The Strategist

THE CEOs GUIDE TO STRATEGIC THINKING

Driving Force: The DNA of Strategy

Nine Danger Signals That Your Strategy May Be Letting You Down

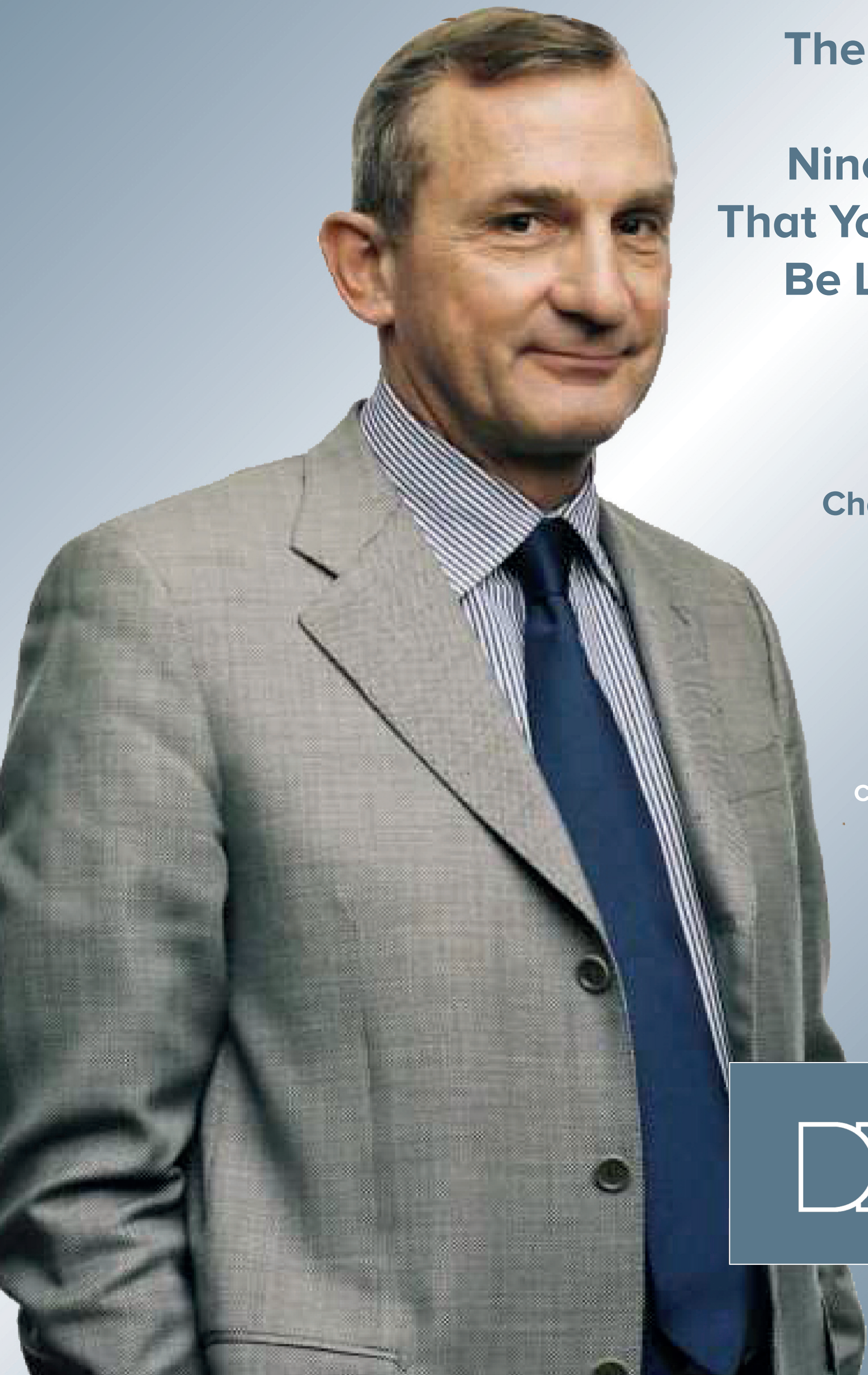
Interview: Steve Bonner

Chairman and CEO, CTCA

FEATURE INTERVIEW

Paul-Marie Chavanne

Chairman and CEO GeoPost Group



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John Acton

DPI Worldwide is pleased to announce the establishment of DPI Europe. This consultancy group, headed by John Acton, will offer the full range of DPI processes, with emphasis on DPI's Strategic Thinking Process. DPI Europe is supported by the resources of the global DPI network.

Throughout his successful career, John has had numerous opportunities to work with several major consultancies. One stood apart from the others–DPI. In his role as Executive Vice President for the Geopost Group, the subject of this issue's cover story, John worked closely with DPI during 2005, 2008 and again in 2011. He firmly attributes DPI's involvement as being instrumental in re-shaping the strategic thinking and direction of the organisation. DPI's contribution resulted in the creation of three tipping points that transformed the vision and success of the business.

In 2013 an opportunity to forge a relationship with DPI presented itself to John. To quote Victor Kiam: "I liked it so much that I bought the company", in this case the European arm of DPI.

John's knowledge and experience of Strategy and Marketing have continuously grown and evolved throughout his working life. He has a natural passion, pragmatism and genuine enthusiasm for strategy and engaging teams. Collectively, his knowledge and experience enable him to successfully engage, harness and empower people to create and deliver world-class strategy for growth.

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Dear Executive:

Welcome to **The Strategist**, a publication which offers you articles by some of today's leading thinkers on the subject of corporate strategy.

DPI's core technology is our Strategic Thinking Process which enables corporate management to create and implement strategy. A common sense approach to strategy, Strategic Thinking is making traditional strategic planning obsolete. This process enables a company's management team to reason out a strategy as a group, assuring thorough understanding, consensus, buy-in, and effective implementation. In the "war rooms" of more than 3,000 companies throughout the world—global companies such as 3M, FedEx Custom Critical, Caterpillar, Prudential, Lubrizol and Motorola as well as regional companies, such as Rand Merchant Bank, Ascendas, SATS Group, Cancer Treatment Centers of America, as well as hundreds of small to medium sized emerging companies—this methodology has been refined and validated by DPI for more than 30 years.

We hope you enjoy this issue of **The Strategist.**

Good reading,

Michel Robert

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The Strategist™

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INTERVIEW

Paul-Marie Chavanne

Chairman and CEO | GeoPost Group

Kay Phillips

former COO | GeoPost Group

In the back of every CEO's mind is the suspicion that an unseen threat to the business lurks somewhere ahead. A new technology, a competitor with a unique new advantage, an unexpected consequence of a subtle demographic shift. In this interview with Paul-Marie Chavanne, the GeoPost CEO explains how the DPI Strategic Thinking Process helped to uncover an Internet-based trend that could have devastated the company.

The Internet, one of the most disruptive technologies in history, has given rise to thousands of new services, companies, even industries. It has also meant disaster for some of the world's most successful businesses. Kodak, Blockbuster, and Borders come quickly to mind.

