# What Does it Mean to Have a Clear Strategy?

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Too often companies treat the crux of "having a strategy" as a formal question – is there a document that lays out in writing a direction forward, a set of targets and a plan? Really, "having a strategy" is both an operational and an intellectual question – a matter of what people are doing and how they are thinking.

A classic McKinsey definition of strategy – from a generation ago – is "an integrated set of actions designed to create a sustainable advantage over competitors." While the core of this idea is right, a variant is clearer and more actionable. In our view at Incandescent, the essence of what it means to have a clear strategy is:

## *Commitment* to a destination and to core *concepts* that shape the *choices* for how to get there

At the very bedrock of strategy are *commitments*. Institutions have commitments at multiple levels: missions that articulate purpose (e.g., Nike: "bring inspiration and innovation to every athlete in the world"), visions that delineate a specific achievement (e.g., "before this decade is out, landing a man on the moon and returning him safely to earth"), promises to different constituents (e.g., continuing an unbroken series of increases in the dividend) and values (e.g., Johnson & Johnson's Credo).

Strategic clarity does not require making statements about each of these different kinds of commitments – sometimes there's value in doing so, often there isn't. What it does require is agreement on a set of commitments that represent a clear destination – "where we're going" described at a level of specificity sufficient to guide progress. Pepsi's classic "beat Coke" or Kohmatsu's "encircle Caterpillar" might not have been very granular as statements, but encoded a great deal of specific meaning to those companies given intimate knowledge of the nemesis. Most companies who commit to "be the leading…" encode nowhere near the level of specificity required for that commitment to define a destination one could steer towards.

At the other end of the spectrum from commitments are the myriad *choices* that define how a company actually operates. These range from forks in the road (e.g., a merger), to the most

distinctive elements of policy (e.g., Southwest's choice to fly a fleet of 737s), to the more day-to-day choices that its members make (e.g., a pilot pitching in to help turn the plane faster between flights).

*Concepts* provide the glue between commitment to the unitary destination and the countless array of choices required to get there. Strategic clarity hinges on having a handful of core ideas (practical ideas!) that together shape a great many choices across the organization. These concepts must add up to the essential core of how the destination can be achieved. GE's famous #1 or #2 is a strategic concept. Southwest's embrace of a point to point rather than a hub model is a strategic concept related to the domain of operations. Capital One's emphasis, during the growth era of the credit card business, on a direct marketing discipline with many, many times more tests than their competitors and an unmatched analytical capability to learn from those tests was a strategic concept that encompassed both operations and capabilities.

What makes this definition of strategic clarity more actionable than the classic McKinsey "integrated set of actions" is greater specificity about where the integration comes from: it is fueled by the energy of shared commitments, and tied together by the clarity of a small number of core concepts.

By attending to these three levels of strategy, commitments, concepts and choices, a senior team can take stock readily of where they have alignment and where they diverge, where they have clarity and where they have gaps in vision or in understanding.

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