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The Right to Win

Business strategy is at an evolutionary crossroads. It's time to resolve the long-standing tension between the inherent identity of your organization and the fleeting nature of your competitive advantage.

BY CESARE MAINARDI WITH ART KLEINER

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Business strategy is at an evolutionary crossroads. It's time to resolve the long-standing tension between the inherent identity of your organization and the fleeting nature of your competitive advantage.

The RIGHT to WIN

by Cesare Mainardi with Art Kleiner

It's 8 A.M. in the executive conference room of a large global packaged-foods manufacturer (a real company, its name withheld to preserve confidentiality). For the past two months, a team made up of 15 senior people has been exploring options for growth, winnowing them down to three basic strategies. Each is now summed up in a crisp 20-minute presentation.

The first option focuses on innovation. The company would rapidly develop and launch many new types of snacks and foods, packaged in new and interesting ways, offering leading-edge nutrition and convenience.

Under the second option, the company would get closer to its customers, producing the food people ask for. It could incorporate ideas gathered online into its offerings and provide busy working families with customizable, convenient, and well-balanced meals.

The third option would involve transforming the dynamics of the relevant food sectors by competing more aggressively. The company would become a category leader by investing in new process technology, rightsizing operations to push costs down, and completing key acquisitions.

After the screen goes blank, the CEO leans forward and asks a simple question: "Which strategy would give us the greatest right to win?" His tone, calm and direct, makes everyone sit up a little straighter. And they probably should, for this is the core question underlying every business strategy, although it isn't always phrased that way.

A right to win is the ability to engage in any competitive market with a better-than-even chance of success — not just in the short term, but consistently.

Photo illustration by Holly Lindem

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Disclosure
At least four people named in this article have been contributors to *s+b*: Ram Charan, Walter Kiechel, Henry Mintzberg, and C.K. Prahalad. Others named in the article have had associations with *s+b* staff members, with Booz & Company, or with its competitors. Where we assess individuals' contributions and impact, we have tried to do so independent of any such associations.

Imagine a coach, observing a player entering a sports competition, saying, "That kid has the right to win out there." Or a teacher, watching a student about to take a test, saying, "That student deserves to excel." What they are really saying is, "That contestant is the right player, in the right type of contest, with the precise capabilities needed to meet this particular challenge." Of course, the contestant will lose at times, but over the years, a consistent innate advantage will establish itself, giving this contestant the ability to pull off seeming miracles while making it all look easy. This essential advantage is particularly rare in business — a more free-form and unpredictable game than sports or academia. But it is increasingly important at a time of unprecedented competitiveness.

The phrase *right to win* may strike some observers as arrogant. After all, no company has this kind of assurance handed to it. But that's precisely the point. The right to win cannot be taken for granted. It must be earned. You earn it by making a series of pragmatic choices that align your most distinctive and important capabilities with the way you approach your chosen customers, and with the discipline to offer only the products and services that fit. At Booz & Company, where we call this approach a capabilities-driven strategy, research and experience have led us to conclude that only high levels of coherence — among market strategy, capabilities systems, and a company's portfolio of offerings — can give any firm the right to win.

All corporate strategies are at heart theories about the right to win. That is why, for those trying to understand the nature of business success, the history of strategy is both helpful and fascinating. One valuable recent source is *The Lords of Strategy: The Secret Intellectual History of the New Corporate World* (Harvard Business Press, 2010), in which former *Fortune* managing editor Walter Kiechel recounts the prevailing theories of business strategy over the past 50 years, and the stories of the people who developed them. Drawing on Kiechel's history and those of others, such as Henry Mintzberg, Bruce Ahlstrand, and Joseph Lampel in *Strategy Safari: The Complete Guide through the Wilds of Strategic Management* (2nd ed., FT Prentice Hall, 2009), we have created a map of this conceptual landscape, organized on the basic principles underlying theories of the right to win. (See Exhibit 1.) The map depicts four broad schools of strategy; each represents a hypothesis about the nature of long-term success in a competitive world.

