CHAPTER 1

WHAT IS STRATEGY?

WHAT IT'S ALL ABOUT

- What strategy is
- Why strategy is important
- The basic strategy questions
- Answering the questions

How do you develop a strategy? The answer is deceptively simple: you need to answer six basic strategy questions. But beware: each question has many possible answers and is beset with uncertainties. This chapter explains those six questions and the techniques and approaches available to answer them. Details of how to apply them are laid out in the chapters that follow.

But first you need to be clear about what strategy is and why being able to develop a sound strategy is important.

WHAT STRATEGY IS

Strategy is both the goal of an organisation, and the pathway it follows to achieve that goal.

Organisations have past, current and future strategies. This book is aimed at helping the reader design *future* strategies. Understanding past and current strategies is part of the design process but it is not the objective here.

Organisations are shaped by a mix of intended and unintended strategies. While the perspective of this book recognises the importance of considering and responding to the impact of unforeseen events, the goal is to help you design *intended* strategies – even if these need to be continually revised and refined in the light of new developments. In Benjamin Franklin's words, this book will help 'drive thy business'.

WHO SAID IT . . .

"... drive thy business or it will drive thee."
– Benjamin Franklin

All intended strategies are decisions, but not all decisions create strategies. A strategic decision is one that is *difficult, hard to reverse,* and involves the commitment of *significant* resources.

For example, a manufacturing business has to decide how to lower costs by £50 million. If doing so will have a major impact on the cost structure and involve tricky choices – such as whether to cut costs in the current production facility, outsource production or build a new factory in a low cost location – then it could be described as a strategic decision. If the choice is relatively simple – such as switching to a more modern and well-tested production technology – then it is not.

What is 'strategic' depends on the perspective of those involved. For example, the head of the purchasing department may have to achieve savings of £10 million of the total £50 million target. The manager within the purchasing department who is in charge of purchasing energy may have the strategic goal of cutting costs by £1 million. The £50 million, £10 million and £1 million targets may all be strategic goals from the perspective of the individuals responsible for achieving them.

Strategy-making is relevant for many types of organisation. It is not exclusive to large corporations; smaller businesses or business units also have strategies. In this book we focus primarily on developing strategy for organisations that operate in competitive marketplaces. These may include not-for-profit organisations, many of which 'compete' in the market for supporters, donations and funding. There is also relevant material here for managers designing strategy for a function or department, as well as for those who do not operate in competitive markets, and even for individuals who want to develop a personal strategy.

Strategy is defined not just by the commitments involved, but also by the general direction of the pathway to be followed – the opportunities to be pursued. It is also defined by what is NOT done – by the constraints imposed on the pathway. For example, Apple's strategy for the iPod could be to maintain market share above 60% (the goal) in the MP3 player market (the opportunity) through continuous investment in product upgrades (a commitment of resources), while still delivering profit margins of at least 25% (a constraint).

Developing strategy involves three stages: realising a strategic decision is required, making the strategic decision, and implementing it. The main focus of this book will be on how to make the strategic decision. Each of the other stages requires a book of its own.

To summarise: strategy, as defined here, consists of an intended, future goal and the pathway to reach that goal. Creating strategy involves making difficult decisions about the opportunities to be targeted, the commitment of significant resources, and the constraints on the ways those resources can be used. Various levels in the organisation can each have a strategy, creating a cascading and coordinated set of goals and pathways.

WHY STRATEGY IS IMPORTANT

There are a number of reasons why developing a sound strategy is important.

Strategy can make a huge difference to the fate of an organisation. If a good strategy can transform a company – as the example of Steve Jobs and Apple overleaf illustrates – a bad one can kill it. Consider the following:

In 2008, **Lehman Brothers** was on the verge of bankruptcy. It had over-invested in the US property market and had virtually no equity to absorb the losses that would result from the downturn in the financial markets. But the management team – CEO Dick Fuld in particular

WHO YOU NEED TO KNOW

Steve Jobs

Apple CEO Steve Jobs is an iconic example of a leader of an organisation who is also its primary strategist. Not all leaders play this role; some rely heavily on other senior executives, senior staff or external advisers. But Jobs has repeatedly shaped the destinies of the organisations that he has led.