GeoPost, Europe's largest road-based express parcel delivery service, nearly suffered the same fate. But through a unique capability of DPI's Strategic Thinking Process, the company uncovered an unseen "stealth threat" from the e-commerce arena, avoided disaster and created a profitable growth business.

An Initial Strategy Review

GeoPost had expanded steadily over a decade from its beginnings in France, through a combination of acquisitions, joint ventures and organic growth. The company concentrated on a Business-to-Business model, serving the needs of corporations and retail shops, not individual consumers. Its network had spread to include most of Europe, UK, and parts of Russia, China, India, South Africa and even the U.S. Today GeoPost Group employs some 24,000 people, with revenues approaching €5bn, mainly under the DPD brand.

In 2008, CEO Paul-Marie Chavanne decided the company needed a strategic review. Based on a recommendation from one of GeoPost's key executives, Chavanne opted to use DPI's Strategic Thinking Process to assess the company's strategy and future direction with DPI Senior Partner, Craig Bowers, as lead facilitator. Chavanne explains, "The way I was introduced to DPI was that I had decided to appoint the first COO for the GeoPost Group, Kay Phillips, who had been CEO of the UK business unit. It had become too big for me to manage all of the issues myself. So Kay accepted, and said, 'If we're going to do this right, there is something we need to do first. I know of a strategy consulting company called DPI, who has an absolutely fantastic process for creating and deploying strategy. We need to make sure the business units are all together on our strategy and this process is excellent for that.' She had a very good experience with DPI in the UK, and recommended we take our CEOs and other senior managers from most of the BUs through DPI's Strategic Thinking Process."

Paul-Marie Chavanne, Chairman and CEO, GeoPost Group

Says Phillips, "I had been through a traditional consultant's strategy project previously, and I was not very impressed. They tended to write a strategy along the lines of the CEO's thinking which was then communicated to the managers. In contrast the DPI approach involves your key people from the start—giving them the opportunity to use their knowledge of the industry, market and customers to

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—Kay Phillips

Kay Phillips, former COO, GeoPost Group

create your strategy, a strategy deployment structure, and an excellent process for delivering results. It also is very valuable in developing managers, bringing them new insights and skills. The financial results were good for us in the UK. We delivered growth, major investments were made and profitability was up."

The 2008 GeoPost Group strategy team included about twenty key managers, including CEOs of most of the various business units across several countries, many of them recently appointed.

Chavanne explains, "Instead of delivering hundreds of slides and lessons to the management, as many consultants do, this process is mainly based on the work and thinking of the people themselves. So they create the strategy. I was very impressed by the methodology, by the questions that were raised before beginning the meeting. Everybody received a detailed questionnaire with questions presented in a very precise way to gain initial inputs.

"From the beginning, I sensed the real essence of DPI's methodology, which is to drill down into the fundamentals of the business to help us clearly understand what we were doing in order to discipline our minds. It was not to merely create empty words, which is always the risk with strategy development, but to drive us to develop a very deep link with our substance and consistency, to really understand and agree on what the essence of our company is," says Chavanne. "I think, in business life and in life in general, you always believe that you understand what you are doing. But in fact, when you drill down a little bit, you discover that the situation may be more complex than what you initially believed."

Driving Force, the Heartbeat of Strategic Thinking

"An important part of the process for us was to select our Driving Force," Chavanne recalls. "We selected a Distribution Driving Force after a great deal of discussion, which gives us a definition of what aspects of the business we will need to emphasize and nurture in the future. It was a big mind-shift for everyone, but it became accepted because everyone could eventually see the part they would play."

Says Kay Phillips, who has since retired from the company, "At first, some people could not understand how you can have just one Driving Force. 'Aren't all of the parts of the business important?' That's where the experience of our DPI facilitator, Craig Bowers, came in. He explained examples of how various companies had chosen their Driving Forces, and how that choice has deep implications for what the business will be in the future. That helped our strategy team to understand why one area of the business drives it forward—in our case, our Distribution Network—but that every area contributes support to make it stronger."

As the GeoPost management team progressed through the process, they gained a new understanding of the combined businesses, and the differences and commonalities between the various countries and business units. But no startling revelations had come to light—until the very last step. Chavanne explains, "We were in the position where most of the businesses were profitable, going well, good growth. Everything at that time appeared very calm, very strong, without any clouds on the horizon.

"Instead of delivering hundreds of slides and lessons to the management, as many consultants do, this process is mainly based on the work and thinking of the people themselves. So they create the strategy."

—Paul-Marie Chavanne

This was our mindset.

"We were very satisfied at this point because we realised that we were going much deeper into a knowledge of what we were doing as a business. The atmosphere was very optimistic. There was no big shift indicated, just that we were all thinking together. But then the exercise I call the 'Stealth Threat' was a big one for us," says Chavanne.

This phase of the DPI process enables teams to scan their business arena, including adjacent "sandboxes" as well as trends in technology, demographics, and so on, to look for the potential of unexpected new competitors and disruptive threats.

"We were very satisfied at this point because we realised that we were going much deeper into a knowledge of what we were doing as a business. The atmosphere was very optimistic. There was no big shift indicated, just that we were all thinking together. But then the exercise I call the 'Stealth Threat' was a big one for us,"

—Paul-Marie Chavanne

Stealth Threat, a Startling Realisation

Chavanne explains, "In that exercise, at first we didn't see any threats. And then, two of the teams looked at the Business-to-Consumer market, which we were not really involved in then. For the traditional B-to-B express delivery player, B-to-C was thought to be a bad game. Postal operators drove that field of the business with low price, bad commercial habits, and so on.

"And somebody said, 'Hey guys, when you look at the trends, when you look at what some people are now feeling about the development of the Internet, what could happen if in a few years the Internet, e-commerce, explodes?' In 2008 the Internet was in existence but it was not what it is now. It was a smaller business.

"Then somebody else said, 'What it means for our business is that the shops, our core customers, will suffer and our growth in B-to-B will come to zero, perhaps even be negative. So what would that mean for us?' And suddenly everyone began to discuss that issue. It was a fantastic experience. In three hours of discussions we all came to the conclusion, without trying to force anybody to agree, that if the B-to-C business were really growing, it would threaten all of our B-to-B business, and our entire business model.

"Why?" Chavanne explains, "As a Distribution-driven business we need growth because a distribution company is made up of a lot of fixed cost. We have networks. We have a lot of logistics assets, a lot of people. So the fixed costs of the business—energy, vehicles, buildings, salaries—are very high. Every year we need to have more revenues in our network, more parcels in our hubs. We need more volume. We need to increase our productivity and concentrate on all the driving factors which can improve our fixed cost.

"All these costs tend to go up, and we need consistent growth in order to maintain the business and our profit margin. If we don't grow it's the beginning of a vicious circle. Less growth means less margin, and with a smaller margin you are forced to cut costs where you shouldn't. When you cut those costs, you risk decreasing the quality of the service, and losing customers.

