THE STRATEGIC IMPERATIVE BOX

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What is it?

The Strategic Imperative Box explains messy corporate strategies in a neat boxed way for easy understanding and resource allocation on a single page.

Every year organization initiatives are planned as part of strategy. Most organizations end up with too many initiatives and science tells us we cannot focus on 3-5 goals at any point in time. More than 5 goals and likely the 6th one falls off the radar. The Strategic Imperative Box has been designed to make sure that we have the most important goals chosen and focused on.

The Strategic Imperative Box has four aspects: making sure that our goals either increasing revenues, profits, market share or drive innovation for the customer/organization. Goals different than these four, do not grow the organization, they are just maintain it. Arguably, we need to have goals on finance, people, learning and customer (Balanced Scorecard propagates and argues for it). My argument is that the only goals we need are the ones which increase market share, increase revenue, increase profits or innovate in the market. Rest of the goals are very important but do not belong in the strategic box I am proposing. All other goals e.g on sustainability, compliance, regulations, employees et all, need to fit into one of the four boxes.

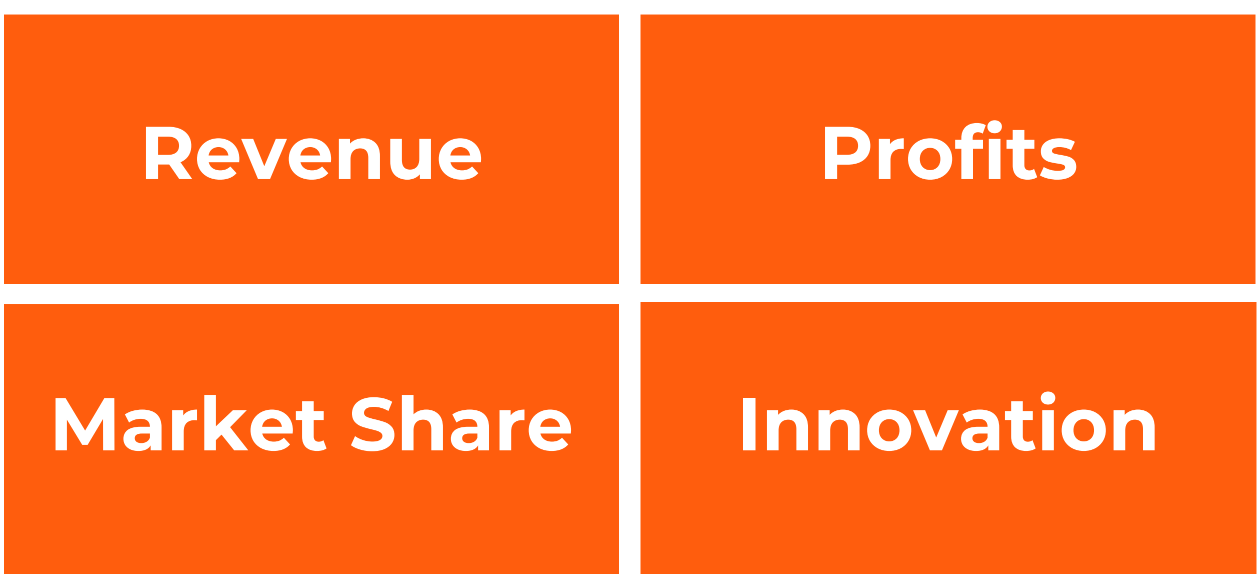
The goals which do not talk to the four boxes should be categorized as second class and moved down in the rank order. The goals in the strategic imperative box should be the ones on CEO's goals sheet and his DRs. These goals should be either one or two in each box, ideally one in each box. Sharing some examples:

Revenue
- We will launch X product to increase revenue by Y%
- We will open X new geographies to increase revenue by Y%
- We will increase prices by X% to increase revenue by Y%
- We will find X% new customers in the same market to increase revenue by Y% etc.

Profits
- We will reduce our costs by Y%
- We will increase our prices by H%
- We will improve our productivity by T%
- We will reduce our inventories by G% etc.

Market Share
- We will find new customer segments by giving freemiums to X customers
- We will give E% discounts over competitor product
- We will give X products free along with our Y product
- We will pay Y% to claim shelf space, ads, etc

Innovation
- X number of small innovations will make a big difference to our customer, our processes, our systems
- 2 Big innovations to change the game for our customers, employees and other stakeholders will be launched by X month
- Y jobs we are going to do for the customers adding a lot of value for Z cost
- ABCD innovation(s) will distinguish us from the competition for the next 6/12/18/24 months?



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Why do we need it?

So that we can
- Categorize an organization's strategic initiatives
- Think clearly about our initiatives
- Allocate resources neatly and know what is going where
- Clearly define the ROI each initiative gives us

How do we do it?

We start dividing initiatives and putting them into each box of revenue, profits, market share and innovation into Initiatives and Resources Needed. Refer to the table below for an example.

