

**Premise** – Strategy is not complex. But it is hard. The authors have created a set of five essential strategic choices that, when addressed in an integrated way, will move you ahead of your competitors. They are:

1. What is your winning aspiration?
2. Where will you play?
3. How will you win?
4. What capabilities must be in place?
5. What management systems are required?

They use stories of how P&G repeatedly won by applying this method to their iconic brands (including Olay) to illustrate how deciding on a strategic approach – and then making the right choices to support it – makes the difference between just playing the game and actually winning.

### Six Tell-tale Signs of a Winning Strategy

Because the world is so complex, it is hard to tell definitively which results are due to strategy, which to macro factors, and which to luck. But, there are some **common signs that a winning strategy is in place**:

1. An **activity system that looks different from any competitor's system**. It means you are attempting to deliver value in a distinctive way
2. **Customers who absolutely adore you, and non customers who can't see why anybody would buy from you**. This means you have been choiceful
3. **Competitors who make a good profit doing what they are doing**. It means your strategy has left where-to-play and how-to-win choices for competitors, who don't need to attack the heart of your market to survive
4. **More resources to spend on an ongoing basis than competitors have**. This means you are winning the value equation and have the biggest margin between price and costs and the best capacity to add spending to take advantage of an opportunity to defend your turf
5. **Competitors who attack one another, not you**. It means that you look like the hardest target in the (broadly defined) industry to attack
6. **Customers who look first to you for innovations, new products, and service enhancements**. This means that your customers believe you are uniquely positioned to create value for them.

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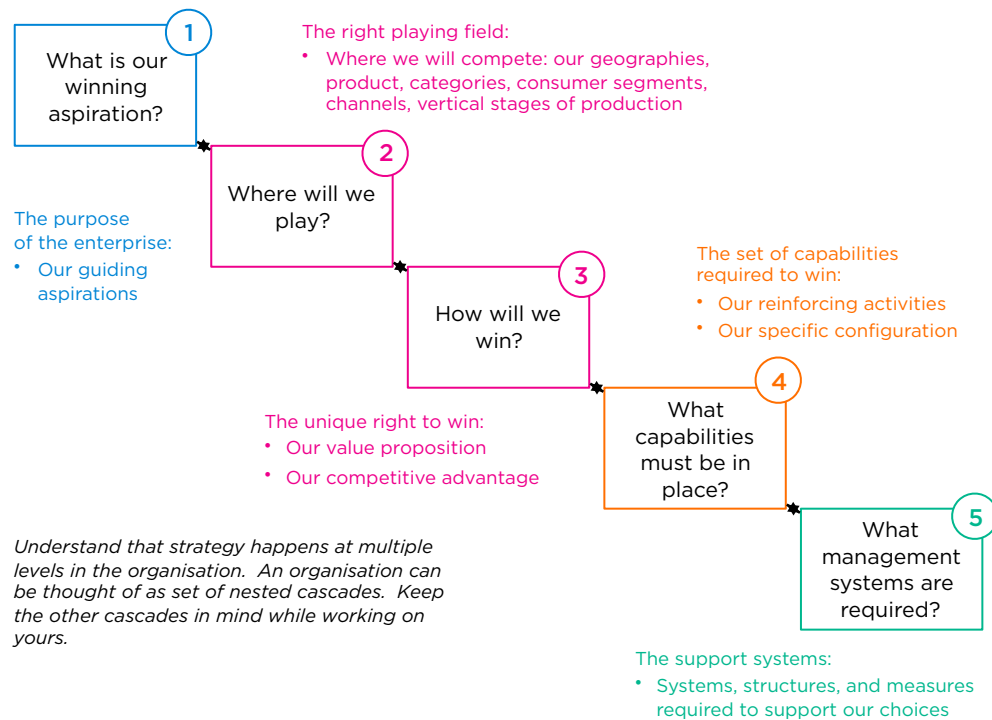
Obviously, I still recommend that you purchase and read it plus other seminal books I've summarised, including ...



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### Strategy is Choice

Strategy is a set of choices about winning. It is an integrated set of choices that uniquely position the firm in its industry so as to create sustainable advantage relative to the competition. Specifically, strategy is the answer to these five interrelated questions.



Understand that strategy happens at multiple levels in the organisation. An organisation can be thought of as set of nested cascades. Keep the other cascades in mind while working on yours.

These choices and the relationship between them can be understood as a reinforcing cascade, with the choices at the top of the cascade setting the context for the choices below, and the choices at the bottom influencing and refining the choices above.

