

# CPA Australia Podcast

## Episode 62 - Transcript

- Intro: Hello, and welcome to the CPA Australia Podcast, your weekly source for business, leadership and public practice accounting information.
- Jillian Bowen: Hello, everyone, and welcome to another episode of the CPA Australia Podcast. I'm your host today, Jillian Bowen, and I head up the content and social media team here at CPA Australia. In today's episode, we're joined by congressional candidate, Justin Lurie, from Sterling Concord Partners in Houston. Justin is experienced in mergers and acquisitions, strategy consulting and commodity markets. He's the author of the book, *The Profit*, and serves on the American Petroleum Institute Houston Board of Directors. Justin, welcome to the CPA Australia Podcast.
- Justin Lurie: Well, thank you for having me.
- Jillian Bowen: Yeah, all the way from Houston in Texas.
- Justin Lurie: The world's energy capital.
- Jillian Bowen: Energy capital? Well, that's probably something that ... I always think of it as the astronaut capital.
- Justin Lurie: Well, it's funny because Houston has a couple of titles. It's called the energy capital of the world. It's called space city. It's also called the bayou city, because we used to be more of a swamp than land.
- Jillian Bowen: Well, being there in Houston, you very kindly joined us. Here in Melbourne, in Australia, it is a fabulous middle of the day on a Monday. Justin, you've actually cut into your family time in weekend and you're joining us many hours behind us on a Sunday night. So, thank you very much for making that time. We're really excited to have you here.
- Justin Lurie: Well, thank you for having me. I'm glad I was invited.
- Jillian Bowen: Well, to jump into it, the topic that I want to talk to you about and there are a number of topics having done my research on you now that I'd like to talk to you about, that I'm going to have to actually pace myself because we may run out of time. So, I'm going to start with a topic that many, many of our listeners are fascinated by and that is strategy. This is something you're passionate about, isn't it?

Justin Lurie: This is something when I wake up at the morning, it's the first thing I think about. When I go to bed at night, it's the last thing I think about. Without strategy, what's the point? What's the point of taking out an endeavour? What's the point of trying to lead an organisation? Unless you're all moving in the same direction and you have a clear goal of how to get there, it seems like you might just be spinning your wheels. Strategy is at the heart of everything we do.

Jillian Bowen: I agree with you and I think most people in principle agree with you, but more and more often even though people know the importance of strategy, they're not doing it. They're not implementing it. Where do you think they go wrong in that process?

Justin Lurie: It's funny. It's the old chicken-and-egg question. Which is more important, is it strategy or is it execution? And I always say if you're having the conversation and then you're probably just wasting your time because you need them both equally. You need them both 50%. I always think about, well, why isn't our strategy here? And maybe it's because people are so eager just to jump in and say, "I'm going to do these tasks" or "if we just get this one thing done, then we can work on the big picture."

But sometimes, the status quo reign supreme. Sometimes, it's "oh we've always done it this way". And that seems to be the big answer, where no one is actually taking the time, or perhaps someone did but it wasn't implemented and said, "Where do we want to go and how do we get there and what's the most direct path?" Sometimes, strategy is not done just because there wasn't enough inertia to get started.

Jillian Bowen: One of the things I've really liked to start talking to you about is a little thing you call the strategic principle. Explain that to me.

Justin Lurie: The strategic principle is an action-oriented statement that will provide clear and unambiguous guidance for many decisions. I would say it's an unmistakable direction for the company. You could use the strategic principle to answer: "Will a new endeavour fit in the direction of the company?" Now, the key is you want to make it simple but it must be significant. If it isn't memorable, you can't remember it. If you can't internalise it - or people can't understand it - then it's not going to work for anybody, as there is no way than to internalise it.

Jillian Bowen: Can you give me an example of a strategic principle?

Justin Lurie: Sure. There's a giant company in America. It's called Walmart and maybe-

Jillian Bowen: Even we've heard of Walmart.

Justin Lurie: Everyone knows Walmart, one of the biggest companies in the world and their strategic principle is very, very short; very, very simple. It's low prices every day. What does that mean? We can dissect it a little bit. Low prices every day means

that they want to be the low cost supplier. They're not looking to be the premium supplier on a giant range of products. They don't want to be the luxury people. They want to serve the masses, be very open and have people come there and say, "This is the place where we can save money."

They use that phrase to make decisions. Do we want to take this new product on? Do we want to build in this new location? Will this all tailor back to whether our company will be able to still offer the low prices everyday mantra? Let me give you another one that kind of change the thought a little bit. Southwest Airlines, very, very popular airline here in the States and now, went to the Caribbean too and Mexico, Latin America.

