Strategy Lessons From Executives

Idea In Short

Strategy is a set of activities that builds sustainable competitive advantage over decades, not a single decision or plan. Define what winning means for your company, find your unfair advantage and communicate it relentlessly.

Strategy Is a Set of Activities

Strategy is not one thing but a connected set of activities that reinforce each other over time. Creating a sustainable competitive advantage means performing better than rivals for a long period. Michael Porter's example of Southwest Airlines illustrates this virtuous cycle. Southwest chose one aircraft type, competed against the car, standardized pilot and mechanic training, eliminated meals and maximized flying time. Those choices lowered cost per passenger, which allowed lower prices or higher profits and drove 45 years of profitability except in 2020.

Strategy is cumulative because it behaves like a flywheel. Momentum builds through economies of scale, customer loyalty, higher switching costs, startup costs and network effects. Each advantage makes the next one easier to sustain. Something must make your customer stay with you and dissuade new entrants from entering your profitable neighborhood. 1 describes how companies need a core engine that drives current revenue and a second embryonic engine that builds future revenue.

Strategy Differs From Planning

Planning makes your goals more achievable through accountability, budgets, headcounts and metrics. Strategy defines what winning means for your company, department or career and makes it happen. The two activities engage different cognitive processes and should be handled separately. You would not vision your retirement strategy and plan a local vacation in the same meeting.

Business is hard and most ventures fail. Companies that consistently beat their Weighted Average Cost of Capital [WACC] do something right, so learning from others makes sense. Yet best practices are often just fancy common practices. Once half the industry adopts a practice, it no longer confers an edge. Find what is unique about your team and company, what gives you flow and what customers pay you for that is difficult for others to replicate.

Strategy Is More Poker Than Chess

Search for the word strategy in images and you will likely see a chess piece. Annie Duke, a World Series of Poker champion and cognitive psychologist, argues that business resembles poker more than chess. In chess you see the board, start with the same pieces and typically have an optimal move. 2 explains how poker involves hidden information, luck, multiple competitors and changing probabilities.

In poker you can win with a worse hand, luck matters more and you do not have to play every hand. Strategy is about winning at your own game. If you want to be average, follow along and work slightly harder than peers. Winning is not beating a competitor, which implies a zero-sum game with no differentiation. Winning means knowing what success looks like for you. Chick-fil-A closes on Sundays, Patagonia repairs old clothes and the Green Bay Packers are owned by fans.

Will Your Strategy Be Correct in the Long Term?

On some level you do not know until later, so play the hand you were dealt. Strategy involves calculated risks, so map out probabilities, likelihoods and potential outcomes. The term long term is vague, so clarify whether you mean the next 20 years, your next promotion or until retirement. Look for leading indicators that hint at the next trend.

Be careful of hindsight bias. When you think of the future, you see a tree with multiple branches of potential outcomes. When you look back, you cut off the branches that did not happen and falsely assume the outcome was inevitable. There were many ways the client could have responded and none were guaranteed. 3 reinforces the idea that rare, valuable skills are what make you indispensable.

How to Balance Short-Term and Long-Term Goals

This is the biggest challenge for most executives. The answer depends on many factors you must arbitrate. Consider the mood, whether earnings are up or down and whether you focus on margin or market share. Evaluate the timing, your relational equity and your risk appetite. Determine the bottleneck and whether you can pursue both short-term and long-term initiatives simultaneously.

Take something off your plate if it is not required. Delegate work and explore robotic process automation to free up capacity. Align company, team and personal goals so the arrangement feels like a win-win rather than a trade-off. The practical answer is that you balance strategy and tactics simultaneously because both are necessary.

How to Keep Strategy Simple Yet Effective

Can you explain your strategy to someone outside your business? Write it down and test it. Explain it to your cousin or a high schooler, then to a smart industry peer. Identify the trade-offs you are making explicitly or secretly. Determine the leading indicators that tell you whether you are winning.

Define what winning looks like and how you will know. List the three biggest obstacles that could arise and your planned response. Practice answering these questions aloud and record yourself to refine your delivery. Simplicity does not mean easy to copy, because a strong strategy plays to your unfair advantage.

How to Adapt Strategy to Market Changes

Adapting strategy varies by organization size. A county transportation system with 10,000 residents can pivot faster than a federal system serving 330 million. Reid Hoffman, founder of LinkedIn, enjoyed leading a 50-person company more than a 5,000-person one. Large companies like Blockbuster, Yahoo and General Electric have strategic plans that try to anticipate market shifts.

Do not risk so much on any single bet that you go out of business. Live to fight another day. Think of your business as two engines where the first engine drives current revenue and the second builds future revenue. The bigger the pivot, the more cross-functional coordination it requires. Positions change during the turns, not on the straightaways.

How to Gauge Willingness to Take Risks

Take risks on small things first. Tap the kettle to test if it is hot before grabbing it with both hands. Earn relational equity to take smart risks and share findings with your boss and cross-functional leads. Make it a team activity so others have ownership and fingerprints on the outcome.

Show your math and stress-test your thinking with the smartest people available. Get free internal advice before you commit. Leadership starts at the top, so if you reward only good results and not good decisions, you create a lower-risk culture. Values are what an organization is willing to enforce.

How to Communicate Strategy for Buy-In

Use a democracy-dictator-democracy approach. In the first phase, open the problem lens widely to identify resources, challenges and dependencies you might normally miss. Brainstorm, gather feedback and frame the problem inclusively.

In the second phase, the team knows the plan and trusts each other to work fast. Divide the work, ask for help when needed and deliver. In the third phase, bring the work together into a cohesive deliverable and campaign so it gets implemented. Collective ownership ensures the strategy does not die in a PowerPoint deck.

- 1Bain's Engine 1 And Engine 2 Framework
- 2Annie Duke's Thinking In Bets
- 3Cal Newport's So Good They Can't Ignore You

Summary

Strategy is cumulative, like a flywheel that builds momentum through scale, loyalty and switching costs. Separate it from planning, play long-term games with trusted people and remember that strategy is more poker than chess. Winning means knowing what success looks like for you, not beating a rival at their game.