nowadays, leaders often do not define clear goals, do not communicate how a strategy is to be placed into effect and are not able to see the eventual impact of their ideas. In short, the strategy, its implementation and its impact are unclear, making strategy one of the biggest challenges faced by the managers of today.

But what actually is strategy? Briefly put, strategy is the route from the starting point to a corporate goal. Planning a strategy when everything else is in constant flux might, at first, seem contradictory; however, while a strategy might change; a goal should remain relatively constant. Companies who shake up their goals too frequently often perish and fail. A prominent example of this in the German airline industry is Air Berlin, which sought to be everything to all people: tourist airline, business class provider, local carrier and international airline. Being everything to everyone in an age of limited resources is a clear recipe for disaster. In order to successfully plan a strategy, executives must achieve clarity on three major points:



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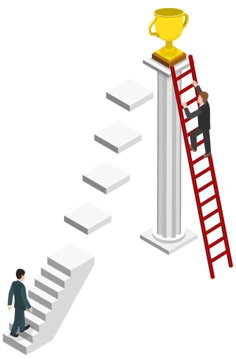


Positioning of the firm

To put it simply: in business, you can either be big or small. You can also choose between attack and defence. If we take the consulting industry as an example, McKinsey is big and defends; it is the fortress. The Boston Consulting Group (BCG) is the big attacker; the tank. A company like Bain & Company is also an attacker; however, it does not have the weight of McKinsey and BCG and can thus offer a value proposition the other two do not, such as not being paid a fixed fee, but rather being compensated on the basis of the client's revenue and profit growth. As such, Bain & Company can attack from an unexpected quarter – a quarter the fortress and tank were not taking advantage of. This means that Bain & Company behaves like a parachute, operating behind enemy lines.

Finally, a company that is small and defends is a local hero or a guerrilla, protecting its home turf without the aim of expanding beyond a certain size. In the field of consulting, this could be a consultancy focussed on mid-sized German companies ("Mittelstand") in the field of Industry 4.0. Being clear about one's position in this matrix makes it easier to come up with a fitting strategy. A small food deli with five branches could never behave like McDonalds, for example, while a big conglomerate like Siemens could never behave like a nimble start-up.[1]

Competitive advantage

Only those companies that solve a specific problem of their customers or clients more effectively than the competition can be successful. When defining your competitive advantage, you need to answer three questions:

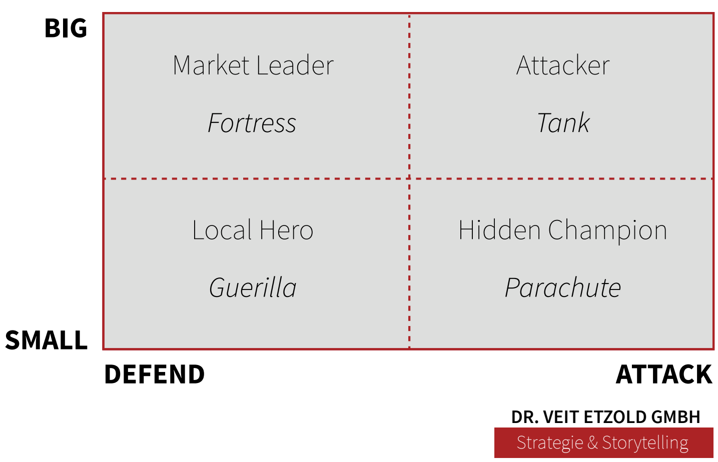
1 What do I sell? This sounds simple; however, a lot of companies are unable to specify exactly what they are offering and what sort of customer problem they are solving. In the case of the drug aspirin, the answer to this question could be: *We sell a remedy for headache.*

2 To whom am I selling? A lot of companies are keen to expand their target market without ever offering a clear definition of who their core customers are. "He who attacks everywhere, attacks nowhere," said Prussian military theorist Carl von Clausewitz. As such, attacking on a narrow front is key in situations where resources are limited. In the case of aspirin, the answer is simple: *We sell to everyone who has a headache* – rather a huge market.

3 What is our business model? How do we provide what we provide? In the case of Bayer, the inventor of Aspirin, there are huge research costs, facility costs, fixed costs and know-how; thus, the entry barriers for competition are very high. Companies need to be very clear regarding the entry barriers in their industry, the ways in which they can lock in customers and how likely it is that the competition can come up with a copycat.