Theirs is a little bit longer. It's, "Meet customers short-haul travel needs at fares competitive with the cost of automobile travel." Okay, it's a bit longer. It's not quite as pithy as the Walmart one but it gives you a good idea of how to run the business. They're really saying is, "Well, we better be cheaper than someone packing up the kids, putting them in the SUV and driving to Florida. We want them to fly with us instead of driving."

If they want to let's say add some new perks to their trips. Let's say they say, "We're going to start giving Snickers or some kind of candy to all different passengers." Well, what does that cost the airline? Well, they have to raise the fare. Once that fare is raised, would a family rather just pack up the kids, put them into the SUV and drive as opposed to flying? All their decisions goes back to that same mantra, be cheaper than driving.

Jillian Bowen: So, in many ways, I'm seeing a similarity within the term 'the USP' This is what makes you stand out. This is why you're in business and what makes you important to your customers.

Justin Lurie: It's one of them. I'll give you a totally different historical example. Another way to look at the strategic principle is that it's an action statement, and I'll go way back in time, The Spanish Armada. I think this is a very telling example. The Spanish Armada, if you're not familiar with the story is from the late 16th century. There was a giant fleet of a 100 plus ships sailing from what we now called Spain up to England. In the Spanish Navy, their goal was to invade England and then dethrone Queen Elizabeth I. England, with a far smaller navy, they defeated the Spaniards. And how they do it was better strategy.

The Spanish fleet admiral from his big flagship, what he would do is they would hold up the flag up the pole and the flag would have the directions what to do. They would basically say, "Hey, watch the ship and we'll tell you." All the captains just waited for those top-down instructions. But the other side, the English, they had a different approach. Their commander said to each captain, "Just get as closest to each ship as you can and then fight with your sword or your musket." That's where they had their strategic advantage.

Each English ship captain, they had autonomy. They could use their own creativity, and certainly, I would say they had tremendous amounts of accountability because if they screwed up, then their ship would sink and I don't think anyone wanted that. The Spanish were all kind of sailing their boats in circles, I don't know what they're doing, right, but they were all looking at the fleet commanders and say, "Okay, what's our next move? What's our next move?" while, each English ship, they are all acting independently which was more successful, right? It's obviously those who are autonomous, who had accountability, they had autonomy, they could be creative. I would say going back to the big circle here, the strategic principle. The principle was for English, get as close as you can and use your advantage. It's not necessarily the USP but I would say it's an actionable statement that everything else was measured off of.

Jillian Bowen: It just takes it one step forward and it's much more contemporary view of how you can actually build your strategy.

Justin Lurie: Yeah, I would say practically speaking, the strategic principle, it's a framework. You would ask, if any new decision or new problem to solve will either violate the strategic principle or it will help it.

Jillian Bowen: What steps do people need to take when they're creating their own strategic principle for their business?

Justin Lurie: Well, the steps are essentially asking yourself and a team of others within your organisation a series of questions and the question is to kind of start that creativity process. The first question: how does your company differentiate in the market? And then second question: what is the substitution for your product or your industry? When we talk about substitution, it's not necessarily a product A for product B. It could be another type of products. Instead of a plane, it could be a train or a car. Instead of a radio station, it might be streaming music or internet radio.

And then the third question: what is your firm or what is your organisation? What do you actually want to accomplish? What's your purpose ... Your purpose? What are you doing? You take these three big questions and then you look for the theme behind the answers. Can you find a commonality? Can you point at those thoughts together from that commonality?

And then the next step: once you have a pretty good idea of what your strategic principle might be and then you want to test it a little bit. There are a couple of framework questions, how do you test it? The first one is I'd say, "Well, it's going to be short. Is it pithy? Is it memorable?" Like Walmart, be number one ... Sorry, Walmart says, "Low prices every day." Or General Electric, they say, "Be number one or be number two in every industry or get out." Those are short.

The second question asked, "Well, is this a short term idea? You know, a five-year goal or is this a long time forever vision, the horizon goal? Is it going to

describe you in three years or 30 years?" I'd also want to know what you came up with, some of the initial strategic principles. Is it actionable? Does it tell you and your staff what should be done, what could be achieved, what should be achieved?

And the last one: does it guide your organisation to the same point? So, you'd go in the same unified direction and that's the real key. You want everyone within an organisation to understand what the principle is so they can make their own independent autonomous decisions, but yet everyone is moving in the same direction no matter to the same part of the country, the same hemisphere or the same level, whether executives or the front-level, entry-level type of person. They're all moving together.

Jillian Bowen: It's often a public statement too, isn't it?

Justin Lurie: It can be. Certainly, if it's very pithy and memorable like Walmart, they put it on their billboards. They put it on their T-shirts. They have signs hanging from the ceiling, "Low prices every day." It comes more than just a principle. It becomes a descriptor of who they are. But then, some like General Electric we just mentioned, theirs isn't very commonly known. Yeah, you could have it both ways, I guess.

