

Creating Business Strategy: To Thine Own Business Be True

By Jeffrey A. Jolton, Ph.D., Kenexa

“To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man.”
—William Shakespeare

When deriving strategies and objectives for their organizations, are leaders really taking the time to think about what is right for their businesses? Certainly some leaders do a great job of creating a unique focus and direction, a true vision, for their businesses. Others, however, seem to be falling into a trap that suggests there is some “one best answer” out there—that some magical formula for success lies just next door.

Evaluating the competitive landscape is nothing new, nor something that should be discounted. It is important to learn from the successes and failures of others, both within our industry and others. Comparisons to critical statistics are vital to helping make informed decisions. Looking at patterns and trends allow businesses to be alert to threats and create opportunities. Knowing where one’s business stands can help define where it should be.

Indeed, there is a lot we can learn by looking around at the world. It is how leaders use that knowledge that makes the difference between success and struggle. Success comes from evaluation and synthesis of information. Struggle comes from rote acceptance and mimicry.

Is Critical Strategic Thought Dead?

Anyone who knows about leadership research knows there are as many theories about what makes a great leader as there are great leaders. Although any number of factors may help predict who will be a great leader, only a few consistent predictors have been found.

One of these predictors is critical reasoning ability. That is, how well an individual is able to reason through unfamiliar situations

and information and appropriately infer, deduce and synthesize information into a correct decision (or realize that no decision can reasonably be made). In my own experience with leadership assessments, it was a measure of critical thinking abilities that did the best and most consistent job of predicting who would have the most job success, and who would ultimately succeed in leadership roles.

Critical reasoning is such a valuable skill because it allows you to deal effectively with the unknown. Unlike concrete reasoning, which is drawing from objective facts and knowledge, critical reasoning is working with what information one has (factual or not) and arriving at appropriate inferences, predictions and decisions. What could be a better, more valued skill in a world that is evolving quickly and is less than predictable?

Unfortunately, it appears that business culture is moving to a point where critical evaluation is valued less than its track record would merit. Witness the increasing focus on “just the facts” and bullet-point decision making. Look at the time spent creating documents for leaders that boil it down, tighten it up, keep it simple, make it short, and packaged into a handy snack pack summary that is easily digested and give the answers rather than ask the questions.

The time and investment required of good critical evaluation is falling victim to fast-food decision making. In other words, the reaction to dealing with a fast-moving unpredictable environment is to make faster decisions, not necessarily better ones.

Perhaps the biggest warning sign of the lack of critical thinking is the increasing trend of leaders to rely on benchmarking and comparisons to other organizations for dictating their strategic priorities. Instead of evaluating what is right for one’s organization from the perspective of one’s organization, there has become an

increasing reliance on “peeking over the fence” to mimic what has been successful elsewhere.

Benchmarking: Competitive Analysis or Laziness?

Benchmarking is a quick way for leaders to understand where they stand and help make decisions about what actions they need to take. The risk is that leaders fail to synthesize benchmark and comparative information with other information about their organization. This isolation of benchmark information can lead to erroneous, if not costly decisions.

As an extreme example, let’s say a competitive analysis suggests that your product is not doing as well with 17 to 25 year old males as your competitor’s product. Rote acceptance of this information would suggest that you need to do something to increase sales to 17 to 25 year old males. If your product is “Certain Dry” deodorant, then maybe that would be the right decision. If your product is “Floral Essence” deodorant, however, then this information is not worth acting upon.

In other words, other facets of the organization’s goals and mission come into play. In my work with employee surveys, I have observed that some organizations use external normative comparisons to determine how they perform on a specific item. The focus, however, sometimes gets lost in performance on a specific item than on the bigger picture.

If Company HiPay prides itself on paying above the market wage, then it may be surprised to find that employee ratings of pay fall below the average. However, for Company WellLearn, the pay philosophy is one that people are paid at or below market wage, but compensated with great training opportunities. In this case, WellLearn may fall below the norm, but in its reality, that is fine.

Ultimately, both want to be the leaders in regard to retaining and engaging their workforce, but just pushing the lever on one item is not going to be the answer. Each will ultimately have its own approach and both can ultimately be successful.

It becomes an analysis of multiple sources of information, strategies and decisions that helps create the best answer. Unfortunately, not all leaders see this as being time well spent—certainly not if they believe the answer falls in a simple, one-item package.