The Basic Tension in Strategy

Business strategy, as we know it today, has a relatively short history. The word *strategy* was first applied in print to mainstream business in 1962, with the publication of Alfred Chandler's book *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (MIT Press). Since then, at least a dozen major trends and ideas have appeared under the rubric of business strategy, often in great conflict with one another, often drawing companies in very different directions. Despite their differences, all four schools of strategy represent attempts to resolve the same basic underlying problem: the tension between two conflicting business realities.

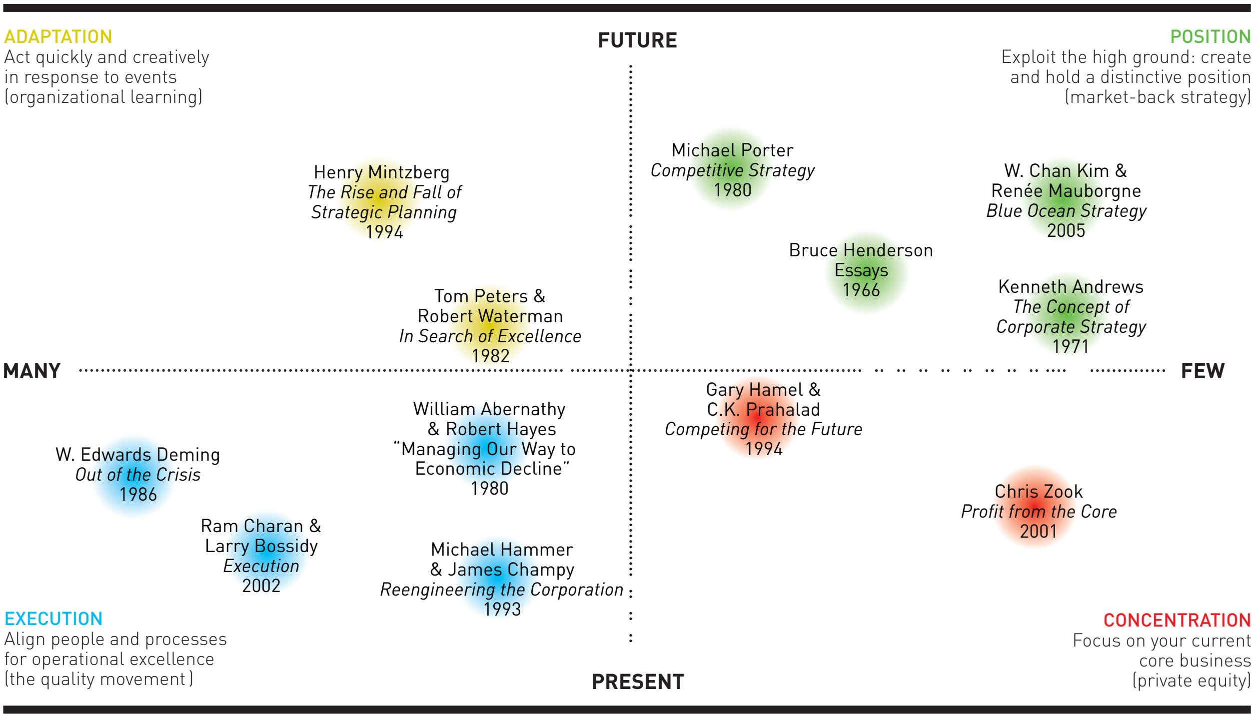
The first reality is that advantage is transient. Even the most formidable market position can be vulnerable to technological disruptions, upstart competition, shifting capital flows, new regulatory regimes, political changes, and other facets of a chaotic and unpredictable business environment. As William P. Barnett showed in

Exhibit 1: **A Landscape of Strategy Concepts**

Each of these four quadrants represents a basic school of thought in business strategy about the nature of the right to win. Starting at the upper right, the schools are Position (winners select favorable markets as defined by external forces); Concentration (winners make the most of current core strengths and businesses); Execution (winners gain advantage through operational excellence); and Adaptation (winners develop an overall direction through experimentation and rapid change). From the 1960s to today, many companies have bounced from one quadrant to another.