"So by the time we finished the process, everyone was convinced that we had to think a lot more about B-to-C. As the CEO of the company, I could not ignore this and we had to make it a strategic imperative to invest energy, imagination and creativity to assess the threat and develop solutions. This was the beginning of a fantastic journey for our team, all the business units, which took us about three years," Chavanne says.

Throughout the next couple of years the B-to-C strategy teams in the various GeoPost business units set out to assess the e-commerce trends in their markets and form ideas about how to mitigate the threat or turn it into an asset.

Revisiting the B-to-C Concept

In 2011, Chavanne felt it was time to take another look at the company's strategic assumptions, with the B-to-C issue at the forefront. Once again he brought in DPI.

"The result of that refresher session with DPI was that we confirmed, because of what our teams had been learning, that B-to-C was in fact the key question," says Chavanne. "By this time the development of the Internet was proven to be the future. So because of these two strategic sessions with DPI we decided to progressively convert our pure B-to-B express parcel network into what we now call a hybrid B-to-B and B-to-C express parcel network."

Managing Critical Issues Across the Network

Systems, processes, people, assets —everything in the company—would be involved. Given the complexity of the undertaking, a comprehensive project management system needed to be put in place, under COO Phillips' direction.

"One of the great things about the DPI process is that it brings an excellent structure to manage the strategy through the Critical Issues," Phillips explains. "As an output of the strategy process, we set up the Critical Issues list. We certainly had to have a multi-option B-to-C proposition that would be flexible to fit differences between countries, yet seamless to our customers. We would have to know exactly what we needed to change in every unit — in sales, IT, customer service, operations, marketing. And there would be quite a major requirement for investment. It touched every area of the business.

"One challenge, for example, was that our volume, let's call it 500,000 parcels per night, could increase by a third or more to maybe 700,000 per night in the run-up to Christmas in B-to-C, which doesn't really happen in B-to-B. We had to be very clever about how to add people and facilities to cope with that, so we would not damage service.

"So we set up the Critical Issues project teams whose individual plans had to be aligned with the 'umbrella' Critical Issues. The teams reported to our central program office to monitor progress and assure alignment across the business units," says Phillips. "An important issue was cost control. Because of the investment that would be needed, a 'war on cost' was launched. We eliminated millions through process improvements, sharing of best practice and expertise, and a greater alignment to our strategic common goals. We came out of it a stronger company with a new, much lower cost base. Every business achieved its goal.

"Another major Critical Issue was rationalisation of IT. All our systems, many of which were legacy systems from acquisitions, needed to be able to communicate seamlessly to handle this new business and growth. We identified that the increased European and international flows in B-to-C could put a strain on the system, so we invested €10m to ensure that we had an effective IT system and capacity for the future," Phillips states.

A Strategic Filter for Decisions

The management teams of the business units went about building solutions based on the umbrella plan, but tailored to the needs of their own markets. To do this effectively they needed to have the flexibility to make local decisions quickly, being sure they were in harmony with the Group strategy, without having to get approvals from Group management every time. A Strategic Filter, a check list of strategic criteria created in the DPI process, was instrumental in enabling them to make these decisions on their own.

"We used that Filter across all the projects that were managed centrally, and locally," says Phillips. "It was crucial because with all these teams working in parallel, if everyone understands the strategy and uses the Filter you don't need to have endless discussions. You put the decision through the Filter, come to a conclusion and move on. It helps you work very efficiently from strategic and time perspectives."

Implementing a Success

Over the ensuing years, the new hybrid B-to-B/B-to-C model came together and is now producing solid financial results. Says Chavanne, "In 2008 our EBITDA was approximately 7% of our revenues, today it is about 10%. Our revenue is approximately 60-70% higher. We increased our EBITDA by 30% in terms of income and sales. All this despite major investments. And this concept of hybridisation—B-to-B and B-to-C in the same network—is directly the fruit of that DPI session. The beauty of it is that today we've realised something unique, for the time being in Europe—a full hybrid B-to-B/ B-to-C network

"Clearly, one of the greatest results is that people realise that it is really about doing Strategic Thinking together."

—Paul-Marie Chavanne

with very imaginative solutions. We have invented a lot of new products for B-to-C because we knew it was a difficult market and we knew that we'd have to have innovative new solutions to grow. We still have three or so more years of work to do on this but the growth and results are very positive.

"We are happily living with the fruit of these two DPI sessions. I am very passionate about the DPI Strategic Thinking Process because it totally changed our view and obliged us to move outside of the box and think of our market differently, to have a new approach to this B-to-C market," says Chavanne.

"Clearly, one of the greatest results is that people realise it is really about doing Strategic Thinking together. When you gather roughly twenty people with a lot of experience—each one has twenty, twenty-five, thirty years of experience in the parcel business—then you can leverage the global experience of the whole team. It is unbelievable. I have been very impressed with the DPI process. It is a real jewel. I have been working in business for nearly forty years, and clearly, it was a milestone in my business life."

What single element of your organisation sets you clearly apart from—and hopefully ahead of—your competition? Many CEOs will find that if they pose this question to their senior managers, they will get as many answers as there are managers. Lack of consensus on what we at DPI call your Driving Force is guaranteed to waste resources and weaken your competitive position.

Adapted from the landmark book *The New Strategic Thinking* by Mike Robert, published by McGraw-Hill Books.

Driving Force: The DNA of Strategy

by John Acton — Senior Partner, DPI Europe

To achieve competitive supremacy, and deliver sustainable growth, a company needs to have a strategy that establishes a significant and sustainable point of differentiation — one that enables it to add unique value that competitors will have difficulty duplicating. Of course, most companies have a strategy of some sort. Yet few are able to create a clear definition of that single differentiating factor — if there is one — that has enabled the company to be successful in the past. Still fewer have looked down the road to create a scenario, or strategy, that will enable them to be successful in the environment they will face in the future.

We call that defining factor the Driving Force. It is the component of the business that is unique to that company and is the key determinant of the choices management makes with regard to future products, future customers, and future markets. Without an understanding of, and agreement upon, that Driving Force, management will have a difficult time creating a strategy for the future that will breed supremacy over its competitors.

What Makes Your Strategy Tick?

The best way to determine whether a CEO and the management team have a strategy is to observe them in meetings as they try to decide whether or not to pursue an opportunity. When we have sat in on such meetings, we have noticed that management would put each opportunity through a hierarchy of different filters. The ultimate filter, however, was always whether there was a fit between the products, customers, and markets that the opportunity brought and one key component of the organisation. If they found a fit there, they would feel comfortable with that opportunity, and would proceed with it. If they did not find a fit there, they would pass.

Different companies, however, looked for different kinds of fit. Some companies looked for a fit between similar products. Others were less concerned about the similarity of products than about a fit with the customer base. Still others were not interested in the similarity of products or of the customer base, but rather a fit with the technology involved, or a fit with its sales and marketing method, or its distribution system. Some quick examples:

What fit was Daimler looking for when it bought Chrysler? Obviously, the fit was one between similar products. Johnson & Johnson, on the other hand, looked for an entirely different kind of fit when it acquired Neutrogena creams from one company, and the clinical laboratories of Kodak, each bringing dramatically different products. J&J was looking for a fit between the class of customers served — doctors, nurses, patients, and mothers — the heartbeat of J&J's strategy.