It isn't entirely easy to make your way through the full choice cascade. Doing so isn't a one-way, linear process. There is no check-list, whereby you create and articulate aspirations, then move to where-to-play and how-to-win choices, then consider capabilities. Rather, strategy is an iterative process in which all the moving parts influence one another and must be taken into account together.

Considering the dynamic feedback loop between all five choices, strategy isn't easy. But it is doable. A clear and powerful framework for thinking about choices is a helpful start for managers and other leaders intent on improving the strategy for their business or function.

For each strategic choice depicted above, this double-sided A3 summary contains:

- A brief introduction / overview
- A description of (some) the choices made by P&G at a corporate and at an Olay brand level
- Suggestions as to the DOs and DON'Ts in tackling these questions

### 1. What is Winning

Peter Drucker argued that the purpose of an organisation is to create a customer. The authors argue that each company doesn't just want to serve customers, it wants to win with them. And that is the single most crucial dimension of a company's aspiration; a company must play to win.

To set aspirations properly, it is important to understand who you are winning with (who matters most) and against (the very best) Aspirations can be refined over time. However, aspirations shouldn't change day to day; they exist to consistently align activities within the firm, so they should be designed to last some time.

**At a P&G level the aspirations choices are:**

- Meaningfully improve the lives of the world's consumers
- Deliver leadership, sales, profits and value creation.

**At an Olay brand level the aspirations choices are:**

- Become a leading skin-care brand
- Help establish a key pillar in the P&G beauty care business, along with hair care
- Win convincingly in our chosen channels and markets.

**DOs and DON'TS**

- ✓ Do play to win, rather than simply to compete. Define winning in your context, painting a picture of a brilliant, successful future for the organisation
- ✓ Do craft aspirations that will be meaningful and powerful to your employees and your consumers; it isn't about finding the perfect language or the consensus view, but it is about connecting to a deeper idea of what an organisation exists to do
- ✓ Do start with consumers, rather than products, when thinking about what it means to win
- ✓ Do set winning aspirations (and make the other four choices) for internal functions and outward-facing brands and business lines. Ask, what is winning for this function? Who are its customers, and what does it mean to win with them?
- ✓ Do think about winning relative to competition. Think about your traditional competitors, and look for unexpected "best" competitors too
- ✓ Don't stop here. Aspirations aren't strategy; they are merely the first box in the strategic cascade.

### 2. Where to Play

And how to win, are tightly bound up with one another and are the two most critical questions in strategy formulation.

The choice of where to play defines the playing field for the company (or brand, or category, or function, etc.) It is a question of what business you are really in. It is a choice of where to compete and where not to compete.

You should avoid three pitfalls when thinking about where to play

- Failing to choose – attempting to be all things to all customers tends to result in underserving everyone
- Trying to buy your way out of an unattractive game – most often an acquisition adds complexity to an already scattered and fragmented strategy
- Accepting an existing choice as immutable – it is not easy to change playing fields, but it is doable and can make all the difference.

**At a P&G level some of the where-to-play choices are:**

- Grow from the core, focusing on leading brands, core markets, and mass customers
- Extend into home beauty, health and personal care to create more core categories and brands,

**At an Olay brand level the where-to-play choices are:**

- Move upmarket (in "masstige" channel) with existing mass retailers
- Target younger women in their 30s and 40s who are beginning to want and need anti-aging products
- Sell in major geographies (North America & UK).

**DOs and DON'TS**

- ✓ Do chose where you will play and where you will not play. Explicitly choose and prioritise choices across all relevant where dimensions (i.e. geographies, industry segments, consumers, customers, products, etc.)
- ✓ Do think long and hard before dismissing an entire industry as structurally unattractive; look for attractive segments in which you can compete and win
- ✓ Do look for places to play that will enable you to attack from unexpected directions, along the lines of least resistance. Don't attack walled cities or take your strongest competitors head-to-head if you can help it
- ✓ Don't start wars on multiple fronts at once. Plan for your competitors' reactions to your initial choices, and think multiple steps ahead.

### 3. How to Win

Where to play defines the playing field. How to win defines the choices for winning on that field. It is the recipe for success in the chosen segments, categories, markets, channels, geographies, and so on.

Remember, it is not how to win generally, but how to win within the chosen where-to-play domains.

Winning means providing a better consumer and customer value equation than your competitors do, and providing it on a sustainable basis. As Michael Porter first articulated, there are just two generic ways of doing so: cost leadership and differentiation.

**At a P&G level the how-to-win choice is:**

- Build highly differentiated brands backed by global scale and ubiquitous distribution.

**At an Olay brand level the how-to-win choices are:**

- Better anti-aging skin-care products
- Winning marketing campaign connected to consumer insights ("Fight the Seven Signs of Aging")
- Establish a "masstige" segment to compete directly against prestige brands in departments and speciality stores.

