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Applying Strategy to Achieve World Class Organizational Performance



**S T O V A L L
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Partners In Building
Competitive Immunity

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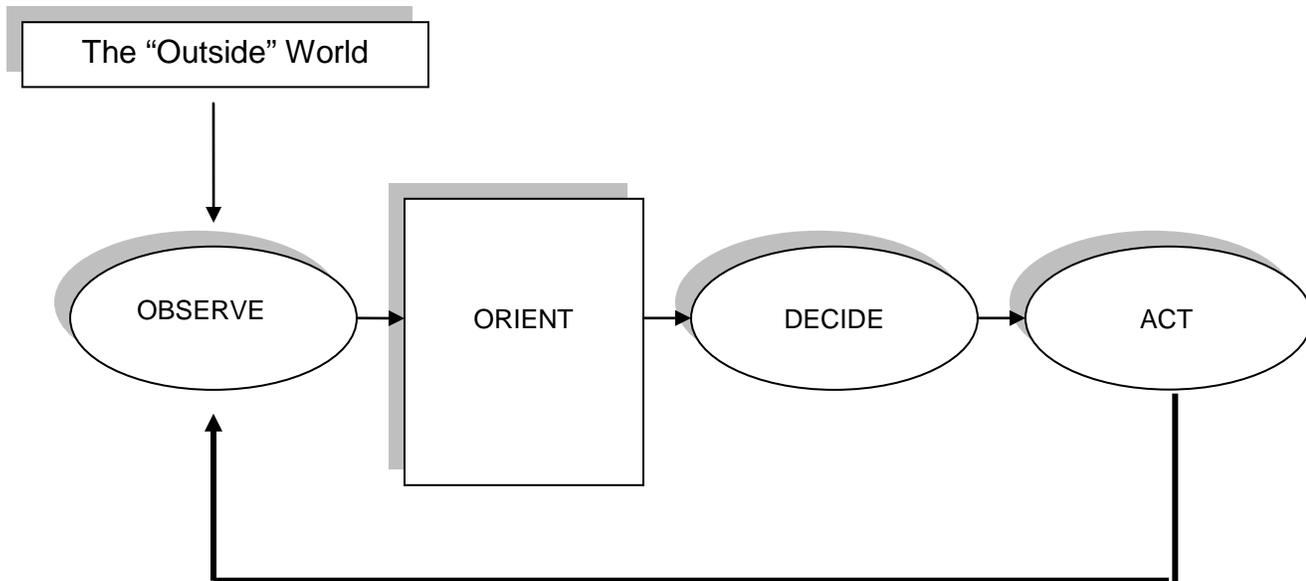
Time is the one constant in the world. Each day has 24 hours, or if you prefer 1440 minutes or 86,400 seconds. It would seem that we could all agree on that basic premise, and we also could agree that if everyone played by the same rules, that time would be a level playing field regardless of the competitive scenario.

The challenge with this premise is that when in competition, strategists don't want to play by the same set of rules. In fact, they seek to establish the rules by which the game is played. Their goal is to shape the competitive metrics so that their strengths may clearly be positioned against a competitor's weakness. And with the dramatic change occurring in the healthcare marketplace, the metrics by which providers, payers, and patients select suppliers and business partners are constantly evolving.

Infamous US Air Force fighter pilot and strategist John Boyd (infamous because he was brilliant, yet brashly opinionated and not aligned with Air Force thinking at the time) first realized that time was not a level playing field. He realized that even against a superior competitive aircraft he could **achieve victory by controlling the tempo of the decisions made** and in effect, use that compression of time to confuse a competitor to the point they either gave up, or made a very serious and fatal mistake. It was many years later that Boyd put what he learned about fighter aircraft into practical strategic language, but the message was the same.

Every competitor has a **decision cycle time** and the crucial fact that's important is this: Either your decision cycle is faster than your competitor's, or you are reacting to a competitor who is controlling the situation with a faster decision cycle.

John Boyd defined and characterized the decision cycle time with the acronym, "OODA Loop" (**O**bserve, **O**rient, **D**ecide and **A**ct). The OODA loop has been written about by Robert Coram in a biography entitled "Boyd" and by Chet Richards in his book, "Certain to Win."



