Eight Minutes, Not Eight Hours

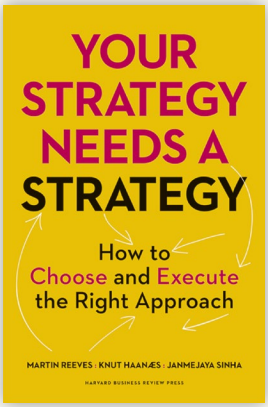
November 2022

Your Strategy Needs a Strategy

How to Choose and Execute the Right Approach

BOOK AUTHORS: **MARTIN REEVES, KNUT HANNÆS, AND JANMEJAYA SINHA**

Published 2015



In *Your Strategy Needs a Strategy,* Martin Reeves, Knut Hannæs, and Janmejaya Sinha of The Boston Consulting Group offer five core business strategies – Classical, Adaptive, Visionary, Shaping, and Renewal – drawn from a five-year study they conducted across major industries to help leaders navigate increasingly uncertain and fluid business environments. The authors offer guidelines to determine which category a business falls under and a series of questions to ask when shaping the appropriate business strategy. Insights were drawn from 150 clients across major industries, including the financial, pharmaceutical, technology, and agricultural industries.

Key Quote:

"It's not that we lack powerful ways to approach strategy. It's that we lack a robust way to select the right ones for the right circumstances" (p. 3).

"To address the combined challenge of increased dynamism and diversity of business environments as well as the proliferation of approaches, this book proposes a unifying choice framework: the strategy palette" (p. 5).

Key Points:

Introduction: The authors describe five strategic business environments based on "***predictability*** (can you forecast it?), ***malleability*** (can you, either alone or in collaboration with others, shape it?), and ***harshness*** (can you survive it?)" (p. 6). They describe the five strategies according to a "palette" of environment and approaches, and name each type's "strategy archetype" (p. 7).

Classical: "I can predict it, but I can't change it." Archetype: "be big" (pp. 6-7).

Adaptive: "I can't predict it, and I can't change it." Archetype: "be fast" (pp. 6-7).

Visionary: "I can predict it, and I can change it." Archetype: "be first" (pp. 7-8).

Shaping: "I can't predict it, but I can change it." Archetype: "be the orchestrator" (pp. 7-8).

Renewal: "My resources are severely constrained." Archetype: "be viable" (pp. 7-8).

Key Concepts:

CLASSICAL BUSINESS ENVIRONMENTS

Classical business environments exist in a stable industry with a predictable outlook and consistent competition. These industries are mature, based on "stable technologies," display "moderate but constant growth," and exist in a stable regulatory environment (p. 34).

"It's not that we lack powerful ways to approach strategy. It's that we lack a robust way to select the right ones for the right circumstances."

A classical approach is "deliberate" and "precise." Leaders spend short periods of time analyzing competitors, the attractiveness of markets and segments, and market outlooks. Strategy in this type of business takes a long-term view and is implemented with great discipline, detailed milestones, and performance metrics (p. 55).

Example: Sam Walton, the founder of Walmart, demonstrated the meticulous attention to detail the classic approach requires when he was arrested in a local grocery store of one of his competitors. He had been crawling around the stores of his competitors measuring their aisle widths in order to better inform his store design (p. 54).

Tips: Be open to surprise and make a concerted effort to reevaluate your firm's strategic position on a cyclical basis. Differentiate your firm on capabilities that are meaningful and difficult to imitate instead of those that are easier and cheaper to build. Apply the same philosophy to your innovation process.

Traps: Don't follow a complex set of plans and tools without question. "The way it's always been" should never beat "the way it should be." Don't assume a classical approach by default.

ADAPTIVE BUSINESS ENVIRONMENTS

An adaptive business environment flows similarly to a classical approach. Adaptive firms differ in that they need to more quickly generate novel ideas and rapidly select and scale the best ones. "Strategy emerges from the continuous repetition of this ***vary, select, scale up*** thought flow" (p. 61).

The adaptive approach is externally oriented to capture trends and market signals and is "decentralized" and "flexible to reallocate resources" as the experimentation cycle evolves. Frequently, adaptive firms embed customer feedback into their innovation process and use it as a main source of idea generation (p. 79).

Tips: Look for what you don't know, as well as what you do, favor a series of small bets over one large bet, and "iterate frequently," looking to "learn faster" with each cycle. Discipline in adaptive environments is in the selection and scaling of new ideas (p. 86).

Traps: Don't invest everything in elaborate predictions or be too rigid in your plan. Be wary of punishing failure, as this will crush employees' creative juices and hinder the experimental process, and check to see if you're overconfident (p. 85).

