



Strategy – the world of choices and their implications

There is much talk – and also much confusion – about strategy. So let's be clear and let's be simple: strategy is about **choices**. More specifically, it is about making a small number of choices about things that once decided upon are difficult, if not impossible, to reverse or un-do.

For example a strategic choice about outsourcing all or part of a company's supply chain is not a decision that can be un-done either quickly or easily. A strategic choice to focus on growth from new and emerging markets – whilst exiting more mature markets that have flat-lined – is not one that can be reversed easily. A personal decision to emigrate to another country or take up a new position is not one that can be easily reversed.

So, if strategy is about choices, it follows that other options must have been considered, evaluated and rejected in favour of those options selected. As Michael Dell, CEO of Dell Computers, said over a decade ago:
"It's as important – if not more important – to be clear about what we have decided NOT to do as it is about what we have decided to do."

One way to think about strategic choices is that we are explicitly selecting between two or more credible options. Take sourcing as an example. As a company or organisation, we can decide between two equally valid alternatives:
"We are self-sufficient in everything we do within our supply chain."

Or
"We focus on those parts of the supply chain where we can add most differentiated value to customers – and find partners to be excellent at those parts that we choose not to excel at ourselves."

It is not that one choice is right and the other wrong – it's more the case that each choice has a very different set of implications. One of the best ways of understanding a choice is to fully understand and stress-test the implications of that choice. For example, the first choice above implies that we will have or develop ALL the capabilities, skills and competencies required across the whole of the supply chain. The second choice implies that we will have, or we will have to develop, critical new capabilities, skills and competencies that are essential to managing third-party relationships for maximum value.

The reality is that very few strategic changes are successful

In a recent HBR [article](#) Amy Gallo quotes John P. Kotter's assessment that only 5% of large-scale changes actually work. She argues that one of the principal reasons for this is that individuals, units or entire organisations often default to the old strategy. To prevent this, she offers the following advice.

You should:

- Push decision-making down so that everyone in the organisation is making choices about how to act differently.
- Ask your employees how to remove barriers to change.
- Share successes as evidence that the new strategy works.

And you shouldn't:

- Think of *creating* and *executing* strategy as distinct tasks.
- Assume that current systems and processes will support the new strategy.

To read Amy's article, click [here](#).

So, you think you have a strategy?

Freek Vermeulen of the London Business School doubts it. Whilst he admits he doesn't have solid statistics as evidence, he believes that at least nine out of ten organisations don't actually have a genuine strategy.

His conclusion is based upon viewing many strategy presentations that miss the basic necessities of cogent and executable strategy. He argues that most strategies fail because they:

- Are not really making choices.
- Are stuck in the status quo.
- Have no relationship to value creation.
- Are mistaking objectives for strategy.
- Keep it a secret.

To read Freek's article, click [here](#).

About Formicio

[Formicio](#) was formed in early 2010 by a group of thought leaders and practitioners to help

Strategy therefore involves a small number of critical choices about what we will and will not do when faced with a spectrum of options.

An ancient Japanese proverb says: "Vision without action is a daydream; action without vision is a nightmare". In our world, strategy and execution are both equally and critically important to succeed.

To read my full article in which I discuss the value of strategy, click [here](#).

I welcome your thoughts.

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executives make informed choices that lead to achievement of their desired business outcomes.

We address tough strategic problems and develop the organisational capabilities needed to successfully implement a chosen strategy. Our focus is always on outcomes, not process.

Parting thought

"You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new."

Steve Jobs, 1955-2011