Making Strategy: Learning by Doing

by Clayton M. Christensen
It is sobering to review yesterday’s list of great corporate strategies: Ford’s mass production of standard automobiles; General Motors’ adoption of vertical integration and design of cars tailored to the preferences of customers in each tier of the market; Xerox’s strategy of selling copies rather than copiers; and Sears’s sales of reliable, reasonably priced merchandise through stores located in growing suburbs. Guided by brilliant strategies, these companies rose to prominence. Yet when conditions in their competitive environments changed, each found it extraordinarily difficult to change strategic direction.

Although companies find it difficult to change strategy for many reasons, one stands out: strategic thinking is not a core managerial competence at most companies. Executives hone their management capabilities by tackling problems over and over again. Changing strategy, however, is not usually a task that managers face repeatedly. Once companies have found a strategy that works, they want to use it, not

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change it. Consequently, most management teams do not develop a competence in strategic thinking. In fact, they are unable even to see the need to change direction when the strategy that made the company great has become obsolete.

Indeed, companies are increasingly outsourcing strategic planning. Disappointed with the high cost and low productivity of their internal strategic-planning staff, they are leaning on consulting firms for advice on strategic direction rather than developing strategic thinking as a core competence for their senior executives.

This article presents a methodology executives can employ to conceive and implement a creative and coherent strategy themselves. More important, managers can use the methodology repeatedly to reassess the organization’s direction, thereby cultivating both their competence in strategic thinking and their understanding of how strategic decisions connect to the market.

The Challenge of Redefining and Implementing Strategy

Managers face two particularly vexing challenges in developing and implementing competitive strategies. The first is to ensure that the strategy is not a reflection of the biases (and possibly ignorance) of the management team—biases that are likely to be rooted in the organization’s past successes. The second challenge is to ensure that once a company has outlined a viable strategy, it allocates resources in a way that accurately reflects the strategy. In other words, the strategy must mirror the realities of the company’s environment, and the resource allocation process must mirror the strategy. But such alignment rarely occurs. The formal processes and de facto mechanisms for formulating and funding projects to develop new products, processes, and services usually are separate from strategy-formulation processes. And the personal, political, and institutional factors that often heavily influence the process of strategy development are frequently disconnected from the realities of the marketplace.

Butterfield Fabrics, a £350 million British manufacturing company, provides a case study that shows why senior managers’ efforts to make strategy often prove difficult and ineffective—and how these difficulties can be overcome. Butterfield is the largest producer in Europe of coated and laminated fabrics. But in 1995, amid a growing market, the company’s sales were stagnant. More nimble competitors were outflanking Butterfield’s high-margin specialty products, and lower-cost rivals were seizing market share in the standard price-competitive end of its product line.

Worse, Butterfield’s costs were rising, owing in part to its aggressive efforts to develop new products. But the products it had launched in recent years lacked imagination. None had been big hits. Although sales of new products offset declining receipts from aging ones, the increase in manufacturing overhead required to manage the company’s proliferating offerings was hammering profits.

Sound familiar? Butterfield’s business is unique, but its problems are not. The company had sought profits and growth by expanding into many segments of the coated-fabrics market but now found itself bested by more focused competitors nearly everywhere it competed. Butterfield had never formalized a strategy, but it clearly had one: to reap the economies of scale, scope, and reputation that come from being the largest competitor in its industry. Nearly everyone in the company could describe that as Butterfield’s strategy, and its investments in new products and services were consistent with that theme. But clearly, by the mid-1990s the strategy was no longer working.

Anxious to fix the company’s problems, Butterfield’s senior executives—its president and its vice presidents for operations, engineering, sales and marketing, and finance—organized a weekend retreat to hammer out a new strategy. The retreat didn’t turn out as expected, however. Although the executives approached the event with real resolve to define the road back to corporate health, they could not agree about what should be done. Manufacturing attributed the company’s cost problems to the expanded product line and wanted to hack back unprofitable products. Finance wanted more products to lever the company’s fixed costs. Marketing saw a big opportunity to make customized products but deplored the taking advantage of it because product engineering was so slow. And engineering complained that it couldn’t finish projects because marketing was always changing requirements in midstream and clogging the development pipeline with far more projects than it had the capacity to handle.

