

Playing to Win

How Strategy Really Works

A HARVARD BUSINESS REVIEW WEBINAR FEATURING

Roger Martin

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Playing to Win

HOW STRATEGY REALLY WORKS

OVERVIEW

When companies don't win in the marketplace, it is often because they don't have a clear strategy. Strategy is about winning, and winning is about making clear choices. A solid approach to strategy combines creativity and rigor, and it increases the likelihood of success. By using a five-step strategy cascade, organizations can identify what they need to do to win. The key is to define the firm's winning aspiration, how and where it will play in the market, and what capabilities and management systems are needed.

CONTEXT

Roger Martin shared key insights from *Playing to Win* and the *Playing to Win Strategy Toolkit*. He offered examples of companies that have developed and executed winning strategies using these frameworks.

KEY LEARNINGS

Creating effective strategies doesn't have to be frustrating and time consuming.

People know that strategy is important, but all too often they view strategy development as time consuming, frustrating, and ineffective. Martin believes, however, that creating a strategy can be a fun exercise that changes what a company does. He made three points about strategy and playing to win:

1. **Strategy is about making choices.** To win, companies must choose to do some things and not others. This helps focus and simplify the strategy. Martin recommends that organizations state their strategic choices and then state the exact opposite. If the opposite is nonsensical from a business perspective, then the organization hasn't truly made a choice. For example, a firm might say its strategy is to be customer centric. Yet, no organization sets out to do the opposite: ignore customers. A sign of a true strategy is seeing an organization that has done the opposite of what your organization is doing and has succeeded. The mutual fund industry is a good example. Vanguard advocates low-cost index funds, while Fidelity has portfolio managers who select specific stocks. Choices make stronger companies and better markets.
2. **Strategy is about increasing the odds of success.** There is no such thing as a perfect strategy. The future is unknowable and all we can do is think in logical ways that increase the likelihood of success.

CONTRIBUTORS

Roger Martin

Director of the Martin Prosperity Institute, Rotman School of Management; Co-Author, *Playing to Win: How Strategy Really Works*, and the *Playing to Win Strategy Toolkit*

Angelia Herrin (Moderator)

Editor, Special Projects and Research, *Harvard Business Review*

3. **Making a successful strategy combines rigor and creativity.** Strategy should be creative and scientific; effective strategy development involves generating and testing hypotheses. Making choices with rigor increases the probability of success. Strategy is an iterative process. The motivation for developing a strategy is usually a problem, such as experiencing declining market share or dealing with new competitor. The creative act is to come up with a set of possible responses to the problem. The act of rigor is to ask the most important question in strategy: what would have to be true for each possibility to be a promising idea. This means specifying the conditions that would need to be true about the industry, distribution channel, customers, the organization's cost position, and capabilities. Once key stakeholders agree on the necessary conditions for success, it is time to test the possibilities and choose a strategic path.

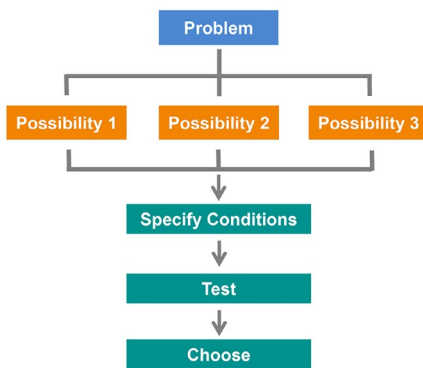


Figure 1
Strategy Choice Making

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Using a strategy cascade simplifies the process of strategy development.

A strategy cascade requires organizations to answer five questions:

1. **What is our winning aspiration?** A winning aspiration is a future-oriented statement about the organization's guiding purpose. It answers two questions: 1) What does our organization exist to do? and 2) What does winning mean for us? Martin believes it is important to aspire to be the best. Playing to win starts with people, rather than money, and has a competitive dimension. It requires that organizations understand what it means to win with their customers and who they are winning against. In contrast, playing to play doesn't have a winning element. It focuses simply on serving a customer segment and is focused on an internal metric, such as selling 25% more than last year.
2. **Where will we play?** The heart of strategy is answering where to play and how to win. To have a strategy, a business must define a marketplace and identify where it will focus in terms of customer segments, channels, product categories, geographies, and more. Answering these questions also requires defining where the company will not play.

3. **How will we win?** This choice is about how a business will win on its chosen playing field. What is the organization’s competitive advantage? Does it compete on low cost or differentiation? Where to play and how to win must be answered together.

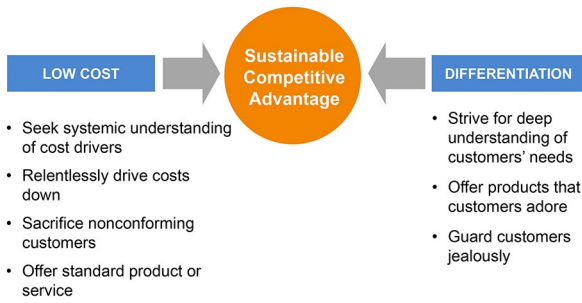


Figure 2
Achieving Sustainable Competitive Advantage

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4. **What capabilities must we have?** The goal of this question is to identify which specific capabilities support the organization’s competitive advantage. Capabilities enable the company to bring its where-to-play and how-to-win choices to life. To succeed, the business must be great at those activities.

