

4

vision and strategy

The leadership team works with a widening circle of key people to develop a shared vision and strategic framework for success.

4. VISION AND STRATEGY

Many see 'vision' as the same as 'purpose' and then there is 'mission' and 'corporate objectives' to contend with. While semantics may be less of an issue these days, we distinguish 'vision' as a picture of some point in the future which can be described fully (what the business will look and feel like in, say, 5 years from now). Sustainable organisations are clear about their desired direction of travel and can articulate it in some detail. They are also clear about the source of their sustainable competitive advantage^[7]:

do customers come to them because they are distinctive in their service, or because of their product leadership, or because they are operationally more efficient than their competitors?

They also have a healthy regard to their end markets and do not take for granted that their customer base will remain unchanged. The often-quoted buggy whip company that remained focused on its products even as motorised transport grew in importance would be a case in point. But today with markets changing rapidly as new technology takes hold and as new competitors enter the market with apparent ease, we need to build capacity to spend time creating the future alongside the day to day effort that is required to manage the business.

In some ways, the strategic development process is the same in any organisation: rigorous analysis of market data; understanding of customer needs and how they might be changing; a clear sense of the home team's strengths and areas where development is needed; area of greatest weakness, (the limiting factor to the organisation's progress) and the development of an operating framework to optimise performance. In an organisation focused on the long-term, the strategic development process is combined with the ongoing development of the culture, ensuring that the changes demanded by a strategy to, say, enter a new market, is matched by the energy required to implement. It will also fit with the business's purpose and values. In this way, the vision and strategy will tap into the needs of all stakeholders, present and future, considering how wealth (not just expressed financially, but to include for example intellectual and relationship capital) can be created. And then how can the financial result be distributed fairly between customers, employees, suppliers and other partners, management and shareholders. And because the goal is to sustain their success indefinitely, there will be rigour around the impact of their wealth-creating activities on the community and the environment.

'I used to think that good results could be matched with good management but studying our progress over many years, I realise that it is quality end markets that lead to commercial success. And of course it is good management that spots the changes in these end markets and steers the company accordingly'

'All very well meeting the needs of current shareholders, but what if that means the company's ability to meet market demands in future will be impaired? We have had to reinvest significantly to restore the company's capacity to sustain its success for shareholders and everyone else to compensate for the over distribution to shareholders in the recent past'

or

'My job is to optimise the short-term returns to shareholders; that is what I am paid for and there are countless ex CEOs that have ignored this message'