

Strategy frameworks and when to use each

A framework is a way to organise a strategy question. Each entry says what it is for, when to use it, how to run it and where it goes wrong. Where a framework has a known author, the entry names them.

No framework makes the choice for you. The [strategy check](#) shows where your strategy is weakest. It takes about ten minutes.

Each entry is written in our own words, and names the author where a framework has one.

Which framework for which problem

The frameworks are grouped by the kind of problem they help with. Find the question you are working on, then open its group.

Understanding an industry

[The five forces](#)

[Structure, conduct and performance](#)

[The industry lifecycle](#)

[Market driver tree](#)

[The industry cost curve](#)

Understanding one business

[The value chain](#)

[SWOT, with its "so what"](#)

[The strategic triangle](#)

[Porter's generic strategies](#)

[Cost leadership](#)

[Returns by segment](#)

[Customer purchase criteria](#)

[Competitive advantage](#)

[Tests of a lasting advantage](#)

Setting priorities and portfolio roles

[The growth-share matrix](#)

[Impact and ease](#)

[Three horizons](#)

[Are we the right owner?](#)

Testing a strategy

[Aspiration, themes and business cases](#)

[Five linked choices](#)

[The strategy diamond](#)

[Find the purpose by asking why](#)

[Test the strategy before you commit](#)

Planning for uncertainty and rivals

Trends and critical uncertainties

Scenarios

Four levels of uncertainty

Competitor-response game

Finding growth options

Products and markets grid

Options in three places

Core competencies

Blue ocean strategy

Delivering and tracking the strategy

The delivery roadmap

Forecast against plan, explained

Balanced scorecard and strategy map

Framing a strategy question

Why frame a problem

Framing breaks a problem into parts, so it is easier to understand and to solve. A framework gives you a structure to start from. You then shape it to the problem in front of you.

A good frame helps at every stage of the work. It shapes the first conversation and the plan of work. It sets out the questions to answer. Later it carries the story and the findings.

Start with the type of problem

Choose a framework by the question you are asking, not by the one you know best. Most strategy work asks one of four kinds of question:

- **Understanding an industry:** why it earns what it does, and where it is heading.
- **Understanding one business:** where it stands against rivals, and why.
- **Setting priorities and portfolio roles:** where money and effort should go.
- **Testing a strategy:** whether it is complete and hangs together.

Three more groups cover planning for uncertainty and rivals, finding growth options, and delivering and tracking the strategy.

Adapt a framework from a worked example

The standard shape is only a start. In practice you rename its parts for the business at hand. A business in a regulated financial market recast the five forces as its own five pressures. They were how its products reached customers, regulation, changing customers and risks, a shifting set of competitors, and the economy. The worked example after the industry frameworks does the same with structure, conduct and performance.

What makes a good framework

- It fits the question. Each part answers something the decision needs.
- Its parts do not overlap, and together they leave nothing important out.
- It fits on one page and can be explained in a minute.
- Each part can be tested with facts.
- It ends in a "so what".

Try it

You are meeting the leaders of an aerospace supplier next week, and need a quick view of their industry.

Which two frameworks would you use, and how would each one structure your research?

You join a review of a bank's home lending strategy next week, with no briefing.

Which frameworks would get you up to speed on the business and its strategy fastest?

A food processor must decide where to make its products, and has too many options to compare.

Sketch a framework that sorts the options and gives a logic for choosing between them.