Ten Strategic Areas

The next question that came to mind was: "What are the areas of an organisation that cause management to decide how to allocate resources or choose opportunities?" We discovered that each of the more than five hundred-plus companies we had worked with consisted of ten basic components.

1. Every company offered a *product or service* for sale.
2. Every company sold its product(s) or service(s) to a certain *class of customer or end user*.
3. These customers or end users always resided in certain categories of *markets*.
4. Every company employed *technology* in its product or service.
5. Every company had a *production* facility located somewhere that had a certain amount of *capacity* or certain in-built *capabilities* in the making of a product or service.

Our contention is that one of the ten components of a company's operation is the strategic engine behind the decisions that management makes.

6. Every company used certain *sales or marketing methods* to acquire customers for its product or service.
7. Every company employed certain *distribution methods* to get a product from its location to a customer's location.
8. Every company made use of *natural resources* to one degree or another.
9. Every company monitored its *size and growth* performance.
10. Every company monitored its *return or profit* performance.

As a result of these observations, two key messages emerged. First, all ten areas exist in every company. Second, and more importantly, one of the ten areas tends to dominate the strategy of a company consistently over time. Favouring or leveraging this one area of the business time and again determines how management allocates resources or chooses opportunities. In other words, one component of the business is the engine of the strategy — that company's so-called DNA, or Driving Force. This Driving Force determines the array of products, customers, industries, and geographic markets that management chooses to emphasize more and emphasize less.

In order to explain this concept more clearly, one needs to look at an organisation as a body in motion. Every organisation, on any one day, is an organism that has movement and momentum and is going forward in some direction. Our contention is that one of the ten components of a company's operation is the strategic engine behind the decisions that management makes. Some typical examples follow.

A Strategy Driven by a Single Product or Service

A company that is pursuing a *product*-driven strategy has deliberately decided to limit its strategy to a singular product and its derivatives. Therefore, all future products and the "current" product are linear, genetic extrapolations of the very first product that company ever made. In other words, the look, form, or function of the product stays constant over time. Such companies grow by offering product derivatives that fragment and grow the market. Examples are Coca-Cola (soft drinks), Boeing (airplanes), Michelin (tires), Harley-Davidson (motorcycles), and many of the automobile manufacturers (GM, Toyota, Volkswagen).

Strategy Driven by a User or Customer Class

A company that is driven by a *user or customer class* has deliberately decided to restrict its strategy to a describable and circumscribable class of end users or customers (people). These end users or customers are the only ones the company serves. The company then identifies a common need of the user or customer class and responds with a wide array of genetically unrelated products. Examples are Johnson & Johnson (doctors, nurses, patients, and mothers), AARP (adults over 50), and Cancer Treatment Centers of America (patients with advanced stage or complex cancers). User/customer class companies grow by expanding the pool of users they serve and/or by expanding the set of needs they address.

Strategy Driven by Market Type or Category

A company that is driven by *market category* has deliberately decided to limit its strategy to a describable marketplace or market type. The company identifies a common need among buyers in that market and then responds with a wide variety of genetically unrelated products, adding to this stable as market conditions change. Examples are Staples (supplies for offices), Disney's concept of "wholesome entertainment for the family" and Singapore Technologies Aerospace (the largest non-airline MRO in the world).

Strategy Driven by Technology/Know-How

A *technology*-driven company is rooted in some basic, hard technology, such as chemistry or physics, or some soft technology, such as know-how or expertise. The company then goes looking for applications for its technology or expertise. Once it finds an application, the company develops a product that is infused with its technology for that application, and offers the new product to all the customers in that market with a similar application. While growing that business, the company goes around looking for another application to repeat the same process. Examples are DuPont (chemistry), 3M (polymers), and Intel (microprocessor architecture).

UPS is an example of a company that transformed itself by changing its Driving Force from Distribution Method (package delivery network) to Know-How (logistics), opening up a range of new service opportunities.

Strategy Driven by Production Capability or Capacity

A company driven by *production capacity* has a substantial investment in its production facility. The key phrase heard around the company is "keep it humming" — three shifts per day, seven days per week, 365 days per year. The strategy is to keep the production facility operating at a maximum level of capacity. Examples are steel companies, refineries, and pulp and paper companies. Service related companies, firms such as airlines and hotels, are also often "production capacity" driven.

Any strategy needs to accommodate the environment the company will encounter in the future, and that environment could be very different from the one encountered in the past.

A company driven by production *capability* has incorporated some distinctive capabilities into its production process that allows it to do things to its products that its competitors have difficulty duplicating. As a result, when the company goes looking for opportunities, it restricts its search to opportunities in which these capabilities can be exploited. Specialty converters in a variety of industries fit this category.

Strategy Driven by Sales or Marketing Method

When a strategy is driven by a *sales or marketing method*, the company has a unique or distinctive method of selling to its customers, such as Avon and Mary Kay. All the opportunities it pursues must utilise that selling method.

Strategy Driven by Distribution Method

A company driven by a *distribution method* has a unique or distinctive approach to moving tangible or intangible things from one place to another, such as Wal-Mart, FedEx and NetFlix.

Strategy Driven by Natural Resources

A company whose entire purpose is the pursuit and exploitation of *natural resources* such as oil, gas, ore, gold, timber, or other resources, such as Exxon, Shell, and Newmont Gold.

Strategy Driven by Size or Growth

A company driven by *size or growth* is usually a conglomerate of unrelated businesses. Its sole strategic interest is growth and size for their own sake.

Strategy Driven by Return or Profit

A company whose sole strategic focus is a minimum level of return or profit is also a conglomerate of unrelated businesses. Western examples such as Tyco, AlliedSignal, and General Electric are decreasing, but due to different market and political structures, return/profit firms remain prevalent in Asia, such as Jardine Matheson (Hong Kong), Keppel Group (Singapore), Fuson International (China), CP Group (Thailand) and Chaebol (Korea).

Key Strategic Questions

When we take a client through our Strategic Thinking Process, we ask the CEO and the management team to debate three key questions to enable them to identify the company's current and future Driving Force.

> **QUESTION 1:** Which component of your business is *currently* driving your strategy and has made you look as you look today in terms of *current* products, customers, and markets?

If there are ten people in the room, how many answers do you think we get? Ten, and sometimes more … the reason is simple. Each person has a different perception as to which component of the business is the Driving Force behind the company's strategy, often due to their functional bias. These different interpretations lead to different visions of where the organisation is headed. The difficulty, while this is going on, is that each member of the team makes decisions that pull the company left and right, so the company zigzags its way forward without establishing supremacy in any one sandbox. The inevitable result is that resources are wrongly employed and growth is patchy.

