Chapter 1

A General Management Perspective

A general manager is someone who has responsibility for all functional facets of the business. General managers run businesses and organizations of all kinds, such as for-profit businesses, public sector and not-for-profit organizations.[1] A fundamental challenge facing general managers today stems from the fact that the external environment in which their organization operates—which includes current customers, potential customers, competitors, technological innovation, government, suppliers, global forces and so on—is changing so rapidly that the firm, with its finite resources and limited organizational capabilities, is hard-pressed to keep up. Keep up it must, however, because in a rapidly changing environment, sticking with yesterday's strategy, no matter how successful it has been, is often a recipe for tomorrow's disaster.

Although the general manager holds a particular position in the organization, any individual in a functional position can have a general management perspective, and we argue that having one will assist employees throughout the organization. A general management perspective means having the capacity to understand and to appreciate issues facing individuals who are placed in the specific role of a general manager. Often, strategic decisions require difficult trade-offs. To the degree that employees understand why decisions have been made and what needs to be done, personal performance and organizational performance will be enhanced. A general management perspective also helps you to identify relevant data, information, and knowledge that are important to strategic analysis and action. Strategic decisions need to draw on the collective intelligence of the workforce. The general manager does not act in isolation. Throughout the text we refer to the General Manager, which is intended to capture all persons seeking to develop a general management perspective.

THE JOB OF THE GENERAL MANAGER

The job of the general manager is to create value for the enterprise. As a general manager you need to recognize emerging opportunities and challenges, prepare a response, and ensure the success of whatever plan of action you decide upon.

By way of example, consider the rapidly changing competitive situation in the consumer smartphone industry over the last few years. This is an industry that has grown rapidly and undergone rapid innovation. Research in Motion (RIM), a company that had a dominant position in the enterprise smartphone market, entered the consumer smartphone market to increase its revenues and market share. As an early entrant in the industry it initially had good success capturing higher market share each year. But this came at the cost of reduced margins which the Co-CEO Jim Balisille described as a deliberate strategy of a "land grab."

"So we could have a sweeter margin for a couple of quarters and we might not torque the growth quite as much and then we will rue that for the next 20 years, that we gave up the key land for a little bit of interim gratification."[2]

While RIM's blackberry smartphone devices offered a superior email experience, the release of Apple's iPhone in 2007 started chipping away at RIM's market share and by the second quarter of 2011 Apple had achieved the top position in the smartphone space while RIM was in fourth place, with a market share that had declined over the previous year. What was even more worrisome was the fact that RIM was behind the curve in its response to Apple's release of the iPad and when RIM did release a competitive product, the market response was critical due to high defect rates and insufficient functionality. What had gone wrong? How could a company that had a leading position in the enterprise smartphone market come up so short in the consumer segment? Many analysts pinned the failure down to RIM's capabilities and resources that, while finely honed to understand and lead the enterprise market, did not seem to understand the needs of the consumer market and RIM was therefore slow to react to changes in, let alone lead, the market.

Having established a long-term direction, and created the strategy, the general manager's work is not done. In fact, the most difficult part is just beginning. While RIM's CEOs established long-term direction and created the strategy early on, not enough was done to develop the capability to allow the organization to provide leadership in both the enterprise and consumer market. Capabilities that were deemed as superior in RIM's highly protected enterprise market where inadequate in the far more competitive consumer market. Further, many capabilities required for success in consumer products were lacking.

This example illustrates three of the fundamental components of the general manager's job: setting direction, creating strategy, and implementing change. One further crucial aspect of the job, shown in Figure 1.1, is assessing performance—both current and longer term. Without a good feel for how well the organization is performing at any point in time, a general manager could get the other three components of the job very wrong. Emphasizing lofty but distant goals when the company may not survive the coming year could lead to disaster; acting as if there is a crisis when a slower pace of change would be more appropriate can be just as damaging.