Under his leadership, Apple developed the Macintosh computer – to date, the only serious rival to the PC. He was forced out of Apple, only to bounce back as the owner and CEO of Pixar, a small animation company he acquired from George Lucas (who needed the money to help pay for his divorce). Pixar grew to be a leader in its field before selling out to Disney. By then, Jobs was back at Apple, which he rescued from a critical condition to become the creator of the iPod, iPhone and iPad – and a star of the global economy.

The development of the iPod is an interesting example of how strategy is often formed through a mixture of the intended, and the unintended. It was Jobs, with his knowledge of the Los Angeles-based film and music business acquired during his time at Pixar, who developed the goal of entering the music business – a direction that a Northern Californian computing company such as Apple would not normally have taken. But Jobs always sought to position the businesses he led at the forefront of the industry. He liked to quote ice hockey star Wayne Gretzky: 'I skate to where the puck is going to be, not where it is.'

Having set the goal, Apple then took a circuitous and opportunistic pathway to reach it. First, it acquired the technology to create digital music from a company called Soundjam, which had developed a superior way to create MP3 files that could be used to store music. iTunes was launched in 2001 as a way to download MP3 and CD files to the Mac. Following a chance visit by an independent consultant, who had an idea for creating a new and innovative MP3 player, Apple created the iPod. Jobs then exploited his connections with the music industry and the industry's paranoia about file-sharing websites such as Napster, to launch the iTunes Music Store website in 2003, selling MP3 files over the internet. Looking back, it all seems to add up, whereas in fact the pathway to the intended goal evolved over time, in response to unforeseen circumstances.

– failed to recognise the danger inherent in the current situation. He rejected offers to be acquired by foreign banks. He pushed to be rescued under conditions that suited him and Lehman rather than recognising that any deal that could save the bank was worth considering. Even as the US government moved in to force a final resolution of the problem, Fuld held to his uncompromising position. Lehman collapsed.

But the collapse was not inevitable. In the same context, John Thain, CEO of Merrill Lynch, recognised the reality of the situation and saw that his bank might be the next to go. He pulled off a quick merger with Bank of America that saved Merrill and gave its shareholders a great deal, given the circumstances.

In the 1990s, **Motorola** was a major competitor in the mobile phone business. At the time, competitors such as Nokia and Ericsson had begun shifting from analogue to digital technologies. Motorola had some of the key capabilities for digital in-house, and could have moved quickly to build a strong position in digital mobile telephony. But management decided that digital was not a significant opportunity and ignored it. This proved to be the beginning of the company's demise as a major player. Meanwhile, Nokia and Ericsson got it right and subsequently became the two top global competitors.

The **UK motorcycle industry** in the 1960s was the country's third-largest dollar export earner after cars and whisky. But the major manufacturers, such as Triumph, BSA and Norton, failed to recognise the threat posed by Japanese new entrants. They saw their objective as making racing bikes that would appeal to a niche market of enthusiasts. Meanwhile, Honda, Yamaha and Suzuki invested to grow the market. They saw biking as a potential pastime for everyone, and developed recreational bikes that were reliable and fun to ride. Ultimately, they used the scale developed from colonising the 'low end' of the market to develop fast bikes that eclipsed even the UK manufacturers' best machines. The latter went bankrupt, while the Japanese became global leaders. The UK companies saw the primary issue as how to get cash out of a declining niche business, and paid out high levels of dividends. The Japanese saw the issue as how to grow, and re-invested their profits in new models.

