The best way to assess your business strategy

(and make sure everyone rows in the same direction)

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The link between business strategy and talent strategy

If there's one topic CEOs, presidents, and VPs care about, it's **talent strategy.** That's because business strategies don't execute themselves. It's on you as a business leader to:

- Put the right people in the right seats
- Motivate those people to perform at max capacity
- Get your top performers to stick around

All of the above can be achieved by designing an intentional talent strategy and aligning it to your business strategy. But here's the thing: **You can't align talent strategy without first defining an agreed-upon business strategy.**

That's because your business strategy determines how you organize, hire, and manage your people. For example, if you seek to innovate and collaborate, you may need an organizational structure that's flat—with little middle management—so communication flows freely and fast. You need to hire people who are behaviorally-wired to take risks and process information quickly; job descriptions should emphasize desired behaviors. And you need to craft a flexible, external-facing organizational culture that encourages adaptability and rewards employees for thinking beyond what's right in front of them.
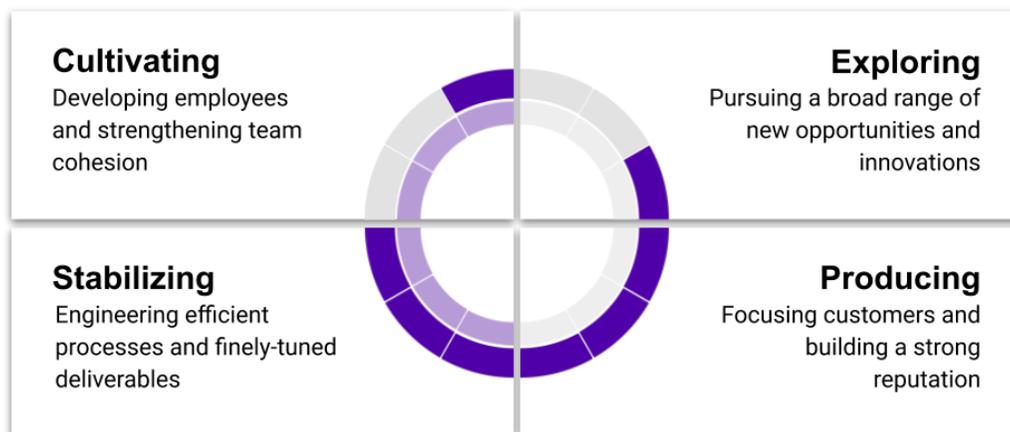
Since **business strategy informs talent strategy,** your first step is to make sure you and the rest of the senior leadership team are clear on which class of business strategy your company is currently pursuing.

Disagreement is more common than you may think! In our experience, senior leaders agree on **no more than 70%** of their company's objectives. Additionally, **47% of executives** wish they had spent more time aligning their leadership team.

4 types of business strategies

At The Predictive Index®, we've identified four types of business strategies: **Cultivating, Exploring, Stabilizing,** and **Producing.**

Three of these—Exploring, Stabilizing, and Producing—are based on theoretical and applied research in modern organizational strategy that's been in use for several decades. We added Cultivating to the list to reflect recent trends of companies implementing people-focused strategies as their own class of business strategies. (The older strategies are more process-focused.)

Cultivating Developing employees and strengthening team cohesion	**Exploring** Pursuing a broad range of new opportunities and innovations
Stabilizing Engineering efficient processes and finely-tuned deliverables	**Producing** Focusing customers and building a strong reputation

If you're a PI client, use the PI Strategy Assessment™ to identify which of these four strategic classes your company is currently emphasizing. From a list of 20 statements, each senior leader selects the ones that best reflect the strategies they feel their company should pursue over the next 12 months. Those responses are aggregated and mapped to the four strategy types or "quadrants."

If you're *not* a PI client, read on to see the 20 statements. (Each statement maps to one of the four strategy quadrants, so it's easy to see what class of strategy you're currently emphasizing.)

The PI Strategy Assessment allows you to understand the degree of business strategy alignment among your leadership team.

20 strategic statements

Here are the 20 strategic statements we used to build the PI Strategy Assessment:

Exploring

1. Foster and cultivate creativity or a new vision for the company.

2. Set up a new team or department that will help expand our business.

3. Launch a new line of products or services that have never been done before.

4. Create or redefine our company's brand and perception in the market.

5. Determine how best to commercialize our new ideas or inventions.

Cultivating

6. Promote from within to foster a culture of engagement and professional development.

7. Increase employee engagement to improve productivity and retention.

8. Increase team cohesion in order to improve team-level outcomes.

9. Drive employees to achieve results with vision and passion.

10. Improve our employees' loyalty and faith in the company.

Stabilizing

11. Improve forecast accuracy to help inform long-term planning and budgeting.

12. Increase reliability of production or services to help avoid costly disruptions or delays.

13. Implement new systems or processes.

14. Implement structures or procedures to handle the needs of our growing workforce.

15. Cut down on waste and improve efficiency in our work to help improve the bottom line.

Producing

16. Invest in our sales team or marketing team to help grow revenue.

17. Outmaneuver our competitors and be the first to the field.

18. Develop new pricing or distribution options that will appeal to customers.

19. Drive growth through increased sales or improved customer retention.

20. Drive market share with data-backed decisions and discipline.

How did we arrive at this list of 20 statements?