The grid itself reflects views of the best approach for developing business strategy. The X-axis represents the point of view on authorship: Who is responsible for major strategy decisions? At left are those who favor collective choice (strategic thinking is instilled among as many people throughout the company as possible). At right are those who favor top-down formulation (strategy is developed by the few, the designated expert planners and senior executives, while the rest of the enterprise is dedicated to execution).

The Y-axis depicts time orientation: the degree to which strategy is seen as present- or future-oriented. At the top are those who favor moving toward a long-term destination that may be different from the company's current position. At the bottom are those who favor letting the company's strategic direction emerge from its current state.



Source: Walter Kiechel, *The Lords of Strategy*; Art Kleiner, *The Age of Heretics*; Henry Mintzberg, Bruce Ahlstrand, and Joseph Lampel, *Strategy Safari*

The Red Queen among Organizations: How Competitiveness Evolves (Princeton University Press, 2008), this turbulence can never level off into stability; as companies copy and outdo one another's proficiencies, the game of business continually becomes more challenging. Rapid economic growth in emerging markets has made advantage even more transient, bringing billions of people into the global economy, along with hundreds of energetic new business competitors.

One might assume that the answer is to become completely resilient, morphing to match the changing demands of the market. But companies can't, because of the second reality: Corporate identity is slow to change. The innate qualities of an organization that distinguish it from all others — its operational processes, culture, relationships, and distinctive capabilities — are built up gradually, decision by decision, and continually reinforced through organizational practices and conversations. Very few companies have thoroughly reinvented themselves, and those that have managed it have typically had to force many people out, including top executives, and to replace them with new recruits chosen for a different set of attitudes and skills. Even when leaders recognize the need for change or know that the company's survival is at stake, this identity is difficult to shift; if no deliberate effort is made to refresh it, it can stagnate to the point where it erodes advantage from within. As writers such as Jim Collins, Clayton Christensen, and Donald Sull have noted, it's all too easy for established companies to fall prey to complacency and hubris (Collins), entrenched customer relationships and disruptive technologies (Christensen), or inertia (Sull).

Yet although the "stickiness" of a company's identity is typically regarded as a weakness, it's also a great source of strength. No company can survive long, let alone distinguish itself, without a rich body of capabilities and a resonant corporate culture. Indeed, the fundamental enabler of strategy — the source of competitive advantage — is a distinctive, coherent corporate identity. This is the quality that attracts customers, investors, employees, and suppliers. It is grounded in internal capabilities (that is, the things your company can do with distinction) and in market realities (that is, the games in which your company chooses to play).

The yin and yang of strategic fad and fashion — the movement of business leadership from one trend to another over the past 50 years — has often led companies to make incoherent and ineffective moves. The answer is not to keep adopting new theories in hopes of finding the right answer, but to develop your own capabilities-driven strategy: your own theory of coherence for your business. How do you capture value, now and in the future, for your chosen customers? What are your most important capabilities, and how do they fit together? How do you align them with your portfolio of products and services? The more clearly and strongly you make these choices, the better your chances of creating a corporate identity that gives you the right to win in the long run. Not surprisingly, each of the four basic schools of thought in Exhibit 1 (position, execution, adaptation, and concentration) has something significant to offer business strategists, so long as they are adopted in an appropriately balanced way.

The Value of Position

According to Walter Kiechel, strategy became relatively formal in the 1960s for two reasons. The first was an increasing amount of available data on business costs, prices, and operational performance. The second reason was uncertainty, and the anxiety that went with it. The economic stability of the early 1960s dissolved into the turbulence of the 1970s and ’80s, striking different components of society with different degrees of prosperity and calamity. No company could ever be sure it would remain on top (even in established industries such as steel and automobiles), global economies were highly interconnected (although it wasn’t always quite clear how they might interact), and corporate decision making was increasingly constrained by fiercer capital markets and upstart technologies.