Organisations are having to revise their strategies more often. Over the last 20 years, markets have deregulated and competition has globalised. The internet has broken up established businesses, creating new competitors and more informed customers. Economic cycles continue to weed out the weak and test even the strong. Climate change and rising commodity prices challenge long-held business practices. All these phenomena create a continual pressure to reconsider even a winning formula. Change creates opportunity, but only to the organisation ready to revise and reformulate its strategy.

Strategy-making is a skill that is needed by more people, more of the time. Ideas about how strategy is developed have changed over the past few decades. At one time strategy was seen as being the responsibility of the leader. Then it was seen as the domain of corporate planning departments and specialist consultants.

Today we understand that strategy should not just be made by the CEO or strategy specialists. Strategy-making can involve a wide range of people from across the business: those who lead corporations develop corporate strategy, business unit heads develop business strategy, functional heads devise functional strategies, and departmental heads departmental strategies. Analysts may

WHO SAID IT . . .

"Effective strategists are not people who abstract themselves from the daily detail, but who immerse themselves in it while being able to abstract the relevant messages from it."
– Henry Mintzberg

support the process, but leaders and their teams are expected to devise and take ownership of their strategy. Further down the organisation, a range of people and teams may be involved in innovating, developing, refining and communicating the strategy. This is a welcome shift. Leaders who understand their organisation, markets and competitors *should* be in charge of making decisions about strategy, and those involved in the business should be able to contribute to strategic thinking.

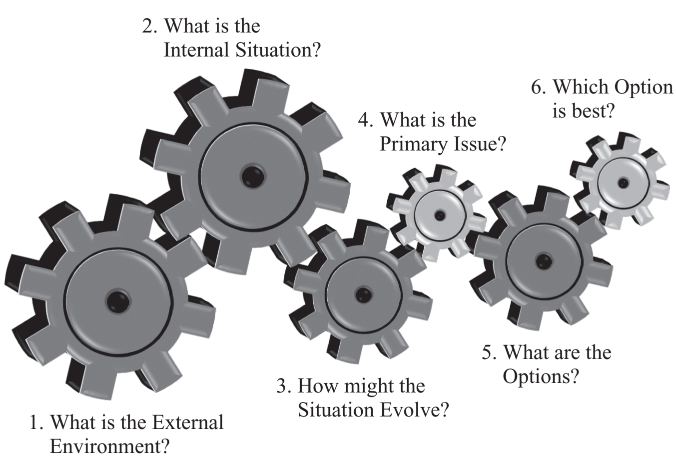
Even if you are not involved directly in the design process, understanding your organisation's strategy is crucial to be effective in your job. To get ahead you need to show that you can take individual initiative and contribute to the success of the organisation as a whole. You need to know that your decisions are aligned with the goals and objectives of the organisation and how it intends to achieve them. Even if your organisation is not actively changing its strategy, or if you are not involved in designing strategy, you must be familiar with the language and logic of strategic thinking.

THE BASIC STRATEGY QUESTIONS

Having described the importance of strategy, we now turn to the heart of the matter: *How* do you come up with a strategy?

The answer is seemingly straightforward. Strategy design involves coming up with robust answers to the following six basic questions:

The strategy questions



What Is the External Environment?

Strategy involves aligning the organisation's capabilities and assets with external opportunities and threats – so describing the external environment is a good place to start. However, this can be difficult to do, particularly when an organisation is facing rapid change or entering a new market.

For example, Honda famously misunderstood the US motorcycle market when it first entered it. It knew that there was a market for large bikes and tried to sell its most powerful machines – but these models proved to be unreliable in the US, where the average journey was much longer than on crowded Japanese roads. It was only when customers started to ask whether they could buy the smaller 50 cc bikes that Honda managers were riding as work vehicles that they realised that this was an untapped market. Even then, senior management took some persuading.

What is the Internal Situation?

Two aspects of the internal situation must be understood: the objectives of the organisation and its capabilities. The tricky part is that both have to be viewed in the context of the external environment. It is not enough to know that you have capabilities in R&D; you must understand how valuable they could be in generating superior products for customers and how these capabilities compare with those of your competitors.