Understanding an industry

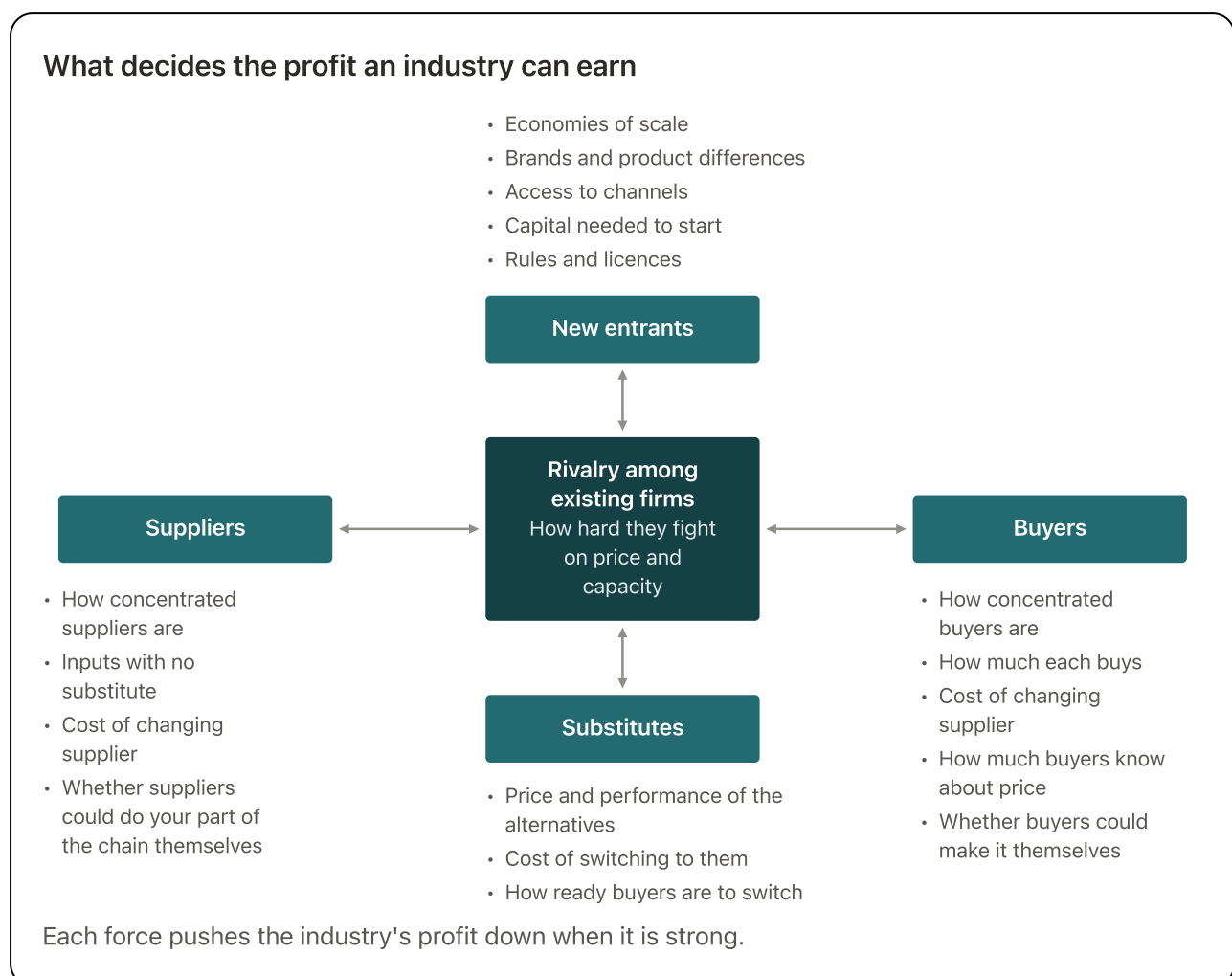
How the industry is built, and what decides the profit it can earn.

The five forces

[Move guide for this step](#)

What it is. Five pressures that decide how much profit an industry can earn. They are rivalry, new entrants, substitutes, buyers and suppliers.

When to use it. When you need to explain why one segment earns more than another.



How to run it.

1. Define the segment narrowly, by the customers and products that compete with each other.

2. Rate each force as weak, medium or strong, with the evidence.
3. Note which forces are growing stronger.
4. Say what that means for the profit the segment can earn.

Record it on the market-granularity worksheet.

How to rate each part.

Rate each force for the segment as strong, medium or weak. A strong force takes profit out of the segment. Write one line of evidence beside each rating, and note whether the force is growing.

- **Rivalry** is strong when rivals are many and of similar size, growth is slow, fixed costs are high or leaving is costly.
- **New entrants** are a strong threat when a newcomer needs little capital, no licence and no special access to customers.
- **Substitutes** are strong when another product does the same job at a similar price, and buyers can switch easily.
- **Buyers** are strong when a few of them take most of the output, can switch at little cost, or could make it themselves.
- **Suppliers** are strong when a few of them sell an input with no substitute, or when changing supplier is costly.

Medium means the evidence points both ways. Where you have no evidence, mark the force unknown and go and find it.

The trap. Running it once for the whole industry. The forces differ by segment, and an average of them tells you little.