A competent general manager will perform all four of these tasks. The tasks will not be addressed sequentially or in isolation from each other, but as a continuously changing mix of activities. The double-headed arrows in Figure 1.1 are intended to convey this interconnectedness.

The primary focus of this book is on the processes and tools you will need for creating strategy and managing strategic change. Before you embark on the strategy-making

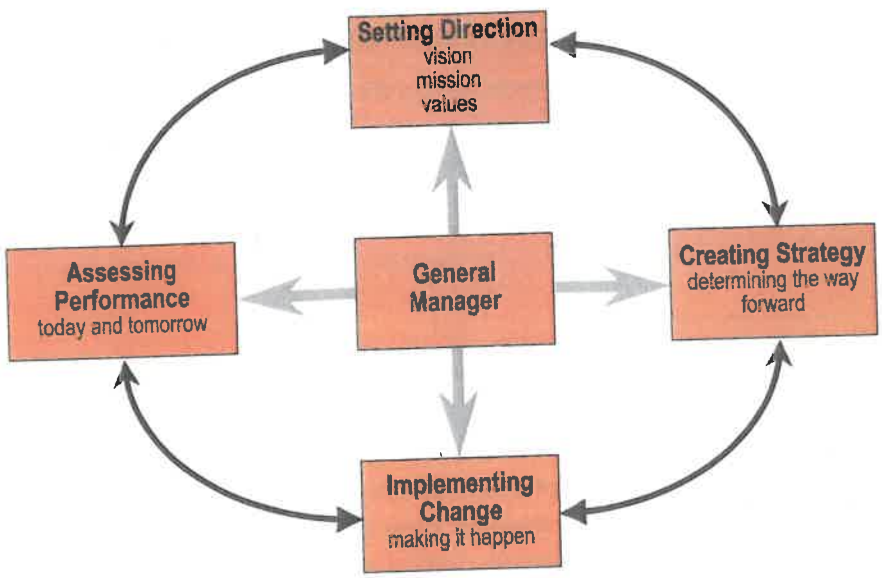

Figure 1.1 The Job of the General Manager

process you need to make sure that you know your starting position, which means that you need a solid assessment of current performance. You also need a high-level view of what you are trying to achieve, which will be captured in your vision, mission, and values. In the remainder of this chapter we address these topics.

ASSESSING PERFORMANCE

We begin with a discussion of performance assessment because the general manager who is not skilled at this task will have great difficulty with the other aspects of the job. Many corporate tragedies are rooted in the fact that senior managers had a false idea of how well their organization was performing. Take, for example, McDonald's, which in 2003 announced its first-ever quarterly loss since becoming a public company in 1965. As a franchisor, McDonald's collects royalties that amount to four percent of sales. However, it is also a real estate company, owning the land and buildings of many of the franchised locations, with rent amounting to about 10 percent of sales. Focused on its profitable real estate, which prompted expansive growth, McDonald's lost sight of deteriorating measures of performance such as same-store sales, which had been stagnant for a decade, and service, where it had ranked at the bottom of the fast-food industry since 1994. To turn things around, management had to reverse its strategy by dramatically reducing the number of store openings worldwide and, instead, focusing its attention on getting more customers into existing stores. The results were impressive. In 2010, McDonald's had achieved growth in same-store sales for eight consecutive years. From 2003 to 2010, revenues increased by 40 percent and net income more than trebled.

Table 1.1 Typical Measures of Operating Performance

Profitability	Financial Position	Market Performance
• Profit margins (gross and operating)	• Leverage ratios (debt/equity, interest coverage)	• Absolute level and growth rate in sales
• Key expense ratios	• Liquidity ratios (units, revenue)	• Market share
• Return on equity, assets	• Activity ratios (e.g., asset and inventory turnover)	• New products as % of sales
• Economic value added		

There are many approaches to take in sizing up performance, and each industry and company will have its own metrics based on the key performance drivers. Financial services provider Charles Schwab, for example, keeps its focus on maintaining strong client relationships through its "client promoter score" that measures the likelihood that a current client will recommend Schwab to their family or friends. Other organizations seek a balance among multiple performance indicators. For a useful approach to creating multiple performance measures, see Kaplan and Norton's "Balanced Scorecard."[3]

Our assessment of organizational performance is based on two sets of measures: *operating performance* and *organizational health*. Operating performance includes the "hard" or more quantitative measures of financial and market performance. Some typical measures of operating performance are included in Table 1.1. In any given situation some of these measures may be more important than others. Whatever your circumstances, beware of relying on only a single measure of operating performance, or on solely internal measures.