How Might the Situation Evolve?

Your strategy will play out in an uncertain future. Understanding the current external environment and internal situation is an important start, but it is not enough. It is vital to project how things might evolve and identify the greatest sources of uncertainty. Is it the actions of competitors? Is it the way that the market will develop? Is it how your organisation will respond to change and a new direction? Your strategy should be robust and adaptable enough that it does not automatically fail in the face of unforeseen events. Expect the unexpected! This is one of the great challenges of strategy: you place big bets when you do not fully know the odds.

What is the Primary Issue?

Successful strategies tend to result from resolving a difficult issue in a way that is novel and hard for competitors to copy. Therefore defining the primary issue is a key step. When Apple entered the music business, for example, it identified the issue as how to help consumers to easily buy and play music.

The primary issue may seem obvious in hindsight but not be so at the time. Indeed, it is often redefined during the creation of a new strategy in a way that offers new insight and opens up new options. For Honda in the US motorcycle market, the initial issue was how to sell big, fast bikes in competition with US and European competitors. Later, it was redefined as how to develop the market for small motorbikes – but only after a long period of failing to build market share in the initial target segment.

What Are the Options?

Once the issue has been properly defined, options need to be identified. In the case of Apple, these were not clear. Even after defining the issue as how to enable consumers to easily access music, it took time to develop the iPod and the iTunes website. In the case of Honda it was a little clearer; once the issue had been redefined as how to develop the market for small motorbikes, the main options – such as a distribution channel and product design – became relatively easy to identify.

Which Option Is Best?

At some point an option has to be selected. In the case of Apple and Honda, a number of smaller decisions led to the overall shift in strategy. In other cases, such as when a major acquisition is required, there may be one big decision that needs particularly careful analysis and evaluation.

Since these questions are so important, it may be helpful to use the acronym EIEIO as an easy way to remember them. **E**xternal Environment, **I**nternal situation, how the

Alternative words and phrases

Words and phrases used in this Book	Alternative words and phrases commonly used
External and Internal environment	Situation assessment, Starting position, Context, Where we are today, Complexity
External environment	Market, Competitive environment, Industry, Micro-economics, Competitors, Customers, Customer needs, Opportunities, Threats
Objectives (part of the internal environment)	Aims, Goals, Ambitions, Vision, Mission, Stakeholder needs
Internal environment	Capabilities, Resources, Assets, Strengths, Weaknesses
Evolution (of the situation)	Change, Trends, Key uncertainties, Unknowns, Timeframes, Scenarios
Primary issue	Challenge, Difficulty, Complication, Obstacles, Complexities, Compromises, Opportunities
Options	Alternatives, Actions, Choices
Which option is best?	Evaluation, Assessment, Criteria, Probability, Decision

situation will **E**volve, the primary **I**ssue, and what the **O**ptions are.

The table above lists some of the alternative words and phrases that capture the ideas which are commonly used to describe the process of creating strategy. This may be helpful in establishing how the approach described here differs or is similar to how you think about strategy.

ANSWERING THE QUESTIONS

The questions may be simple but getting the correct answer is not, as the stories of Lehman Brothers, Motorola and the UK motorcycle industry illustrate. Even the best management teams can struggle, including those that eventually get it right. Apple took several years – having identified that it wanted to enter the music business – to come up with a successful way of doing so. Honda struggled to sell its big bikes in the US and only switched to selling smaller bikes when customers started asking for them. Clearly the answer was not immediately obvious.

One of the challenges in answering the strategy questions is the nature of the task itself, which is often misunderstood. Strategy-making does not conform to the stereotype of a logical, sequential, mechanical process, starting with the collection of data defined by standard templates which, like a sausage machine, spits out a fully-formed strategy at the end of it. Unlike the stereotype, it cannot be learned in the same way as the operation of a complex piece of machinery – simply by getting to grips with standard operating procedures and routines.