Finally, successful strategic planning is all about differentiation. The customer needs to recognise *why* they should buy the company's products and not those of a competitor. To put it simply: *If you're not different, you'd better be offering a low price.*

Figure 1. Positioning of the Firm



The customer's perspective

Many product launches or strategies fail because management sits in an ivory tower with no connection to the day-to-day reality of the customer. Once the positioning of the firm and its competitive advantage is clear, it's time to review the existing business model and define future steps on this basis. The questions managers need to answer are:

- What do we offer?
- What use is our offering to the customer?
- How much money do we earn with this offering?

1. This matrix thinking based on the metaphor of fortresses, tanks etc. is inspired by Ries, *Trout: "Marketing Warfare"*, p.6

- How good is our performance in relation to our three main competitors?

Being clear about your positioning, your competitive advantage and the perspective of your customers helps you formulate a strategy that, rather than trying to imitate competitors (who might, after all, be better in this specific field than you are), aims to offer something unique and innovative. It is important that the customer is happier with your products than with the competitor's products – and that your internal processes are better than those of the competition, which means that you get more output for your input. If you give things away for free, the customer might be happy, but your CFO and Head of Controlling won't be. If you squeeze out every last cent, your bean counters might be satisfied, but the customer will likely feel cheated.

Now you have your goal, your strategy and your unique selling point. Here's where the story comes in!

Explaining strategy – What is the story for your strategy?

Every strategy needs the right story. In the same way as the strategy defines the path to the goal, the story defines the path from the beginning to the happy end. If you can tell stories, you have a clear advantage in regard to complex turnarounds, change initiatives or the sale of high-priced products and services. Stories are simple, attract attention and stick in the audience's mind. What's more, everyone has it in them to be a storyteller. Even since ancient times, people have told stories describing the "best practices" that helped them secure their survival. That's why the amygdala in the brain's limbic system, the "bouncer" at the brain's door, lets in stories immediately, while fact-heavy, PowerPoint-style communication must wait outside. The fact is, too, that managers have no other way of motivating employees to execute their idea than by communicating – and there is seldom a real alternative to communicating convincingly.

You could, of course, use money as an incentive; however, this might also backfire, as the payout-fest at Deutsche Bank has shown over recent years. Deutsche Bank has shed nearly 40 billion euros in bonuses to investment bankers in the last decade, though it has steadily been losing market share in capital market transactions. Now, investment banking is being cut down to size.

Another approach could be the "Don Corleone" approach from the movie *The Godfather*, whereby force or the threat of force is used. Cinema enthusiasts might remember the famous quote by Vito Corleone when he used a gun to incentivise a movie producer to sign a contract: "One of the two will be on the paper soon, your brains or your signature." Even though guns are, fortunately, not used in today's corporate world, *management by fear* is still an oft-deployed tactic. It might work in the short term, but never in the long one. The sacking of Lehman Brothers' Dick Fuld and Volkswagen's Ferdinand Piech are clear examples of this, as is the demise of German drugstore chain Schlecker and its tyrannical founder. The only tool that really works is persuasive strategy communication in which the managers and employees become the "heroes" of the strategy story.

A successful "strategy story" should contain three elements:

1 The personal element. The more complex or abstract something is, the more people are forced to pay attention to the only aspect of it which is not abstract. This is usually the person selling the item, the idea or the strategy. The old adage "You don't believe the message, if you won't believe the messenger" holds particularly true for change plans and strategic transformation. The question employees will be asking themselves is, "Why should I trust this person, and why should I believe in the strategy they are outlining to me?"

The personal element is structured according to the four key parts of a story:

- **Situation:** Was a similar situation faced in the past by the CEO, division leader or sales manager?
- **Disaster:** What roadblocks or obstacles did the leader face?
- **Turning point:** What was the strategy for overcoming the obstacle?
- **Happy ending:** What was the final result, and what improved afterwards?

In the following example, the sales manager is seeking to implement a sales strategy and encourage the employees to be more proactive with their clients, looking for opportunities rather than problems. The personal story could go as follows:

- **Initial situation:** When we arrived in this strange new country with our shoe business, I was sure that this would be a brilliant move for capturing a new market.
- **Disaster:** But when we arrived, we saw that nobody there was wearing

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shoes! We were completely in the wrong market, with a product nobody needed!

- **Turning Point.** Then, we discovered: We have to approach the market in a different way! If nobody is wearing shoes, there is actually a huge market for shoes! All of the inhabitants are potential customers!
- **Happy ending:** We achieved record sales of shoes! Everybody wanted shoes, and found it much more comfortable to wear shoes than to walk barefoot, as they had done before.