The managers were not pointing fingers at one another. Rather, they were voicing honest views based on the data they confronted every day. Unable to agree on how to resolve the company’s problems, the executives concluded that they were trying to be too detailed in their approach. Instead, they crafted a statement intended to serve as a guide to those in the company who were making decisions closest to the action. It read: “The strategy of Butterfield Fabrics is to develop and profitably produce value-added fabric products of singular quality for leading customers throughout Europe. By targeting significant growth applications, we will strengthen our position as the largest competitor in the markets we serve.”

The result? One year later, despite extraordinary effort by those executives to improve the company’s for-
could handle, a wider range of products than the manufacturing organization could manage, and a more diverse set of customers than sales and marketing could understand.

What happened at Butterfield Fabrics will resonate with many executives who are eager to revitalize their companies’ fortunes. Yet coming up with a coordinated, detailed strategy to achieve that goal—a strategy offering explicit guidance about what the company will and will not do and one that everyone subscribes to—is extraordinarily difficult. This tool kit outlines a three-stage method for addressing that difficulty. The first stage is to define clearly the fundamental issues the company’s strategy must address. The second stage is to formulate the strategy itself. And the third stage is to create a plan for managing the many projects through which the strategy can be implemented. Guided by an outside facilitator, a management team can work through these stages in a few days of intense work.

Stage One: Identify the Driving Forces in Your Company’s Competitive Environment

Defining the problem correctly is the first and most important action to take in any problem-solving process. Indeed, the business world’s graveyards are filled with organizations whose executives implemented elegant answers to the wrong questions. That is particularly true in strategy formulation.

The first stage in developing a useful strategy, therefore, is to identify at a fundamental level the root causes of the issues the company needs to address. These are driving forces—the economic, demographic, technological, or competitive factors in the company’s environment that either constitute threats or create opportunities. When a management team rigorously defines the driving forces that the company faces, it is much easier to identify and unite behind a clear strategic course of action to address them.

A management team must take two steps to define driving forces. First, the group must generate hypotheses through a process of brainstorming. Second, it must test and develop a deeper understanding about the hypotheses through a process of diagramming how the forces actually work—a process called mapping.

Brainstorm the driving forces. To generate ideas about the driving forces effectively, you must assemble a team consisting of the company’s senior executives and selected managers representing each of the organization’s functional groups. Then nominate factors—technological, competitive, demographic, regulatory, economic, or organizational—that might be driving forces. Write each idea on a sheet of paper and post the sheets on the conference room walls. Discuss each idea as it is nominated, so that everyone understands it. In true brainstorming spirit, don’t reject any ideas just because they don’t fit the conventional wisdom. Groups that spend one or two hours brainstorming typically generate 50 to 60 ideas.

Once you’ve exhausted the possibilities, you’ll find that many of the ideas are similar. Take time to shuffle them around, placing ideas that relate to the same topic or theme together in a cluster. In general, 60 ideas will fall into 10 to 15 clusters.

Next, divide into teams of three to four people. Assign several clusters of ideas to each team, and ask each team to write a single statement that summarizes the ideas in each cluster. These summary statements constitute the group’s initial hypotheses of what the driving forces are—they make explicit the assumptions that key employees have about the problems and opportunities your company faces. Almost always, however, these hypotheses are the manifestations of deeper causal forces. So the next step is to probe more deeply, to determine why or how these forces have arisen and to understand specifically how they will affect the company and its competitors.

Map the driving forces. Mapping is a visual, iterative tool for discovering the root cause of a phenomenon affecting your company. You’ll want to divide your group into small teams again and have them draw maps for the driving forces summarized earlier. Although mapping is more a learned art than a rigid methodology, the management group’s task is the same as that of any scientist attempting to develop a theory or model to make sense of complex phenomena. Many scientists work inductively by carefully observing phenomena and then questioning why something appears one way in certain circumstances and a very different way in others. The scientist will develop an explanatory theory about his or her observations and then will test the model in a variety of different circumstances to strengthen or disprove the hypothesis.

A team attempting to map a driving force should approach the challenge the same way. The members should search for the two or three factors that could bring about the hypothesized result and plot those factors on the axes of a diagram or matrix. Teams then should use the model to see if it explains very different data in their environment. They should continue until they are convinced that they understand why the expected result is likely to occur and what could change to produce a different outcome.

For instance, one of the hypothesized driving forces at Butterfield Fabrics was “Several competitors needed to understand what allowed those competitors to undercut them. But to define the problem so that the company’s strategy would attack its root cause and not merely its symptoms, the team needed to understand what allowed
“That makes sense,” called out another team member. “But the map says they can produce at costs equal to ours. The driving force says they can profitably undercut us. Which is true, and why?”