Measures of organizational health are generally "softer" and more qualitative than those of operating performance, and include such things as management and worker enthusiasm, the ability to work across boundaries, and the ability of the organization to learn. These and other factors are described in Table 1.2. Again, you might put more emphasis on some of these factors than others as you are assessing the health of your organization, but here too we recommend that you focus on more than a single measure, and assess how these factors are changing over time.

The danger that many senior management teams face is that they think they know where the business stands in terms of organizational health, when often they do not. This could be because negative communication to the top of the organization is implicitly or explicitly discouraged, it could be the result of middle managers choosing to filter information before it reaches the top, or simply that senior managers do not listen well. One response in many firms has been to use anonymous employee surveys on a large scale to try to get a realistic assessment of these measures.

It is also important to recognize that the drivers of performance for any company or industry are often inter-related in important ways with key leading and lagging indicators. For example, a fast food chain developed a causal model proposing the drivers of strategic

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Table 1.2 Typical Measures of Organizational Health

Enthusiasm	Boundaries	Problem Solving	Learning	Sustainability
How enthusiastic are managers and employees about their work?	Do individuals identify with narrow sub-groups, or with the organization as a whole?	Are problem areas identified and dealt with, or hidden and ignored?	Does the organization learn from its experiences? From others' experiences?	Can the pace at which people are working be sustained?

Source: Adapted from R. Pascale, M. Millimann, and L. Gioja, "Changing the Way We Change," *Harvard Business Review*, (November–December 1997).

success. They found that choices in selection and staffing impacted employee satisfaction, which in turn affected the value employees were able to add to the business. Employee value-add affected customer satisfaction, which affected customer buying behavior, profitability, and overall shareholder value.[4]

Using the Performance Matrix

We use the performance matrix to classify operating performance and organizational health as roughly positive or negative and ask three questions: (1) where was your business three years ago, (2) where is it today, and (3) which way is it currently moving? Our main emphasis is on the current position of the business, but a discussion of this naturally leads to consideration of where the business has been and which way it is moving. In Figure 1.2 we have illustrated the hypothetical case of a business that has moved from Quadrant 2 (Q2) through Q4 and is currently in Q3, hoping to move upward to Q1.

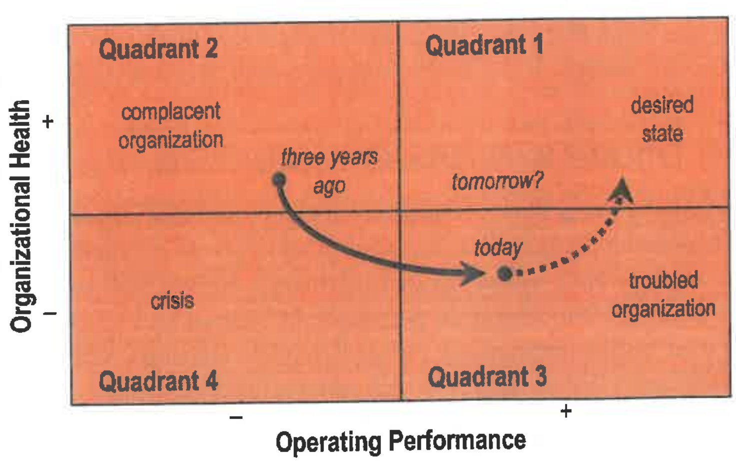

Figure 1.2 The Performance Matrix (with illustrative example)

Clearly, the desired state is Quadrant 1, in which operating performance and organizational health are both positive. If your analysis suggests that your business is in this quadrant, and you expect it to stay there, your strategy review will probably be a question of fine tuning, and perhaps taking a farther than usual look into the future. But do not take the strategy assessment process lightly. You need to ensure that you have placed yourself in this quadrant as a result of thorough analysis, not complacency or wishful thinking.