As a conclusion, the sales manager could say:

"This episode in my life helped bring me to the position I'm in today, because it's not enough to just "preach to a converted audience". I need to venture to new frontiers to create new business, and I need to know what my clients want before they tell me."

In this case, the sales manager does not use buzzwords and phrases like "We need to be more proactive…", but clearly illustrates what they did in the past to turn a *non-market* into a market. The story involving the country and the shoes sticks better and is thus more convincing than the mere facts, since it contains imagery and a plot rather than abstract buzzwords. This is exactly what our brain likes to hear!

2 The elevator pitch. A good elevator pitch can summarise the strategy in a captivating way, the same as movie trailers do. The structure of a typical elevator pitch is as follows: **Who are we? Whom do we help? How do we reach our goals?**

This time, let's take the digital transformation of a traditional re-insurance company as our example. In the case, the elevator pitch could go as follows:

- **Who are we?** We are Global Reinsurance Number 1. In 30 years, we went from nothing to global number 2.
- **Whom do we help?** We help countries and companies seeking to be masters of their own fate, not playthings of the waves.
- **How do we reach our goal?** We combine rigorous efficiency with a global perspective by turning our clients into ceramic in the fire, rocks in the flood and bastions in the storm.

3 The "hero and villain" element. A very important element yet oft-forgotten element of both strategy execution and sales is the *problem* we are solving with the new strategy. What is the villain in the story? The structure is approximately the same as for the personal element above; however, this time the story is set not in the past, but in the future. What will go wrong if we do not execute the strategy, and what will get better if we do?

Of course, with strategy plans, there are always issues of complacency, unwillingness to change and additional cost. Collectively, these are the "little villain" in the story. To communicate a strategy successfully, it must be clear that the "big villain" – that is, the negative results of not changing or not transforming – is much more dangerous and burdensome than the "little villain", the pains of implementing a new and unfamiliar strategy. In short, the pain of changing must be less than the pain of not changing. Of course, human beings have a natural tendency to afford more weight to the short-term effect than the long-term one. Your story needs to make clear that it is worth suffering the pain of change now to have a better life in the future.

If you want to express this as an equation, it could look like as follows:

Short-term pain of implementing the strategy < Future pain of not changing.

Getting things done: The execution of your strategy

A strategy that is not executed is worthless. Corporate offices are stacked full of PowerPoint slide decks on strategies that never saw the light of day. When planning a strategy, you need to think; to communicate it, you need to speak; and finally, employees and management need to act. The challenge is always the same – that is, how can executives promote the necessary goal-driven actions on the one hand while still encouraging autonomous thinking and problem-solving on the other?

Often, strategy execution ends up as one of two extremes. The first extreme is that everyone follows the goal without thinking logically for themselves, with senior management micromanaging everything down to the smallest detail. The other extreme is that people are given complete freedom, with everyone at liberty to create their own strategy without a clear goal or direction. Needless to say, both approaches are doomed to fail.

Back in the 19th century, Prussian general Helmuth von Moltke was already thinking about the challenge of how to blend alignment (aiming for a goal, where everyone knows the direction) and autonomy (believing that employees know best how to tackle certain operational problems on the basis of their experience).

The first step here is to define what you want to achieve (strategy) and how to achieve your goals (operations).[2] Let's look at another example; this time, a large chain of bookstores that wants to grow further:

Strategy means

- Doing the right things, being effective
- Making decisions *(number 1 in the U.S. or in England?)*
- Investing in your strengths *(if we know everything there is to know about books, we should invest in bookstores, not in petrol stations)*

Operations mean

- Doing things right, being efficient *(e.g. pursuing market expansion in the U.S. with managers who know the U.S. well)*
- Solving problems *(if we take over bookstore chain XY, there will be hassle with the anti-trust authorities)*
- Eliminating weaknesses *(we have more people at headquarters than in the stores serving customers; that's something we've got to change)*
- Introducing best practice in the company *(do what has always worked well and learn the lessons so as to not have to reinvent the wheel on a daily basis)*

Following the approach of von Moltke, we can dissect the execution of a strategy into five parts:

- The goal: Responsibility of the CEO
- The strategy: Responsibility of the executive board
- The solution for a certain division: Responsibility of the division head
- The products for this solution: Responsibility of the department manager
- The details: Responsibility of the team leader

As you can see on Figure 2, the aspect at hand (and the strategy communication) becomes more strategic towards the upper left corner of the chart, culminating in the CEO, and more operational towards the lower right corner, culminating in the team leader and finally the employee, sales representative, line worker, etc.).