Truth be told, it was quite an undertaking.

We had a working group of four researchers and 10 volunteers from a variety of professional fields. No company has built this type of business strategy assessment before. There was no point in searching for experts, because none exist. Best practices show that when faced with a novel or unexpected task, it's best to get a variety of opinions.

We first calibrated the working group by training them on the different types of strategies and how they manifested in terms of different business problems and management practices.

We then asked the group to write statements based on prompts like *When working in the Cultivating class of strategies, the company's goal is to/will be to_____.* We got responses like *Invest in maintaining or improving employee morale.* The point was to generate a long list of statements; we ended up with 138.

From there, we field tested the draft strategic statements with 502 people outside of PI, and ran a construct validity study against the [Organizational Culture Assessment Instrument](#) (OCAI). We used the results to whittle it down to 33 possible statements

A second field test was run with 121 new participants, and we used the results to select the final 20 strategic statements that make up the Strategy Identification checklist of the PI Strategy Assessment.

These 20 statements are the strategic behaviors that best differentiate between the four strategy types while remaining broad enough to apply to most businesses.

Viewing business strategy in people terms

If you look at each strategic statement, you'll see that they are all expressed in "people terms." People can *foster and cultivate creativity.* People can *implement new systems or processes.* **When your business strategy is expressed in people terms, drafting a talent strategy is easier.** A well-defined strategy becomes the blueprint for the company, and your employees will be able to handle the operational execution themselves.

The PI Strategy Assessment allows you to understand your business strategy in people terms.

Can a company work in more than one strategy type?

Yes, a company can work in more than one strategy quadrant. It's common to be in two quadrants—especially during times of strategic transition. You could be in all four if you wanted to be, but without a strong focus, you'd likely end up trying to accomplish contradictory goals.

PI currently falls squarely in the Exploring and Producing quadrants. Three years ago, we were only pursuing an Exploring strategy. Our strategy will likely change again when we start to focus less on innovation and more on process and efficiency. With each shift, our talent strategy shifts, too.

Cultivating   **Exploring**

Stabilizing   **Producing**

■ Strategic emphasis
■ Cultural emphasis
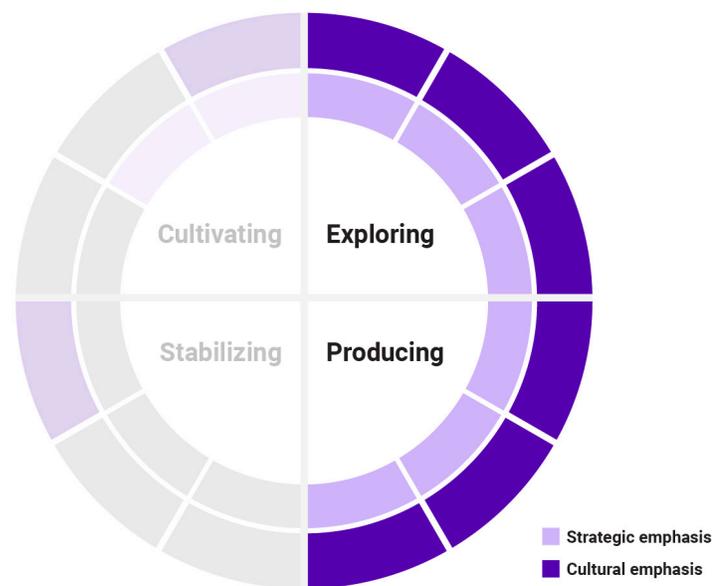
How often should a company assess its business strategy?

Companies can assess their business strategy for alignment to a talent strategy as often as every six months—and at least every two years. To set a good cadence and to align it to annual strategic planning, **we usually recommend talent optimizers assess their business strategy once per year.**

If you go too long without assessing your business strategy, you might not be cognizant of how it's changed over time—and you may not have made the necessary changes to your talent strategy. Or, your workforce may have changed while your business strategy remained fixed, and it's important to be aware of how that may impact strategic outcomes.