When intuitively obvious decisions fail, people yearn for better guidance. Thus, starting in the mid-1960s, the idea of strategic planning, with echoes of Napoleon, Carl von Clausewitz, and Sun Tzu, evolved into an irresistible business management fashion. In its pure form — as delineated by Kenneth Andrews and Igor Ansoff, the premier authorities on business strategy at that time — a strategy was an overarching plan for growth, usually written up in a formal document and endorsed by the CEO, aimed at creating an unassailable position for the company in the marketplace.

These early efforts by the position (or positioning) school assumed that the right to win would be held by companies that comprehensively analyzed all critical factors: external markets, internal capabilities, and the needs of society. Although Andrews said the goal should be a simple “informing idea” about the direction of the business, it inevitably became a complex checklist of strengths, weaknesses, opportunities, and threats (the origin of the SWOT analysis still prevalent today). This was long before the invention of the spreadsheet program, so big companies hired armies of planning staffers

The fundamental enabler of strategy — the source of competitive advantage — is a distinctive, coherent corporate identity.

to compile all this data into elaborate documents, which were debated in annual strategy sessions that became exercises in bureaucratic complexity. Only gradually did it become clear that the plans did not correlate with real-world performance or issues.

A breakthrough in the position school occurred in 1966 when Bruce Henderson, founder of the Boston Consulting Group (BCG), began to market services based on what he called the "experience curve." Analyzing cost and price data across companies and industries, Henderson showed that as experience with operations led to greater proficiency, the capacity to produce increased and costs dropped. The phenomenon was hardly noticeable month by month, but every few years, capacity doubled and costs dropped 10 to 30 percent, so reliably that many companies could plan their investment cycles and competitive marketing accordingly. For example, Texas Instruments Inc. (TI) cut the prices of its semiconductor chips and electronic calculators every few months. Sales rose as customers switched to TI from competitors, and production costs then fell further, which allowed TI to drop prices even more. Even the billing procedures and advertising budgets became more efficient as those departments managed greater volumes.

To Henderson, the right to win went to companies that made the best use of the experience curve by holding the leading position in market share for their sectors. This meant emphasizing the value of some divisions over others, basing those judgments on the dynamics of each business's customer base (Henderson was an early proponent of market segmentation) and on its competitive position. The famous growth-share matrix divided a company's businesses into "stars" (high growth and market share), "dogs" (low growth and share), "question marks" (high growth, low share) and "cash cows" (low growth, high share), thus providing a clear rationale for reallocating investment. For instance, it was worth borrowing money to keep a star shining, because a star might end up dominating its market niche.

The experience curve and growth-share matrix rapidly became popular because they worked powerfully well — at first. But in practice, these tools had a serious flaw: As retroactive analyses of a company's past success, they made it irresistible to continue that same behavior into the future, even when circumstances changed (for example, when competitors began to apply the same approach). This led many companies into counterproductive strategies. Some, including Texas Instruments, got caught up in ruthless price wars that contributed to the commoditization of their own products.

More generally, many business leaders became disenchanted with the idea of formal strategic planning. It was expensive, and it didn't necessarily make companies profitable. For example, Ford and General Motors experienced losses of more than US$500 million in 1979 and 1980 — their first such losses in decades. In the aftermath of these and other sharp reversals, mainstream business leaders began to question the wisdom of the position school, and its claim on the right to win.

Execution Strikes Back

Those most annoyed by the position school tended to be in production and operations. No wonder, then, that the first great contrary reaction came from operations; specifically, from the Harvard Business School's (HBS) operations management department, which had been gradually losing status to finance. Two members of the

The Sirens of CPG Strategy

by Steffen Lauster

Some strategic concepts, if they're held as sacrosanct, can lead an entire industry in the wrong direction. Something of that sort has happened during the past two decades in the consumer packaged goods (CPG) industry. Two of the most influential strategy ideas are so widely held, so intuitively appealing, and so apparently true in practice that they are very hard to give up. Yet they can also be quite dangerous to follow.