The production scheduler had an answer. “The map is right as far as direct product costs go. But with all the variety in our plant these days, I bet Butterfield's burden rate is 40% higher now than it was ten years ago. All those setups and clean ups, interrupting long runs to do short orders, the extra scrap we produce at the beginning and end of every run, all the expediting and accounting. We have a higher-cost operation than the one we ran ten years ago, when we focused on fewer products.”

He then plotted a cost curve higher than the original one, drew an arrow up to it from Butterfield's original position, and said, “This is it. This is the driving force. We're here, with high overhead, on a cost curve based on old technology. They're down there, on a flatter curve, using new equipment with simpler, more focused operations.” (See the graph “The Final Driving-Force Map.”)

The team studied the chart and agreed that it felt right. Then the team's leader wrote a new, more accurate explanation over the driving-force map: “Butterfield's costs are high relative to competitors because new technologies enable cost-effective manufacturing at low volumes, and because of the complexity of managing our broad product line with our present configuration of plant and equipment.”

Butterfield's managers initially summarized a second driving force as, “Our largest customers are threatening to integrate backward and do their own laminating.” In mapping that hypothesis, the team sought to understand why and under what circumstances the customers had an incentive to do that work. Its initial map suggested that once a customer’s volume surpassed a certain level, it could bring laminating in-house cost-effectively. But the map didn’t hold up to the data: some very large customers seemed content to continue sourcing from Butterfield, whereas other much smaller ones repeatedly threatened to do the laminating themselves. After classifying customers from several angles, the team found an answer: Many customers purchased fabric in volumes above the minimum needed for efficient in-house manufacturing. But the greater the effort a customer was making to cultivate just-in-time production capability, the greater the noise it seemed to make about bringing laminating in-house. After completing its map, the team defined the driving force as, “Trends toward just-in-time production and just-in-time deliveries will push some customers toward laminating their own fabrics if suppliers are not available.”

Mapping in this way has two important advantages. First, it frees management from the tyranny of numbers. Often, task forces attempt to measure the phenomena that the Butterfield team had mapped: the exact cost added by the growing product line, the true slope of the cost curves, and the fully allocated operating cost per unit of the German equipment. Such attempts frequently derail over disagreements about what the exact numbers are, and much time and energy is spent getting all the numbers right. In contrast, mapping allowed Butterfield’s management to focus on and agree about what was going on at a conceptual level, and then to collect data only on those aspects of the analysis for which conclusions would hinge on more precise data.

Second, mapping requires managers to make their assumptions—and the implications of those assumptions—explicit through the diagrams, which, in turn, enable the team members to achieve consensus more easily. The words and numbers that make up many strategy documents often mask serious misunderstandings about assumptions.

It takes a management team about two days to define and map driving forces. Because mapping requires the team to think deeply about the issues confronting the business, many
of the insights it gains are counterintuitive. Nevertheless, when mapping is complete, the implications for strategic action usually become obvious to the entire team. Rather than rush quickly into strategy making, however, I have found it better for managers to ensure that all affected parties in the company understand and agree on the driving-force maps. That often means taking a break for three or four weeks. During that time, managers who were not part of the process can be included, maps can be altered to reflect new input, and data can be collected where necessary. This process is particularly necessary in global corporations, where managers on the scene may see the world quite differently from strategists at headquarters. When a management team is united in its understanding of the problems to be tackled, agreeing on and implementing solutions is much more straightforward. Creating this shared understanding is always a good investment.

Stage Two: Formulate Strategy That Addresses the Driving Forces

Strategy formulation involves three steps. First, you need to brainstorm ideas for what needs to be done and devise initiatives for each driving force. Second, you have to plot those initiatives on a matrix to get a sense of how they fit together. Third, you must create maps that make explicit how each functional group in the organization will contribute to achieving the strategy.

**Brainstorm about strategy.** Because brainstorming about strategy must focus on addressing the driving forces, it is helpful first to rank them in order of their importance. Team members should begin with the most important force, brainstorming about what the company might do to protect itself against—or take advantage of—each driving force. The ideas generated here are not meant to be high-level, abstract strategic concepts. Rather, they should be specific and action oriented. Each idea should be written on a Post-it note and stuck on the map to which it relates. Creative groups can
often generate 20 or 30 specific, useful ideas for addressing each of the driving forces.

When brainstorming has finished, the driving-force maps should be divided among the small teams. The teams should group the ideas pasted on each map into related clusters and draft a statement that summarizes the ideas in each cluster. Often, the ideas cluster most naturally around functional areas.

