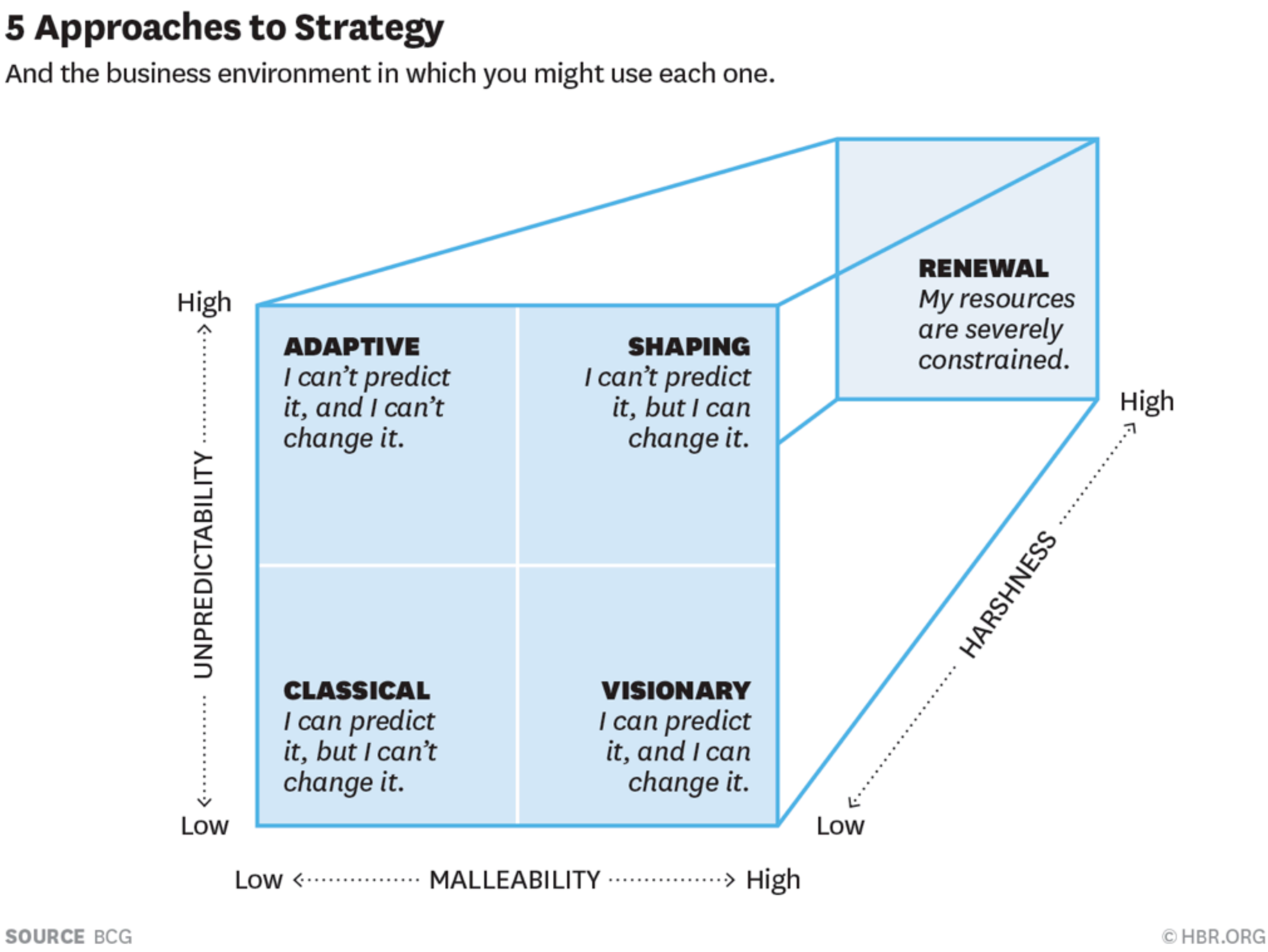
Why Your Strategy Needs a Strategy
https://hbr.org/2015/06/navigating-the-dozens-of-different-strategy-options



CLASSICAL

Leaders taking a classical approach to strategy believe that the world is predictable, that the basis of competition is stable, and that advantage, once obtained, is sustainable. Given that they cannot change their environment, such firms seek to position themselves optimally within it. Such positioning can be based on superior size, differentiation, or capabilities.

Positional advantage is sustainable in a classical environment: the environment is predictable and develops gradually without major disruptions.

To achieve winning positions, classical leaders employ the following thought flow: they analyze the basis of competitive advantage and the fit between their firm's capabilities and the market and forecast how these will develop over time. Then, they construct a plan to build and sustain advantaged positions, and, finally, they execute it rigorously and efficiently.