**DOs and DON'TS**

- ✓ Do work to create new how-to-win choices where none currently exist. Just because there isn't an obvious how-to-win choice given your current structure doesn't mean it is impossible to create one (and worth it, if the prize is big enough)
- ✓ But don't kid yourself either. If, after lots of searching, you can't create a credible how-to-win choice, find a new playing field or get out of the game
- ✓ Do consider how to win in concert with where to play. The choices should be mutually reinforcing, creating a strong strategic core for the company
- ✓ Don't assume that the dynamics of an industry are set and immutable. The choices of the players within those industries may be creating the dynamics. Industry dynamics might be changeable
- ✓ Don't reserve questions of where to play and how to win for only customer-facing functions. Internal and support functions can and should be making these choices too
- ✓ Do set the rules of the game and play the game better if you're winning. Change the rules of the game if you're not.

#### 4. Play to Your Strength

The capabilities choice, relates to the range and quality of activities that will enable a company to win where it chooses to play. Capabilities are the map of activities and competencies that, when performed at its highest level, enable the organisation to bring its where-to-play and how-to-win to life.

Porter noted that powerful and sustainable competitive advantage is unlikely to arise from any one capability, but rather from a set of capabilities that both fit with one another and actually reinforce one another

At a P&G level the capabilities choices are:

- Consumer understanding; Innovation; Brand Building; Go-to-market capability; and scale.

At an Olay brand level the capability choices are:

- Leverage P&G's capabilities
- Partner to build full range of beauty, design, innovation, and marketing capabilities needed to win with consumers, channels and influencers.

DOs and DON'TS

- ✓ Do discuss, debate and refine your activity system; creating an activity system is hard work and may well take a few tries to capture everything in a meaningful way
- ✓ Don't obsess about whether something is a core capability or a supporting activity; try your best to capture the most important activities required to deliver on your where-to-play and how-to-win choices
- ✓ Don't settle for a generic activity system; work to create a distinctive system
- ✓ Do play to your own, unique strengths. Reverse engineer the activity systems (and where-to-play and how-to-win choices) of your best competitors, and overlay them with yours.
- ✓ Do keep the whole company in mind, looking for reinforcing rods that are strong and versatile enough to run through multiple layers of activity systems and keep the company aligned
- ✓ Do be honest about the state of your capabilities, asking what will be required to keep and attain the capabilities you require
- ✓ Do explicitly test for feasibility, distinctiveness, and defensibility. Assess the extent to which your activity system is doable, unique and defendable in the face of competitive reaction
- ✓ Do start building activity systems with the lowest indivisible system. For all levels above, systems should be geared to supporting the capabilities required to win.

#### 5. Manage what Matters

To truly win in the marketplace, a company needs a robust process for creating, reviewing, and communicating about strategy; it needs structures to support its core capabilities; and it needs specific measures to ensure that the strategy is working. These management systems are needed to complete the strategic choice cascade and ensure effective action throughout the organisation.

The capabilities, are so important to competitive advantage that a company needs to install systems to ensure that these capabilities are properly nurtured

It's an old saying that what gets measured gets done. Measurement provides focus and feedback, Focus comes from awareness that outcomes will be examined, and success or failure noted, creating a personal incentive to perform well. Feedback comes from the fact that measurement allows the comparison of expected outcomes with actual outcomes and allows you to adjust strategic choices accordingly.

At a P&G level the management system choices are:

- Objectives, goals, strategy and measures
- Operating total shareholder return measures
- Leadership development.

At an Olay brand level the management system choices are:

- Leverage P&G systems
- Channel and partner systems
- "Love the job you're in"

DOs and DON'TS

- ✓ Don't stop at capabilities; ask yourself which management systems are needed to foster those capabilities
- ✓ Do continue strategic discussions throughout the year, building an internal rhythm that keeps focus on the choices that matter
- ✓ Do think about clarity and simplicity when communicating key strategic choices to the organisation. To get at the core, don't overcomplicate things
- ✓ Do build systems and measures that support both enterprise-wide capabilities and business-specific capabilities
- ✓ Do define measures that will tell you, over the short and long run, how you are performing relative to your strategic choices.

#### The Playbook

The strategic choice cascade, the strategic logic flow, and the reverse-engineering process represents a strategic playbook for your organisation.

