

Introduction

The strategy required for business performance is a lot like the strategy required to climb a mountain. You must carefully analyze the external environment, use insights about that environment to acquire the right resources and build the right capabilities, and then execute a tightly integrated and well-timed sequence of tactical moves. Our goal is to give you access to tools, logics and frameworks to help you better climb the mountain in business and help you achieve the success you dream about.

What Makes Strategy Different Than Other Topics?

Strategy is a bit different from other management topics, which often focus on individual pieces of the business, like accounting, marketing, finance and information systems. In contrast, strategy focuses on the entire business as a whole. By taking this holistic approach we will be asking really big picture questions about how to run a business such as:

1. What determines how well a business performs?
2. Why do some companies succeed while other companies fail?
3. What, if anything, can managers actually do about it?

The Benefits of a Good Strategy

A good strategy serves as an effective boundary marker for a company. Most people recognize that a great strategy helps a company decide what to do, but it also helps a company decide what NOT to do. When we have a clear strategy that we understand, we know how to better serve the markets where we compete, and we also have clear “no” criterion – meaning that we have clear rules for when to say “no.” Companies constantly face opportunities to do new things and grow in new directions, but companies with good strategies are able to determine which of these opportunities fit and which ones do not.

Example: Hulu

One interesting illustration of this is Hulu, an online media streaming service that was founded as a joint venture of several major media companies at the time when television and movie delivery technology was shifting from over the air broadcast, cable, and DVDs to streaming.

Given its founding by traditional media companies including ABC, NBC, Fox and Time Warner, it isn't surprising that Hulu's business model included attracting consumers through high quality content and then selling consumer “eyeballs” to advertisers. Thus, Hulu was founded with a strategy that relied on making money through a combination of subscription services sold to consumers and spots sold to companies hoping to advertise their products and/or services. They did this very effectively as they developed capabilities to work with advertisers and as they acquired and delivered high quality content that consumers really liked. Thus, their strategy to compete effectively for both subscription and advertising dollars guided them in what resources and capabilities to develop as well as what tactical moves to make.

But, even paid subscribers had to view advertisements when watching their preferred programming on Hulu. Users were often frustrated, believing that they should not have advertisements with the premium service. But, Hulu was actually very strategic about their decision to keep advertisements in the premium service. The premium users, while an important source of revenue, were not actually Hulu's most important customers. The advertisers were the core customers and Hulu users were actually the product Hulu was selling to those advertisers. Thus, when premium users asked for no ads, Hulu simply said “no”

because eliminating ads was inconsistent with their core strategy at the time. In this case, Hulu's strategy helped clarify both what they said "yes" to, as well as what they said "no" to.

Tools of Strategy

As we will see in subsequent topics, business success occurs at the intersection of a market opportunity and a firm's abilities to capitalize on that opportunity. Thus, the tools of strategy will help you simultaneously analyze market opportunities, or the external business environment, as well as the firm's internal resources and capabilities, or the extent to which the firm can effectively compete.

While learning strategy you will become familiar with many approaches, frameworks, models and theories such as external analysis (such as five forces and PEST analysis), competitive dynamics, internal analysis (such as resource and capabilities analysis and barriers to imitation), and so forth. Often these are studied one at a time, in isolation, without necessarily thinking about their limitations or how they can be used in combination. We want to be sure that you understand the strengths and limitations of each tool and, accordingly, help you develop a strategist's intuition for when and how to appropriately use the tools. Otherwise you just end up with a messy drawer full of tools making it difficult to decide which tool to use, and you may even end up trying to use the wrong tool for a given job. The real power of the strategy tools comes when you can pull out the right tool and use it appropriately AND when you can effectively use the tools together. When you can do this well, then your insights will be powerful.

4 D's

Before we dive into the actual strategy tools themselves, we want to give you a high-level overview of the four key ways strategists use their tools and frameworks, which we refer to as the four Ds, a framework for thinking about strategy developed by Mike Hendron. These are: describe, diagnose, develop and deploy. We briefly introduce each here.

The first and most fundamental way to use strategy tools is to simply **DESCRIBE** a strategy and the current strategic state of a business. Can you explain what a business is doing, or attempting to do, in a clear, coherent, understandable manner that covers the key areas of strategy? This is critical for both the executives who are managing the strategy, as well as the employees who are expected to execute the strategy. For example, in what competitive environment is the company competing and how is that company trying to win in that environment? Effectively describing strategy ensures that we are all on the same page on what to say "yes" to and what to say "no" to.

The description phase is a bit like going in for a routine checkup with your doctor where you provide some basic personal information (like age, occupation, height, blood type, allergies, level of routine activity, etc.) and then have other basic health indicators measured like heart rate, blood pressure, and cholesterol level. Your doctor takes a look at all of these indicators and then can describe your current state of health.

The second way to use strategy tools is to **DIAGNOSE** a situation. Often, we begin thinking about strategy when things start to go badly for a company, or perhaps when we are incredibly successful. Naturally, we then want to understand why things are going well. Is a business succeeding or failing? Why? What might be wrong with the strategy? Consider a doctor trying to diagnose illness or injury in a patient by observing symptoms, conducting additional tests, and then using her knowledge of physiology and various conditions obtained in school and through experience. Even if a patient isn't ill, it can be valuable to make a general diagnosis to ensure the patient is healthy and able to engage in some physically

demanding activity such as climbing Everest or running a marathon. Similarly, a strategist examines the business holistically using her tools and frameworks and tries to hone in on the core problems and/or opportunities. Is this patient fit to prepare for a marathon or do we need to determine a course of treatment, and how urgently does that treatment need to happen? Is the business positioned to grow aggressively or do they need to fix internal issues? And do those fixes need to happen quickly or can they occur gradually?

Third, strategists use their tools to **DEVELOP**, design or formulate new strategies. What could be done differently based on the problems and opportunities you identified in your diagnosis? This is akin to prescribing a treatment protocol for the patient. Will a prescription for antibiotics solve the problem, or will it require something more drastic like surgery. We come up with plans to update our strategy to ensure we are overcoming any issues and achieving the maximum success. It can also be the most exciting role for strategists.

Fourth, strategic tools and frameworks can help as we work to implement or **DEPLOY** our given strategy. What good is dreaming it if we don't actually do it? In the case of the patient, they actually have to take the medicine, go through the surgery, and/or follow the diet and exercise regimen that has been prescribed. This is akin to ensuring we have the resources and capabilities necessary to execute our strategy, and then putting procedures, policies and practices in place to make sure that we implement effectively. Deployment, or implementation, is one of the most important--and often one of the most difficult--tasks for a strategic leader.

We view these four D's as being interconnected in a cycle. You might begin with **DESCRIBING** your strategy and then proceed through **DIAGNOSING**, **DEVELOPING** and **DEPLOYING**, but the cycle doesn't stop there. Our internal and external business environments are continually in flux, so as soon as we implement new strategies we need to move through the cycle again to ensure that our new strategies fit with the changes that are coming. And from time to time we may pick one of these D's and dive into it in depth to address a targeted need or problem.

As you become more familiar with the strategy tools and frameworks, you will be better able to recognize in the moment whether you are using strategy tools to primarily help you with describing, diagnosing, developing or deploying strategy. You will also be better able to pull out the right strategy tools and use them together effectively to help your company with exactly what they need in the moment to increase the odds of business success.

Conclusion

So, in summary, strategy is about answering the big picture business questions, and a good strategy acts as an effective boundary marker for the company. Great strategists become experts in strategy tools and learn how to use them independently and together as they work to describe, diagnose, develop and deploy strategies. We hope you find our portfolio of materials useful as you become a great strategist!