5. **What management systems do we need?** Management systems are the processes, structures, and rules that build capabilities. They reinforce and measure the firm’s strategic choices. To deliver on its low-cost value proposition, for example, Vanguard must have a management system for monitoring and controlling costs.

Procter & Gamble applied the strategy cascade to transform the Oil of Olay brand strategy.

To reinforce key aspects of the playing to win framework, Martin offered a case study focused on the Oil of Olay brand. Around 1995, Oil of Olay was pursuing a strategy of merely “playing to play.”

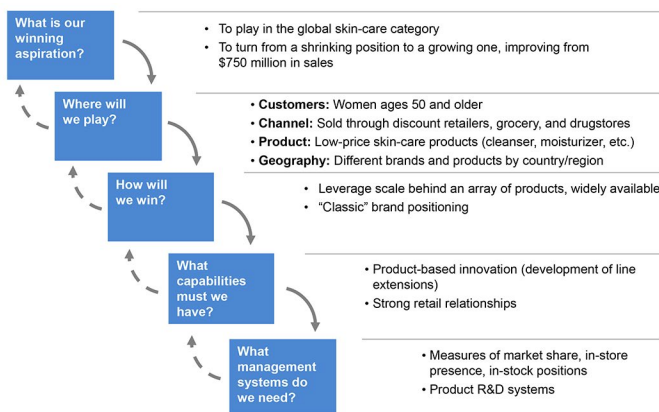


Figure 3
Old Strategy: Playing to Play

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“The answers to the five questions in the strategy cascade must reinforce one another—that is a characteristic of a great strategy.”

— **ROGER MARTIN**

P&G's goal was to make the Oil of Olay brand the biggest beauty business in the world. As a result, the company fundamentally re-examined the brand and created a new strategy focused on "playing to win."

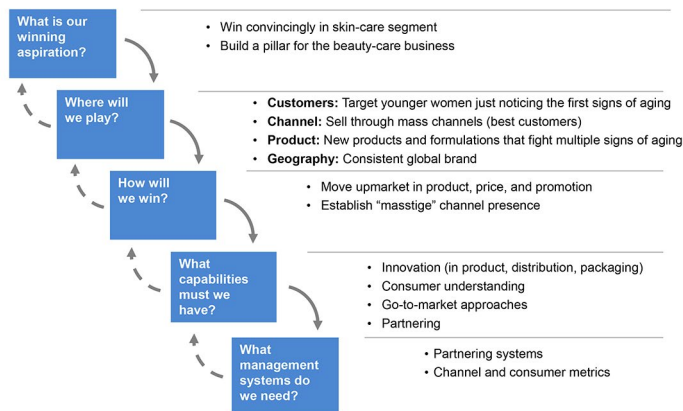


Figure 4
New Strategy: Playing to Win

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The new strategy resulted in a product that launched at \$18.99. It was a smash hit that grew at over 10% for a decade. Oil of Olay became a \$2.5 billion brand and the number one skincare brand in the world. By using the five questions in the strategy cascade to shape a different and better brand strategy, P&G was able to attain this level of success.

The specifics of strategy development depend on each organization's unique circumstances, but some principles apply across the board.

Martin offered best practices for organizations in using the strategy cascade to develop strategy:

- **A core group should drive the process and solicit input from key stakeholders.** The people who should participate in the strategy cascade exercise are dependent on the culture of the firm. Some firms are more inclusive than others. However, it is important to have one individual as the steward of the process, as well as a core group to run the process. This group should reach out to everyone who will influence the organization's ability to turn strategy into action. If this is not done, strategy execution is likely to fail.
- **The logic and data behind strategy decisions are different things.** Logic is a positive connection between two variables; for example, if a firm pursues a higher price point, there will be fewer customers. Data is used to determine the degree to which a positive logical connection is valid or not. The amount of data required for strategy development depends on how quickly the organization has to react, how much funding is available for data collection, and more. However, Martin insists that the logic behind strategy decisions must always be made explicit.

- **The amount of time spent on strategy development depends on each unique situation.** In some instances, decisions must be made quickly and it is possible to do so because the organization has a logic with which it feels comfortable. In other cases, a new strategy must be presented to the board and considerable data and analysis are required to buttress the underlying logic.

“Both courage and risk appetite are required to establish a good strategy and to play to win. However, people also need to be able to deal with ambiguity in a productive way. Strategy development is more about ambiguity than it is about risk.”