A more realistic notion is that of 'crafting strategy', as described by Henry Mintzberg, a professor at McGill University. Mintzberg compares creating strategy to the way a potter shapes a pot on the wheel; it is partly the application of a learned skill and partly an intuitive response to the nature of the situation and the emerging results. Good ideas sometimes turn out badly but give rise to new learning and opportunities – the very act of making the pot improves the skill of the potter.

WHO SAID IT . . .

"The final choice is always intuitive."
– Bruce Henderson

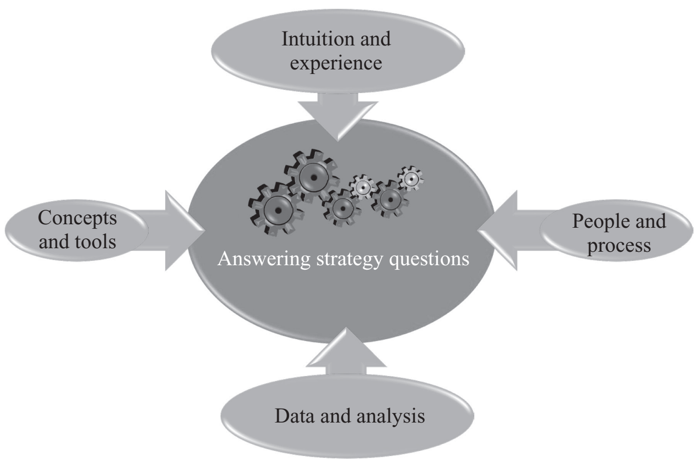
The development of a good strategy is a creative act, often decided under high levels of uncertainty. The whole process involves a mix of analysis, judgment, gut feeling, opportunism, and trial and error. So a skilled strategist has to be a structured yet flexible thinker, deeply engaged in the situation they are evaluating, as well as dispassionately objective. This blend of ability is often described as a 'strategic mindset'.

What follows are some tips on how to design strategy based on this view.

Use a Mix of Approaches to Answer the Questions

Imagine you have defined a particular strategy question to focus on. For example, 'What are our options?' To answer the question, several approaches should be combined: intuition, data and analysis, strategy concepts, strategy tools or frameworks, and people and processes, as summarised in the following exhibit.

Four approaches to answering the questions



Intuition informed by relevant experience is a powerful way to answer the questions. The problem is that past experience is often not adequate for making strategic decisions about an evolving future. Lehman had to design strategy in the face of a developing financial crisis, Motorola had to design strategy for a new technology, and the UK motorcycle industry had to deal with a new type of competitor. Intuition based on experience would have helped, but would not have been sufficient to come up with the right choice.

Data and analysis can fill in the gaps in our knowledge. For example, analysing the potential impact of a financial crash might have alerted Lehman management earlier to the risks inherent in their strategy. But the real challenge is to work out what data is required and how it should be analysed. Many organisations do not lack access to information, but they lack the ability to focus on the right information and to interpret it. Lehman was aware of the state of the financial markets, but did not use that information correctly. Data and analysis can be helpful but only if the individuals involved know how to use them properly. For this, strategic concepts and tools are invaluable.

A strategic concept is an idea that defines the nature of a successful strategy. For example, according to the concept of 'segmentation', competition occurs within particular segments of a market or industry, rather than at the level of the overall industry. For example, Moët & Chandon is part of the drinks industry, but competes in the segment for premium champagnes rather than against Coca Cola and Pepsi. Competitive battles are fought at the segment rather than the industry level.

Another example of a strategic concept is that of 'competitive advantage' – the idea that strategic and economic success comes not from being *good* but from being *better* than the competition. Moët & Chandon's success comes not from how good its marketing is, but how good it is *relative* to competing brands such as Taittinger and Veuve Cliquot.