The picture in Quadrant 2, on the other hand, may be of an inward-looking and complacent organization where people enjoy their work, but collectively are performing inadequately in terms of market and financial standards. There may be recognition by a few that there is a need to change, but getting a meaningful strategic review under way may be difficult, as currently happy employees will not want to face the prospect of making uncomfortable changes to improve operating performance.

In Quadrant 3 the business is achieving its operating objectives at the expense of organizational health. This may arise because management has applied pressure for short-term profits, often via downsizing, without upgrading the skills of their people. Management also may have given little thought to the processes by which work should be done. It is a classic case of doing the same work with fewer people, and everyone is burned out.

Quadrant 4 represents a clear-cut problem situation in which immediate and comprehensive action is necessary. It may well be a crisis; if so, strategic analysis had better be fast. Shortcuts may have to be taken, but our hope is that if your firm is in crisis a quick look through this book will at least help you decide where to start, and which parts of the strategy creation process will quickly yield the most value to you and your business team.

In later chapters we will discuss other perspectives on performance. In Chapter 5, for example, we will ask you to predict the likely performance of your business if it continues with its existing strategy; this is your "base case" scenario. In the last two chapters of the book, which deal with the management of change, we will discuss the crisis curve concept, which involves tracing the past, current, and projected future performance of a business to determine the urgency for change.

We now turn to another task of the general manager that needs to be considered before we turn to strategic analysis: that of establishing the overall direction for the business.

SETTING DIRECTION: VISION, MISSION, VALUES

Organizations need a strong sense of direction—a vision—to bring coherence to the many strategic and operating decisions that managers at all levels are constantly called upon to make. There are three basic reasons for starting strategic analysis with work on visioning. The first is to resolve confusion over the purpose of the business: why it exists. For example, some of the most visible instances are in family-owned companies, when disagreements arise among the family shareholders over such issues as dividend income or family employment. Other examples are found in newly privatized enterprises, which have long been an arm of the state, and now have to decide on fundamental objectives, and whom they are to serve. All organizations, though, need a clear sense of what and who they are.

The second reason for developing or changing a company's vision is to revitalize it. Here the pursuit of a new vision alerts people to the need for change. When Steve Jobs resumed control of Apple Computer, he brought with him his vision to change the world through technology. What began as a focusing of resources on key products has revitalized the company, setting the stage for a new strategy in 2004 to make Macs a hub in a networked world of digital devices. *Fortune* magazine described Jobs as having

> . . . exercised his increasing power with the facility of a jujitsu master. Consider: He elbowed aside the likes of Sony to change the dynamics of consumer electronics with the iPod. He persuaded the music industry, the television networks, and Hollywood to let him show them how to distribute their wares in the Digital Age with the iTunes Music Store. He employed the arch austerity of his hugely successful Apple Stores to give the big-box boys a lesson in high-margin, high-touch retailing. And this year, at the height of his creative and promotional powers, Jobs orchestrated Apple's over-the-top entry into the cellular telephone business with the iPhone, a lozenge of glass and aluminum encasing a do-everything digital device.[5]

According to the International Data Corporation, in the second quarter of 2011 Apple's iPhone had captured the top market share of the global smart phone market. In a few short years, Apple went from not having a product in the smartphone market to being the leader.[6] Finally, you might decide to prepare a mission statement when your business is operating reasonably well, but you think that creating one might be useful to reinforce your existing informal "sense of vision". You might also see it perhaps as a public relations exercise, to better present the business to shareholders, customers, or regulators.