OBSERVE: Sun Tzu, the renowned father of strategy said: *“Today’s battles are information battles because information determines both perception and opinion. Those who use information effectively, both to attack and defend will win. Those who do not will lose.”* While that was written some 2500 years ago, it remains essentially true and forms the foundation of effective strategy. Yet many organizations have found themselves either lacking to some degree in essential knowledge or placing too much emphasis on internal information.

We believe that knowledge of self, the competition, and the terrain is essential to creating winning strategy. You must also have **Specific, Measurable, Achievable, Realistic and Time-bound (S.M.A.R.T.)** clearly communicated objectives. We address these and other components of strategy and competitive positioning in our customized Building Competitive Immunity® workshops and in our sales and marketing consulting services.



Sun Tzu believed that spies were some of the most important personnel on his team. “Spies” are those individuals who are able to gain insight and information on industry and customer issues that may not be available to the casual observer. John Boyd knew that obtaining information was critical to achieving success, but just as important to victory was the need to update that information rapidly through observation. It is absolutely critical for organizations who desire to operate inside their competitor's decision cycle to establish what will be observed, by whom, and how it will be formally communicated.

Many organizations appear to have an inordinate amount of energy focused on internal information sources and micro issues. These issues are relative to their business or therapeutic categories rather than the macro issues that are facing their customers' global success, both economically and clinically. Your observation should be focused on the terrain, the competition, and the competition's reaction to your latest move. If you are operating at a higher tempo than your competitor and using the Cheng and Ch'i of strategy (the expected and the unexpected), then that move by your competitor will either be predictable, erratic, or potentially fatal to the competitive effort. If you find you are consistently reacting to your competition then very simply put, ***they are operating inside your decision cycle.***

ORIENT: Andrew Grove of Intel fame said *“An external orientation is vital. Three basic elements are required:*

1. *Focus on the way customer needs are changing;*
2. *Paranoia about competitors; and,*
3. *Staying ahead of customer needs.”*

Orient - The strategically crucial component of the OODA loop requires further examination.

Orientation is critical to making strategic decisions because unless we are oriented to “new realities,” we are making all of our decisions based on old ones. This can be fatal if your organization is operating at a slower tempo than your competitor, because each one of your reactions will be made to “old realities” and your competition can then operate freely to shape the marketplace. A superb example of this phenomenon is Apple rendering the Sony Walkman obsolete with their introduction of the iPod. Sony was more



concerned with protecting their intellectual property manifest in Sony Music and Sony Pictures than effectively competing within the “new digital entertainment realities.”

By focusing on the changing terrain in healthcare and bringing more meaningful dialogue to your customers, you will also be helping shape the competitive arena by “staying ahead of your customer’s needs.” Once again, the tempo at which you do this will determine if you’re shaping the competitive marketplace or responding to one that your competitor’s have shaped for themselves. Wharton Professor George S. Day said, “*A better view of strategy is being so focused on the customer’s business that you are able to act on emerging trends and issues before the competitors can sense and react*”. This assertion is the equivalent of executing the tempo of your decision cycle inside that of your competitors.

John Boyd wrote a paper on his theory for developing new and creative thinking and he titled the work “Destruction and Creation.” The essence of this work, though overly simplified here, is that unless the perceptions that bind current pieces of a solution together are destroyed, the ability to truly create new thinking is limited by those old perceptions. In other words the current structure of your organization and the paradigms that have been created within that structure alter the lens through which your organization views things...in some positive and some not so positive ways. This principle applies in leadership as well, where the lens with which people view their “new boss” is simply the lens created by their previous experiences.

It was Boyd’s belief that developing a truly creative solution to a problem required separating all of the potential solution’s components, free from the perceptions that bound them previously, and then based on the objective at hand, devise the best possible solution needed to be assembled from the pieces. In business terms John Boyd would have said that if what you’re doing isn’t working, it would be a less desirable option to tweak it than it would be to take all your talent and create the optimum solution for the new reality. Consider photography, for example, and the move over the past decade from film based cameras to digital, and you will get the “picture” (pun intended!).

