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THE STRATEGY BOOK

**How to think
and act
strategically
to deliver
outstanding
results**

MAX MCKEOWN

**Strategy is
about shaping
the future.**

**Smart strategy
is the best way
to desirable
ends with
available
means.**

Praise for *The Strategy Book*

‘A most innovative book. It genuinely synthesises a broad range of strategic thought into a coherent and actionable process. McKeown brings together a number of apparently incompatible views to create a rich and powerful three-dimensional understanding.’

Marcus Alexander, Professor, London Business School

‘This is one of the rare strategy books to match lofty ideals with practical action. It gets right down to the business of doing strategy, helping you understand why your strategy works, or not, and what you can do about it. And it is very enjoyable to read!’

Manuel Hensmans, Professor of Strategic Management, Toulouse Business School

‘Loved the book. So simple, yet so effective. It’s a quick read *and* a reference book you can return to again and again, and successfully brings it up to date and expands on explanations and examples throughout.’

David Bewick, Nissan Motor Company

‘What makes *The Strategy Book* stand out is that it is immediately actionable. Before I could even finish it, we had already begun implementing these ideas in our organisation. Keep this book close to your desk because you will find yourself returning to its pages again and again.’

Skip Prichard, CEO, OCLC, Leadership blogger, skipprichard.com

‘McKeown makes complex ideas so readily accessible, practical and engaging that readers will want to apply them. Packed with useful tools and real world examples, this book will be an invaluable aid to anyone looking to develop agile strategic thinking and action.’

Linda Holbeche PhD, Adjunct Professor, Imperial College, London

‘Most books on strategy are filled with theory but have few practical steps to help organisations move forward. *The Strategy Book*, on the

other hand, is one of my favourite resources to put strategy into action.'

Tony Morgan, Founder and Chief Strategic Officer, The Unstuck Group

'A powerfully practical book for modern strategy analysis. Strongly recommended for people who are interested in developing a profound understanding of their competitive environment.'

Juan Pablo Torres, Professor of Strategy, FEN University of Chile

'Honestly, this has been the best business book I have read. Perhaps best described as a mini MBA! I love how each strategic concept is linked to real case studies which provide great insights about the journey other strategists have been through.'

Eric Lowenstein, Entrepreneur-in-Residence, Aon Plc

'This is my go-to strategy book. It's like my favourite carry-on bag: adaptable, thorough and perfectly arranged.'

Dr Julia Sloan, author of *Learning to Think Strategically*, Columbia University

'This new edition is even clearer than the first one. Max really gets to the heart of why strategic thinking is the bloodline of any business. This book is for those that "do" strategy and are responsible for delivering it. It will help make your strategy a reality.'

Kiran Nobeen, Director of Account Management, EMEA, Ventiv Technology Group

'Max de-clutters corporate speak and opens up strategy to everyone. His no-nonsense approach to corporate strategy will teach you to look at your business like never before. In person, his insight is scalpel sharp, and this book is a masterclass in improving your strategic thinking.'

Steve Fortune, Global Leadership Development, Pfizer

'If you want to become a better strategic thinker, read Max's new book. Succinct and to the point, he captures the essence of strategy. With a passion and style all of his own, he connects insights from leading strategy gurus to successful practices in leading companies.'

Simon Collinson, Professor and Dean, Birmingham Business School

‘Max has his own style of talking strategy, crossing all corporate and conventional boundaries. This book is a contribution to strategy for the 21st century. A great book that’s fun to read.’

Jan-Henrick Andersson, Vice President, Metro AG

‘*The Strategy Book* starts with you – and ends with a plan that shapes your future. It is filled with useful checklists to help you avoid the usual pitfalls and get you on your way. A great read to help you win over and over again.’

Scott Smith, Director, Microsoft, Middle-East

‘McKeown encourages you to engage with strategy and see the world with different eyes. He invites you to adopt an effective, inclusive and collaborative approach, and appreciate that good strategy needs to be flexible and prepared for unplanned opportunities.’

Jost Wahlen, Head of Learning and Development, Allianz Insurance

‘This book is both challenging and fun. Max cuts confidently through the hype and provides a critical and well-rounded view of the challenge of strategic thinking in contemporary business. This book entertains its readers while showing respect to their intelligence.’