VISIONARY BUSINESS ENVIRONMENTS

A visionary leader has a fixed goal but a flexible means to realize it. Set high-level markers instead of elaborate financial and operational milestones commonly used in classical approaches. There are four signs that are triggers for visionary leaders: 1) "megatrends," 2) "individual breakthrough technologies," 3) "customer dissatisfaction," and 4) the fringe activity of "mavericks" in the industry (p. 98).

When communicating your visionary message, it is best to over-communicate to customers, employees, and investors in order to recruit brand evangelists. "Celebrate and broadcast early wins" immediately to create the perception of traction and credibility (p. 101).

The authors describe five strategic business environments based on "predictability (can you forecast it?), malleability (can you, either alone or in collaboration with others, shape it?), and harshness (can you survive it?)."

Tips: Timing is everything in a visionary environment. Be bold in your vision and strategy, use flexible means to reach your vision, and communicate it early and often (p. 112).

Traps: Don't confuse "detailed planning with a clear direction." Avoid an incremental mindset, and realize that a visionary approach is not sustainable long term. Once the business is established, it often needs to adopt a different approach (p. 112).

SHAPING BUSINESS ENVIRONMENTS

A shaping strategy is best used when an industry is in nascent stages of its evolution. These industries are often highly fragmented, young, dynamic, or freshly disrupted (p. 119). In a shaping environment, it is critical to "select and engage stakeholders" early on and ensure employee ownership of a "shared vision" to foster collaboration (p. 138).

Tips: Build relationships strategically and deeply. Stakeholder influence will often make or break businesses operating in these environments. Encourage "diversity and dynamism" internally, and avoid putting monetary gains over diversity (p. 140).

Traps: Avoid micromanaging the internal "ecosystem" (p. 139).

RENEWAL BUSINESS ENVIRONMENTS

Take a renewal approach when your "industry or company displays low or negative growth," has "suffered from an internal [or external] shock," or if your company has "restricted access to capital" (p. 150).

Firms in a renewal strategy are essentially in crisis mode. They need a "heads-down mentality to support disciplined, action-oriented execution of the survival plan." Leadership should publicly reward employees who stick to the plan, and should temporarily "discourage risk-taking" (p. 164).

Tips: "Immediately cut, with courage" (p. 169). When business results start to improve, leadership needs to cultivate a new culture that is outward-looking, growth-focused, and tolerates risk. This is difficult to do after periods of anxiety and short-term focus.

Traps: Be cautious of breeding a culture of pessimism and inciting low morale. Celebrate small wins and emphasize the long-term view to energize and retain employees.

THE EIGHT LEADERSHIP ROLES FOR A DYNAMIC MARKETPLACE

The authors describe eight key types of leaders on pages 198-199.

Diagnostician: Routinely diagnose the "predictability, malleability, and harshness of each business environment."

Segmenter: Structure the organization to balance the "trade-off between precision and complexity."

Disrupter: "Protect the organization from becoming rigid and to modulate or change approaches when necessary."

Team Coach: Develop team members' understanding of the strategy and hire the right talent.

Salesperson: Leaders must "advocate and communicate the strategic choices" to both investors and employees.

A shaping strategy is best used when an industry is in nascent stages of its evolution. These industries are often highly fragmented, young, dynamic, or freshly disrupted.

Inquisitor: Ask "probing questions – not dictating answers – to help stimulate the critical thinking flow" and reset the context.

Antenna: "Look outward" and "selectively amplify important signals to ensure that each unit stays in tune" with the marketplace.

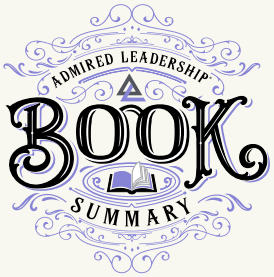
Accelerator: Invest resources in "critical initiatives," especially when the approach has changed or is facing resistance (pp. 198-199).

Reeves, M., Hannæs, K., & Sinha, J. (2015). ***Your Strategy Needs a Strategy:*** How to Choose and Execute the Right Approach: Boston, Harvard Business Review Press.

Firms in a renewal strategy are essentially in crisis mode.

They need a "heads-down mentality to support disciplined,

action-oriented execution of the survival plan."



The Latest and Greatest Books for Leaders

We work hard to stay abreast of the current writings on leadership, especially those books our clients are reading or have been recommended to read. As a benefit to our clients and to facilitate our own learning, the Admired Leadership team has long maintained a tradition of summarizing the newest books of interest to leaders. Better to read a summary for eight minutes before investing eight hours in the entire book. After reading a good summary, we believe leaders are able to make better choices as to what to ignore, what to peruse and what to make the time to read closely.

Admired® LEADERSHIP