Jillian Bowen: I think it's something that really gives people a starting point when they're looking at strategy but I want to move you on to another area. I've seen some of your presentations and you talked about building a strategy pyramid. What is a strategy pyramid?

Justin Lurie: The strategy pyramid, it's an organisational tool in its essence and if you want to close your eyes and think about it, it's a hierarchical chart. It should look like a pyramid, well, hence the name. Or, perhaps it will look like an organisation staffing chart, but instead in practicality, it's a goal-oriented checklist and that is your strategy chart.

Now, that's a general idea, but essentially what is it really? At that top, at the tip of that pyramid, that's the big goal you're looking to achieve so that underneath that goal of a subcategories needed to achieve the goal. So, then underneath those subcategories, you're looking at the individual tasks to accomplish. If you start from the bottom, the real wide portion of pyramid, you're looking at a checklist of tasks. And if you can cross those off and start to work your way up, as you work your way up, you can achieve each goal and then when you achieve each smaller goal, then you reach the big goal ones up.

Jillian Bowen: Which is fantastic because what you're talking about often people look at a goal and they find it a little insurmountable because it just feels so big. What you're describing to me is something that cascades it down into smaller bite-sized pieces that are much more manageable and provide a sense of achievement and accomplishment and forward movement as people move towards the goal.

Justin Lurie: Absolutely. Let's say, "Well, who makes this?" I make it for each individual big accomplishment I want to have. Organisations can use it to say, "Hey, we want to increase our fund raising by 30% next year," or a company says, "We want to open up 10 new restaurants next year," or an individual might say, "Hey, I want to find a new job." What the basic step to do it? It could be used as a life organiser. It could be used as a company organiser.

But I like about it the most is it's really transparent. If your company is using this, you can put it into a giant sign, you can hang it up and then each person within an organisation can understand what their individual tasks are and how their task meets the big picture. And that the other side is they also know what the other divisions are doing. Well, how are they contributing to reaching that big goal? In this way, it's completely transparent. Take away the ambiguity.

Jillian Bowen: And in terms of creating it, where do you start? Do you start with that one big goal at the top and start working your way down? In practical steps, how do people who have never created something like this before start breaking that down and actually create that strategy pyramid?

Justin Lurie: Well, I would say, "Do you hit the nail at the top of the head?" You need to create that initial, what is the goal do you want to reach? If you don't know where you want to go, how will you ever get there? Maybe it should be a giant all-encompassing goal or something a little bit easier, it's up to you. Or you could just make multiple of these. You start on top. Then you write your next line down. What are the main themes? What are the areas to accomplish the goal?

For example, if your goal is a product launch, a new product. The second line might include manufacturing, my sales, marketing, operations, technology, et cetera, et cetera. I would call it mutually exclusive, collectively exhaustive. MECE, it's an old consulting concept. Each one of those categories again, they're not overlapping, usually exclusive but then they have everything you might think of, collectively exhaustive. So, then underneath each category, you go into more detail and then you branch out the steps to achieve each of those goals.

For example, we talked about the product launch. Then you might say, "Hey, we have a sales goal of X dollars." Well, then you're going to need to hire let's just say five people, so you keep working your way down there. And as a next step down under five people, well then, what are the major steps to hire those people? Write the job description, HR interviews, et cetera, et cetera. Then when you turn that chart upside down, you start from the bottom or I guess now it's the top and you say, "All right, let's start with the job description. Let's start with the posting and start checking these things off, bring the people on, have a marketing plan and move forward."

Jillian Bowen: Create a much more systematic process for getting you to that end goal?

Justin Lurie: That's exactly what it is. It's an organisational methodology to keep you on track and I think the best part is I'm a checklist type of guy. I like to write things down and check it off as I go. And it's a great feeling of accomplishment. So, it's a little bit of everything, it's strategy and it's practicality put together.

Jillian Bowen: There are no strict rules on how big a strategy pyramid is - that's going to actually vary according to the size of your goal?

Justin Lurie: It's funny, this is a common question of "How big can I make this thing?". I always tell people this, "Well, how do you make it?" and I said, "Well, I'm making it on PowerPoint to be totally honest with you." "And so how big can you make it?" I said, "Well, honestly, that is the limitation, how much can I fit into PowerPoint?" It almost sounds ridiculous like you think there is some kind of better software out there. If someone knows a better software, please email me because I would definitely take it.

But essentially, I believe you can make the thing with hundreds of entries onto there as long as you can physically fit it onto the paper and you can blow it up to be a nice billboard size. But then the second question is, "Well, how often do you change it if you're making this big thing?" And I would say, "Change it often." I don't mean change it every day but as you bring in new information both internal information and external information, keep changing. Evolve the strategy. There's no need to be so rigid because it's extremely short-termism because you're looking at the individual tasks for each week and day.