Saku Mantere, Professor of Strategy and Organisation, McGill University

‘Cuts the cr*p and demystifies strategy – what else do you want? It builds up the ideas simply, but with strong intellectual underpinnings, good stories and practical implementation ideas.’

Stuart C. Palmer, CEO, Five Talents

‘Strategy is a word bandied about by many but understood by few. Reading this book will help you become one of the few.’

Stephen Cummings, Professor of Strategy, Victoria University

‘Who knew a sometimes abstract, confusing concept could be made so clearly practical? This book challenges with sophisticated simplicity, providing valuable tools and an impressive plethora of examples to hit the ground running. It’s so engaging – it opened my eyes.’

Kathleen Ndongmo, Founder, Natural Ever After, Nigeria

‘This is a compelling and fascinating read with a clear, structured discussion of many strategy tools and frameworks. Max has

written a valuable book for anyone who has to make a strategic decision.'

Catalina Stefanescu, Dean of Faculty, ESMT European School of Management

'This book explains a range of perspectives and tools with admirable clarity. Max encourages readers to ask uncomfortable questions, and then stimulates the inspiration and imagination to answer them effectively. This is a book that disturbs and demystifies in a creatively helpful way.'

Professor David A. Buchanan, Cranfield University

'With an array of fine examples from a wide range of organisations, this book will appeal to practitioners and students alike. It provides a richness and a challenge to the often stultified frameworks which have come to characterise strategy.'

Professor David Wilson, University of Warwick

'Max stresses that strategy is about shaping the future of organisations. . . Shaping the future means setting in motion a flow of events that, as Max says, "depends on context", and "responding to external waves" and "examining turning points in the future".'

David Boje, Professor, New Mexico State University

'My God, a strategy book that actually makes sense. Imagine that... In McKeown's take on strategy, no-nonsense pragmatism meets imagination and adaptive flexibility. It just might be the cheapest form of strategic insurance ever invented.'

Professor Alf Rehn, Abo Akademi University

'*The Strategy Book* totally demystifies strategy for us non-MBA types struggling to keep pace with the growing demands on our creativity and ability to lead from the front.'

Rahim Dawood, Solutions Architect, Long View Systems

'McKeown offers a view that is succinct and revealing. Soon you will be thinking and acting strategically in your day-to-day activities.'

Cesar Malacon, Founder Member, Strategic Management Forum

'McKeown has the ability to articulate clearly the challenges most organisations face and, with consummate swagger, guide you through strategic thinking relevant to you and the job you do.'

Geir Holmer, ex-Director, Business Intelligence Operations, Virgin Media

‘The Strategy Book gives a clear and concise introduction to the main challenges that organisations face. It’s a very useful way to provoke discussion for leaders and managers.’

Mark Thomas, Associate Dean, Grenoble Ecole de Management

‘This book reverse-engineers complexity so readers can truly navigate their business, people and lives with clarity and confidence.’

Jennifer Sertl, President, Agility3R

‘This book is highly recommended reading and a useful tool. It has a very good structure making it easy to embrace the powerful ideas inside.’

Harri Ohra-aho, Brigadier General, Finnish Defence Forces

‘The Strategy Book is like an ocean full of ideas, very easy to apply to my daily strategic work. An excellent, practical toolkit for anyone who wants to be known as a strategic thinker.’

Riita Raesmaa, Senior Advisor and Partner, Accelerando

‘Max has crafted a highly practical resource to guide strategy creation and execution in uncertain times. It is easy to read with clear examples from a wide range of industries.’

Conor Neill, Professor, IESE Universidad de Navarra

‘Does exactly what it says on the tin – and does it brilliantly. This book will become a well-thumbed favourite.’

Emma Leech, Director of Marketing, Loughborough University

‘You can pick it up, read a section, apply what you have learned and then go back to read some more.’

Sue Toon, Chartered Management Institute

‘Recommended. Contains a vast array of strategic experience which is pertinent at any level.’

Laura Dzaszyk, Director, Corporate Signpost

‘You’ll find it easy to read and fun to implement in your own business. You’ll want to go through the process together and see what new strategies you take on for next year.’