Mars, the global manufacturer of confectionery and pet food, successfully executes a classical approach to strategy. Mars focuses on categories and brands where it can lead and obtain a scale advantage, and it creates value by growing those categories. This approach has helped Mars build itself into a profitable $35 billion company and multi-category leader over the course of a century.

Classical strategy is probably the approach with which you are the most familiar. In fact, for many managers, it may be the approach that defines strategy. Classical strategy is what is taught in business schools and practiced in some form in the majority of strategy functions in major enterprises.

ADAPTIVE

Firms employ an adaptive approach when the business environment is neither predictable nor malleable. When prediction is hard and advantage is short-lived, the only shield against continuous disruption is a readiness and an ability to repeatedly change oneself. In an adaptive environment, winning comes from adapting to change by continuously experimenting and identifying new options more quickly and economically than others. The classical strategist's mantra of sustainable competitive advantage becomes one of serial temporary advantage.

To be successful at strategy through experimentation, adaptive firms master three essential thinking steps: they continuously vary their approach, generating a range of strategic options to test. They carefully select the most successful ones to scale up and exploit. And as the environment changes, the firms rapidly iterate on this evolutionary loop to ensure that they continuously renew their advantage. An adaptive approach is less cerebral than a classical one—advantage arises through the company's continuously trying new things and not through its analyzing, predicting, and optimizing.

Tata Consultancy Services, the India-based information technology (IT) services and solutions company, operates in an environment it can neither predict nor change. It continuously adapts to repeated shifts in technology—from client servers to cloud computing—and the resulting changes that these shifts cause in their customers' businesses and in the basis of competition. By taking an adaptive approach that focuses on monitoring the environment, strategic experimentation, and organizational flexibility, Tata Consultancy Services has grown from $155 million in revenue in 1996 to $1 billion in 2003 and more than $13 billion in 2013 to become the second-largest pure IT services company in the world.

VISIONARY

Leaders taking a visionary approach believe that they can reliably create or re-create an environment largely by themselves. Visionary firms win by being the first to introduce a revolutionary new product or business model. Though the environment may look uncertain to others, visionary leaders see a clear opportunity for the creation of a new market segment or the disruption of an existing one, and they act to realize this possibility.

This approach works when the visionary firm can single-handedly build a new, attractive market reality. A firm can be the first to apply a new technology or to identify and address a major source of customer dissatisfaction or a latent need. The firm can innovate to address a tired industry business model or can recognize a megatrend before others see and act on it.

Firms deploying a visionary approach also follow a distinct thought flow. First, visionary leaders envisage a valuable possibility that can be realized. Then they work single-mindedly to be the first to build it. Finally, they persist in executing and scaling the vision until its full potential has been realized. In contrast to the analysis and planning of classical strategy and the iterative experimentation of adaptive strategy, the visionary approach is about imagination and realization and is essentially creative.

Quintiles, which pioneered the clinical research organization (CRO) industry for outsourced pharmaceutical drug development services, is a prime example of a company employing a visionary approach to strategy. Though the industry model may have looked stable to others, its founder and chairman, Dennis Gillings, saw a clear opportunity to improve drug development by creating an entirely new business model and, in 1982, moved first to capitalize on the inevitabilities he saw. By ensuring that Quintiles moved fast and boldly, it maintained its lead and leapt well ahead of potential competition. It is today the largest player in the CRO industry which it created and has been associated with the development or commercialization of the top fifty best-selling drugs currently on the market.

SHAPING

When the environment is unpredictable but malleable, a firm has the extraordinary opportunity to lead the shaping or reshaping of a whole industry at an early point of its development, before the rules have been written or rewritten.

Such an opportunity requires you to collaborate with others because you cannot shape the industry alone—and you need others to share the risk, contribute complementary capabilities, and build the new market quickly before competitors mobilize. A shaping firm therefore operates under a high degree of unpredictability, given the nascent stage of industry evolution it faces and the participation of multiple stakeholders that it must influence but cannot fully control.

In the shaping approach, firms engage other stakeholders to create a shared vision of the future at the right point in time. They build a platform through which they can orchestrate collaboration and then evolve that platform and its associated stakeholder ecosystem by scaling it and maintaining its flexibility and diversity. Shaping strategies are very different from classical, adaptive, or visionary strategies—they concern ecosystems rather than individual enterprises and rely as much on collaboration as on competition.

Novo Nordisk employed a shaping strategy to win in the Chinese diabetes care market since the 1990s. Novo couldn’t predict the exact path of market development, since the diabetes challenge was just beginning to emerge in China, but by collaborating with patients, regulators, and doctors, the company could influence the rules of the game. Now, Novo is the uncontested market leader in diabetes care in China, with over 60 percent insulin market share.

RENEWAL

The renewal approach to strategy aims to restore the vitality and competitiveness of a firm when it is operating in a harsh environment. Such difficult circumstances can be caused by a protracted mismatch between the firm’s approach to strategy and its environment or by an acute external or internal shock.