

Chapter 10: The Strategic Function — Strategy as a Living System

A board-level guide to embedding dynamic strategy as an organizational discipline

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Strategy is a living function — constantly shaping the system it serves.

Strategy is not a meeting. It is a living system — one that senses, decides, and adapts.

Following Chapter 9, which framed capital as commitment, this chapter defines the operating system that directs that commitment: a strategic function that turns conviction into continuous motion.

Strategy as a System, Not an Event

In many mid-sized firms, “strategy” happens once a year — a retreat, a slide deck, a sense of alignment that quietly fades in the noise of operations. But strategy, if it is to guide a company through uncertainty, cannot live in an annual ritual.

It must function as a system — a continuous loop of sensing, analyzing, deciding, committing, executing, and reflecting.

This loop is what differentiates *strategic organizations* from *strategic moments*. The former learn faster than their markets. The latter are surprised by them.

The Function of Strategy

The strategic function is not a department, nor a single role. It is a capability distributed across leadership — a connective tissue between vision and execution.

Its purpose is threefold:

1. **To sense** — continuously scanning signals of change in customers, competitors, and technology.
2. **To structure** — translating those signals into coherent strategic options and testing their implications.
3. **To steer** — enabling decisive, coordinated action aligned with the company’s long-term logic.

In practice, the strategic function is less about producing plans and more about creating rhythm — ensuring that the organization remains in strategic dialogue with its environment.

Not Corporate Development

The strategic function is often confused with *corporate development*. The two are related but fundamentally distinct. Corporate development typically focuses on transactions — large partnerships, commercial expansions, or M&A activity. The strategic function, by contrast, defines the system within which those transactions make sense.

Corporate development may execute a deal. The strategic function determines *why* that deal matters and *how* it strengthens the company's long-term position.

Where the two intersect, the strategic function plays two key roles:

- In **business development**, to ensure that customer engagement reflects the company's strategic narrative and positioning — protecting coherence between message and intent.
- In **M&A**, to identify which capabilities, assets, or control points the company truly needs — and whether a specific acquisition can add or accelerate them.

In essence, corporate development expands reach; the strategic function safeguards direction. See Chapters 5 and 6: evaluate business development and M&A against unique assets and strategic control points to ensure transactions build enduring advantage — and ensure corporate development operates within the execution cadence defined in Chapter 7, so deals land in the organisation's rhythm rather than create noise.

From Reflection to Motion

Dynamic strategy depends on one core habit: reflection built into motion. Every strategic cycle must include moments of pause — structured reflection that turns experience into adaptation. Without it, organizations only repeat.

The most effective mid-sized firms institutionalize this rhythm: quarterly recalibration, monthly steering, weekly observation. This cadence keeps intent and reality in conversation. It is how strategy stays alive in the bloodstream of the company.

Reflection is not retreat; it is the calibration that keeps motion meaningful.

Roles, Not Titles

In large corporations, the strategy function is often bureaucratic — staffed with analysts detached from operational life. In the mid-market, it must be intimate and embedded.

Boards set direction. CEOs interpret change. Business leaders translate strategy into capability. Together, they form the strategic function.

External advisors, when used well, extend this system — not by replacing it, but by maintaining its discipline and perspective. Independence ensures reflection; proximity ensures relevance.

Strategy as an Organizational Capability

To make strategy durable, mid-sized firms must treat it as a muscle, not a document. The core of this capability lies in six interlocking actions:

- **Signal** — detecting early signs of change.
- **Analyze** — separating noise from pattern.
- **Structure** — framing options coherently.
- **Decide** — making deliberate, irreversible choices.
- **Build** — translating those choices into assets and capabilities.
- **Reflect** — learning systematically from outcomes.

When this cycle operates continuously, the organization itself becomes strategic — adaptive by design rather than by reaction.

From Shock to System

Most companies evolve through shock. A sudden crisis, a lost deal, a market disruption — each becomes a trigger for strategic awakening. But by then, value has already leaked, talent has drifted, and capital has been misallocated.

The purpose of a true strategic function is to prevent that pattern — to replace *shock therapy* with *strategic evolution*.

When sensing, deciding, and reflecting become continuous disciplines, change ceases to be an emergency. It becomes the company's normal state of learning.

A well-embedded strategic system also brings organizational calm. By maintaining long-term clarity and focus, it replaces reactive short-termism with deliberate confidence. Instead of panicked responses to every external shift, teams operate with a shared understanding of direction and intent. This creates both *strategic agility* and *emotional stability*: the ability to move decisively without chaos.

