BECAUSE IT'S THE ONLY WAY TO FIGURE OUT WHAT TO PAY ATTENTION TO— AND HOW TO GET BETTER.

WHEN I ASK BUSINESS EXECUTIVES ABOUT THEIR COMPANY'S STRATEGY—OR ABOUT AN APPARENT LACK THEREOF—THEY OFTEN RESPOND THAT THEY CAN'T OR WON'T DO STRATEGY BECAUSE THEIR OPERATING ENVIRONMENT IS CHANGING SO MUCH. THERE ISN'T ENOUGH CERTAINTY, THEY ARGUE, TO BE ABLE TO DO STRATEGY EFFECTIVELY.

This is an argument I hear particularly often in high-technology sectors. It is almost a mantra there, a badge of pride and superiority: "We run at breakneck speed in the world of high tech, and there isn't time to stop and do strategy. It will emerge naturally over time."

The implication is that only boring corporate bureaucrats in large corporations, where the future is (apparently) certain, engage in strategy. Growth companies, it seems, have far more urgent things to do.

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I find this to be pretty interesting logic. Essentially, the argument is that the present is too uncertain to make any strategic decisions about the future. However, at some future time, things will be certain enough to make choices.

I really wonder what makes them think so. Life is and always has been uncertain. If we live in an uncertain, fast-moving, turbulent world today, why would it be any different a week, a month, or a year from now? If the world is too uncertain to choose today, what is it about the future that will make things more certain? At some point, do we simply declare the world to be certain enough to make strategy choices? How will we know it is the day? What criteria will we use to decide the requisite level of certainty has been reached? Or will we simply put off choosing forever, because certainty is utterly unachievable at any stage?

The danger, of course, is that while we are using uncertainty as an excuse to put off making strategic choices, the competition may be doing something else entirely. They may be strategizing their way to first-mover advantages and positions that leave few if any attractive options in the market.

What I generally observe about companies that say that it is too uncertain to do strategy is that they complain after the fact about having been blindsided by something

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unexpected. Their narrative tends to be that when it happened, it was just too late to do anything constructive about it. The failure wasn't at all their fault, because the industry is uncertain and this kind of stuff just happens naturally.

This is beautifully self-sealing logic that absolves leaders completely from any responsibility. Leaders who use this logic ensure that they don't acquire any useful lessons whatsoever from the experience. Because they have a narrative that says it wasn't their fault, they don't explore their actions. And when their company crashes and burns because it was beaten by some other company that actually had a strategy, these leaders go somewhere else and do the same thing all over again.

In truth, every company has a strategy. Whether it "does strategy" explicitly or not, the choices that it makes on a daily basis result in the company operating on some part of the playing field (i.e., making a where-to-play choice) and competing there in some fashion (i.e., making a how-to-win choice). It matters not a whit whether the industry is highly uncertain, every company competing in it has a strategy.

Without making an effort to "do strategy," though, a company runs the risk of its numerous daily choices having no coherence to them, of being contradictory across divisions and levels, and of amounting to very little of meaning. It doesn't have to be so. But it continues to be so because these leaders don't believe there is a better way.

Contrary to popular opinion, strategy is not about turning uncertainty into certainty. Lots of bureaucratically inclined board members and corporate executives want and expect this to be the case. When reviewing strategies, you can hear them asking for proof that the strategy will be successful.

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This kind of exchange is a terrible mistake on all sides. Advocates are promising something they can't control and are setting themselves up for harsh punishment if things don't turn out the way they hope. At the same time, making a guarantee in advance simply reinforces the mistaken belief that it is possible to be certain about any future outcome.

The reality is that strategy is about making choices under competition and uncertainty. No choice made today can make future uncertainty go away. The best that great strategy can do is shorten the odds of success. When crafting a strategy, all companies need to make bets about what customers will want in the future, what competitors will do in the future, what the company itself is capable of accomplishing in the future, what will happen in the economy generally. None of these bets can be guaranteed.

Strategy means making the best possible choices you can make today and then being responsive when the bets do or do not come in as hoped. In essence, the strategist says "this is what I think will happen," watches what does happen, and then updates the strategy and bets based on the newest information.

If strategy can't eliminate uncertainty and needs repeated adjustments, why bother doing it at all? Why not just let the world play out and react accordingly? The reason is that strategy is the only way to figure out what to pay attention to and how to get better.

The act of articulating a desired future state—a decision about where to play and how to win—enables the tracking of progress against the desired state. Stating the set of key bets about the future that have to come true for that desired state to happen allows the monitoring of how the key bets are playing out.

For example, a company looking to win on the basis of superior consumer service would have to bet that consumers would reward it for superior service and that it could deliver that service meaningfully better than could competitors. Having articulated the strategy and the bets, the company can develop measurement systems for both the outcome and the bets.

These systems should clearly point to the things that matter, the things the company must pay attention to. Without them, as the future plays out, the company won't know what matters or how to make sense of the things that happen. In essence, articulating a strategy raises the signal-to-noise ratio of feedback from the market.

So strategy is not about getting rid of uncertainty, it is about knowing when the world is breaking against your bets—e.g., we thought customers wanted smaller screens, but they really want bigger ones. This way of thinking about strategy is helpful in two ways. First, the company can watch the key bets like a hawk, see deviations as early as possible, and take action as appropriate. Without knowing what to watch for, the company is much slower to respond. Second, the company gets a leg up on how to modify its strategy. The company has a logical structure to its existing strategy to which it can apply the new data, updating and enhancing the strategic logic. This is much more efficient than having to create the structure from scratch.

So rather than seeing strategy as a way to get rid of uncertainty, think about strategy as a way of dealing productively with life's inevitable uncertainty, by continuously making and updating your bets about the future. ■


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