	Initiatives	Resources Needed	ROI (Investment Gain/ Investment Cost) Expected
Revenue	• Productivity Increase in Manufacturing • Productivity Increase in Sales • Distribution Increase	ASDF X Manpower to he hired Y Capital needed etc	5%
Profits	• Reduce Cost • Increase Prices • Automate XYZ processes	FYDU Budget etc	7% 11%
Market Share	• Penetrate deeply • Go to new geography • Offer BOGO • Encourage Referals	New Agency New Referral Program etc	0%
Innovation	• Bring out Product A by Q2 end	Hire X persons in Design Budget ABC in new equipment	500%

Revenue

We need to categorize the initiatives which have direct impact on growing our revenues. We need not confuse them with initiatives of either profitability or market share. Sometimes the initiatives which increase market share and revenue may not increase profits especially when you are going for a growth strategy. Revenue initiatives cannot be multi-directional, they have to be specific and you may like to limit them to focused 3-5 hard-hitting ones. For example, while revenue can increase in an insurance company by increasing distribution reach and hiring agents at fixed cost, ROI of such an initiative can not be achieved in short term (many Indian businesses meet this by hiring agents at a fixed cost, which pushes profits to a long horizon)

Many white goods, Auto and FMCG companies increase revenue by dumping stocks at distributor location increasing primary sale but the secondary or the actual sale is again pushed to a longer horizon. Management should watch out for such revenue goals. Many organizations increase revenues by opening new geographies to gain market share but the initiative may not give us high ROI. The idea of the box is to make sure that all the strategic imperatives are categorized and measured against ROI. Nothing can be black boxed in the imperative box and the follow grid outlining ROI of these goals. Every initiative should be measurable and ROI attached to it. We have seen that revenue increasing initiatives in an e-commerce company usually burning cash; many times the cash burn rate is 2or 3 times the revenue. It is important for an e-commerce company to call these out and also project the ROI.

Profits

Every commercial business's primary purpose is to create profits. If it is not producing profits, rest of the objectives and initiatives do not matter. As discussed above, revenue initiatives may not produce profits. In my past 28 years of management presentations, most them do not focus on profits. They are generally focused on the rest of the 3 initiatives of the strategic imperative box. Sometimes in management meetings profit is seen as something bad or evil, without realizing that without profits everything else in an organistaion is doomed. Especially the well-funded new age companies forget this fact very soon. Reinforcing it in their presentations will bring the focus back on this important aspect of business. Many business models show us growth and market share or innovation initiatives and most of us forget about profits. Valuations are important but in my opinion profits trump it.

In current markets, valuation is seen as the King and is the be all and end all of all initiatives of business. It is time, profits makes a comeback in the board meeting, Profit initiatives will be usually in the areas of inventory management, costs both general and people, price increases, strategic investments, selling products which have high margin and sustainer advantages. We have Google who is milking its search engine and they may have initiatives under increasing prices, targeting new markets, juicing out the current markets. Apple uses it every year by increasing prices of its phones in spite of little differences in phones classic example is iphone 7 and 8, till X hit the market and still not significantly different. Uber used to charge surge pricing and other algorithms aiming at the customer paying more for services in demand or are scarce. I am sure you have seen many examples.