Strategy concepts are helpful in framing the way you answer the questions. For example, consider how Moët & Chandon could use the concepts of segmentation and competitive advantage to address the question 'What are the options?' They would guide Moët to seek options that provide them with a competitive advantage in particular segments – for example, by building its market share further in premium champagnes. Extensions into other segments – other wines or other luxury goods, for example – might be feasible, but only if the Moët brand or its capabilities in brand management allowed it to outperform the established competitors in those segments.

Strategic concepts help define what data to gather and how to analyse it. For example, the concepts of segmentation and competitive advantage might suggest surveying potential customers in new business segments to see if they would prefer a Moët-branded product more than those of existing competitors, or investigating whether Moët's channels of distribution could be used for the new product.

An understanding of strategy concepts is fundamental to strategy. Later chapters will describe the most important ones, including segmentation, industry attractiveness, value creation, competitive advantage, mission and objectives, uncertainty, and engagement. However, for someone who is new to strategy they may seem rather abstract and difficult to apply.

Strategy tools or frameworks allow for a more structured approach to using the concepts – a more concrete way of structuring your thinking and analysis. There are many popular tools or frameworks, such as SWOT, key success factors, core competencies, scenario planning, value chain, five forces, industry life cycle, PESTLE and portfolio matrices. All of these, and more, are covered in subsequent chapters.

The most useful strategy tools are based on one or more strategy concepts. For example, a SWOT analysis requires you to lay out the strengths, weaknesses, opportunities and threats facing the organisation. Strengths and weaknesses are based on the concept of competitive advantage, while opportunities and threats are based on the concept of market attractiveness. Whether you use strategy concepts or more concrete tools and frameworks, you are drawing on the same set of fundamental ideas about what makes a strategy successful.

The decision to use strategy tools or strategy concepts will depend partly on how experienced you are in strategy. If you are relatively inexperienced it may be easier to use a strategy tool because it provides a more structured way of thinking through the answers to the questions. As you gain more familiarity with strategy, you will switch to using just the concepts in a more intuitive fashion. Do enough strategy and you won't even think about the concepts and frameworks you are using to assess situations and come up with options.

Strategy tools and frameworks are also helpful for holding a group discussion and in making presentations about the logic used during the strategy-making process.

Unfortunately, strategy concepts and tools alone will rarely get you to the right answer. Strategic decisions are almost always difficult, requiring experience and judgement. One individual rarely has the necessary breadth of experience to make a judgment on their own. Moreover, preconceptions and biases can lead even experienced experts into making a misjudgement.

People and process. Because strategy can rarely be designed by a single individual, bringing together the right people in an effective process is critical to answering strategy questions. In some cases, relatively few people can be involved and the process can be very simple, but, as we demonstrate later, it can be important to widen out strategy thinking across the organisation. A strategy process involving a mix of people with different expertise and perspectives, all willing to debate and challenge, is as essential to crafting strategy as finding the right strategy tool. It will engage the broader organisation in a debate, help answer the questions, and provide a platform of shared understanding from which to launch a successful roll-out.

Chapters 2 to 5 describe how to apply the concepts and tools to the intellectual process of answering the questions. The remaining chapters turn to the topics of people and process.

Make Sure You Work on the Right Question

Open some strategy textbooks and you will find flow diagrams showing how to develop a strategy using a logical sequence of steps, each of which involves answering a set of questions. In this model it is obvious when to move on to the next stage. In reality, almost all decision makers and decision-making processes dance around between different questions. Knowing which question you should be working on is part of the art of strategy-making.

Why does the strategy process not follow a typical pathway? Partly because the answer to some of the questions may already be known or answered intuitively, allowing the process to jump ahead to the more challenging and critical questions. Alternatively, the answer to certain questions may make the strategist revisit questions that they thought that they had already answered. For example, when Apple realised that producing an MP3 player was an interesting way to get into the music business, they would have revisited the question 'What is the external environment in the MP3 market'? to further evaluate existing MP3 products and competitors.