So, how do we proceed? All managers on all levels need to communicate the strategy to their subordinates. When a CEO communicates to the board, there is a high degree of strategy involved in the story. The more communication is directed towards the lower ranks, the more operational the story needs to become. The subordinate of a team leader does not need to know the entire global strategy; similarly, although it is helpful for a CEO to know what is going on at the customer front, they do not need to know every operational step on the shop floor. CEOs who micromanage in this way are seldom successful. As such, the upper left part of the chart defines the "why", the goal and the strategy, while the lower right part defines the "how" and the "what".

A corporate communication strategy could look as follows (Figure 3):

Here, every part of the corporate hierarchy tells a certain story. The higher the position, the

Figure 2. Alignment and Autonomy in the Execution of a Strategy

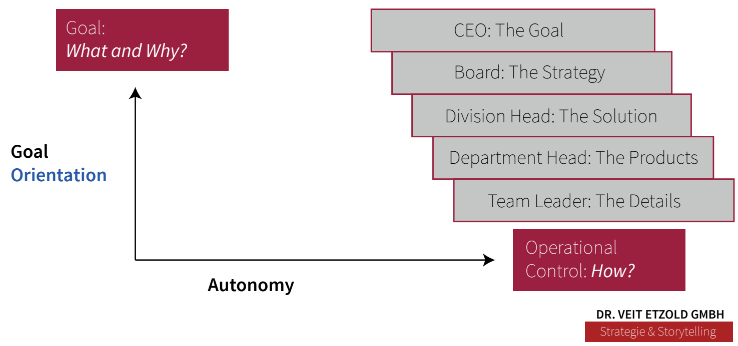
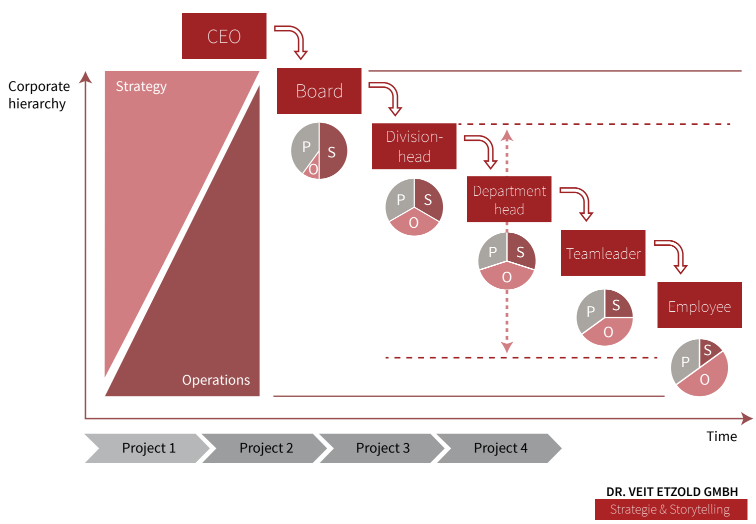


Figure 3. Communicating the Strategy through the Hierarchies



2. Inspired by Stephen Bungay, "*The Art of Action*"

more strategic the story (S = Strategy), while the lower ranks focus on the operational aspect (O = Operations). The most important element in all stories is the personal story of the manager (P = Personal Story[3]). When all the elements are combined, the strategy story should make clear *why* we are carrying out the change, what we want to achieve (S = Strategy) and what we need to do to overcome problems and obstacles. Operations (O = Operations) tells us what we are going to do in more detail and how we are going to proceed in order to get things done. Finally, "P" (P = Personal Story) shows why the narrator of the story is credible, based on their their own background story.

Conclusion

We're all aware of brilliant ideas that were never realised. The ultimate goal of a strategy is successful implementation. In the end, you want to have a better company, not shelves full of PowerPoint presentations that nobody will ever look at again.

All your plans will be in vain if your strategy is not successfully implemented. The requirement for successful execution is employees who are willing to execute – and employees will only execute if they understand why and how they should do this.

If you want to get started today, you can download all the relevant templates here: http://veit-etzold.de/publikationen-strategie/downloads/

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THE REQUIREMENT FOR SUCCESSFUL EXECUTION IS **EMPLOYEES WHO ARE WILLING TO EXECUTE** – AND EMPLOYEES WILL ONLY EXECUTE IF THEY UNDERSTAND WHY AND HOW THEY SHOULD DO THIS.

3. The "personal story" is explained above in the section "Explaining strategy"