At Butterfield Fabrics, for example, brainstorming generated 35 ideas for grappling with the challenge posed by the company’s cost disadvantage. The team responsible for this problem clustered those ideas into five groups and drafted higher-level statements that summarized the strategic actions implied by the ideas:
- Segregate the machines in our current plant into three or more “factories within a factory,” each focusing on a specific set of products.
- Convert our manufacturing capacity to equipment that incurs reduced set-up and wastage costs.
- Open a small plant close to the customer in regions with local volumes sufficient to keep a new machine utilized.
- Implement an activity-based accounting system for product costs.
- Develop expertise in fast setup and changeover on the new machines so that we can offer fast response with an even broader, more customized product line than we do today – without suffering our current penalty on costs.

Of these proposed initiatives, only the fourth had been considered before. The others emerged as possibilities because the problem, as described in the driving-force map, had been made clear. The fifth initiative, in particular, was a surprise to everyone in the group. Many in the company had concluded that Butterfield’s broad product line was slowly strangling the organization. When they saw how small, focused plants and the ability to do low-cost changeovers could alter the economics of variety, however, they recognized that they could parlay the company’s scope into a strength in product-line breadth that competitors could not match.

For the second driving force, the Butterfield team concluded that the company could not keep up with customers’ needs for just-in-time deliveries if it continued to serve Europe from a single plant in the southwest of England. It was clear that to counter the threat of customers’ doing their own laminating, they would need two additional plants on the Continent, near centers of automobile manufacturing.

While generating strategic initiatives, some teams may disagree about what to do. Such disagreement is usually the symptom of a poorly defined driving force. It is wise to stop arguing about what to do and instead ask if there is a driving force that the team has not yet defined behind the problem.

At Butterfield, a dispute arose about whether the company should outsource a costly insulation material or continue to make it themselves. When the team realized it had not defined a driving force to guide the company on this issue, the members stopped arguing about what to do and instead began discussing the forces that drive decisions about whether or not to outsource. They developed a map describing the conditions that would be necessary for outsourcing to make sense. In doing so, the course of action became clear to everyone: it would be better to outsource the insulation material.

Create a strategy matrix. One concern with developing strategy in this manner is that the actions required to address one driving force might contradict the actions required to tackle another. To guard against that, the group should next create a strategy matrix such as the one shown in the chart “An Excerpt from Butterfield’s Strategy Matrix.” The strategy matrix is built by listing the driving forces at the top of each column, in order of priority. The major functional groups in the company are listed to the left of each row. The statements of strategy that the teams have devised to address each driving force—such as the five statements listed above for Butterfield—can then be inserted into the appropriate cells of the matrix.

As the excerpt from Butterfield’s matrix suggests, not every cell will have ideas in it. But once the matrix is complete, managers can read down the columns to get an overview of what the company’s strategy might be for addressing each driving force. It is helpful for the group not just to discuss the sensitivity and feasibility of the initiatives listed under each column but also to examine the empty cells—to be sure the group has thought through how each of the functions needs to contribute to the strategy. Just as important, by reading across the rows managers can get an overview of the functional strategies that will be required to address the complete set of driving forces successfully. The ideas in each cell should be discussed and refined, using the driving-force map as the standard for evaluation. During this review, the initiatives in the cells of a given row need to be compared to one another to ensure that they are mutually consistent and to resolve any contradictions.

The strategy teams should also summarize what each row and column tells them about the strategy. At the right end of each row, they should write a short statement summarizing the functional strategy for each group in the company, and in the cells at the bottom of each column, they should summarize the

The process for allocating resources across projects must mirror the strategy.
### An Excerpt from Butterfield’s Strategy Matrix

