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*Part I*

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# The state of strategy today

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*Strategy In 1,000 Words*  
— *with Roger Martin*

A conversation between Roger Martin  
and ReD partners, Iago Storgaard and Filip Lau

RED ASSOCIATES

Strategy has become a word that can be attached to almost anything in an organisation. Add the word to HR plans, communication timelines or sales force effectiveness, and it suggests shine, importance, a sense “we have a plan for this”. As a result, strategy as a term has been inflated to now mean almost anything, but more often than not, companies confuse strategy with strategic planning. In the first in our Strategy In 1,000 Words series, world-leading strategy expert Roger Martin explains what strategy really is, how it gets misused, and why real strategy is so hard to do in practice.

ROGER MARTIN

Professor Roger Martin is a writer, strategy advisor and in 2017 was named the #1 management thinker in the world. He is also former Dean and Institute Director of the Martin Prosperity Institute at the Rotman School of Management at the University of Toronto in Canada.

RED ASSOCIATES

*ReD helps leaders create original strategies for the worlds of tomorrow.* ReD Associates is a humanities and social science-based strategy consultancy. Since 2005, ReD has worked with global companies and foundations, C-suite, and boards to create meaningful change in corporate strategy, growth initiatives, product, sales, marketing and R&D.

ReD ASSOCIATES *Strategy is often mistaken to mean a lot of different things. What is your definition of strategy?*

ROGER MARTIN First and foremost strategy is choices, an integrated set of choices that fit together and reinforce one another. The result positions the entity that is doing the strategy on a playing field in a way that it is the best on that playing field. That is a strategy: you want to have choices that produce an outcome.

ReD *That sounds very simple. Our observation, however, is that that is not how strategy gets used in the world.*

ROGER Your observation would be similar to my observation, and it is a minority view. The majority view of strategy is what I would describe as the technocratic view, which is that strategy means having a plan. That's why it's often called "strategic planning". The most common implicit definition of strategy is that strategy is a sensible list of initiatives that we will lay out and then pursue. For example, "Our strategic plan says we're going to do these eight initiatives and that's our strategy." Typically, the initiatives are all sensible: "We will build this new factory, or add these many salespeople, or enter Asia," et cetera. But together they do not add up to the company doing well. In fact, often the result is the company does very badly. Then everybody says, "Gee, we did our strategic planning, and surprisingly, our company is not doing well." The people saying that are typically technocrats who believe that as long as you have a plan, things will work out well.

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ReD *Why does it end up this way?*

ROGER Crucially, the plan does not specify how all these initiatives will link together to accomplish a given outcome. The essence of strategy is to compel the thing you do not control to do what you need it to do. If you think about a company, what does it control? It controls how many people it hires, how many capital dollars it puts in place, where it sells its products – all of those things are in its control. What is completely outside its control? Customers. What strategy is, is your way of compelling those people you do not control, the customers, to feel that buying your product or service is the best thing for them to do.

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*The vast majority of strategic plans are followed to the letter, and the vast majority of strategic plans are not worth the paper they are written on.*

ReD *Why is it that the integrated part of the equation often gets lost?*

ROGER Simply, because it's hard. It's much easier to plan individual initiatives. I encourage you to read strategic plans and you will see very little in them where you would say, "Well, that's stupid." It is quite easy to plan to do sensible things. An economist would say, "All else being equal, it's good to build a plant. All else being equal, it's good to add 200 sales people." But it is much harder to say: "If we did this with our production system and this with our distribution system and this with our advertising, that would together add up to positioning us in this advantaged way against our competitors." That is just harder. It is a much more creative act and it is something you cannot prove in advance. All you can say is, "If I do these things, I believe that customers will come." That takes a leap of faith and the scariest thing for a technocrat is to take a leap of faith. They want to be sure that they can succeed. That is why I say the vast majority of strategic plans are followed to the letter, and also why the vast majority of strategic plans are not worth the paper they are written on.

ReD *Who are the people that are not technocrats?*

ROGER More entrepreneurially minded CEOs, whether they happen to be the CEO of a giant company or not. Technocrats want to take responsibility for inputs: "I built this factory, I did this and that." The more entrepreneurially minded want to take responsibility for outcomes: "We did all of these things to produce this outcome." But in the modern world of business there is more personal career risk to the latter than the former. If you get your strategic plan, which is a bunch of independent initiatives approved by the board, and then you do everything that is in that strategic plan, and the results are crummy, who do you blame? You blame the board for approving your strategic plan, not the person who came up with the strategic plan. If instead you go to the board with a strategy that says, "We are going to do all of these things, and together we think it is going to produce this outcome," if you are wrong, they are more inclined to say you've got bad judgment. So, developing proper strategy is hard.