The first of these misleading ideas is that "bigger is better." Since the 1980s, CPG companies have tried hard to expand. The conventional wisdom said that the best shareholder returns would accrue to companies with huge brands and the scale to compete in developing markets. The second idea is that "consolidation is inevitable." For years, experts have predicted that most consumer packaged goods segments would end up like carbonated beverages, shaving products, and disposable diapers — dominated by just two or three big players that took advantage of their scale to acquire or crowd out rivals, while a handful of niche players battled over the scraps.

Recent studies conducted by Booz & Company of total shareholder return among CPG companies show that both of these ideas are, at best, incomplete. Companies that follow them end up sacrificing performance. To be sure, there are categories where scale matters, where one or two players dominate. But many food and consumer products sectors are fragmenting instead, with room for many profitable entrants. In coffee, ready-to-eat meals, shampoos, and pasta sauces, for example, there are more small companies than there used to be; mass and price don't matter as much as perceived quality. In the New York area, jars of Rao's Homemade marinara sauce (the same sauce served in the famous Rao's restaurant of East Harlem) are flying off the shelves.

These days, the best-performing consumer products companies — whether large or small — are those with the greatest coherence. Their market strategy, capabilities system, and product lineup all fit together. They invest their capital and attention in just three to six differentiated capabilities, supporting all the products they offer. This gives them a level of efficiency and effectiveness that most of their competitors can't match.

In the end, the problem with strategy concepts is not that they're wrong; they are, in fact, often right. But they are not universal. Beware any strategic idea that most other companies find beguiling. The right strategic destination is different for every company, even in a mature industry like consumer packaged goods.

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faculty found themselves in Vevey, Switzerland, during the summer of 1979: William Abernathy, the HBS expert on auto manufacturing, and Robert Hayes, known for his studies of assembly lines. Researching the differences between European and U.S. multinationals, Hayes visited a small machine tool manufacturer in southern Germany. Sophisticated Americans barely understood computer-aided manufacturing software, but this firm of 40 people was using it on a daily basis, and producing custom-made tools. Other plants in Germany, Switzerland, France, and even eastern Europe were using machine tools in ways that the Americans couldn't match.

At a seminar that summer, a European businessman asked Hayes why American productivity had declined so much during the past 10 years. Hayes hauled out the standard answers: organized labor, government regulations, the oil crisis, and the attitudes of the younger generation (which, at the time, meant the baby boomers). The attendees looked at him with polite amusement. "We have all those factors here," one said, "and our productivity is increasing."

Confused and shaken, Hayes began taking regular hikes and having long conversations with Abernathy, who had just arrived in Vevey and saw similar stagnation in the U.S. auto industry. Only one explanation made sense to them: The reliance on market share and financial growth as strategic objectives was crippling U.S. industry. For example, many companies had cut back any initiative that didn't seem to guarantee rapid returns, and the entire U.S. economy was suffering as a result.

Abernathy and Hayes wrote up this conclusion in an article for the *Harvard Business Review* (*HBR*) called "Managing Our Way to Economic Decline," published in July/August 1980. It is still one of the magazine's most requested reprints, and one of the most controversial articles in its history. They had introduced another school of strategic thought, based on the idea that the right to win came from execution and operational excellence: the development and deployment of better practices, processes, technologies, and products.

The execution message was bolstered by companies such as General Electric and Motorola, which provided influential examples of operations-oriented strategies with their reliance on executive training and such practices as Six Sigma.

Operational excellence was also a basic tenet of the quality movement — the continuous improvement practices that were developed at the Toyota Motor Corporation and a few other Japanese companies in the 1950s and ’60s and are now generally known as lean management. Of the many people associated with the quality movement, including Toyota’s influential chief scientist Taiichi Ohno, the most significant for corporate strategy was W. Edwards Deming. Deming was an American statistician born in 1900. He began consulting regularly in Japan just after World War II, helping Japanese companies develop their production systems. Ignored in the West at first, he became prominent in the United States after 1980, and actively taught and consulted with many of the world’s leading companies until his death in 1993. Deming saw his methods as critical for escaping economic malaise (his most prominent book was titled *Out of the Crisis* [MIT Press, 1986]). In his view, the right to win was held by companies that honed and refined their day-to-day processes and practices, eliminating waste, training people throughout the company to use statistical methods, and cultivating the intrinsic “joy in work” that people feel when they are truly engaged in their jobs.