<table>
<thead>
<tr>
<th>Driving Forces</th>
<th>Other driving forces</th>
<th>Summary statements of each function’s strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Driving force 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Butterfield’s costs are high relative to competitors because new technologies enable cost-effective manufacturing at low volumes, and because of the complexity of managing our broad product line with our present configuration of plant and equipment.”</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Divide plant into three “factories within a factory,” each focusing on a few product families. Buy German equipment to reduce set-up and waste costs in low-volume products.</td>
<td>Develop ability to manufacture and deliver just in time from plant in southwestern England. Design systems in new Continental plants to facilitate just-in-time scheduling.</td>
</tr>
<tr>
<td><strong>Marketing and Sales</strong></td>
<td>Broaden product line further as soon as process capability and plant configuration are ready.</td>
<td>Use ability to deliver just in time to capture more business. Use ability to produce a broad line and deliver it quickly to expand market share.</td>
</tr>
<tr>
<td><strong>Product engineering</strong></td>
<td>Where local volumes are sufficient, open small regional plants that are close to the customer.</td>
<td>Build two focused plants near auto-manufacturing centers on the Continent.</td>
</tr>
<tr>
<td><strong>Business development</strong></td>
<td>Implement an activity-based costing system.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop expertise in fast setup and changeover on existing and new equipment to handle greater variety without suffering cost penalties.</td>
<td></td>
</tr>
<tr>
<td><strong>Summary strategy for each driving force</strong></td>
<td>Develop and exploit the capability to manufacture cost effectively at low volumes.</td>
<td>Develop and exploit the ability to produce and deliver just in time.</td>
</tr>
</tbody>
</table>
company’s strategy for addressing each driving force. These statements are hypotheses for what the strategy might be. Just as managers gain a deeper understanding of driving forces by mapping their initial hypotheses, they can gain much richer insight into what the strategy should be, and how to implement it, by mapping the strategy matrix summaries.

Map the functional strategies. Well-constructed strategy maps free managers to think at a deep but conceptual level about what needs to be done; thus they do not get entangled in premature discussions of how to do that. The maps provide a clear, visual way to make managers’ assumptions explicit in a manner that words and numbers cannot. Because strategy is generally implemented through functional groups, I have found it most helpful to begin this process by drawing maps of the functional strategies—the summary statements at the end of the rows in the strategy matrix.

You employ the same methods to map strategy as you do to map driving forces. Teams begin by drawing a blank matrix on a flip chart and then identifying the two most important mechanisms that will have to be manipulated to implement the strategy. Those mechanisms define the horizontal and vertical axes of the map. As in mapping driving forces, teams will usually need to go through several iterations before they arrive at a map that reflects deep understanding.

Consider Butterfield’s decision to outsource the insulation material. In mapping their supply chain strategy, the management group noted that outsourcing the material would be hard to do because making lining fabric adhere to the insulation fabric was an art that depended on weather conditions, on which manufacturer had supplied the yarn used to weave the insulation fabric, and on a host of other factors that were not easy for the operators to describe. It typically took several years of experience before skilled operators understood how to tweak various process controls to adjust for the complex interactions between fabrics and adhesives. The team concluded that outsourcing the insulation material under these conditions would fail because operators would have little understanding of the materials they were working with.

The solution involved two mechanisms that emerged as the team worked on its strategy map. The first mechanism, knowledge, constitutes the vertical axis of the graph “Outsourcing with Competitive Advantage.” For outsourcing to be feasible, the company needed to be able to measure precisely the insulation material’s important characteristics and to tell suppliers the specifications they needed to meet in the materials they supplied. Butterfield needed to transform an intuitive art into a science-based knowledge of how and why the components in their system interacted as they did.

It would gain that knowledge by initiating a series of experiments to understand how different environmental factors, various attributes of the fabrics, and different formulations of adhesives interacted in the lamination process. This project would be the mechanism the company would employ in order to implement its strategic objective of outsourcing the insulation fabric. It is described by the vertical movement from “Butterfield 1995” to “Butterfield 1997” in the graph.

While discussing this strategy, the vice president of marketing commented, “The books on the subject say that our strategy needs to build a sustainable competitive advantage for us. I don’t see how outsourcing this material does that—in fact, it probably does the opposite.” To explore that concern, the business development director stepped to the flip chart and plotted the company’s competitors—an important analytical step in creating a strategy map. He noted that they were already outsourcing the fabric. “But I don’t believe they’re any smarter than us,” he concluded. “I’m quite sure that each one has a sole-source relationship with a different supplier of the fabric. I bet it’s because they don’t have an understanding of how their fabrics and adhesives work together. They manage this problem by using only one type of fabric, from one supplier.” He marked the competitors’ positions near Butterfield’s, in the lower-left-hand corner of the map. The second mechanism was still undefined.