Jeffrey Pfeffer and Robert Sutton discuss the traps of benchmarking in their book “Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management” (they also have an excellent *Harvard Business Review* article on this topic—see references).

They note that if your business strategy relies on copying what everyone else is doing, or specifically, what you think the best

businesses are doing, then the best you can ever potentially achieve is a perfect imitation of your ideal, which does not seem to be the best foundation for a strategy.

In addition, it is unlikely that we see the whole picture when we look at other businesses. We only see that which they share openly or is readily apparent. Thus, deeper level thinking, goals, needs are likely hidden from view. As a result, it is unlikely that even the best imitations will succeed—unless of course—you are perfectly matched on the unseen factors as well. Not a likely scenario.

Perhaps the biggest sin of benchmarking thinking Pfeffer and Sutton discuss is “mindless” benchmarking—where companies imitate what others are doing without asking and evaluating the hard questions. That is, without engaging in the critical thinking that determines whether this approach is right for one’s business and if there is not another approach that may be more successful given the culture, product and direction of one’s organization.

Back in the early 1990s there was a big move in corporate America towards teamwork. Articles abound that showed successful companies using teamwork to make impressive strides in innovation, sales and performance. Team-building consultants popped up everywhere and promoted the panacea that good teams would do wonders for one’s business.

A company I was working with had up to this point been very independent work oriented. The president of this company decided after reading yet another successful case study on teambuilding that he would restructure his organization into teams and watch profits soar. Except the profits didn’t soar. In fact, they went down—along with productivity, retention, and overall employee engagement.

What the president failed to take into account was the fact that the company had been successful without teams. That it hired people based on how well they work independently. That it was a business where one-to-one contact with clients was beneficial. There was no business case for him to restructure to teams. It was just mindless mimicry and it failed.

The number of examples where mindless benchmarking has been a cause of failure is fairly unlimited. After the boon of Tom Peter’s bestseller “In Search of Excellence” and Ouchi’s “Theory Z” several companies were shown to experience severe pain, if not outright failure, in copying the management strategies highlighted in these bestsellers. What leaders seem to miss was the message that the model companies described in the books were leaders because they created what was best for their organizations, not because they copied things from someone else. [Tom Peter’s himself confessed in *Fast Company* that the eight principles in his book weren’t guarantees to success, but absolves himself from blame by

stating only “idiots” would treat the eight principles for excellence as a guarantee for business success.]

Information is the Baby, Imitation the Bathwater

Despite all the caveats about benchmark information and awareness of best practices, it is important to realize that no one is advocating that we eliminate or avoid using these sources of information. A bigger flaw in decision making comes from relying solely on gut intuition than on reliable perspective and analysis. It is not benchmarking and comparative information we should avoid, it is just using it blindly.

Critical decision making requires information. It is, however, being able to discern facts from myths, useful input from wasteful, and create new wholes from disjointed parts that lead to a good decision.

David Sibbet talks about the strategic decision process as bringing insight into action. What a wonderfully eloquent and succinct statement of what leadership is about. In employee surveys and organization research, that is the goal we encourage—taking the insights learned and putting them into meaningful action. The rub is that this requires critical thought, not application of “facts” or gap closure with normative comparisons.

Employee surveys, as an example, are a great tool for helping managers and executives make smart decisions about creating a work environment that is engaging and productive. One of the ironies I often encounter in this work is hearing from clients how different they are and what makes them so unique from their competitors, yet in the next breath wanting survey items that everyone else is using so they can get as many external benchmark items as possible.

Getting back on track with critical strategic thinking is not without its challenges. The first challenge is not just getting information; it is seeking out the right information.

Successful companies want information that is relevant to them—pertinent to what they already know, and critical to revealing what they do not yet know. Thus, what information you chose should be tailored to what is right for your organization’s vision, business objective and culture.

This is not to say that everything is customized and nothing is benchmarked. The crucial aspect is making the right choices about what to measure and what to benchmark against. A company that has a strategic initiative around innovation may want to make sure that it includes measures on a survey that reflect elements that encourage and support innovation, as well as a benchmark or two to help gauge how it compares to others on innovation. The

information taken together as a whole is more beneficial than if all the items were benchmarked because this is more likely to help support and direct its overarching objectives.

