

The 5 Questions Your Strategy Should Answer

What is a strategy? This seemingly simple question can lead to a wide variety of answers. Some people will tell you that it's a vision, others will say it's a plan of action, while others will talk about having a clear position in your market.

My own view – and therefore the correct view! – is that a strategy sets out a framework for action that will enable the future success of your organisation. A vision or mission statement is not a strategy. IKEA's vision of "bringing a better everyday life for many people" is inspiring, but is not sufficiently specific for managers to take action. On the other hand, a plan of action is simply a menu to follow. A plan does not provide the underlying direction or reasons for the stated actions.

Done well, a strategy acts like a magnet on iron filings, allowing everyone in your business to point the same way. It leads to consistent and coherent actions from managers across your organisation and enables you to build profitable advantages in your chosen markets.

As a quick checklist, you will know when you have a clear business strategy when you can answer these five questions:

1. **What business – or businesses – are we really in?** This question is all about where you are choosing to play. Out of all the business scopes you could choose, what have you actually selected for your organisation. The critical elements beneath this question include identifying your target customers, the value – in terms of products, services and solutions – that you provide for them, the channels you reach them through and your geographical reach.
2. **How will we win?** This question is all about understanding the big idea that will enable your business to succeed. A clear response to this question will guide how you organise, the capabilities and skills you will need to develop and the critical advantages you will focus on building. It links the unique value you provide to your customers to the business model that enables you to operate profitably. Ryanair's success, for instance, was developed on an insight to offer very low air fares to budget-conscious travellers and to bring regular air travel within the reach of most people.
3. **What is our ambition?** Given your understanding of your business and how you will win, what's the goal that will crystallize your actions and your organisation and drive your success. I worked with Topps Tiles, for instance, where we jointly developed a #1 goal of growing the retailer's share of the UK retail tile market from 25% to 33% within 5 years. The goal helped to galvanise the entire organisation into coherent and shared actions that delivered the underlying strategy with a year left to spare.
4. **What are our priorities for action?** This question helps you set out the small – say 3-6 – number of objectives that you need to focus on to deliver your strategy and achieve your ambition. At Topps Tiles, for instance, the focus was on four sub-objectives: (1) Growing the business with traders; (2) Delivering a market-leading product range; (3) Creating an inspiring retail experience for customers; and (4) Step-changing the ease, speed and convenience for shopping at Topps.
5. **Why is this the best strategy?** This final question helps you put the strategy into context, linking it to your diagnosis of your markets and your organisation in a way that balances commercial risk and reward. It also ensures that you've considered alternative strategies and have sound reasons for discounting them. Done well, the answer to this question will build the collective organisational belief that your strategy will succeed.

How many of these five questions can you answer for your business? And what steps do you need to take now if you're unable to answer one or more of them?