The methodology we bring to bear at DPI encourages management to look back at the history of decisions they have made and, by doing so, recognise a pattern. Typically, most of their decisions were made to favour one component of the business. Thus, the management team recognises the *current* Driving Force behind their *current* strategy.

> **QUESTION 2:** Which component of the company *should* be the Driving Force behind the company's strategy *in the future*?

Future strategy should not necessarily be an extrapolation of the current strategy. Any strategy needs to accommodate the environment the company will encounter in the future, and that environment could be very different from the one encountered in the past. This question is the basis for envisioning "breakaway" strategies that explode the assumptions of the current sandbox to envision a new one that offers significantly greater opportunities to establish supremacy over competitors. Such a strategy enables the company to create, or reposition itself in, a future sandbox in a way that offers it more growth and profitability than competitors, and control of that sandbox.

Since different Driving Forces bring different growth characteristics, the desire to achieve higher growth is often the primary rationale behind a *change of Driving Force*. Montblanc is an example; from product (pens) to customer/user class (luxury accessory needs of business executives). Teckwah Industrial Corporation, a DPI client based in Singapore, is a rarity, having successfully changed its Driving Force twice in recent years.

> *The Driving Force the company chooses as the engine of its strategy will determine the choices its management makes as to the products, customers, and markets that they will and will not emphasise in the future.*

> **QUESTION 3:** What impact will this Driving Force have on the choices the company must make regarding future products, future customers, and future markets?

The Driving Force the company chooses as the engine of its strategy will determine the choices its management makes as to the products, customers, and markets that they will and will not emphasise in the future. These choices will shape the profile of the company, and maybe even the industry, over time. Each Driving Force will cause management to make very different choices that will make the company look very differently than the way it looks today. In other words, just as your personal DNA determines what you look like and why you look differently from other people, the same is true for your corporate DNA. The company component you select as the DNA of its strategy will determine what that company will eventually look like and what will differentiate it from its competitors.

The concept of Driving Force — to us at DPI — is fundamental for any successful CEO to understand. It is the recognition and understanding, by all members of the management team, of that one predominant component of the business — its Driving Force — that will allow the organisation to formulate a strategy based on a distinctive and sustainable advantage that can give it long-term supremacy over its competition.

The perils of failing to gain consensus on the business' Driving Force and resultant strategy can be deadly. At what turned out to be the key crossroads of its story, Digital Equipment Corporation had three different management camps that the CEO never rationalised, leading to schizophrenic strategic behaviour. The company stagnated before eventually being acquired by Compaq (and that's another story!)

Each Driving Force brings with it a requirement to excel in a very different set of skills. No company can out-excel its competitors across the board. One cannot out-muscle every competitor in the market. Therefore, it becomes important to identify the company's Driving Force and the corresponding Areas of Excellence, which are then given preferential treatment. These areas keep the strategy strong and healthy and build a long-term strategic advantage over competitors.

How's your company's strategy working? Sometimes it's hard to tell, so here are nine signals you can look for to do a "diagnostic check-up." These nine danger signs are derived from the author's observation of hundreds of strategically troubled companies that subsequently righted their ships through DPI's Strategic Thinking Process. If you see any of these things happening in your company, it might be wise to reassess your strategy before it's too late.

Nine Danger Signals That Your Strategy May Be Letting You Down

by John Roberts — Partner, DPI

The effects of an inadequate, outdated, or fuzzy strategy are sometimes hard to spot until it's too late. Bad decisions, lack of decisions, failure to implement, management turnover, and poor communication all add up until one day the CEO realises he has no constituency, no supporters, and no job. Too bad he didn't see the danger signals. Since DPI has been working in the area of strategy for over 30 years with over 3,000 organisations, we've come to know how an organisation tells its leader the company is strategy-less. Do you see any of these happening in your organisation?

1. The budgeting process is drudgery, not fun.

Crunch the numbers, do another scenario, build a case for more money, rehearse the presentation. Not much else gets done the month before, and most of the people know it's an exercise. It's another fire drill. Even worse, it's usually too optimistic, and relies too much on projecting the past. Making budget requests becomes a competitive sport, like the chariot races. If you have a clear strategy, the budgeting process puts some numbers on already agreed-to initiatives. An executive at Caterpillar once told us, "The budgeting process goes a lot smoother now that we've used your strategy process. Budgeting and planning can actually be fun when people can see it's just the price of progress."

2. Competitor obsessive/compulsive disorder.

If you're constantly looking over your shoulder at the competition, you're probably not having much fun. If you're usually reacting to competitors' initiatives, your people aren't having much fun either. A good strategy lets you control the rules of the game, set the pace of product innovation, create the surprises, and attract the best talent.

Top Ten Reasons Why CEOs Fail

Lack of Strategic Vision Tops the List

1. Lack of strategic vision
2. Does not execute well
3. Loss of credibility
4. Poor earnings
5. Failure to adapt to change
6. Poor match with company's culture
7. Disengaged from day-to-day running of the company
8. Not managing analyst expectations
9. Inability to keep talent
10. Turnover in senior management team

CEOs have just eight months to develop a strategic vision, study shows.
(Source; Burson-Marsteller)

3. Upward delegation runs rampant.

When every decision has to be made in the corner office, that's a sure sign your people don't understand the strategy. Otherwise, they'd be making some of these decisions on their own. Or at least bringing you well thought out, local, justified recommendations. A great test of strategy is whether the management team can reject wild card opportunities or potential acquisition candidates on their own. A clear strategy gives them a decision filter. A fuzzy strategy gives them an excuse to say, "Let's ask the boss," or "Let's do a study."

4. Too many opportunities.

I once knew a General Manager who was described by his people as someone who never met an opportunity he didn't like. While that's very enthusiastic, it's a sure sign of no strategy. One day this looks good, tomorrow something else looks better, next week we'll chase something else. Maybe that's why his people were so busy and so frustrated. A good strategy provides a decision filter to help your people prioritise all those opportunities so they can focus their energy on the very best ones.

5. Too much PowerPoint, not enough substance.

If every big decision requires a dog-and pony show, watch out. There's an old saying in the advertising business—if you don't have anything to say, sing it. Same thing in most companies. When someone lacks substance for their recommendation, they try to cover up with a fancy presentation. Organisations with a clear strategy can make big decisions fast, with a minimum of flash and dance. In fact, they can get it down to one sheet of paper. That's because everyone knows the handful of key questions that must get a yes to move ahead. They concentrate on providing the answers to these questions or they know not to bother coming to the meeting.

6. Nobody can give "The Elevator Speech."

Let's say you only had a short elevator ride with your biggest potential customer or potential investor. You have less than 30 seconds to position your company as a successful, growing, distinctive enterprise. What do you say? Even tougher, what would your people say? And would they say the same thing as you? When they can't clearly articulate what business you're in, and what your strategy to achieve supremacy is, how can they make good decisions on a day-to-day basis? (Maybe that's why they all get delegated up to you.)

