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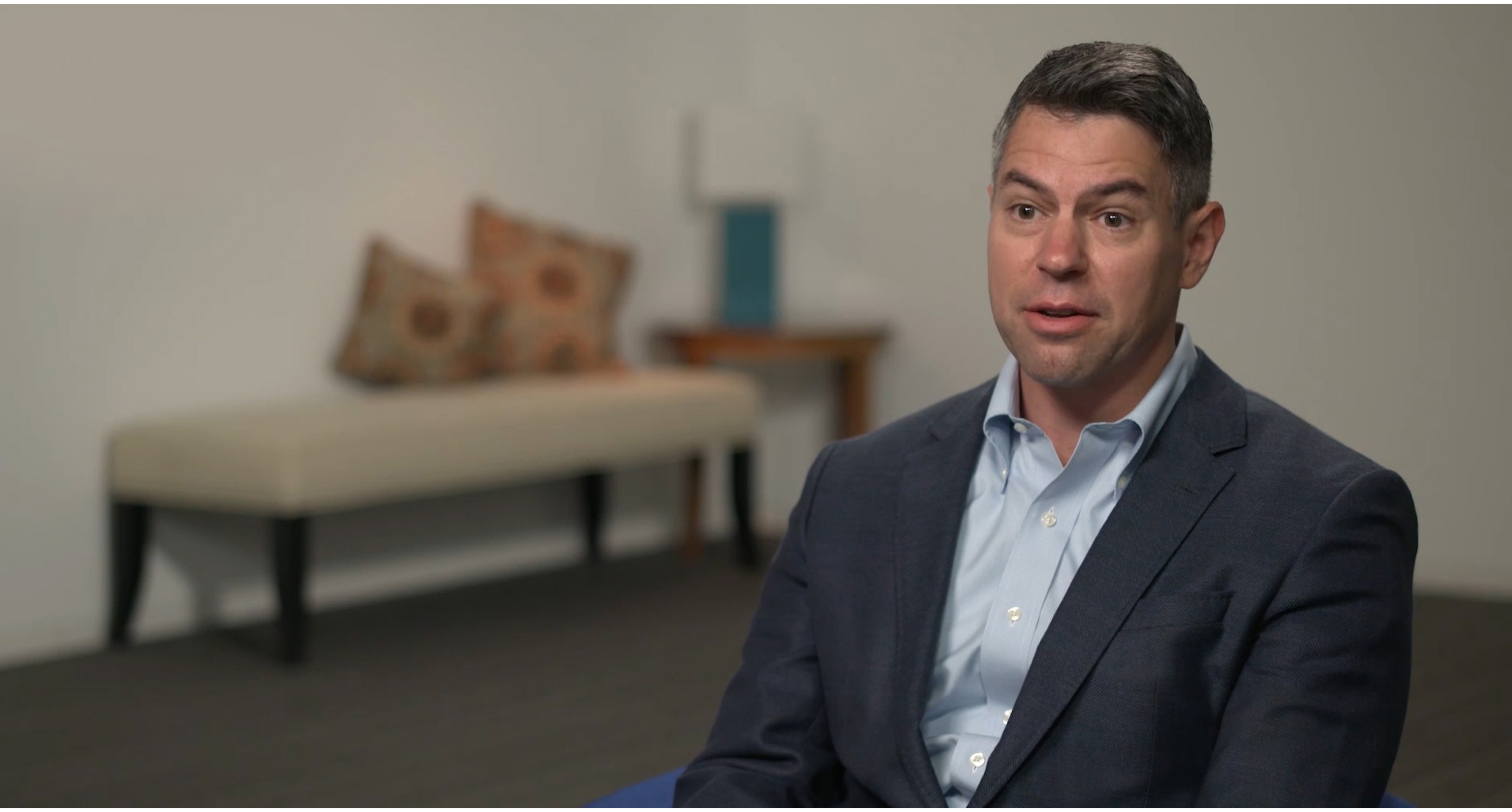
Early strategic assessment: A conversation with Kevin Laczkowski

By plotting strategy early in a strategic transformation, companies avoid making precise plans for the wrong future.



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The right strategic diligence process is essential. In this video, McKinsey senior partner Kevin Laczkowski discusses how viewing a company's potential through four lenses will reveal the strategic moves to maximize value creation. An edited version of his remarks follows.

Interview transcript

It's important to incorporate strategy early in a transformation because you don't want to make precise plans for the wrong future. Our research shows that 50 percent of a company's ability to increase its economic profit is driven by trends in its industries and the geographies where it operates. Not addressing that element up front can lead to blind spots that will derail a successful transformation.

One powerful approach is to incorporate a strategic diligence at the start of a transformation using four lenses: a financial lens, a market lens, a competitive advantage lens, and an operating-model lens.

By looking through those lenses, a company can determine the strategic moves that it needs to include in its transformation road map to maximize value creation and sustain it over a long time.

After the strategic diligence phase, we turn to detailed design and planning. In this phase, we take the high-level strategic road map and build a more detailed plan around it.

Now, one difference between planning for a strategic transformation versus a performance transformation is that in a strategic transformation, some of the initiatives will be less defined and more ambiguous.

If you compare a performance transformation, where you're trying to achieve a certain cost savings, versus a strategic transformation, where you're building a new product or entering a new market from scratch, you'll find a different level of granularity in the planning. A strategic transformation may also require more of a top-down approach to define initiatives in enough detail so that teams can go execute against them.

For example, if M&A is part of the strategic road map and the potential targets aren't for sale, you have to pivot. So, the road map needs to be more dynamic.

This difference also has implications for the type of talent that you want leading these transformations. These leaders have to be able to think through ambiguity and execute a dynamic plan.

Kevin Laczkowski is a senior partner in McKinsey's Chicago office.

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