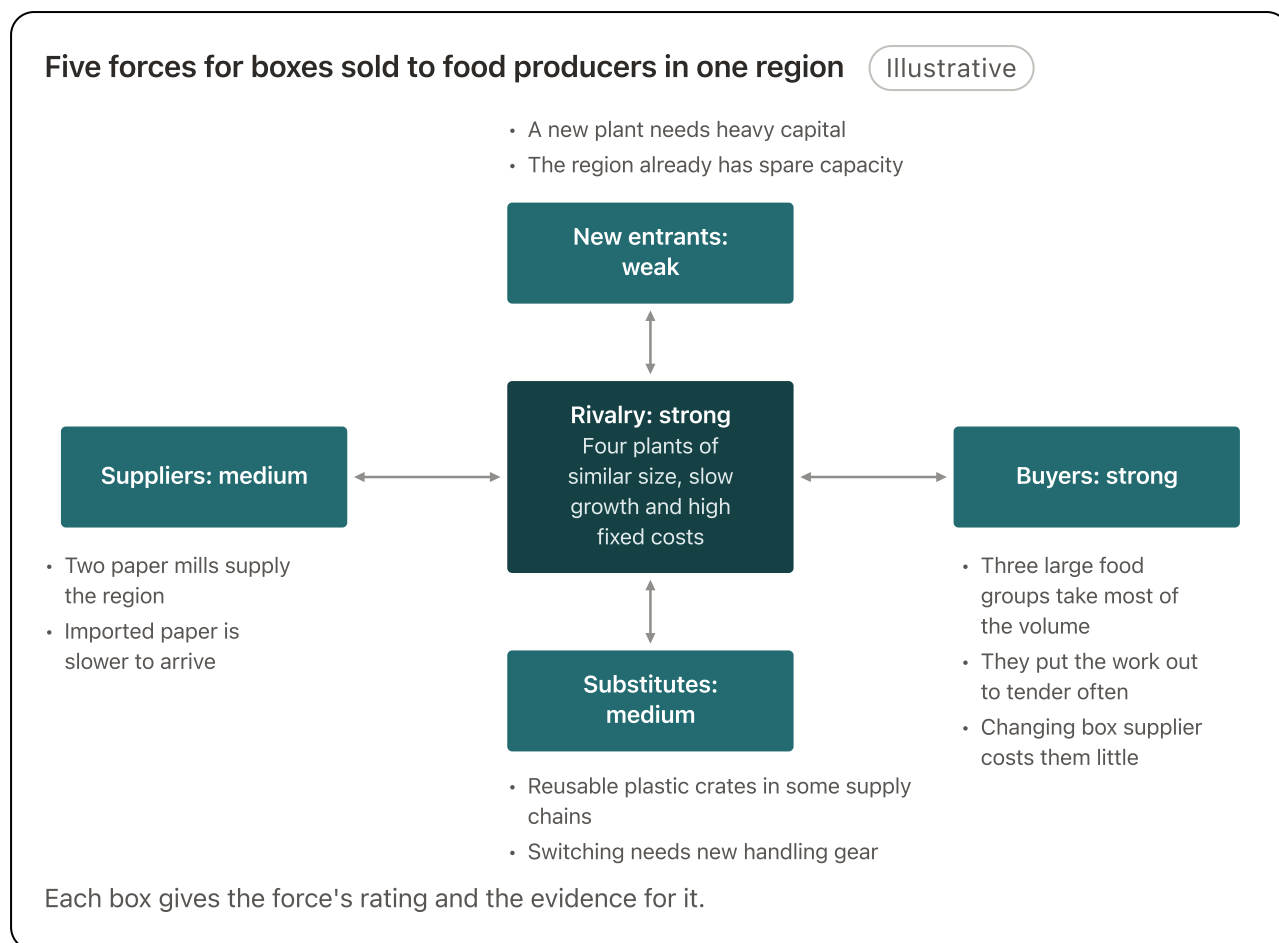
Credit. Michael Porter. Redrawn.

Worked example

The five forces for a regional box maker

An invented business, to show the method.

A family-owned firm makes cardboard boxes for food producers in one region. Its margins have slipped for several years. The owners want to know whether to invest in a faster production line.



Two forces explain most of the squeeze. They are the large buyers, and rivals with plants to fill. A faster line would add capacity to a segment that already has too much. The better move is to grow with smaller food producers, who value short runs and quick delivery. Rate the forces again for that segment before you commit.

Structure, conduct and performance

[Move guide for this step](#)

What it is. An industry's structure shapes how its firms behave, and their behaviour shapes the results they earn. Shocks from outside can shift all three.

When to use it. When an industry's returns are changing and you need to explain why, or to judge whether today's returns will last.

How structure shapes conduct, and conduct shapes performance

The industry

Structure

- Demand: growth, cycles and substitutes
- Supply: concentration, capacity and costs
- Barriers to entry and exit
- Power along the chain

Conduct

- Pricing and promotion
- Adding or cutting capacity
- Mergers, entry and exit
- Integration and cost control

Performance

- Profit and value created
- Progress in technology
- Jobs

Shocks from outside

Technology: Breakthroughs that change costs or products

Policy and rules: Changes at home and abroad

Tastes: Changes in how customers live and buy

How to run it.