7. You spend more time talking about the numbers than the future.

If you find yourself constantly checking the numbers, reacting to events, and flogging the troops to generate some revenue and cut some costs, you probably don't have much of a strategy. If you don't spend at least a day a month talking about the future (the next quarter doesn't qualify), you definitely don't have a strategy. After all, the past has already happened. The future's where the growth is. If you have a great strategy in place for the future, the numbers will tend to take care of themselves.

8. Good at ideas, bad at implementation.

We hear this a lot, "We've had some good plans around here, but they never quite get done," or "They're always too late," or "We just never had really good management commitment." The root cause of most execution failures is a fuzzy strategy that allows people to go off half-cocked, half-funded, half-committed, and half-supported. After a while, they become afraid to take action because they're not sure it's important, or fear walking off another cliff in the dark. The main obstacle to good implementation is having too much to implement. Adding more people just makes it worse. A clear strategy helps you focus on the few things that are really important, with the organisation's full support.

9. The strategy is implicit, or you think it is.

Maybe the strategy's in your head. But if it's not written down and understood, people can only learn it by osmosis and/or trial and error. They can only deduce the strategy from decisions and events they observe. Some people secretly like that. If you don't articulate where you're going, no one will know if you don't get there and you can be as opportunistic as you want. Sometimes it works. But it's very hard work because the other people have trouble helping you get there.

A clear, explicit strategy makes the CEO's job much easier. Everyone knows the direction, what gets more emphasis, what gets less emphasis, and what the critical issues are. That frees you up to manage the processes and anticipate the future.

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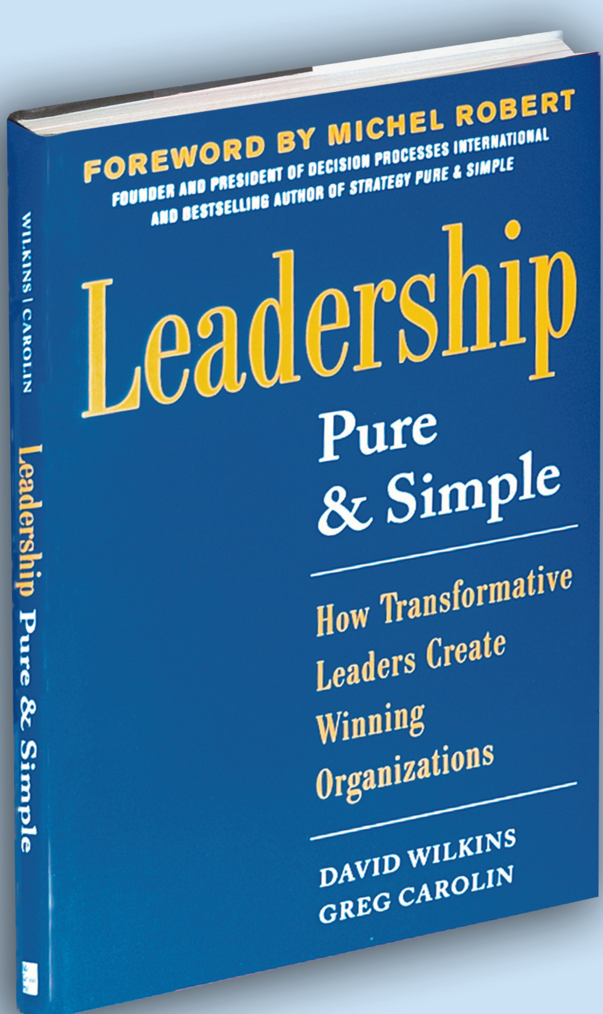

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"The DPI process requires the organisation and all its key managers to quite extensively draw on their collective knowledge and experience to formulate answers to challenging questions. We found it easier to (innovate and change the game) based on the methodology, because the leadership itself had crafted the new strategy and business concept."

— Chong Siak Ching, CEO, Ascendas

"All the knowledge you need (to create a strategy) resides in the heads of your own people, and all you need is a process to extract that and look at it differently. It is a powerful concept and the right concept for every organisation. I've used it at three organisations and in each case the results have been spectacular."

— Steve Bonner, CEO, Cancer Treatment Centers of America

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The true test of a business strategy is how it performs over time. In this interview with Steve Bonner, CEO of Cancer Treatment Centers of America, we explore the strategy of a company that has thrived in an industry where many are struggling, based on a strategy developed more than a decade ago. Using DPI's Strategic Thinking Process the CTCA management team created a unique, differentiating strategy that has yielded increasingly excellent results for patients and the company, without any major changes of direction.

INTERVIEW

Steve Bonner

President & CEO | CANCER TREATMENT CENTERS OF AMERICA

"It is always and only about the patient."

This simple mantra has led Cancer Treatment Centers of America, in a little over a decade, to become one of the world's most successful healthcare providers in terms of patient outcome *and* financial success. In an industry beset by changing regulations, intense competition, rapidly rising costs and increasingly complex technology, CTCA has consistently defied the odds, and altered many of the traditional rules of cancer treatment and healthcare in general, in a quest to shift the focus from the providers and payers to the patient. With a unique strategy developed using DPI's Strategic Thinking Process, CTCA has kept a sharp focus on this concept as it has grown in both size and its influence on the direction of cancer care.

"The business, for us, is patient empowered medicine," says CTCA founder Dick Stephenson. "*It's all about the patient*. It is *not* about the providers to the patient of any goods or services. It is *only* about the patient."

CTCA believes in treating the *whole patient* through a much more holistic approach than most other providers of cancer treatment. In addition to the latest, technologically sophisticated methods in traditional oncology care, CTCA also integrates principles of Chinese and Ayurvedic medicine as well as psychological care, physical therapy, pain management, dietary supplements and an emphasis on healing nutrition. A comfortable, nurturing experience emphasises soothing surroundings, organic food, and a philosophy of removing as much stress and discomfort as possible for the patient.

Steve Bonner

Says CTCA CEO Steve Bonner, "We are committed to holistic and integrative oncology care, which starts with the view that a tumor is a *symptom* of the disease and is not the disease. We believe that the disease is a deficiency in the patient's immune system. A healthy immune system normally will kill strange cells.

"So we start with the very best traditional therapy, such as chemotherapy, radiation and surgery, to treat the tumor. We surround that with a robust array of complementary therapies that support the immune system and manage side effects. When we started at this, there were a lot of people looking down their noses at us and pooh-poohing that kind of thing, saying 'There's no proof, no scientific evidence.' We've done many studies, and published over sixty peer-reviewed abstracts now on the effectiveness of our approach. And this has led others to move in this direction of treating the whole patient. If you look and see what others are doing, every significant cancer treatment centre is now offering some component of these additional therapies."

Indeed, measured against data produced by the National Cancer Institute, CTCA's outcomes in terms of survival, quality of life, patient experience and speed of care are often significantly ahead of the norm. Unlike most other hospitals, CTCA publishes these findings both internally for performance measurement, and on its website to allow patients to make more informed decisions about their treatment options. CTCA also advocates for transparency throughout the treatment process, allowing the patient to make the most informed decisions.