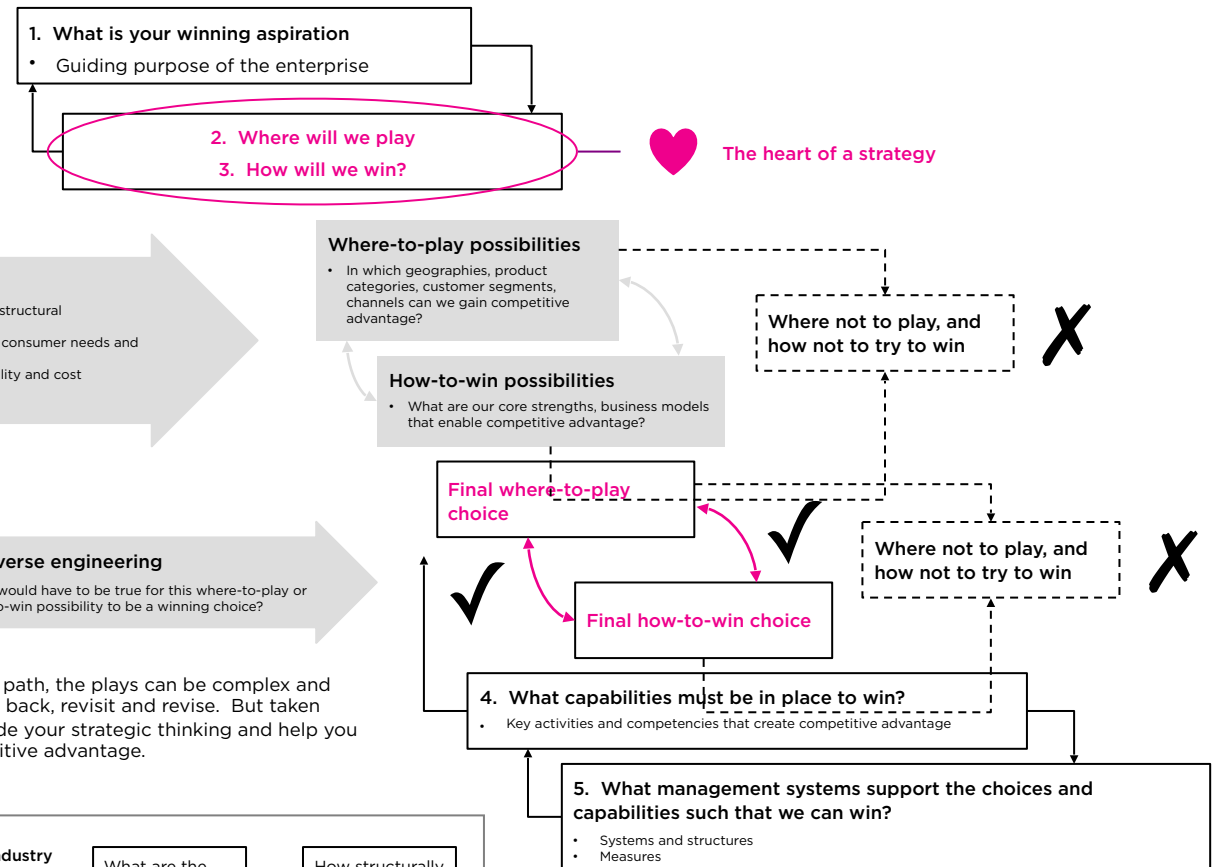
##### A. Logic Flow

- Industry (segmentation, structural attractiveness)
- Customers (channel and consumer needs and value equation)
- Relative position (capability and cost comparison)
- Competition

##### B. Reverse engineering

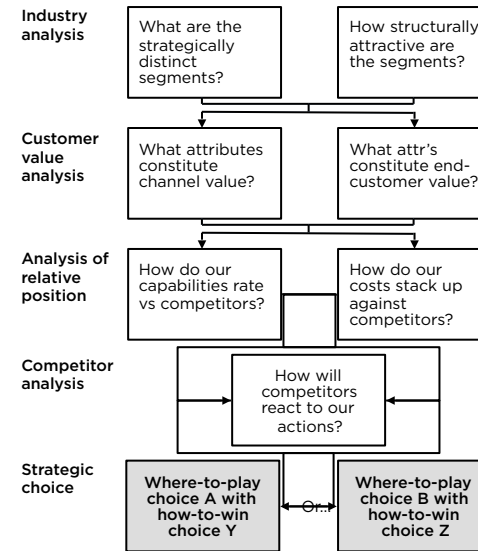
- What would have to be true for this where-to-play or how-to-win possibility to be a winning choice?

Rather, than a simple, one-way path, the plays can be complex and winding; you will need to circle back, revisit and revise. But taken together the playbook can guide your strategic thinking and help you create true and lasting competitive advantage.