If selecting the right information is the first challenge, then learning the right things from that information is the next. Using information in strategic planning is about exploring and learning, not about decisions. As one goes through the process of incorporating and evaluating this information in context of the organization’s reality, then better decisions and change can be implemented.

It is not enough just to know you need information about X, Y or Z—it is being prepared for how you will learn from this information. This relies on planning and forethought about how information will be used. Drawing again from survey experience, those who create the best measures and get the most out of the experience tend to be those who knew going in what they wanted from the information.

Once is not enough either—that is, a single pass through of the right information to learn one thing is not always sufficient. The fast-food decision making approach certainly has geared managers to thinking that they can use information once and discard it. However, how often do you recall and reuse the richest resources of information available to you? If we get the right information, it may be worth more than one passing review in making decisions. How often may depend on the richness of the information and criticality of the decision.

Resuscitating Critical Thinking

Bringing critical thinking back into corporate life may not be a challenge or necessity for everyone. At the very least, however, it is probably worth examining what kind of information is being compiled, how this information is being used in your organization, and how much time you allow your leaders, and all your people to critically evaluate rather than summarize. It would be hypocritical to say that this will always lead to ideal decisions and situations. However, research and experience suggest it will result in better decisions and outcomes tailor-made for your organization more often than imitative actions and impulsive decisions.

Being true to your organization’s identity can allow you to build on what is known. Evaluate, learn and know, and perhaps it is then you will then best succeed.

“Know thyself,” said the old philosopher, “improve thyself,” saith the new. Our great object in time is not to waste our passions and gifts on the things external that we must leave behind, but that we cultivate within us all that we can carry into the eternal progress beyond.” – Edward Bulwer-Lytton (1803 – 1873) ■

References

Carroll, D.T. (1983, Nov/Dec). A Disappointing Search for Excellence. *Harvard Business Review*, 61, 78-88.

Facione, P.A. (1992, revised 2006). *Critical Thinking: What it is and Why it Counts*. Insight Assessment.

Novelli Jr., L., & Taylor, S. (1993) The Context for Leadership in 21st-Century Organizations: A Role for Critical Thinking. *American Behavioral Scientist* 37, 139-147.

Pascale, R.T., & Sternin, J. (2005, May). Your Company's Secret Change Agents. *Harvard Business Review*, 83, 72-81.

Peters, T. (2001, November). In Search of Excellence: Tom Peters' True Confessions. *Fast Company*, 53, 78.

Pfeffer, J., & Sutton, R. (2006, January). Evidence-Based Management. *Harvard Business Review*, 84, 62-74.

Pfeffer, J., & Sutton, R. (2006). *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management*. Harvard Business School Press.

Robbins, S. (2005, May). The Path to Critical Thinking. *Harvard Business Review*, 83.

Strang, D., & Macy, M.W. (2001). In Search of Excellence: Fads, Success Stories, and Adaptive Emulation by. *American Journal of Sociology*, 107, 147-182.

Szulanski, G., & Winter, S. (2002, January). Getting It Right the Second Time. *Harvard Business Review*, 80, 63-69.

Thompson, A. (2002). *Critical Reasoning: A Practical Introduction* (2nd Edition). Routledge

About the Author

Jeffrey A. Jolton, Ph.D.

Jeffrey A. Jolton, Ph.D., is the director of global services at Kenexa, overseeing the project management and thought leadership for many of Kenexa's largest global survey projects. Dr. Jolton has over 15 years of extensive consulting experience, which have made him a leading expert in assessment-based organizational change. He has applied his innovative and insightful guidance to number of global businesses ranging from retail giants such as The Home Depot and Gap Inc. to leading financial and professional companies such as Allianz, HSBC, PricewaterhouseCoopers and Wachovia, as well as other global organizations such as DPWN, Textron, and Pitney Bowes. As Director of Global Services, Dr. Jolton oversees project teams in all corners of the world including Germany, Hong Kong, Singapore, the United Kingdom and the United States.

Dr. Jolton is a regular presenter at numerous professional conferences and has more than 25 publications in professional and scientific journals. Recent topics of his works include understanding dysfunctional organizations, global truths about employee engagement, the role of critical thinking in strategic planning and behavior change across the global spectrum. He holds a Doctorate and a Master of Science degree in Industrial and Organizational Psychology from Ohio University.

www.kenexa.com
866.391.9557