The challenge in developing a vision is simultaneously to raise people's sights, give them direction, and stay realistic. While it usually helps to formalize agreements about vision, mission, and values in an explicit mission statement, the existence of a formal statement may actually mean very little; the critical factor is whether the vision has permeated the organization. Achieving a powerful sense of mission depends very heavily on the day-to-day decisions and actions of an organization's leaders. People look to actions, not words, for guidance. If a purpose like "to be the best and most successful company in the airline business" is to have real motivating power and directional meaning, then the actions of senior management in everything from investment decisions for aircraft to the budgets for cleaning cabins had better be consistent with that vision.

There are many frameworks and references on the subject of vision, mission, and values. A list of references is provided at the end of this chapter. Collins and Porras studied highly successful companies and found that what they had in common was an enduring set of core values and purpose, unique to each company, that remain fixed even though their business strategies evolved over time.[7]

The Collins and Porras framework is a good example since it is based on solid research, yet provides a practical approach for applying the concepts. Collins and Porras state that "at the broadest level, vision consists of two major components—a Guiding Philosophy that, in the context of expected future environments, leads to a Tangible Image."[8]

In the Collins and Porras framework, the Guiding Philosophy includes the core purpose and core values of the organization. The core purpose and core values need to be translated into a Tangible Image in the form of a mission and a vivid description of that mission. Whereas in the case of strategy, environmental analysis plays a pivotal role, in the case of vision, it plays more of a moderating role in translating purpose into mission. Aspiration plays a stronger role with vision such that there is a fine line between the possible and impossible. Although Collins and Porras advocate that strategic analysis should be done after the vision and mission-setting process, this is rarely the case. The practical matter is that vision and strategy operate in tandem as we discuss later in this chapter.

Guiding Philosophy

The guiding philosophy has two elements, the core purpose and core values. The core values are the starting point for the guiding philosophy.

Values Values represent the basic beliefs that govern individual and group behaviour in an organization. This may be brief and at a high level of abstraction, or much more detailed and specific. To support its mission to, "establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow," Starbucks has six guiding principles:[9]

- Provide a great work environment and treat each other with respect and dignity
- Embrace diversity as an essential component in the way we do business
- Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee
- Develop enthusiastically satisfied customers all of the time
- Contribute positively to our communities and our environment
- Recognize that profitability is essential to our future success

At first glance, you may find this a rather straightforward list. There is certainly very little here with which to disagree. Surely every company wants to treat people with respect and dignity. On the other hand, Starbucks really lives these values, as can be seen by the employee stock plan, benefits, a first-class working environment, a heavy investment in training, an obsessive focus on the customer, and other measures.

It is not surprising that Starbucks imbues these values since they are strongly held by CEO Howard Schultz. Schultz was deeply affected by the experiences of his father, stating that "My father was a broken-down blue collar worker . . . He was not valued and not respected, and it made him very bitter and angry. I wanted Starbucks to be a company that didn't leave anyone behind."[10] Having witnessed the financial stress on his family when his father was out of work with a broken ankle and no medical benefits, Schultz is committed to treat everyone with respect and dignity. As a result, thousands of part-time Starbucks workers have full medical benefits. The proof of the values is that Schultz is not willing to compromise. Although his profit margins are lower than other fast-food or restaurant businesses, Schultz says that it is the price you have to pay for doing business his way.

Since Starbucks has achieved these things, then it is indeed different from many other companies. Creating a values list that looks good is not so difficult; living up to your values is a tougher task. After Schultz left as CEO, performance at Starbucks between 2005 and 2008 fell and its stock declined by over 50%. On his return as CEO in 2008, Schultz attributed the decline to Starbucks moving away from its values.