Jillian Bowen: It's interesting you tell me you're a list man. You like having your "cross it off the list". Let's say you got your strategy pyramid, would you actually print it out and put it on the wall in front of you and cross things off it?

Justin Lurie: Yes. I absolutely do that and I could tell you right on my desk in front of me is a strategy pyramid that's been laminated. And I use a marker and then sometimes, the marker doesn't always mark on the laminated which I don't know why I laminated it, but you live and you learn. Absolutely, maybe I should do is get a scissor and just cut the thing out as I go. But definitely, it's very satisfying to work your way up the chart so that when you see the big goal achieved, you can circle it and throw a party and have champagne, whatever it might be.

Jillian Bowen: Look, I think it's a great approach to it because I do encounter a lot of people, and I'm sure you must as well, that really struggle. They've got this big goal in mind and they're so fixated on the big goal they just can't break it down.

Justin Lurie: I gave a talk a couple of weeks ago and I always take Q&A and that's by far my favourite portion of the presentations. And somebody said, "Hey, our company is small. We do whatever dollars a year." He said, "Everything you're saying sounds great, but we're not going to hire McKinsey or some big consulting firm to come in. We're just not a very big company. Where do we start?"

Naturally, I pointed to my book on the stand and then ... Well, I was only kidding, just for the record. But then I told him, "Honestly, we should just look at this, what is your goal? Start breaking it down step by step and bring lots of people into the process. Get lots of expertise. If you want to know the operational side, bring in the operations people. It's not just senior executives but perhaps you need the frontline people because they are the ones who execute the actual plan and the vision. Get lots of feedback. Put it all together and then execute it."

Jillian Bowen: You know what, Justin? I will make sure that we provide a link in our show notes to your book, *The Profit*. But now I want to have a little bit of fun with you. You'll probably be cross with me after this for not giving you warning. But I figured, hey, you recently told me that you are a congressional candidate. Is that right?

Justin Lurie: That's true. I'm running for the United States House of Representatives right here to represent Houston. It's a portion of Houston that's called Texas' second district. Very proud to do so. It's quite exciting.

Jillian Bowen: Out of interest, do you have a strategic principle for your congressional race?

Justin Lurie: We have a strategy team based in Washington who is helping support and run our campaign. And that's one of the things that we've been talking about. What is the best strategic principle? What will really define us and what will really make us actionable as we run this campaign in the next couple of months? It's funny because it's a very short time frame. The incumbent announced he will retire literally two weeks ago. In the two-week frame, we've been sprinting to put everything together and the election itself is in a little less than three and a half months. As we find the strategy, as we find the strategic principle and then as we put our strategy pyramid together and to really think about what differentiates us, one of those questions right there. How are we different than everybody else? What is our purpose? And we will make one and it will help guide us as we move forward.

Jillian Bowen: I think it's an exciting area to apply these principles in and I think that sort of approach to seeing how that works. I'm going to be very curious. I think I'm going to email you in a couple of weeks and say, "How's that strategy pyramid going? And break it down for me, Justin," because I think it's really exciting in these sudden and really frantic in many ways, situations such as what you're experiencing now. Most people would plan for years for an election like this. How can you actually add some structure to it? I think that if anyone has the skills already, it would be you.

Justin Lurie: Well, I appreciate the compliment highly and I hope I don't disappoint as we move forward. But you're absolutely right. People have been preparing for this race for years, just waiting for the incumbent to retire. As opposed to me who saw the opening and was very excited and we have a positive message. We need to get the message out. We've been running very quickly but I believe it's



in a very structured and deliberate methodology. But now, the real question is, is how do we make our message to the 720,000 people who live in this district? How do we get it there effectively and how do we make it resonate and still be true to what we believe in who we are?

Hopefully, it all comes together very, very effectively and quickly. And I thank you for the confidence in that.

Jillian Bowen: Well, I managed to steal a little bit of time at the end of our podcast today to ask those questions because I think it's an incredibly exciting step. I am really going to be watching to see whether we see you in Washington because I think you've got quite the approach that could actually make a big difference. Justin, I'm going to have to wrap it up. We're right on the end of time. I love what you're doing. We are definitely going to share some more information in our show notes so that people can find out more about some of the processes and the approaches you take to developing strategy. But most of all, thank you so much for giving up your Sunday night to have a talk to me.

Justin Lurie: Well, thank you for having me. The pleasure was definitely mine.

Outro: Thanks for listening to the CPA Australia podcast. To download the transcript and to find more information on today's episode, visit [www.cpaaustralia.com.au/podcast/62](http://www.cpaaustralia.com.au/podcast/62).