Another reason is that our brain is not wired to go through each question in order; it jumps creatively to conclusions, coming back only when it hits a problem. A team of senior managers will find it frustrating to be forced to go through a very rigid process, and this is unlikely to be an effective way of using their experience and insight. Different ways to sequence the strategy questions are discussed in Chapter 6.

This is why the questions in the earlier figure are depicted as a set of linked gear wheels rather than a one-way process. When you think about the answer to one question, it will make you consider other questions. As one wheel turns, it sets others in motion.

Be Selective About the Analysis Required

As mentioned above, some questions are likely to be easy to answer from experience and need less analysis. Others are more tricky and need to be explored in considerable depth. The important thing is to know when to probe to a high level of detail and when to move on.

For example, when evaluating the external environment there are many ways to spend your (limited) time. You could interview lots of customers, seeking to understand how their needs vary and whether any major segments are currently under-served. Or you could spend weeks evaluating competitors or even a particular aspect of a single competitor, such as its new product development process. Knowing where to direct your main efforts is essential.

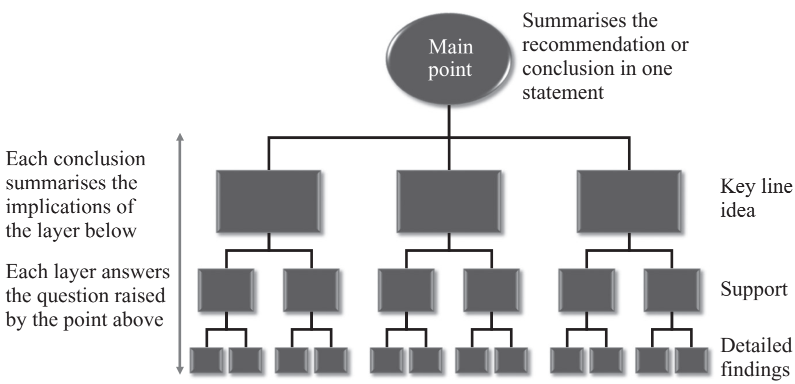
The answer is to use a 'T' approach, using two types of analysis. For questions where you are pretty sure you know the answers, collect enough information to ensure that you are not deluded (interviewing outsiders is a good place to start). This broad but shallow level of analysis is represented by the horizontal bar at the top of the T. The vertical bar of the T represents the more detailed 'deep dive' – the intensive data collection and analysis you will need to answer critical issues where you are unsure or where there are competing viewpoints.

To know where to go deep, think of areas where you don't have enough experience to rely on intuition. For example, if you are a sales director you may understand your customers very well but be relatively ignorant of the cost structure of your competitors. Knowing where to focus is also a matter of thinking ahead to the main decisions that your strategy process has to make. Put the most effort into the questions that will have the most impact on your decision between options.

For example, Epson, the Japanese printer manufacturer, wanted to learn how to compete more effectively with Hewlett Packard. They commissioned a study of Hewlett Packard's product development process because they believed that the differences in this process were what differentiated between the companies, and thus where changes needed to be made.

If you are still unsure of where to focus your analytical efforts, lay out your argument and look for the main assumptions on which your conclusion depends. A good tool to do this is the Minto Pyramid Principle, shown in the following diagram. Focus your data collection and analysis on testing and supporting the key assumptions – described in the exhibit as ‘Key line ideas’.

The Minto Pyramid Principle



Expect the Unexpected

Coming up with a strategy to deal with the current situation can often seem overwhelming, but it is only part of the strategist’s task. It is important to expect the unexpected and to design your strategy accordingly.

WHO YOU NEED TO KNOW

Barbara Minto

Barbara Minto holds an MBA from Harvard Business School, attending in only the second year in which women were accepted. She then worked at McKinsey & Company for ten years, having been hired as their first female consultant. She now runs her own consultancy, Minto International.

It was at McKinsey that she developed the 'Minto Pyramid Principle' as a way of structuring the communication of any complex message. The influence of this approach has spread far and wide, informing the strategic thinking of many.