> *Success is not sustainable if it is defined by how big you become or by growth for growth's sake. Success is very shallow if it doesn't have emotional meaning. I think there was a herd mentality—a reason for being that somehow became linked to PE, the stock price, and a group of people who felt they were invincible.*[11]

He goes on to say:

> *You have to have a 100% belief in your core reason for being. There was tremendous pressure . . . to dramatically change the strategy and the business model of the company. The marketplace was saying, "Starbucks needs to undo all these company-owned stores and franchise the system." That would have given us a war chest of cash and significantly increased return on capital. It's a good argument economically. It's a good argument for shareholder value. But it would have fractured the culture of the company. You have to be authentic, you have to be true, and you have to believe in your heart that this is going to work. Someone said to me, "You are roasting 400 million pounds of coffee a year. If you reduce the quality 5%, no one would know. That's a few hundred million dollars!" We would never do that.*[12]

We do not have to look far to see examples of companies like Enron and Tyco that had a set of values they could not live up to.

We add a final caveat on the issue of values. One might expect that an enduring set of values could only be beneficial to a company, but this is not necessarily the case. For many years, under the leadership of Akio Morita, Sony Corporation of Japan operated with the strongly held core value that Sony is a pioneer, and does not follow others. This was very motivating, especially to the researchers and engineers in Sony's laboratories, and the company introduced a long list of innovative products, such as the Walkman, that were clear firsts on the market. The pioneering spirit was an important element of Sony's success.

However, concerned that it might lose its preeminent position in home entertainment as the computer business and the home entertainment business converge, Sony chose to develop a personal computer. Working with Intel and Microsoft, Sony's entry in the personal computer business was clearly not a pioneering move. Sony engineers had to learn to work with others. Nobukuyi Idei, the successor to Morita, started to talk about modified values. His key words were *originality*, *passion*, *openness*, and *change*. Originality is closely tied to the previous pioneering concept, but openness, in particular, was a new idea, and what Idei was promoting was an openness to ideas from other companies, to soften Sony's often isolationist stance. And under Sir Howard Stringer, Idei's successor, Sony continued to partner with other companies, such as its partnership with HID Global and Google in 2010, while at the same it also worked on improving its operational efficiency to allow it to regain its leadership in innovation.

Core Purpose Core purpose defines the reason for being and may never be fully realized, in contrast to goals and objectives, which are formulated specifically to be achievable. Collins and Porras provide some examples of core purpose. For 3M it is to "solve unsolved problems innovatively." For Merck it is "to preserve and improve human life", and for Wal-Mart it is "to give ordinary folk the chance to buy the same things as rich people." Collins and Porras argue that maximizing shareholder wealth is the "standard off-the-shelf purpose for those organizations that have not yet identified their true core purpose. It is a substitute—and a weak one at that."[13]

Tangible Image

In the Collins and Porras framework, core values and core purpose need to be paired with an envisioned future, including a vivid description that is reachable in a 10- to 30-year time frame.

Mission Statement "A mission is a clear and compelling goal that serves to unify an organization's efforts. An effective mission must stretch and challenge the organization, yet be achievable. It translates the abstractness of philosophy into a tangible, energizing, highly focused goal that draws the organization forward. It is crisp, clear, engaging—it reaches out and grabs people in the gut."[14] The example Collins and Porras provide of an effective mission statement is that made by President Kennedy in 1961—"Achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth."[15]

Vivid Description Collins and Porras point to Henry Ford's vision to democratize the automobile, supported by the following vivid description.

> I will build a motor car for the great multitude . . . It will be so low in price that no man making a good salary will be unable to own one and enjoy with his family the blessing of hours of pleasure in God's great open spaces . . . When I'm through, everybody will be able to afford one, and everyone will have one. The horse will have disappeared from our highways, the automobile will be taken for granted . . . [and we will] give a large number of men employment at good wages.

Reasonable Expectations of a Vision Process

The Collins and Porras framework helps to organize the components of vision, which include a guiding philosophy of core values and purpose, and a tangible image with a mission and vivid description. Some reasonable expectations follow from applying such a framework and, in fact, provide a test for the outcome of pursuing the process. They are that the vision, mission, and value outcomes (1) settle some fundamental questions about the purpose of the business; (2) prompt and reinforce the day-to-day actions that are consistent with their meaning; and (3) provide direction in the formulation of the more specific strategy of the firm. In this respect, consider the following example.