Let's look at PI as an example. A few years ago, we were in the Exploring quadrant, which necessitated a flat org structure and a mass quantity of folks (and senior leaders) who were quick to connect, comfortable with risk, proactive, and informal. This came on the heels of a long period of Cultivating strategic activities. But as we shifted toward a split strategy— Exploring *and Producing*—we had to restructure some teams and departments. We also had to hire people with different behavioral patterns: task-oriented, careful with rules, proactive, and formal. These behaviors are essential in executing a Producing strategy.

We have also made adjustments to our organizational culture to better support and reward the desired behaviors for the Producing class of strategies. And through hiring and training, we've filled skill gaps to help encourage competitive, customer-focused practices.

Know what type of business strategy you're working in—and if your leadership behaviors match.

When you know which type of strategy you're working in, you can make smarter people decisions. Why? Because if you're trying to accomplish a business goal, you're more likely to succeed if your senior leaders' behaviors, organizational culture, the people you hire, etc. are aligned to that strategy type.

It's so important to have folks in place who are behaviorally suited to execute whatever class of business strategy you're working in. PI clients can use the PI Strategy Assessment—in tandem with the PI Behavioral AssessmentTM—to view fits and gaps between strategy type and senior leaders' behavioral profiles.
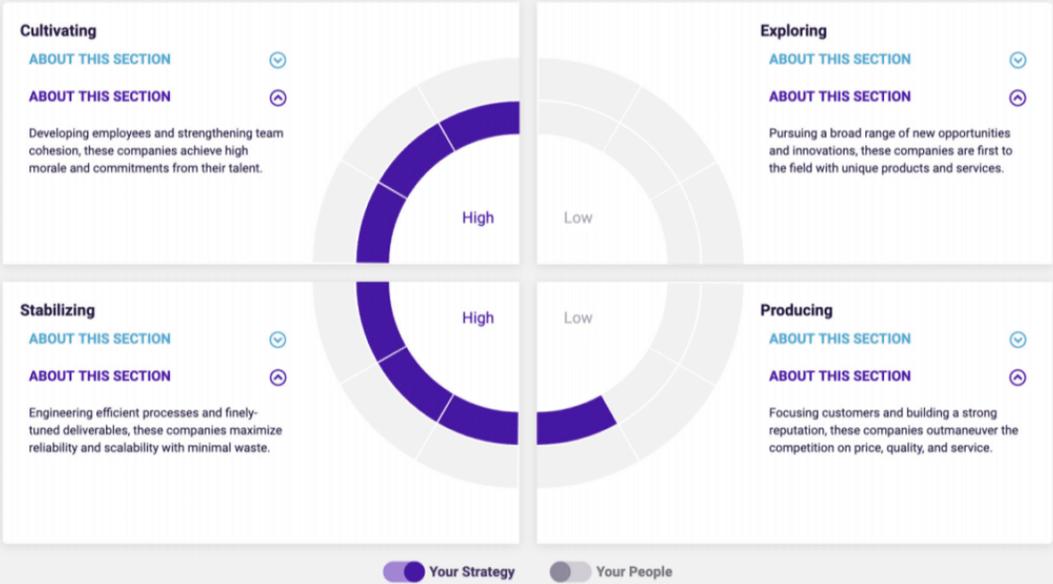
The PI Strategy Assessment allows you to understand how well-positioned the leadership team is to execute the strategy.

What if your leadership team is not the *right* team for your agreed-upon business strategy?

Do you fire them all? Of course not. Misalignment is not a reflection of the leaders' suitability for their roles. Instead, it signals that the company is reacting to external pressures that require strategic responses that differ from the leaders' own behaviors.

Remember, leaders remain present at the company for years, but strategies are temporary and subject to change. Identifying misalignment between executives' behaviors and the strategies they need to pursue provides you with awareness and the power to take action.

When navigating strategies outside your leaders' behavioral strengths, you have a few options. You can leverage your bench strength *(Is there someone promotable at the director-level with the right behavioral profile?)* or adopt talent strategies to help fill the gap until the strategic goals have been achieved. Those include hiring people who will fill that gap, training employees to alter their behavior, designing a culture that rewards desired behaviors, and using external expertise as a temporary resource.

Key takeaways:

- Business strategy informs talent strategy—it tells you how to hire, manage, and organize your people.

- Your business strategy should be agreed-upon by all senior leaders and expressed in people terms (so you can design your talent strategy to match).

- Work as a group to identify which class of strategy your company is currently pursuing. (This e-book will help you do that—or you can use the PI Strategy Assessment).

- Design an aligned talent strategy—enabling your employees to work in sync toward a common goal. (Use the PI Strategy Assessment as part of the PI Design solution.)

- Assess your business strategy once per year. If you're emphasizing a new strategy quadrant, update your talent strategy accordingly.

Want to see the revolutionary PI Strategy Assessment in action?

Request a demo to learn more about the assessment that's helping executives agree on business strategy and execute it successfully by building an aligned talent strategy.

REQUEST A DEMO