Ivana Taylor, Small Business Trends

‘If you are short of time, and need a practical guide to what strategy is and how it might help you, then this is the book for you. In a little

over 200 pages, it's impressive what is covered, and how useful and understandable it all is.'

Tom Otley, *Business Traveller Review*

'McKeown has taken every aspect of strategy, maintained the seriousness of the subject, deconstructed its complexities, and rebuilt his findings in a practical, no-nonsense way that makes his book unstuffy, easy to read, entertaining and universally appealing way.'

Joe Cushnan, *Retail Confidential*

'Small is indeed beautiful when applied to this book. What I found really refreshing was that it starts with you: what you need to do, today, to flex your strategic thinking muscle, and be seen by others as a strategist, whatever your job title or functional area.'

Amanda Holmes, Senior Lecturer, University of Malta

'If a strategy book is any good it should spark ideas as you read. You should be inspired as you go and close the book after each chapter with a few more ideas and renewed enthusiasm. This book absolutely works on this level. Highly recommended.'

James Ball, Oracle Technical Architect

'If you're studying strategy as an academic subject, then certainly read this book; but if you're involved in developing the strategy of your own organisation, it is a mission-critical read.'

Roger Fielding, Birn and Partners, Denmark

'An excellent book with a new style of talking about strategy. Max guides the strategist in a very straightforward way through every step of the strategy process, with examples and lessons from the real world. As I was reading, I felt my own experiences written in this book.'

Joseph Soueidi, Chief Operations Officer, ATEME

'*The Strategy Book* is a must-read for anybody interested in systematically exploring strategy in their organisation. It is very readable, jargon-free, and of enormous practical value for planning and implementing strategy.'

Professor Cary Cooper, Organisational Psychology, Manchester Business School

The Strategy Book



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The Strategy Book

3rd edition

Max McKeown



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About the author

Dr Max McKeown works as a strategy and innovation coach for many of the most admired and ambitious companies in the world.

The Strategy Book was the winner of the Commuter Read at the Chartered Management Institute Book of the Year 2013 and Amazon's Best Business Books of 2012. Max is also author of the award-winning *The Innovation Book* as well as *Adaptability: The Art of Winning in an Age of Uncertainty*, and four other books. He is also a popular keynote speaker at conferences and events worldwide.

Max has an MBA and PhD from Warwick Business School. He can be reached at www.maxmckeown.com and on twitter @maxmckeown

All
can see
the tactics
whereby I
conquer, but
none can see
the strategy
out of which
victory is
evolved.

Sun Tzu

First words

Strategy is about moving from where you are to where you want to be. Smart strategy is the shortest route to desirable ends with available means. Strategy is as much about deciding what to do, where to go, why, when and how as about choosing what not to do. Yes. No. What if. Why not. Planning backwards from a better future.

This book is about strategy in action. It's about making strategic principles and cutting-edge research useful. The third edition includes even more real-world examples of strategy in action. You will also find more on new ideas in strategy. Sustainability. Tensions. Psychology. Behavioural strategy. And how to combine creativity and entrepreneurship.

You will also find three new tools to help you make strategy useful. First, inside the front cover, a model sets out the big five strategy questions. Second, at the start of the toolkit, a powerful one-page tool for creating smart strategy that is *practical* and *fast*. Third, inside the back cover, a big picture model that brings strategy, culture and innovation together.

Strategy – particularly competitive strategy - is not once-and-done. It is continual. It is creative. It is adaptive. The updated examples emphasise how past strategic success – however impressive – does not guarantee further success without successful strategic adaptation.

Our human world is the result of individual strategies. Our desires and actions, dreams and ideas. Strategists are able to see the past, present and future as connected. You can link your actions with the actions of those around you. And you will be able to shape events by reacting intelligently and spontaneously to them.

Dr Max McKeown

Introduction

What can *The Strategy Book* do for you? This book can help you understand strategy. You can use the secrets in this book to become an effective strategic thinker and leader. If you are ambitious, you can use the powerful strategy tools in this book to *shape your future*.

The Strategy Book has its own strategic advantage. It is easy to read without dumbing down its strategic ideas. It is simple to use but is still based on a core set of intelligent strategic foundations. It offers clear explanations of tools that will help make sense of complex leadership situations.