His marketing colleague then proposed what it might be. “You know what we need? If we can understand how all these variations in the adhesives and fabrics cause so much variation in our products, we might be able to design an adhesive and a process that is really robust—ideally, a single proprietary adhesive that would allow us to source insulation fabric from a range of suppliers and still get reliable lamination. Talk about competitive advantage! We could almost design custom products for each customer if we had access to a variety of fabrics. If we had the technology, doing that wouldn’t be too complex from a process viewpoint.” She then sketched the horizontal axis of the strategy map. The mechanism for getting to the point where the company could offer a wide range of insulation fabrics, or “Butterfield 1999,” was the development of a robust adhesive. The technical feasibility of the project was unclear at this point, but the company’s strategy would be to try to make it happen.

“And do you know what?” she continued. “This advantage should be sustainable because we’re the only company in the industry large enough to afford our own R&D department. The small guys are completely at the mercy of their adhesive suppliers—and they use such small amounts that the suppliers have no incentive to develop custom adhesives for them.” She then drew a brick wall on the map next to Butterfield’s competitors, depicting the group’s belief that competitors could not copy Butterfield’s strategy.

The purchasing manager then wrote a statement at the top of the map that summarized what the mapping process had revealed: “Our core competence will be a deep understanding of the interactions among our processes and the materials we use. With this understanding, we will be able to outsource a larger proportion of the fabrics we use, en-
Other teams developed a similarly insightful understanding of their slice of the strategy as they attempted to diagram how they would implement the initiatives suggested on the strategy matrix.

There is nothing magic about the process of mapping. It produces no automatic insights. But like the strategy matrix and the driving-force maps, it allows a management team to visualize and debate how its members’ various organizations need to interact in order to create the sustainable advantages that good strategies must achieve. In the case above, the map began as a purchasing-strategy initiative that had been defined in the strategy matrix. But by the time the mapping process forced the team to ask what mechanisms it would have to employ to achieve that strategy, it had integrated the roles of purchasing, R&D, marketing, and manufacturing.

### Stage Three: Create a Plan for the Projects to Implement the Strategy

The final stage in the driving-forces method of strategy making is to develop a plan that defines specifically how money and manpower must be spent over time to implement the strategy. Too often, elegantly conceived strategies fail to help a company because managers do not define the projects throughout the organization that are required to implement high-level statements of strategy. And even when specific implementation projects are proposed, daily decisions about which projects have the highest priority and which get what share of the company’s resources can easily become inconsistent with strategy because of inertia, politics, and conflicts between short-term and long-term needs.

Strategic change, whether derived through a process of mapping driving forces or some other means, can only be implemented if management uses a deliberate mechanism to ensure that the process used for allocating resources across projects mirrors the strategy. To help management teams translate strategy into action, I have used aggregate project planning, a tool described by Steven C. Wheelwright and Kim B. Clark in “Creating Project Plans to Focus Product Development” (HBR, March-April 1992).

Aggregate project planning helps managers to specify the types of projects that they will have to initiate and complete in order to implement their strategies. Indeed, attempting to depict a strategy as a stream of new product, service, and process-development projects typically informs a management team about how much useful guidance its strategy actually offers.

Senior executives do not need to know the detailed requirements for any specific project. But if the management team is serious about implementing the strategy, it needs to reserve the capacity—in terms of people and cash—to execute the stream of projects that will implement each strategic initiative. The team should have a rough idea of what it wants these projects to achieve, how big they will be, what sorts of risk they entail, and in what sequence they need to be initiated and completed. Ensuring that the projects critical to the strategy match the organization’s capacity is the team’s final reality check on the feasibility of the strategic plan.
Competence in Strategy

Good management teams are deeply competent when it comes to preparing annual operating plans and delivering the numbers called for in those plans. Why? Because they confront these tasks over and over again. Managers develop ways of thinking and working that make them very effective in meeting those recurring challenges.

A company’s executives can actively cultivate a deep competence in strategic planning by engaging in such planning over and over again. It follows that management teams need to engage in strategy making themselves. Occasionally, analyses of particularly vexing issues might be outsourced to consulting firms or to planning groups within the company. But developing a competence in strategic thinking requires that senior line managers take personal responsibility for developing the key strategic insights that will guide the company. By definition, managers cannot develop competencies in activities that they outsource.

The process of defining and periodically reassessing driving forces and the strategies required to address them must be repeated in a way that is not perfunctory. If companies make these tasks an integral part of their annual planning process, their managers will become competent strategic thinkers. If management teams habitually resolve disputes about strategic action by stepping back to define the underlying driving forces, they will develop a competence in linking strategy to the realities of their market. And if strategy and innovation are tightly linked through the annual aggregate-project-planning process, senior managers will develop a competence in implementing strategic change.

1. The name of the company and some of the details about its business have been disguised.

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