

How to Turn a Great Strategic Principle into Great Results

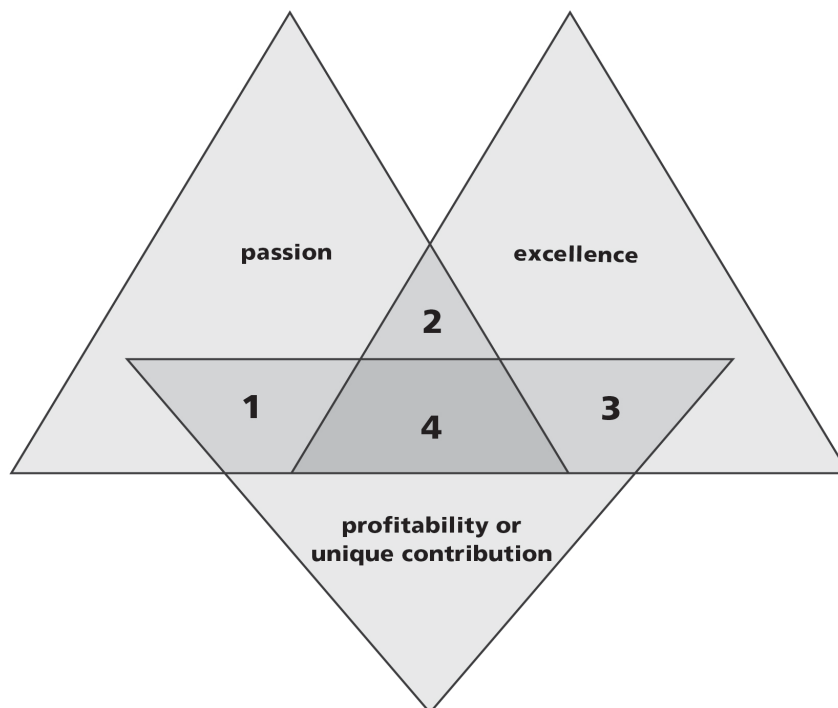
By Linda D. Henman, Ph.D.

Results start with a strong strategic principle—a shared objective about what the organization wants to accomplish. The strategic principle guides the company’s allocation of scarce resources—money, time, and talent.

The strategic principle doesn’t merely aggregate a collection of objectives. Rather, this simple statement captures the thinking required to build a sustainable competitive advantage that forces trade-offs among competing resources, tests the soundness of particular initiatives, and sets clear boundaries within which decision makers must operate.

Creating and adhering to a concise, unforgettable, action phrase can help everyone keep an eye on the ball at all times. Wal-Mart offers one of the most well-known strategic principles: Low prices, every day.

A well-thought-out strategic principle pinpoints the intersection of the organization’s passion, excellence, and profitability, or in the case of not-for-profit organizations, its unique contribution. As you can see from the graphic, success lies at the intersection of the three.



If your organization operates in section one, you will probably experience some short-term success. People who can do the work they feel passionate about and engage in work that rewards efforts with large monetary compensation, can often stay in the game for the short run. But if you aren't the best, the competition will soon surpass you.

Passion and excellence without profitability, or section two, won't even allow you a short run. This undisciplined orientation—to do what you like and are good at—without consideration of the market, won't provide anything other than some short-lived fun, which should last right up until the time your bills come.

Section three is a recipe for burn out. You can work hard at something you're good at and that makes you significant money, but you won't excel at it for long unless you feel some passion for it.

Sustained success lies in area four, the intersection of passion, excellence, and profitability. Only here can your organization thrive as you work diligently to produce a product or service that your competition can't match.

When companies face change or turmoil, the strategic principle acts as a beacon that keeps the ships from running aground. It helps maintain consistency but gives managers the freedom to make decisions that are right for their part of the organization. Even when the leadership changes, or the economic landscape shifts, the strategic principle remains the same. It helps decision makers know when to develop new practices, products, and markets. When they face a choice, decision-makers will be able to test their options against the strategic principle by simply applying the three-part litmus tests:

- Are we passionate about his work?
- Can we do it better than our competitors?
- Will it make us money?

When designed and executed well, a strategic principle gives people clear direction while inspiring them to be flexible and take risks. It offers a disciplined way to think about decisions, strategy, and execution and challenges people to play an ever-evolving better game.

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