The Strategy Book is based on hard-won experience and knowledge. I've worked with some of the most admired companies in the world. I've also worked with smaller companies who are some of the most ambitious companies in the world. Some were feeling complacent. Others were facing problems and crisis points. All of them wanted more success.

The Strategy Book helps with all of those situations. And it also helps people who are studying strategy as part of a course or degree. A lot of the books you have to study are either too shallow or far too long. This book is about giving you the best ideas in strategy but wrapped up in a usable, enjoyable package.

How to use this book

The Strategy Book is organised into six parts. The first five parts tackle the really important challenges that a leader of any team of any size will face in creating strategy and making that strategy work. Each part is sub-divided into specific action topics. You can dip in and out of each section as you feel relevant. They have been written clearly so that you can benefit from my experience as a strategist whether you are a novice or an expert.

Each of the action topics has the following structure:

- *Headline description* – so you know what the topic is about and why it's important.
- *Strategic examples* – so you can read about a successful company or person that faced the same kind of challenge and principles to succeed.
- *Objective* – why you should take the subject seriously as a leader and what you should be trying to achieve.
- *Context* – how the subject fits into the broader pattern of leadership and the kind of situation you are dealing with to achieve success.
- *Challenge* – why the subject is difficult and valuable. And also ways of succeeding with the challenge effectively as a strategist.
- *Success* – what has to happen to succeed with the challenge.
- *Strategists' measure of success* – ways you can assess your progress.
- *Strategists' checklist* – a summary of the actions you have to take to put the strategy principle into action.
- *Related ideas* – some suggestions of other writers' ideas that support or complement the strategic topic.

The sixth part is the strategist's toolkit. The most important models and tools of strategy are explained in very precise, practical and efficient terms. Here you will find the *Big 5 Strategy Questions*, the *Quick Strategy Canvas* and the *Big Strategic Picture*.

You can move from the toolkit to the action topics. Or you can move from specific action topics back to models that help you to organise your thoughts.

There is also a list of further reading if you want to dig deeper. And naturally there is an index to make it easier to find your way to specific topics.

The Strategy Book is clearly structured and easy to use, something that you will find yourself referring back to again and again.

**Strategy
is about
shaping
the future.**

**Strategy
is the
best route
to desirable
ends with
available
means.**

What is strategy?

Strategy is about shaping the future – it is about how people attain desirable ends with available means. That’s the reason we’re interested. And that’s the best definition I can offer you. But as a strategist it can also help to understand some of the different arguments about what strategy is and isn’t. You don’t have to know the whole history. You don’t have to get a doctorate or an MBA. But it’s helpful to be informed.

Frequency: Read first, review occasionally.
Key participants: First, you. Then, everyone.

Google made the decision to give its engineers permission to experiment in free time. They used this free time to produce an online video service. This experiment taught executives the importance of online video so they bought YouTube as a priority when it became popular. As a result, they still have two of the most popular search services in the world. Not really a plan, yet all about opportunity. Was this creative strategy at work?

Objective

There are some benefits to understanding the history of strategy as it’s usually told in business schools and text books. It helps you to discuss strategy knowledgeably and to see its limitations as well as its purpose.

Ancient strategy. The word strategy has its origins in the Greek word *strategos*, which means general or someone who has an army (*stratos*) to lead. It was first used in Athens (508 BC) to describe the art of leadership used by the ten generals on the war council. They developed principles of effective leadership and achieving objectives. This included approaches to war and motivating soldiers.

Similar concepts about strategy emerged in Asia, most famously in Sun Tzu’s *Art of War* (written 200 BC), which is still bought by people

today. In his book, Sun Tzu lists different principles that leaders may follow to win and achieve their goals. It set a pattern for books about strategy that is still followed. Experienced executives and consultants share their experience of planning for success.

Corporate strategy started getting a lot of attention from the 1950s. It was only after the Second World War that strategy books appeared for business leaders.

Alfred Chandler was a historian who, in the 1960s, examined the relationship between strategy and organisational structure. He concluded that the strategy chosen by the company will lead to changes in the structure of the company. His work also shows that strategy was not a new concept in business since it was based on what companies were already doing.

Igor Ansoff was a manager and mathematician often described as the father of strategic management. His book, *Corporate Strategy*, was published in 1965 and was a comprehensive attempt to explain how managers could plan for a more successful future.

