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## Strategy as Learning

Businesses that seek sustainable competitive advantage must set aside the view that strategy is planning and embrace the idea that strategy is learning, says Willie Pietersen.

Topics:

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### There are so many books and blogs on strategy out there. Why write another one?

I developed the framework itself out of a sense of frustration. There are a lot of exhortations and slogans like *Think outside of the box*, *You've got to be a revolutionary*, *Make your decisions with the customer in mind*. But there are few actual practical business tools or processes to translate these appeals into action. Change doesn't happen through exhortation. If you want to get anything done in an organization, you have to introduce a business process to make it happen.

I felt we needed to move away from static models and instead create a dynamic process that introduces the idea of strategy as learning. That's a fundamental shift that businesses must make: from strategy as planning to strategy as learning. So I set out to assemble the right set of underlying concepts that would inspire a highly practical, simple process to put these ideas into action.

### Would you describe the model?

It's a four-step insight-to-action model. To think strategically is to think outside-in and to function strategically is to make decisions based on that outside-in thinking.

The four steps move in a cycle. *Learn* about the externalities and the organization's own reality. *Focus* by using that set of insights to identify the few things that matter the most to the firm's success and make choices about where the firm will compete, what it will offer its customers and how it will win. *Align* all of the elements of the business behind the strategy: organizational structure, culture, people, competencies, measurement, and reward systems and motivation to drive it all forward. *Execution* is the final step, a set of

rigorous disciplines to implement changes faster and more effectively than competitors.

That takes the firm back to the *learn* step because the environment will have shifted, the organization's own realities will have evolved and it will need to refresh its insights. It is an ongoing cycle of learning, discovery and renewal.

### Why do you say that strategy is everyone's job, and how does that fit into the strategic learning framework?

Strategy's role is to empower an organization to make the smartest choices on how to focus its scarce resources to achieve competitive advantage. The more I've worked with this framework, the more I've realized the fundamental truth that if strategy is created behind a veil of secrecy by a top team and then announced from the mountaintop, it very seldom motivates people to do the right things. They find it really hard to translate that into the right kind of priorities in their own areas of responsibility. The idea is that it is everybody's job at every level in the organization to create a clear line of sight to the organization's strategic intent or priorities, and then to translate those into aligned priorities for success in each department.

Herein lies a real challenge — the challenge of leading upward. We all seek simplicity. If simplicity doesn't descend on us from the top, we feel like victims, saying to ourselves, "I would be able to do this if only the folk at the top would clarify where this needs to go." Leadership is about finding that clarification, defining for yourself what you think it is, testing it out with the top leadership and then translating it into action at your level.

### Why do you say that companies must love their customers — not just understand them?

After her grandmother mistakenly took medication meant for her grandfather, Deborah Adler made redesigning prescription bottles into her thesis at design school. The new bottles, which she tirelessly and successfully lobbied Target to adopt, incorporated safety features including color coding for different family members and larger font sizes. It was a truly revolutionary redesign of prescription bottles. I once asked Deborah how many other designers out there were capable of doing the same kind

of work, and she said, “Oh, hundreds and hundreds.” So I asked her what made her different from them and she said, “Well, I really love my grandmother.”

Now, that is also a metaphor for loving the customer. Look at Procter & Gamble. Instead of using a survey — in 20 years I’ve never seen really deep insights about customers come out of a survey — or even focus groups, P&G conducts analyses that are essentially ethnographies. They do what Deborah Adler did by behaving like anthropologists or sociologists, looking at people’s behavior, issues and uncovering customer needs through intense examination. So many of P&G’s product breakthroughs arise from this type of analysis.

**What is the difference between a value proposition and a winning proposition?**

So many organizations still speak the language of the value proposition. A value proposition defines the value we aim to provide to our customers. But as I point out in the book, in a competitive world absolutes have no meaning at all. Our job is to create *greater* value. Our customers have choices, so they will go where the highest value is; the same is true of our investors.

So the big questions are why should customers choose our products or services, and why should investors give us their money? The only rational reason is because they seek greater value, and what we are offering is greater than competing alternatives. So we must always strive for a winning proposition that defines the margin of difference in the value we offer compared with the competing alternatives. And that is a higher hurdle than a value proposition, which is not comparative.

**You view mistakes as an essential aspect of the strategic learning framework, but even the best organizations are often not comfortable or good at managing mistakes head-on.**

Mistakes are inevitable, of course. But there are dumb mistakes, where you repeat your own or someone else’s mistake. And there are smart mistakes — because there is no risk-free environment and by definition some things won’t work. Call them mistakes if you like, but

came from things that didn’t work. And so now it becomes a matter of culture as to how you

view mistakes. The most costly kind of mistake is the one that gets covered up because the mistake will still be there, but there is no value to the learning.

For me, there is an equation — it is not exact but you can get a good assessment: the quality of the learning is bigger than the cost of the mistake. It is not about assigning blame; it is about capturing the value of the learning.

**You don’t often hear people say that storytelling is important for strategy, but you say it is. Why?**

Storytelling is vital — and I’m not talking about being an extrovert. When I teach, I use stories to try to illustrate my points. Inevitably people most remember the things that were told as stories.

I introduce this notion by telling a short story about a businessperson walking past a construction site where there are workmen toiling on the sidewalk. He asks each man, one at a time, “What are you doing?” The first workman says, “I’m digging a hole.” The second one says, “I’m laying bricks.” The third one says, “I’m building a cathedral.”

Leaders are always able to describe the cathedral. So it is not about being an extrovert; it is about being able to create a vivid picture that lives in people’s minds, galvanizes them and encourages belief and commitment.

A counterpart to that idea is the idea of simplicity. At the age of 33, Marco White was the youngest chef in history to get three Michelin stars, which is the maximum. He was British, so it was a kind of double achievement. Restaurants are very chaotic places and he had a string of them that he ran with this mantra: Complexity creates confusion, confusion creates inconsistency and inconsistency creates failure. This mantra is a reminder that at the heart of effectiveness in leadership and strategy creation is the idea of simplicity.

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