– **ROGER MARTIN**

BIOGRAPHIES

**Roger L. Martin**

Director of the Martin Prosperity Institute, Rotman School of Management

Roger L. Martin is director of the Martin Prosperity Institute at the Rotman School of Management, University of Toronto. From 1998 to 2013, he served as dean. Prior to Rotman, he spent 13 years as a director of Monitor Company, a global strategy consulting firm, where he served as co-head of the firm for two years.

He writes extensively, is a regular contributor to *Harvard Business Review*, and maintains a regular blog on HBR.org. He has published eight books, the most recent of which is *Playing to Win*, written with A.G. Lafley (Harvard Business Review Press (HBRP, 2013)). He is also the co-author, with A.G. Lafley and Jennifer Riel, of the *Playing to Win Strategy Toolkit*. Previous books include *Fixing the Game* (HBRP, 2011), *The Design of Business* (HBRP, 2009), and *The Opposable Mind* (HBRP, 2007). In addition, he co-edited *Rotman on Design* (with Karen Christensen, Rotman-UTP Publishing, 2013).

In 2013, he placed 3rd on the Thinkers50 list, a biannual ranking of the most influential global business thinkers, behind only Clay Christensen (*The Innovators Dilemma*) and Chan Kim (*Blue Ocean Strategy*).

**Angelia Herrin (Moderator)**

Editor, Special Projects and Research, Harvard Business Review

Angelia Herrin is the editor for special projects and research at HBR. Her journalism experience spans 25 years, primarily with Knight-Ridder newspapers and *USA TODAY*, where she was the Washington editor. She won the Knight Fellowship in Professional Journalism at Stanford University in 1990. She has taught journalism at the University of Maryland and Harvard University.

Prior to coming to HBR, Angelia was the vice president for content at womenConnect.com, a website focused on women business owners and executives.

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Sponsor's Perspective

Strategy in the Era of Big Data and Advanced Analytics

Roger Martin opened his discussion on the essential need for strategy development with a sobering thought: Too many companies don't get the return they expect from their strategy.

It's easy to see why. According to Martin:

- Successful corporate, brand, or product strategies are best built on **assumptions that can be tested against real-world data**.
- Winning strategies also require **widespread buy-in and consistent participation** from stakeholders across the enterprise.
- And executives will never really know if their strategy is working without the ability to **monitor and measure key indicators of their performance**.

At Tidemark, we share the conviction that these are all characteristics of successful organizations. That's why we've designed our cloud-native, mobile-first business planning and analytics software to enable organizations to achieve those crucial capabilities. The Tidemark Planning & Analytics Cloud is built specifically to enable companies to succeed in the era of Big Data and advanced analytics, when the ability to gain real-time insights can determine the difference between a good strategy and a winning one.

Tidemark offers enterprises four advantages they can't find anywhere else:

- It enables organizations to **operate in the now while impacting the future** with fast computations and rich integration of any data for modeling sophisticated what-if scenarios and running real-time advanced analytics.
- It **makes finance a participation sport** with consumer-grade user experiences built for easy collaboration on any mobile device, and with actionable infographics anyone can understand.

- It equips managers across the business to **act on the story behind the numbers** by giving them the crucial context that makes them meaningful and actionable, rather than just the raw data.
- It **puts businesses first** by making it easy to configure, manage, and intuitively understand plans and analytics around business processes—not centered around cubes or Excel spreadsheets.

In many cases, employing a new strategy represents a transformational journey—if not in the core purpose or nature of their business, then certainly in the structures, systems, and performance measures that leaders implement so they can understand how closely the business is hewing to the strategy they worked so hard to develop. A wide range of companies—from Shelter Insurance to Blackberry (where Rogers once served as board director)—rely on Tidemark to help them execute their own strategy and transform their business in the process.

Many of these companies are profiled in "[Transformational Journeys: Modern Business Planning](#)," a new, free research report from *Harvard Business Review*. The report is the product of extensive independent research, including surveys with business leaders and numerous detailed interviews. (Tidemark partnered with HBR to help their researchers gain access to a representative sample of our customers who are undergoing their own transformation.)

Download the free Harvard Business Review report [here](#). And learn how Tidemark can help your organization craft, implement and realize its own winning strategy.

ABOUT TIDEMARK

Tidemark is a new breed of enterprise performance management (EPM), bringing modern, cloud-first financial and operational business planning and analytics to the enterprise through unique, intuitive apps, enabling organizations to significantly improve decision-making, reduce risk, and improve business performance. Tidemark arms every decision maker with access to valuable data, deep analytics capabilities, real-time collaboration, and actionable visualizations on any device, enabling a culture of performance. Leading companies transforming their businesses with Tidemark include Netflix, Chiquita, Hostess Brands, Chuck E. Cheese's, HubSpot, and Brown University. Tidemark is funded by Greylock Partners, Andreessen Horowitz, Redpoint Ventures, Tenaya Capital, and Silicon Valley Bank. To learn more about Tidemark, please visit www.tidemark.com or follow us on Twitter [@TidemarkEPM](https://twitter.com/TidemarkEPM).