Yet not every organization can evolve smoothly. When a company has turned inward — losing touch with its external context, its market reality, or its founding logic — *strategic shock* may become necessary. Some misalignments are too deep to correct gradually. A major governance failure, a credibility crisis, or a strategic drift that has eroded trust and coherence cannot be “evolved away.” In such moments, leaders must intervene decisively: reshaping leadership, structure, or direction to restore external relevance.

Shock, in that sense, is not failure — it is forced renewal. The key is to ensure it happens by design, not by accident.

On this foundation, a company evolves strategically — instead of waiting for shock to force adaptation when it is already too late.

Embedding the Function

The strategic function only becomes real when it shapes decisions at every level — capital allocation, hiring, partnerships, and technology bets. It must be visible in how priorities are discussed, how budgets are justified, and how performance is interpreted. A company without a visible strategic rhythm inevitably falls back into operational reflexes.

To embed the function effectively, three reinforcing elements are required:

1. **Governance** — Strategy must have an institutional home. Whether through a strategy office, a chief strategy officer, or a standing board committee, there needs to be a structured mechanism that connects sensing, analysis, and decision-making. The goal is not bureaucracy, but continuity: to ensure that strategic reflection doesn't depend on personality or moment.
2. **Cadence** — Strategy should have a predictable rhythm. Quarterly reviews align direction, monthly steering ensures execution coherence, and annual recalibration connects the organization's learning to its long-term intent. This cadence keeps the strategic loop alive — the same system that prevents panic when markets shift.
3. **Capability** — Embedding strategy also requires developing the people who can sustain it. Mid-sized firms often rely on a few key leaders for strategic thinking. Over time, that dependency becomes risk. Building internal capability — through exposure, mentoring, and cross-functional projects — distributes strategic literacy throughout the organization.

When these three elements are in balance, the strategic function acts as both *compass and stabilizer*. It gives direction during uncertainty and coherence during growth. Boards can test its maturity through three simple questions:

- Are strategic priorities visible in how capital moves?
- Does every quarter produce not just results, but insight?
- When the environment shifts, how long before our direction adjusts?

If the answer to the last question exceeds a quarter, the strategy system is underpowered. A well-embedded function, by contrast, turns long-term direction into everyday governance — ensuring that strategic thinking is not a privilege of the few, but a shared organizational habit.

When the Bid Arrives

Sometimes, strategy meets its most revealing test when an external acquisition offer appears. A takeover bid is not only a financial event — it is a strategic signal. It tells you that someone else sees value and potential in your company that perhaps you have not fully recognized or capitalized on.

An unsolicited bid exposes what the market believes to be your *strategic capabilities* — your assets, control points, and positions that are valuable to others. It also forces a profound internal question: do the current shareholders and leadership have more or less conviction in the company's vision, mission, and long-term strategy than the bidder does?

The question can be reversed: *What does the bidder see that the owners do not?* If the bidder's perceived synergies or complementary assets create value that seems unattainable internally, it raises a second challenge: *why was that opportunity not identified by the company itself?*

A well-run, strategically aware company rarely faces this dilemma. Its owners see as much potential in the business as any outsider could. In such cases, under long-term owner-operator logic, no reasonable price will persuade them to sell — because they understand the compounding power of their own strategic logic.

A strong strategic function helps anticipate such bids — not to prevent them, but to understand *why* they emerge. It ensures the company recognizes the same sources of value that others see, long before anyone makes an offer. In that sense, it acts as both mirror and radar: reflecting true worth and detecting external perception early.

In the end, you never sell the goose that lays golden eggs. You only sell the one that has stopped producing them.

Conclusion: The Living Discipline

Strategy is not a product of intelligence alone, but of rhythm — a pattern of attention that keeps an organization alert to what is changing and confident in what must endure.

The strategic function's task is to sustain that rhythm: to turn intent into motion, motion into learning, and learning into renewed intent.

The best companies don't write strategies — they live them.

In Chapter 11, we apply this system to risk and uncertainty — strategic risk management with clear governance, leading indicators, tripwires, and a simple risk dashboard that keeps the rhythm both visible and calm.

About Outdoor Connect

Outdoor Connect is an independent strategy advisory platform focused on board-level value creation for mid-sized, growth-driven companies (€50–€1B). We bring direct senior engagement—without the traditional consulting pyramid—to help founders, CEOs and boards set direction, make sharper capital allocation choices, and embed an execution rhythm. Core areas include growth strategy in technology and the energy transition, strategic repositioning in fragmented markets, and board-level sparring on value creation and M&A preparation.

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