"We want an efficient and effective delivery to the consumer," says Bonner, "but the healthcare industry has pushed away the consumer from deciding what to buy, who to buy it from, what to pay for it and where to get it. They've left insurance companies, the government and employers to figure that out. There's no way that will work. Well-intending claims administrators cannot make high quality, reasonable cost decisions that match with each patient's values and needs.

"So CTCA committed to supporting a much more empowered consumer. That translates, first, into giving consumers information that allows them to shop competitively and comparatively."

This approach has been so successful that CTCA has grown ten-fold since 1998, doubling its number of hospitals. It has also achieved exceptional financial performance which allows it to continually research and implement innovative and effective cancer care.

How It All Began

Yet the company's success did not come easily or immediately. CTCA began in the early 1980s when entrepreneur Dick Stephenson's mother succumbed after a long battle with cancer. So dissatisfied was he with her care, which he considered to be harsh, impersonal and often ineffective, that he became determined to find a new approach to more humanely treat complex and advanced stage cancer, dramatically improving the patient experience and outcomes. For six years he researched cancer treatment methods with a focus on what patients themselves said—what they valued, the most effective treatments, and what they were prepared to pay for.

His dream became a reality with the opening of the Cancer Treatment Centers of America's two hospitals, or "Centers of Excellence," in Zion, Illinois and Tulsa, Oklahoma. CTCA went on to continually break new ground in providing new hope, a unique array of healing options, and greatly improved results for many cancer patients whose providers have said that nothing else could be done for them.

The CTCA approach became so successful as the company grew that they felt the need to deliver their unique brand of cancer treatment closer to patients' homes than the original facilities in Illinois and Oklahoma were practically capable of reaching. One way to extend that care and to gain referrals from physicians, they thought, would be to acquire oncology practices in various locations around the country. The approach ultimately proved to be flawed however, as they were unable to adequately convert these traditional providers to their unique methodologies. Expected referrals never materialised, and the company's financial situation was eroding as a result.

The Turning Point

When Steve Bonner joined CTCA as CEO in 1999, the company was struggling.

"When I came in, it was clear that we were strategically out of focus and I thought DPI's Strategic Thinking Process would be the best way to get us back on track," Steve Bonner said. "I had used the process at two other companies and what I like about it is that it's simple. It forces you back to the soul of your business, to the things that truly set you apart from your competition.

"As I think back on my first exposure to Strategic Thinking," he says, "the financial services company where I worked had hired an army of consultants from one of the Big Five firms who sweep through an organisation and come back and tell you what your strategy should be. It was very provocative, but not relevant. It never converted to action.

"When I first saw Michel Robert's book, *Strategy Pure and Simple*, I thought it was an oxymoron. I thought the words that went together were *strategy*, *complex and expensive*! DPI's concept really resonated with me, that all the knowledge you need to create a strategy resides in the heads of your own people, and that you need a *process* to extract that and look at it differently, and then translate that into an actionable set of tools. It just seemed so logical and simple that it was clearly worth a try.

"I think that it is so aligning, it has the capacity to get all the heads nodding about who you are and what you're trying to do. And especially today, where information comes at people from innumerable directions and at a speed that nobody can really keep up with, to have everybody grounded in clarity about, 'Why are we here? What are we doing? What's good to do? What are the things that are suspect?', I think that it's indispensable to having an organisation with the ability to move nimbly forward. I also think it is critical to have skilled facilitators, such as in our case, Mike Robert and Craig Bowers to lead the process, surrounded with your very best people, because the real data and the answers reside in their heads, not in the heads of the consultants. It's hard work and I remember it took us three days in the fall of 1999 to get clarity about each of these elements. We had a really rigorous debate under a lot of stress with the struggle the company was having. But we held our collective feet to the fire, got it right and we're one testament to the fact that it works.

"I think it's a *powerful* concept and the *right* concept for every organisation. I've used it in three different organisations, including CTCA, and in each case the results have been spectacular!"

Taking a cross-section of key managers through the DPI Strategic Thinking Process enabled the group to totally reassess CTCA's direction, and pointed them back to the enterprise's original concept—focus on the patient—in a hospital-based setting, and sourcing patients directly.

The most important revelation to emerge as CTCA's management team progressed through the process was that the company, particularly as a result of acquisitions, had wandered away from its founding principle—the complete focus of all the company's resources on providing their unique type of care to its patients.

Says Bonner, "We realised that we have to live by a *Customer Class Driving Force*, with that Customer Class being cancer patients with advanced stage and complex cancers. As Dick Stephenson says, 'It is always and only about the patient.' During the

DPI process there was some healthy discussion about that. Some thought we could be *Technology*-Driven. After all, don't we really need to be on top of the latest technology? But we already are. We're famous for that. We have the most modern of everything that's needed. But the process helped us to see that we don't want to be in the business of *developing* the latest medical technology. That's somebody else's business. For us, technology is a subset of our Driving Force, which is *the patient*. We also looked at a couple of other Driving Forces, but none of them fit like our Customer Class."

Implementing the Strategy

A set of essential actions, or Critical Issues, were agreed upon by CTCA's strategy team, with ownership for each assigned to an executive to shepherd to completion. The first major action was the divestiture of the oncology practices CTCA had acquired.

"The process really allowed us to re-examine this issue of a hospital-based delivery system as opposed to an oncology practice-based system. It became clear how important it is to do this in a *hospital* setting. We have inpatients and outpatients, but we need a critical mass and a nucleus of patients to be able to have all these integrative therapies and practices available on a highly convenient basis to the patient. That became very clear. That made these oncology practices non-strategic assets.

"We immediately did a number of things," Bonner says. "We started either selling or shutting down these practices. We also completely resized the corporate office because it had been sized to handle this big network of physician practices. And that then allowed us to take a deeper look at what we really meant by *patient empowerment.* We pulled back to the top of the list the importance of being close to the patient, of really gathering market research, to find out what *they* value.

"We also were able to clearly see how to redirect the resources that had been going into these other facilities and focus them on constantly improving our understanding of the needs of our patients and the treatments that will benefit them the most. The result of that realisation was that we became much more tightly focused, and the financial and therapeutic impact was amazing."

Since that time CTCA has kept a consistent strategic focus on its Driving Force, the patient with complex or advanced-stage cancer, and developing the Areas of Excellence that support it—market research, patient loyalty, talent management, and service and information delivery—all geared to understanding the patient's needs and delivering on them better than anyone else. This combination has enabled CTCA to grow rapidly as its groundbreaking approach has become better known through direct-to-patient marketing and word-of-mouth.

Says Bonner, "The company is, in round numbers, ten times the size that it was the day we did that first DPI strategy session in 1999. We're 3,300 stakeholders now. We're about to see our 35,000th patient. We're now seeing about 4,000 new patients a year and growing at roughly 15% a year. We've more than doubled the number of centres. That means we can provide this high level of care to that many more people in different parts of the country."