Although the execution school would be frequently challenged, it continued to gain influence through the early 1990s — especially after it was adapted by Michael Hammer, an MIT computer science professor, into an approach called “reengineering.” According to Hammer, the right to win went to companies that looked freshly at all their processes, as if redesigning them from scratch. Unfortunately, many companies used reengineering as a launching pad for across-the-board layoffs that left them weaker, and operational excellence couldn’t compete with the exuberance of the high-tech bubble. By the end of the 1990s, execution-based strategy had been largely relegated to the production side of the business.

The idea of building value through managerial methods returned to strategic relevance after the dot-com bubble burst. Its return was symbolized by the business bestseller *Execution: The Discipline of Getting Things Done,* by strategy expert Ram Charan and then Honeywell CEO Larry Bossidy, a well-known GE alumnus (with Charles Burck; Crown Business, 2002). Many leaders now understood, through experience, both the value of improving execution and its challenges. It generally required major changes in managerial and employee behavior. As BCG strategist George Stalk complained to Walter Kiechel, “That was a lot more difficult than just ‘buying a concept off a shelf.’ ”

Michael Porter’s Advantage

The other major limit of the execution school was best articulated by HBS professor Michael Porter — probably the most influential thinker on corporate strategy in the institution’s history, and a source of new vitality for the position school. In his early publications, from the late 1970s to the early 1990s, Porter brought positioning to a level of unprecedented sophistication. He recast the turbulence of a company's business environment into a "value chain" and "five forces" (competitors, customers, suppliers, aspiring entrants, and substitute offerings): two frameworks that could be used to analyze the value potential and competitive intensity of any business.

Then, in his flagship *HBR* article called "What Is Strategy?" (November/December 1996) Porter pointed out that operational excellence could guarantee competitive advantage for only a limited time. After that, it too would lead to diminishing returns as other companies caught up. (Indeed, most observers believe that Ford, GM, and other Western automobile manufacturers have done exactly that between 1980 and 2010; it may have taken them 30 years, but the quality and resale value of their motor vehicles is, as a whole, rising to meet that of Toyota and Honda.)

To Porter, execution-oriented ideas like reengineering, benchmarking, outsourcing, and change management all had the same strategic limit. They all led to better operations, but ignored the question of which businesses to operate in the first place. Porter argued for picking industries or markets where either overall conditions were favorable — where most companies were relatively weak, suppliers had relatively little clout, and aspiring entrants were few — or where a company could differentiate itself. In "What Is Strategy?" Porter used Southwest Airlines Company as an example of differentiation in a relatively unattractive industry. Southwest's market power came from the choice not to follow the spoke-and-hub routing model of other airlines, but to offer "a unique and valuable strategic position" — flying only direct routes, with one type of aircraft, using automated ticketing and limited services (for example, no assigned seats). These and other strategic choices allowed the airline to operate a different type of flying business, one that could offer attractive prices and convenience even when compared with travel by bus, train, or car. Sure, operational excellence was involved: Southwest had perfected fast turnarounds and friendly customer service. But the core strategic decision was the pursuit of simplicity through a clear market strategy.

The position school became a major driver of the resurgence of corporate competitiveness in the West during the 1980s and '90s. W. Chan Kim and Renée Mauborgne took the position argument to its extreme with *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Harvard Business School Press, 2005). Big companies, they advised, should look for new upstart positions themselves, in places where there were no competitors already, breaking out of conventional ways of looking at their industry. The popularity of that approach demonstrated the pressure that business leaders felt to break free of established practices and find a niche that they could dominate with first-mover advantage.

