

THE STRATEGY PARADOX

Why Committing to Success Leads to Failure (and What to Do About It)

MICHAEL RAYNOR

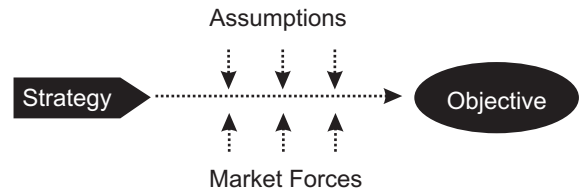
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The Web site for this book is at www.thestrategyparadox.com.

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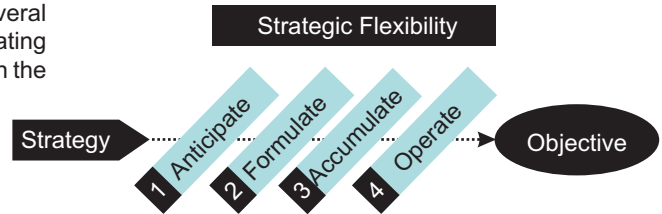
MAIN IDEA

Whenever you develop a strategy to achieve a specific objective, you are also automatically making some implicit assumptions about what the future market forces will be. If that forecast of future market conditions turns out to be incorrect, then your strategy which had a reasonable chance of success might turn out to be an absolute failure. This is the essence of the strategy paradox. The same behaviors and characteristics which maximize your probability of success also maximize your probability of total failure at the same time.



To overcome the strategy paradox, build in some flexibility and adaptability into your business strategy. Develop multiple choices which can respond appropriately to the different requirements of several market conditions. In simple terms hedge your strategic bets by creating a number of strategic options which can be harnessed depending on the actual marketplace conditions.

- Strategic flexibility will have four distinct phases:
- *Anticipate* – Build multiple scenarios of the future
 - *Formulate* – create an optimal strategy for each scenario
 - *Accumulate* – determine which strategic options are required
 - *Operate* – manage your portfolio of options effectively



The Problem – The Strategy Paradox Pages 2 - 3

Any business strategy, even if perfectly executed, rests on an assumption made today about what the market conditions will be like in the future. If those market conditions end up being different, even a well conceived strategy for today's marketplace conditions will fail. Instead of trying to predict the future, build in enough strategic flexibility to be able to respond to the marketplace conditions as they end up unfolding.

The Solution – Strategic Flexibility – Phase 1 – Anticipate Pages 4 - 5

The first step in gaining strategic flexibility is to acknowledge you don't precisely know yet what will happen in the future. With this in mind, it's useful to:

- Identify all potential drivers of change.
- Define the likely range of each of these drivers.
- Develop from that a set of scenarios, any one of which might actually eventuate.

By developing a detailed set of scenarios within which you may need to operate in the future, you can think creatively and expansively while at the same time having a finite set of options with which you can deal.

The Solution – Strategic Flexibility – Phase 2 – Formulate Page 6

Once you have various scenarios in mind, create an optimal strategy for each scenario in advance. When that has been done, you can then analyze what commonalities exist amongst all the various strategies. Logically these commonalities should then become your "core" strategy which can be pursued confidently because it will be useful whatever happens in the future. You can also then develop some contingent strategy elements which are worth pursuing in the event one or another of those alternative scenarios arise.

The Solution – Strategic Flexibility – Phase 3 – Accumulate Page 7

In this phase, you essentially do two things:

- You acquire those elements needed to implement your core strategy.
- You take options on all those elements which would be required for your contingent strategies.

The essence of the Accumulate phase is to give yourself and your organization the opportunity to excel irrespective of whether the general market conditions are as expected or entirely different.

In addition, the Accumulate phase also requires that companies aggressively abandon those strategic options which will not in reality be required as soon as this becomes clear so more resources can be poured into what will work.

The Solution – Strategic Flexibility – Phase 4 – Operate Page 8

The last phase is where you execute your core strategy while at the same time monitoring the general business environment. This is also the time when strategic options will either be exercised fully or abandoned altogether if they are deemed inappropriate. Companies will only realize the full value of the strategic flexibility they have created through the development of a portfolio of options when they are exercised or abandoned.

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