Maintaining Strategic Focus During Rapid Growth

Rapid growth for a company in any industry can be a double-edged sword. Growth in size and profitability are welcomed of course. However, maintaining strategic focus with the addition of hundreds of new employees coming from traditional medical backgrounds, and geographic spread has depended on continuously communicating the strategy and reinforcing its essential place in the enterprise.

"Keeping our strategy alive and vital has been a major focus for us as we have grown, and it has several dimensions to it.

> *"The company is, in round numbers, ten times the size that it was the day we did that first DPI strategy session in 1999."*
>
> **—Steve Bonner**

Coming out of the strategy sessions we did a very rigorous and deep process for creating a mission, vision, values and brand promise," says Bonner.

"When we decided to go to a third centre, we confronted that very issue—which is that this is such an intimate, unique style of care, that if we go to a new area and hire a large group of people from that area to open our centre, it's not going to look like what we do. So we said, we won't open a centre unless at least 30% of the people who are there on Day One have come from our existing centres.

"Still, I was concerned that with our growth, and number of people at the table, that the ability to understand our strategy and deploy it effectively would wane. So we created the Office of Strategy Management to help us to keep from wandering off our direction. One of the things they have done is to convert the strategy concept into what we have called a strategy primer, a booklet, which we could then use to educate every stakeholder or any group of stakeholders we thought would benefit from understanding the fundamentals.

"CTCA also created a process we call 'Hope, Pride, and Joy' which enables the selection of all the 150 people it takes to open a centre. Weeks in advance a process is begun to integrate them into the culture, to role-playing the style of care, to working in simulated environments. Many are sent to existing centres for anywhere from a week, to six months for some of the more sophisticated physicians. The goal is to imbue them with the CTCA strategy and style of care, to allow that to be in place on Day One. We have a very rigorous selection and on-boarding process, that involves a selection filter that we have used for many years. We're seeing so many applicants now, especially with our reputation and the economy, that we're able to be very selective. We have also created our own internal university with a commonly held organisation, the CTCA Center for Learning.

"We are also very rigorous in tracking the patient experience and feeding that back to our people. We, for example, have a patient experience survey that is fielded every day in every hospital. And we report patient loyalty scores down to the individual physician so that they have qualitative and quantitative data in terms of how they are creating the patient experience."

CTCA has also implemented a Lean Six Sigma program, with many Green Belts, Black Belts and Master Black Belts, and constantly re-engineers the culture to keep their eye on delivering what the patient values most.

The Strategic Filter: The Essential Management Tool

As part of the Strategic Thinking Process, CTCA management created what is known as a Strategic Filter for decision-making. Literally a checklist, it provides standards by which to judge whether an opportunity or decision supports the Driving Force and Areas of Excellence. A lot of yeses mean the opportunity is worth serious consideration. More red flags, however, signal caution in further pursuit or scuttling the idea outright.

Says Bonner, "Without a filter for decisions, it is easy to wander off in any business. It would be easy to get distracted and confused and the patient experience would suffer. I think that's been part of the learning. I remember some people, in the early conversations when we were really struggling, would come up with an idea, and say, 'I think we can make some money out of this.' We weren't making much money at the time, so that sounded resonant. But then we would say, 'You can make money drilling oil, but that's not what we do. So let's go back to the Filters, and let's go back to the Driving Force and run it through there,' and a lot of distracting ideas fell by the wayside. Day after day, week after week, staying true to these things and letting them contribute to your thinking and execution drives the growth. It doesn't inhibit it in any way.

"We've really tried hard to teach the Strategic Filter technique. It's had applications in many places. We've built a very rigorous set of Strategic Filters that guide us when we're moving towards building a new hospital. We look at location and availability of talent. We look at travel patterns. An average patient travels 500 miles. How do people travel around a region? We look at the regulatory environment. We look at the competitive environment. And that's helped us pinpoint the places where we put hospitals. That led us to Philadelphia, suburban Phoenix, just outside Atlanta—places where, for a variety of reasons, we can deliver the best experience for the patient.

"We've also used our filters on the negative side—what *not* to do—such as when we've looked at potential contracts with insurance companies to understand that their point of view isn't necessarily harmonious with, or aligned with, our strategic direction. In one case I am thinking of it caused us to say, 'No, we're just not going to get the strategic benefit out of this.' "

The Mother Standard

But the ultimate filter is what CTCA calls "The Mother Standard," which enables those delivering care to stay true to the CTCA purpose.

"It's really a very simple concept," Bonner explains. "It asks every one of our caregivers, every time they are interacting with a patient in what we call a moment of truth, that they ask themselves, 'If this were my mother or my father or another loved one standing in front of me, what would I want them to experience in that moment?' and deliver that to them. Then you've done your job. It doesn't require you to run off to a committee for approval, you don't have to call your boss, you don't have to look at a manual. We surround this with a lot of training, but we all know what we would want, from our expertise, for that person to experience.

"It's very empowering, and if you go around to other hospitals generally, and you watch people interact, they don't move with that type of empowerment. They're worried about malpractice—'Do I really have the authority to do this? Who do I have to talk to and who are the committees that are going to oversee this? Will this get paid for?'

"So that Mother Standard is the core and it's right there in the middle of our Strategic Driving Force. That's a way to make it human. The organisation loves it. The patients love it, and it makes the business *human*. It's another part of the perpetuation of the culture that's important."

CTCA's strategic clarity and focus on that Driving Force promise to help the company take its brand of cancer care to many more patients with increasingly effective treatment.

Says Bonner, "I believe that, because we have such a clear concept of our strategy and its implications, this enables us to see the future with greater clarity and see the path to allow us to sustain, regardless of what the government does, or what payers do. It's very powerful in that regard because it helps us be really clear about the fact that healthcare, oncology and CTCA are about delivering the highest quality care, what our consumers value. That's where we've always been. Now, because we're successful, and we can demonstrate this, it gives us a beacon on where to go in the future. Because of our focus on that segment, we have talent, technology, knowledge and expertise that allow us to open up other options for these people. As Dick would say, 'We're there for them when they need us,' and we need to make sure we never weaken our ability to deliver to those patients."

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"The whole idea of someone from the outside telling people, who have spent their whole life in a company, that something will or won't work is not really a good idea. They don't have the insight into what makes the company tick. The thing this process does very well, and I've seen it done over and over, it forces you to find the answers to these issues yourselves. If you want to maintain your leadership *or even survive*, DPI's *Strategic Thinking Process* is better than any I've seen. *The creation of shareholder value has been rather spectacular*."

— Don Fites, CEO, Caterpillar, Inc.

"I have been exposed to McKinsey, Boston Consulting Group, and Bain & Company. They are all very capable and I'm sure they have a good product that's extremely impressive. And I'm sure, intellectually, they're also very sound. The only problem is their product is not *of the people, by the people, through the people. It's not owned by people who later have to live with it*. When the strategy is developed by an outside third party, it is an alien product no matter how well it relates to the company. And when it comes to executing it, they are miles behind DPI."

—Kurt Wiedenhaupt, CEO, American Precision Industries, Inc.

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