The limits of the position school became evident in the 1990s and 2000s. Although Michael Porter took pains to explain that industry structures can change and can be shaped by the actions of leading companies, he was interpreted as saying that some industries are innately good and others are irredeemably bad. To many corporate leaders in tough businesses, or in highly regulated industries like electric power generation, there was no real advantage to developing distinctive capabilities or facility with execution. Some companies tried to escape by entering new businesses where they had no distinctive capabilities, "blue oceans" where they didn't

Letting a thousand flowers bloom can lead to a field full of weeds — and to businesses that can't match the expertise and resources of more focused, coherent competitors.

know how to swim. These efforts generally failed. And as the 2000s unfolded, companies with enviable market positions, such as Microsoft, also saw their advantage fade when new competitors, such as Google, emerged. This didn't disprove Porter's hypothesis, but it gave others an opening to criticize his thinking.

Adaptation and Experimentation

Starting in the 1990s, another group of strategy thinkers provided an alternative to the position and execution schools. This was the idea of strategy as perpetual adaptation, best represented by Henry Mintzberg, professor of management studies at McGill University. In his history *The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning, Plans, Planners* (Free Press, 1994), Mintzberg dismissed the position school (which he called the design school) as formulaic. He acknowledged that execution was important, and much of his work was dedicated to analyzing what managers did in practice, but, like Porter, he felt execution was insufficient for success. His strategic approach centered on finding a more creative, experimental approach to executive decision making.

Thus, instead of analysis and planning, executives in the adaptation school (or, as Mintzberg called it, the learning school) sought to gain the right to win by experimenting with new directions. In Mintzberg's words, they "let a thousand strategic flowers bloom…[using] an insightful style, to detect the patterns of success in these gardens of strategic flowers, rather than a cerebral style that favors analytical techniques to develop strategies in a hothouse."

Adaptation has helped many companies; it's been the source, for example, of the vitality of the Chinese manufacturing industry. It's also been the most central guiding theme of Tom Peters's work. The companies applauded by Peters — starting with his seminal business bestseller, *In Search of Excellence: Lessons from America's Best-Run Companies* (with Robert Waterman; Harper & Row, 1982) — have varied enormously in their industries, approaches, and philosophies, but they all share a willingness to experiment with new ideas and directions, discard those that won't work, and adjust their efforts to meet new challenges.

But the adaptation school is also seriously limited, because its freewheeling nature tends to lead to incoherence. A multitude of products and services that all have different capability needs and different market positions cannot possibly be brought into sync. The more diverse a company's efforts become, the more it costs to develop and apply the advantaged capabilities they need. Letting a thousand flowers bloom can lead to a field full of weeds — and to businesses that can't match the expertise and resources of more focused, coherent competitors.

Concentration at the Core

Hence the appeal of the fourth group of strategy thinkers — the concentration school. Its forerunners were Gary Hamel and C.K. Prahalad, authors of *Competing for the Future* (Harvard Business School Press, 1994), who argued that the most effective companies owed their success to a select set of "core competencies": These were the bedrock skills and technological capabilities (such as new forms of hardware, software, systems, biotechnology, and financial engineering) that allowed companies to compete in distinctive ways. Companies that focused on these, and used them to develop a long-range "strategic intent,"

The thinkers who introduced these strategies saw the limits of their approaches, and warned against misapplying them. But businesspeople misapplied them nonetheless.

would claim the right to win.

Chris Zook of Bain & Company, drawing on his firm's experience with private equity, has been the most prominent recent exponent of this school. In his book *Profit from the Core: A Return to Growth in Turbulent Times* (2001, with James Allen; Harvard Business Press, 2010), he argues that the right to win tends to accrue to companies that stick to their core businesses and find new ways to exploit them for growth and value. This means differentiating a company by starting with its central capabilities: Enterprise, Dollar/Thrifty, and Avis all prospered by focusing on, respectively, rentals for people with car repairs, vacationers, and business travelers.