Schindler Elevator of Switzerland has a simply-stated vision, "*leadership through service.*" At first glance, this seems rather innocuous, and unlikely to be very motivating. However, a closer look suggests otherwise. As Schindler is number two in its industry, behind Otis, achieving leadership in sales volume is a very challenging task. "Leadership" as Schindler defines it, also includes leadership in quality, safety, innovation, employee motivation, and responsiveness to customers. Furthermore, to ensure that the company's operating units around the world pay more than lip service to the vision, objectives are set and performance is measured in each of these areas. In terms of customer satisfaction, for example, every Schindler operation is to be ranked higher than the competition in its served markets, and at a minimum must achieve greater than 45 percent of respondents ranking the company a "5" (i.e., excellent) on a five-point scale. Less than three percent of responses are allowed at the "1" or "2" level. Similar objectives exist for employee motivation and market share position. If you work anywhere in the Schindler world, this vision is difficult to ignore.

In addition to spelling out the company's destination, which is "leadership" in its industry, Schindler's mission statement indicates how that destination is to be reached: through "service." Once again, this does not sound particularly exciting. However "service" is a motivating and differentiating concept for the Schindler organization for several reasons. First, Otis and Mitsubishi, both major competitors, have visions which emphasize leadership through technology, so Schindler's mission statement is differentiating it from its most important rivals. Second, Schindler has traditionally been a manufacturing and technology-driven company, and emphasizing that the company will compete on service is a new concept which will drive change in many areas of the organization. Finally, as Peter Zbinden, the president of Schindler, commented:

> When we say "service," we mean service to both internal and external customers. So this is a statement about how we will work together, as well as how we treat our customers. The difference between a good company and a great company today is the way it delivers its overall service. Our vision captures both where we are going and how we are going to compete.

In Schindler's case, the company sets very specific, measurable, three-year objectives tied directly to its mission statement which, in turn, is a distillation of its long-term vision. Objectives are renewed and extended annually, and provide what the company calls "measurable feedback on progress made towards achievement of the company's vision."

Process Concerns

Visions and visionary ideas may arise from a variety of sources, ranging from the singular imagination of a strong leader to an elaborate process of employee involvement. If you tap the knowledge and aspirations of the key people of an organization, the argument goes, you can achieve creativity and commitment at the same time. Indeed, if the process is carefully managed this can be true, but there are some risks and limits in this approach that should be recognized.

One management group went through a very elaborate visioning process and were quite disillusioned by the outcome. They had just spent a lot of time and effort trying to define their company as they thought it should look five years in the future. The process even involved a technology by which they could vote secretly on specific suggestions as they came up in the discussions! Ultimately a "vision" was produced which represented the mechanical consensus of the group. Then the difficulties surfaced. Some managers thought the outcome was ridiculous because it failed to properly recognize the constraints under which the company was operating. Others found it simply irrelevant—it seemed to have little to do with the very real problems that they were facing right now. Everyone was disappointed. This was a process gone wrong. The construction of a vision, any vision, had become the object of the exercise, at the expense of a real debate about the identity, direction, opportunities, and problems in front of the company and what should be done.

A Final Vision Check

There are three basic questions to put to an emerging vision. First, does it portray a desirable *and* feasible destination? Second, does it do so without jeopardizing management's flexibility to maneuver as circumstances change? Third, does it stretch the organization? The question of desirability is much easier to answer than that of feasibility. For desirability, just ask people: employees, friends, customers, suppliers, investors. For feasibility and flexibility, however, you need to do some careful analysis.

Feasibility The question of whether you can reasonably expect to get to your visionary destination cannot be answered in the abstract. A vision will not stand on its own. You need to relate it to the realities of your situation. To do this, you need to express the vision first in the more definitive terms of a supporting strategy, and second, to test that strategy. Does it make sense?