Market Share

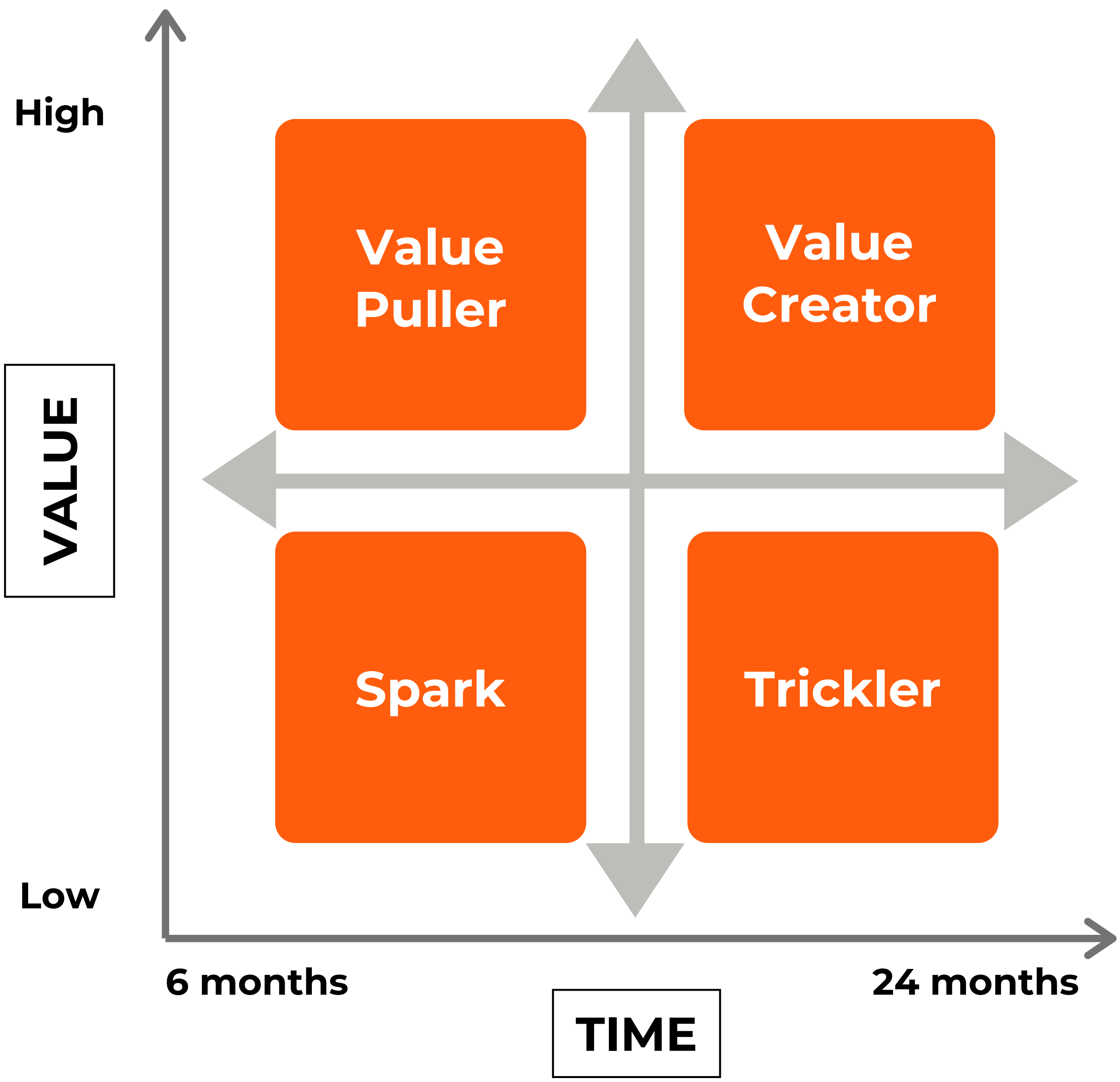
Initiatives under this head will help us focus on the second most important aspect of business – growth and competition. We can easily get mixed up with initiatives under this head with initiatives from innovations. But the initiatives under this will focus more about gaining market share overall and in the chosen territories. It takes us to the nitty gritty of business and helps us narrow down to the aspect of business which matters most for the short term. When looking at these initiatives we need to see what is happening every quarter and every year. While the other initiatives can be medium and short term, this initiative drives focus on here and now. We have seen the digital and e-commerce market place teeming with initiatives under this head whether it is giving discounts, freemiums, tying up with other partners to offer deals, the companies keep coming up with newer initiatives. Banks keep on giving free credit cards basis the credit cards you already have.

Innovation

Life blood of an organization lies here. If your organization has no innovation coming up, it sure is not going to last in this hyper connected, highly competitive business world. We do not know where the competition is going to come in. We need to be constantly ahead of others and on the edge. Exciting as this can be, it sucks both the energy and capital and may be in direct conflict with the profit motive and other initiatives. Putting this in the box ensures that we are looking at both generation of profits to fund innovation and yet keeping our eyes on the right spending of the profits for constant growth of the organization. We have to categorize innovation both on value and time axis (refer to the figure below).

Leaders and boards must focus on initiatives under this head to build the organization of the future. They must insist that management shows them specific and focused initiatives under innovation in strategy presentations. It will force management to think about the future sharply.

I*n conclusion*, the strategy imperative box can help boards and leadership teams save time, increase focus and get more juice out of the strategy presentation hours. It is guaranteed to save their time, the most important resource.



About the Author:

Rajan Kalia is the Co-Founder of Salto Dee Fe Consulting. He brings a rich experience of over 28 years in HR. Rajan currently consults, advises, coaches and innovates in the area of Human Resources and is a business enabler. He created Karma Notes, a one minute feedback mobile application and RF4, an employee retention tool. Rajan also serves on the corporate advisory board for various organizations. He is also a moderator for Harvard Business Press, Stanford Seed, and a coach with DDI, India. Prior to Salto Dee Fe, he has worked with organizations like Ballarpur Industries, Eicher, Coca Cola, Max Life Insurance. He last served as the Director HR for Max New York Life Insurance.

About Salto Dee Fe Consulting:

Salto Dee Fe Consulting (SDF) is a business enabling consulting firm that works at the intersection of Strategy & Execution and Business & Human Resources. We partner with organizations to leapfrog their business to its next phase of growth. We do this by co-creating bespoke solutions that are scientifically validated and enable organizations to meet their business objectives. With expertise across industries, sectors, and geographies, we partner with you to solve your most important HR challenges. We are exclusive partners of TSG - The Talent Strategy Group (New York). TSG is globally respected for their Thought Leadership in Talent Management based on science-based simplicity. Amongst their clients are multiple Fortune Top 100 companies.

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