The idea of the Minto Pyramid Principle is that a message should have one major conclusion or recommendation that is supported by a number of ideas grouped below it. Each of these 'key line' supporting points can itself be supported by a number of sub-points containing more detailed data and analysis. Any idea at any level always raises a question (how? or why?)

that is answered by the ideas on the line below.

Not only can pyramiding be an effective method of building and communicating an argument, it is also a useful way of thinking through how much detail is required to answer a particular question. For example, early on in the strategy design process, lay out what you think is the main argument so that you can spot what key pieces of information and analysis would best support and test it. If one of the key line points of your pyramid has no supporting data, you will know to focus your efforts on supplying the detail.

The ability to think in a structured way is a useful skill for the strategist. Without it, the ambiguity and uncertainty involved in strategic analysis can be overwhelming. With it, you can structure, analyse, solve and communicate even the most complex issues.

The skills that Barbara Minto has so effectively taught and communicated over the past 40 years have provided as much support to the development of strategic thinking as the works of leading academics and practitioners.

Because it is impossible to fully predict the future, good strategies incorporate planning for how to respond to events as they unfold. As this happens, new opportunities and threats emerge as well as the need for further decisions. Strategy is typically composed of a sequence of decisions rather than one big decision.

One approach to dealing with this is for the strategy to be flexible and include enough capacity to respond to unpredicted and unpredictable events. Some strategies even use a 'test-and-learn' approach – building in a capability to respond to the unexpected and evolve from there.

Supermarket chain Tesco, for example, developed a computer and logistics system that enabled it to respond

WHO SAID IT . . .

"Prediction is very difficult, especially about the future."
– Niels Bohr

rapidly to changes in customer demand, allowing it to out-perform its competitors by offering better stocked shelves with popular products at competitive prices.

How uncertainty impacts on the strategy design will be discussed later in this book, but the general point to bear in mind is that you should never be fooled into thinking you can predict the future.

Practice, Practice, Practice!

By now it should be clear that, while there are plenty of tools, tips and techniques that can help, developing strategy is a complex skill to master. It is not enough to know how to do it in theory. Strategy-making, like anything else, takes practice. But major changes in strategy are not common, so getting practice can be difficult.

One of the goals of this book is to not only reveal the secrets of creating a strategy but to give the reader a chance to test and develop their skills. Multiple examples are provided to illustrate the concepts and tools described. A case study is available on the book's website, which also provides short tests, and further reading and web links are suggested at the end of each chapter.

Thinking about the way these ideas would apply to your own situation is an invaluable way to develop your skills. Even thinking through what a newspaper or magazine article says about strategy can be helpful in grounding ideas about strategy in reality.

In the end, with strategy as with so much else, only practice makes perfect, but this book will give you the initial understanding, tools, techniques and tips to get started.

WHAT YOU NEED TO READ

- Michael Porter provides a view of what strategy is and why it is important in 'What Is Strategy?' in the *Harvard Business Review*, November/December 1996, pp. 61-78.

- For other examples of strategy as a (similar) set of questions, see Richard Koch's *The Financial Times Guide to Strategy*, Pearson, 2006 or Jack Welch in the strategy section at www.welchway.com.

- Henry Mintzberg draws a powerful analogy between the nature of making strategy and making a pot in *Crafting Strategy*, Harvard Business Review, July-August 1987.

- *Building a Strategy Toolkit*, by Paula Jarzabkowski, Monica Giulietti, and Bruno

Oliveira, www.aimresearch.org, provides a useful summary of commonly used strategy tools.

- Strategy concepts are covered in many strategy textbooks. One of the best is Robert Grant's *Contemporary Strategy Analysis*, John Wiley & Sons Ltd, 2010.

- For a history of the development of the key concepts in strategy, see *Lords of Strategy* by Walter Kiechel III, Harvard Business Press, 2010.

IF YOU ONLY REMEMBER ONE THING

Strategy involves answering some difficult questions using intuition, data, concepts, tools, people and process.