Ansoff was the most prominent writer of an approach to strategy that became obsessed with detailed planning. It was a perfect fit to a management style that was all about control. It led to a view that CEOs could work with strategic planning teams to analyse the past to predict the future. Early computers were used to help crunch the numbers and print the plans used to issue orders to real people in middle management and the front lines.

Henry Mintzberg is a Canadian professor and contrarian who mocked planning obsession. He argued that only some strategic plans ever happened the way they were intended. The big picture – or strategy – was decided by a stream of individual actions. He believed that most strategy emerges from adaptation. Arguments between planning and learning approaches continue today (see page 228).

Michael Porter (also a professor) continued the mathematical approach to strategy. For him, strategy was about detailed analysis with clear models. These models were designed to determine what position the company should take in relation to other competitors in the market (see pages 184–7).

Context

In some ways, the intellectual history of strategy is more complex than my short introduction. Yet in other ways, it's simpler. Some argue for the more creative, human side, while others argue for the more analytical side of strategy. Both are important, so a strategist asks what balance of these approaches is most helpful in any particular situation.

- What are you doing at the moment?
- How does that compare to your competitors?
- What do you want to achieve?
- How can you create something people want?

The first two questions are analytical; they are about positioning and benchmarking. The second set of questions are creative, and are about desire and contribution. They are interrelated but the balance between them varies. The balance depends on your personal preferences and circumstances.

Challenge

If your market is stable and you're happy with your situation then you may choose to keep planning and adapting in a predictable way. But if your market is dynamic and you want your situation to change, then you may choose to inject more creativity into improving what you offer and achieve.

This book includes tools for both analytical and creative strategy. It also includes my opinion that creative, dynamic strategy is the more helpful approach to take. The analytical tools can be used creatively to contribute something worthwhile and – if you wish – difficult to copy.

Success

You'll know that you understand the principle when you see the difference between creative and analytical approaches to strategy. You will also be able to combine the tools (see page 175) and the

principles throughout this book to think like a strategist about the bigger picture and what you want to contribute.

You can study everything from ideas about how to run a strategy meeting to why reacting is more important than planning, to specific strategies that you can choose to use or adapt. The overall aim is to improve your ability to do something worthwhile. Something better than merely sustaining competitive edge.

Strategists' measures of success

- The basic origins of modern corporate strategy are understood.
- The difference between creative and analytical strategy is recognised.
- Creative and analytical tools and principles are used together.
- Stable and dynamic markets are treated differently.
- You know there is more to strategy than beating or copying your competitors.

Pitfalls

Over reliance on any particular approach to strategy is dangerous. You are missing the big picture if you believe that you can ignore analysis, creativity or the action that makes creativity and analysis come to life. Your organisation may have a traditional approach to strategy. You will have to look carefully at how well the approach is working and what improvements can be made.

Strategists' checklist

- Consider the differences between analytical and creative strategy.
- Think about whether your company takes a more analytical or more creative approach.
- Explore whether the traditional approach is well suited to the environment you are facing.

- Keep referring back to the basic distinction as you proceed through the book so you don't forget that all tools can be used in both ways.
- Introduce both analytical and creative approaches to your team. Discuss how they have been used in the past and how you could alter the balance in the future.

Related ideas

Richard Whittington argues that 'strategy is hard'. If strategy was easy, every company would succeed, but they don't. The important part is to learn how to think better and think differently. He introduces four schools of strategy: '*Classical*', which seeks to maximise profit with deliberate processes; '*Evolutionary*', which seeks to maximise profit with emergent processes; '*Systematic*', which seeks plural objectives with deliberate processes; and '*Processual*', which has plural objectives with emergent processes.

Regardless of which approach you take, John McGee, professor at Warwick Business School, argues that strategic decisions often have certain characteristics. Such decisions will involve risk because you are betting on a future that is uncertain and complex with preparations that are also uncertain and complex. Some strategic preparations require considerable time, effort and even pain, before any long-term benefit comes your way. Yet smart strategists, as the next part will explain, know that because events may prove you wrong, reacting may be as important as planning.

**The
real heart
of strategy
is the
strategist.**

**Becoming
a strategist
is about
getting
better at
shaping
events.**