However, in practice, the concentration strategy often becomes a way of holding on to old approaches, even when they become outdated. Many companies (and private equity firms) translate this strategy into slash-and-burn retrenchment. They cut costs and minimize investments in R&D and marketing to create a pared-down company that produces more profits at first, but that can't sustain the growth required for a healthy bottom line. When they seek to grow, it's through "adjacencies": products or services that seem related to their existing core businesses. But many adjacencies are less profitable than they were expected to be, in part because they may require very different capabilities — and in part because the truly successful game-changing leaps, like Apple's into consumer media or Tata's into the inexpensive Nano automobile, can't be managed from a concentration strategy alone.

Strategy as a Way of Life

It's important to note that most of the thinkers who introduced these strategies to business leaders saw the challenges and limits of their approaches, and even warned against misapplying them. But businesspeople misapplied them nonetheless. Each theory thus backfired, and created opportunities for the next.

How can your company gain the most from considering all these theories of the right to win? Only by stepping back, away from any particular answer, to look at your company's identity as a whole, encompassing the way you expect to compete, the capabilities with which you will compete, and the portfolio decisions that fit. In fact, that's exactly what happens with the packaged-foods company described at the beginning of this article.

The CEO's question about the right to win has sparked many levels of discussion. For several more days, spread over a few weeks, the executive team talks through its three proposed strategies in detail: the estimated market value of each, the risks involved, and the capabilities required. All three strategies have roughly the same potential for increasing enterprise value, but the differences among them become clear when the functional leaders speak.

For example, the head of operations explains that the three strategies would require completely different investments. Becoming an innovator would mean configuring a flexible value chain to launch new products rapidly and economically. The closer-to-customers option would mean selling more food at different temperatures: some frozen, some fresh. It would also mean building a more direct, collaborative relationship between operations and R&D. And the category transformation strategy would require new process technologies, economies of scale, and deftly managed acquisitions.

The head of marketing and sales has a similar presentation. As an innovator, the company would focus advertising and promotion on new products, while ensuring rapid, widespread retail distribution. Being a solutions provider would move the company directly into engagement with consumers, through websites, social media, and better in-store displays. As a category leader, the company would seek to own the grocery shelf through "sharp pencil" tactics (in other words, tactics tailored to each brand and geographic region) for pricing, promotion, and merchandising.

The company executives ultimately settle on the category leader strategy. It fits best with the capabilities that they already have. Another company, even with the same market dynamics, might choose differently — appropriately so, because of very different capabilities and customs.

A capabilities-driven strategy process, like this one, takes into account "market back" aspirations (the position the leaders want to hold) and "capabilities forward" concerns (the company's ability to deliver). In the course of discussion, ideas from all four schools of thought come forward: ideas about holding an unassailable position, executing with new capabilities, adapting rapidly to competitive pressures, and focusing on the core business as a platform for growth. It takes time to complete this process, and it is very difficult and stressful at times, but the company gains, in the end, from a far higher level of coherence.

It's taken 50 years for the field of business strategy to reach the point at which many companies can conduct this kind of conversation effectively. Most companies have relied on business strategists for strategic answers. But now we see that we have to generate our own answers — our own theory of the right to win for each company, with its unique identity and circumstances — and that we have the tools to do so. Given the pressures that business continues to face, this leap in knowledge is coming just in time. +

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Resources

Walter Kiechel, "Seven Chapters of Strategic Wisdom," *s+b,* Spring 2010, www.strategy-business.com/article/10109: Distills business strategy down to seven critical book chapters, including four mentioned in this article (by Porter, Mintzberg, Chandler, and Peters).

Walter Kiechel, *The Lords of Strategy: The Secret Intellectual History of the New Corporate World* (Harvard Business Press, 2010): Engrossing narrative history of strategic thinkers, their concepts, and their influence.

Art Kleiner, *The Age of Heretics: A History of the Radical Thinkers Who Reinvented Corporate Management* (2nd ed., Jossey-Bass, 2008): How financial thinking shaped corporate power and the emergence of alternative views (including those of Abernathy, Hayes, and Peters).

Art Kleiner, "The Life's Work of a Thought Leader," *s+b,* 8/09/2010, www.strategy-business.com/article/00043: In an interview conducted shortly before his untimely death, C.K. Prahalad looked back on core competencies and how ideas evolve.

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