Flexibility Much of the power of a vision lies in the fact that it is a public commitment for the whole organization. A vision must also be flexible, however, because circumstances may change in unanticipated ways. Management may hesitate to change a public commitment that is no longer appropriate. Even if management does change its position, the momentum behind the now obsolete vision may persist in various parts of the organization for reasons ranging from ignorance, to disagreement, to willful pursuit of self-serving activities.

Stretch Sometimes organizations focus on a vision that is too easily reached under the false rationalization that they are ensuring feasibility. A vision should go further than what is doable with today's resources and capabilities. Rather, it should motivate people, it should inspire and enthuse the firm with a sense of purpose and the need for exploration and discovery. Leading companies often began with visions that were, at the time, out of proportion to their then current resources and capabilities. Visions that require organizations to stretch are ambitious conceptions of what the organization will be in the future.

There is clearly a fine line here. A powerful vision that grasps an organization also makes it difficult to change quickly, and this risk must be considered before an organization is fired up to pursue it. A vision provides stretch and flexibility but must be close enough to what is realistic. As with feasibility, the risk of an inflexible visionary commitment can only be thoroughly identified by going through the steps of putting the vision into strategic terms and checking for sustainability.

FROM VISION, MISSION, AND VALUES TO STRATEGY

Linking the vision, which is intended to inspire and motivate people, with the strategy, which provides guidance and direction, is a critical task of general management. Firms often get trapped in defining a vision and fail to translate the vision into a strategy. The result is often strategic drift. We show the relationship between vision, strategy and tactics in Table 1.3.

Vision, mission, and values are very useful, but also very general leadership tools. Properly developed, they will inspire an organization and give it a basic sense of direction and broad guidelines for getting there.

Table 1.3 Vision, Strategy, and Tactics

Vision	Strategy	Tactics
Diverse audiences	Decision makers	Operational executors
Broad direction	General priorities	Specific actions
Long-term	Medium-term	Short-term
Inspirational	Declaring	Doing
Enduring	Stable	Changing
Energy	Direction	Map

STRATEGIC ANALYSIS, PLANNING, AND BUSINESS PLANS

While this book focuses on strategic analysis, the link to strategic planning and business plans can be readily made. Simply put, if you understand strategic analysis and action, you are well positioned for both strategic planning and preparing business plans. Strategic planning is the approach to undertaking strategic analysis on a recurring basis and it deals with who develops the strategy, how it happens and when it takes place. We discuss strategic planning in Chapter 9 after presenting the various elements of strategic analysis. While strategic analysis is a process, the development of business plans is an output or outcome of that analysis. Many organizations undertake strategic analysis with a view to making a particular strategic decision or perhaps to developing a strategic plan. Occasionally, business plans are required to communicate to others, such as investors, the value of a particular strategic proposal.

Business plans come in many forms. The underlying analysis required to write a strong business plan is the focus of this text. How that analysis is communicated in the form of a business plan must be customized to the particular situation. Yet there are some standard elements that are typically required in any business plan, which we set out in detail in Chapter 9. But the realities of general management—which call, among other things, for judgments about the precise viability of ideas in a competitive market, the resolution of often conflicting interests, and the achievement of change in the face of inertia and resistance—demand a more flexible tool than planning and a more precise tool than vision to deal with ends and means. This is what we attempt to capture in the idea of strategy, the topic of the next chapter.

SUMMARY

This chapter has concentrated on two aspects of the general manager's job that need attention before you become immersed in the strategy-making process: assessing performance and setting the direction for the business. We suggest that your performance assessment focus on both operating performance and organizational health. Both need to be understood before you turn to strategy. In terms of direction setting, we have concentrated on vision, mission, and values. These things do not need to be formalized into a written document, but they do need to be agreed upon, and shared within the organization. Without them, you will be creating strategy in a vacuum.

Notes

1. The concepts utilized in the book have wide applicability to organizations generally—not just to for-profit business organizations. We use the terms "business", "firm" and