New leaders have the potential opportunity to clearly differentiate themselves from their team’s previous leaders with a “destruction/creation” mindset. Simply stated, leaders can start fresh with a new view regarding strategy and tactics, or they can manage through all the baggage created by their predecessors. If they do the latter, when it



comes time to “Decide and Act” within the decision cycle (OODA Loop), an organization better lead will get inside your decision cycle and out perform you.

DECIDE: Decisiveness is one of the foundational practices of successful strategists and effective leaders, but there is so much about decisiveness that needs further exploration. Decisive Individuals are less frustrating to follow, and thus contribute greatly to operating an efficient decision cycle.

When most teams in Corporate America do teambuilding, it is viewed from the perception of “building a bond” between members of the team. We agree that that bond is important, but we also believe if leaders are executing a “Personal Respect” strategy, that the real value of teambuilding will be to improve the speed of the decision cycle on that team. In other words, teambuilding should involve using the OODA loop to solve hypothetical but relevant problems that can be debriefed for key learnings. It can be fun, but it must be challenging and rewarding.

Many times in simulations, the most strategic components of a decision cycle, Observe and Orient, are minimized. It is the nature of tactical individuals and teams collectively, to **Decide, Act** and “be done.” In order to really have strategic relevance, the entire OODA loop requires integration including the “**Observe and Orient**” elements. Teambuilding should create an intuitive, thinking team that continues to accelerate its own decision cycle. It is imperative that the team has clear communication from the “front lines” (observe) as well as “expertise” on the terrain for orientation. Decisions must be made on new realities, not old perceptions.

This type of teambuilding will solidify what Boyd called *implicit guidance* and control versus the need for *explicit guidance*. The military fully understands the benefit of this intuitive communication on the decision cycle. It is the reason that they practice real world missions over and over again with their teammates. The key in business is to have a team that intuitively knows what one another thinks which permits a higher tempo on the decision cycle and ultimately permits your team to control the situation. This is very easy to measure in your current market. When there is a significant change in your marketplace, who is first to execute against the new opportunity, you or your competitors? The answer tells you where your team stacks up in its ability to shape the market.



So how do you recognize and incent this behavior? High performing teams have very specific characteristics including aligned incentives. They have a common purpose or mission that supersedes individual egos. Rewards for achieving the team objective should be balanced with individual rewards and ownership and accountability to the mission by all members of the team.

ACT: When a strategist **Acts**, it is with precision and lethality so that ideally, the competition has been won before the battle occurs. Sun Tzu wrote that all strategy involves misdirection. In her book “Thick Face Black Heart”, author Chin-Ning Chu writes about the distinct advantage that the eastern culture has over the west when it comes to use of this misdirection. This is where “Cheng and Ch’i” fit into the strategy equation.

Ch’i is the unique strength that is established through misdirection (Cheng) and is relative to what is observed and how it is oriented. What is chosen as the Chi is what observation and orientation suggests gives the best chance to achieve our objective quickly. The Cheng is simply what we want the competition to be worried about and focused on while we execute our Chi. An excellent example of this was in the first Gulf War where General Schwarzkopf (based on John Boyd’s wisdom) caused the enemy to think he was going to attack directly (Cheng) while the Allied Forces carried out a devastating flanking maneuver (Ch’i).

The “**Act**” component of the OODA loop; once executed, transitions immediately back to “**Observing.**” It is critical that the observations then be Oriented to the new realities of the situation rather than “yesterday’s” realities. Only then can meaningful decisions be made and Acted upon to further your progress toward reaching your objective. We know there are many, many product features and benefits thrown at customers with the hope that “one of them sticks.” A strategist would never take that approach, nor would an organization concerned with its decision cycle time. We believe there are only two strategic reasons to make a call on a customer; the first is to gather terrain information, and the second is to execute strategy. The team that aligns their unique strengths with their customers’ needs and challenges quickest will have shortened their decision cycle time over that of the competitor and will be progressing to their next objective.