#### A. Think Through Strategy

Ultimately there are four dimensions you need to think about to choose where to play and how to win. These four dimensions can be understood through a framework the authors call **Strategy Logic Flow**. When applied it spurs a thoughtful analysis of your company's current reality, context, challenges, and opportunities and leads to the development of multiple where-to-play and how-to-win choices.



#### B. Shorten Your Odds

In a typical strategy process, participants seek to find the single right answer, build unassailable arguments to support it, and sell it to the rest of the organisation. This standard approach is characterised by arguments what is true, and has many shortfalls. The authors advocate a seven step, **Reverse Engineering**, approach that explores what would have to be true, teams go from battling one another to working together to explore options.

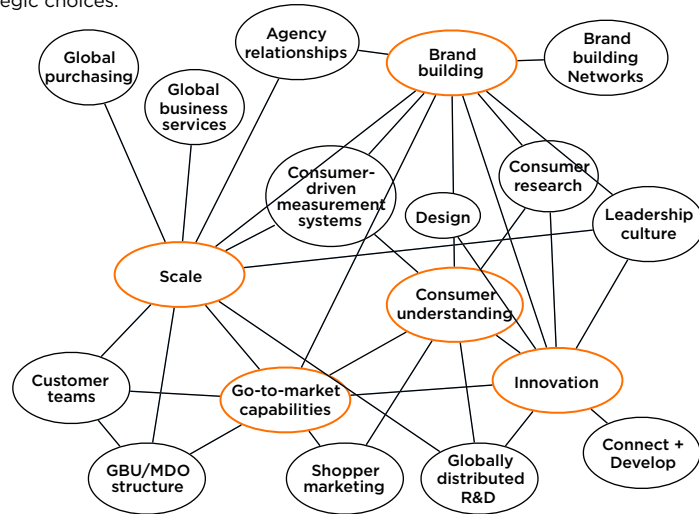
1. **Frame the choice** - Convert issues into at least two mutually independent options that might resolve the problem
2. **Generate strategic possibilities** - Broaden the list to ensure consideration of an inclusive list of possibilities
3. **Specify conditions** - For each possibility, specify which conditions must hold true for it to be strategically sound
4. **Identify barriers to choice** - Determine which conditions you feel least confident about
5. **Design validate test** - for reach barrier, design a validate test sufficient for generating commitment
6. **Conduct tests** - Conduct hypothesis-driven analysis, testing the conditions with the lowest confidence first
7. **Choose** - Compare test results to key conditions, and make an informed choice.

#### P&G's Core Capabilities and Activity System

P&G defined it's core capabilities as:

1. **Understanding consumers.** Really knowing the consumers, uncovering their unmet needs, and designing solutions for them better than any competitor can
2. **Creating and building brands.** Launching and cultivating brands with powerful consumer value propositions for true longevity in the marketplace
3. **Innovation (in the broadest sense).** R&D with the aim of advancing material science and inventing breakthrough new products, but also taking an innovative approach to business models, external partnerships, and the way P&G does business
4. **Partnering and going to market with customers and suppliers.** Being the partner of choice by virtue of P&G's willingness to work together on joint business plans and to share joint value creation
5. **Leveraging global scale.** Operating as one company to maximise buying power, cross-brand strategies, and development of globally replicable capabilities.

P&G's five core capabilities can be understood as forming the basis of P&G activity system. This system also captures the relationship between the core capabilities required to win, and the activities that support them.



#### Six Strategy Traps

There is no perfect strategy - no algorithm that can guarantee sustainable competitive advantage in a given industry or business. But there are signals that a company has a particularly worrisome strategy:

1. **The do-it-all strategy:** failing to make choices, and making everything a priority. Remember, strategy is choice
2. **The Don Quixote strategy:** attacking competitive "walled cities" or taking on the strongest competitor first, head-to-head. Remember, where you play is your choice. Pick somewhere you have a chance to win
3. **The Waterloo strategy:** starting wars on multiple fronts with multiple competitors at the same time. No company can do everything well. If you try to do so, you will do everything weakly
4. **The something-for-everyone strategy:** attempting to capture all consumer or channel or geographic or category segments at once. Remember, to create real value, you have to choose to serve some constituents really well and not worry about the others
5. **The dreams-that-never-come-true strategy:** developing high-level aspirations and mission statements that never get translated into concrete where-to-play and how-to-win choices, core capabilities, and management systems. Remember that aspirations are not strategy. Strategy is the answer to all five questions in the choice cascade
6. **The program-of-the-month strategy:** settling for generic industry strategies, in which all competitors are chasing the same customers, geographies, and segments in the same way. The choice cascade and activity systems that supports these choices should be distinctive. The more you choices look like those of your competitors, the less likely you will ever win.