1. Describe the structure: demand, supply, concentration, barriers, and the economics along the chain.
2. Describe how firms behave: pricing, capacity, mergers and exits, integration and cost control.
3. Describe the results: profit, value created, and progress in technology and jobs.
4. List the shocks from outside: technology, government policy and changing tastes.
5. Ask which shock will move the structure next, and what that does to conduct and returns.

Record it on [the market-granularity worksheet](#).

The trap. Describing the three boxes and stopping there. The insight is in the links, from each change in structure to the change in behaviour and returns it caused.

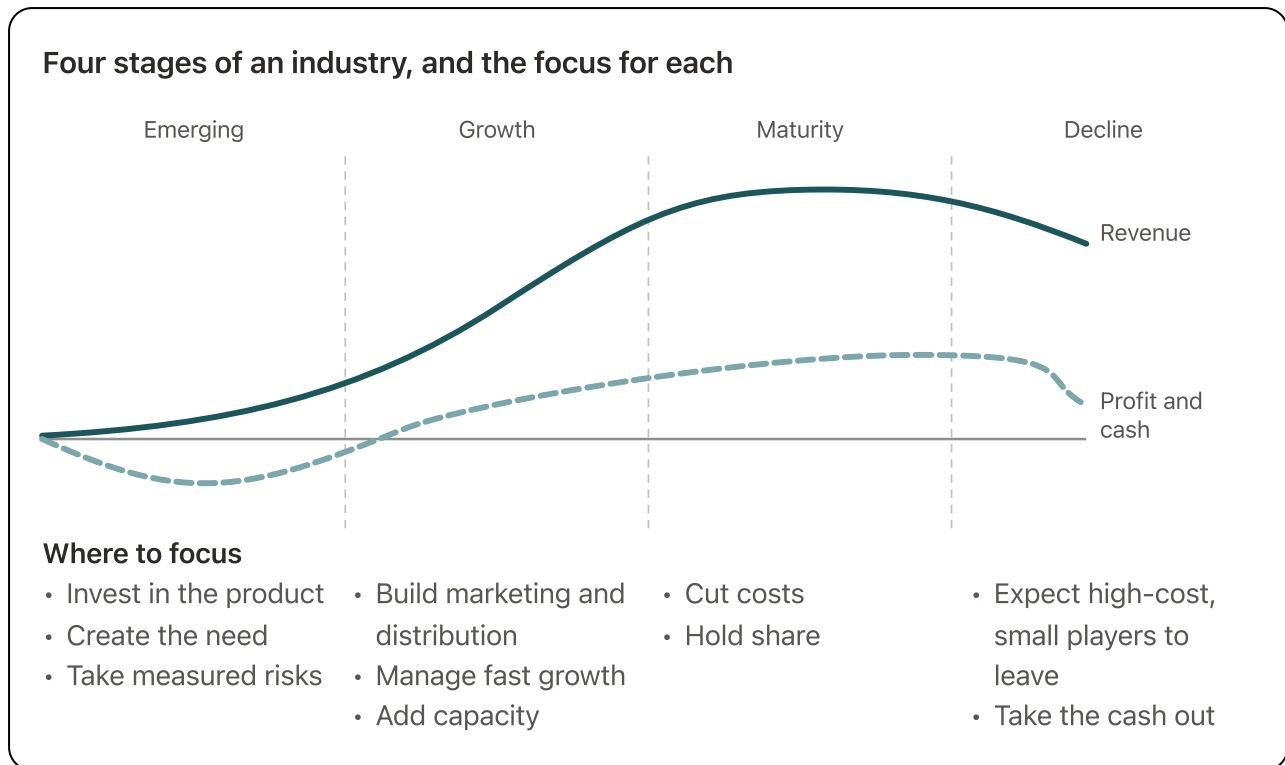
Credit. Edward Mason and Joe Bain. Redrawn.

The industry lifecycle

[Move guide for this step](#)

What it is. Industries move through four stages, from emerging to growth, maturity and decline. Revenue, profit and the right focus change at each stage.

When to use it. When deciding where to put money and effort, and whether the market's growth will carry the plan.



How to run it.

1. Place each market you serve on the curve, with the evidence: growth rate, number of players and the trend in price.
2. Set the focus that fits each stage.
3. Check the plan against it. A growth plan in a maturing market has to win share from rivals.
4. Watch for the signs of the next stage.

Record it on [the market-granularity worksheet](#).

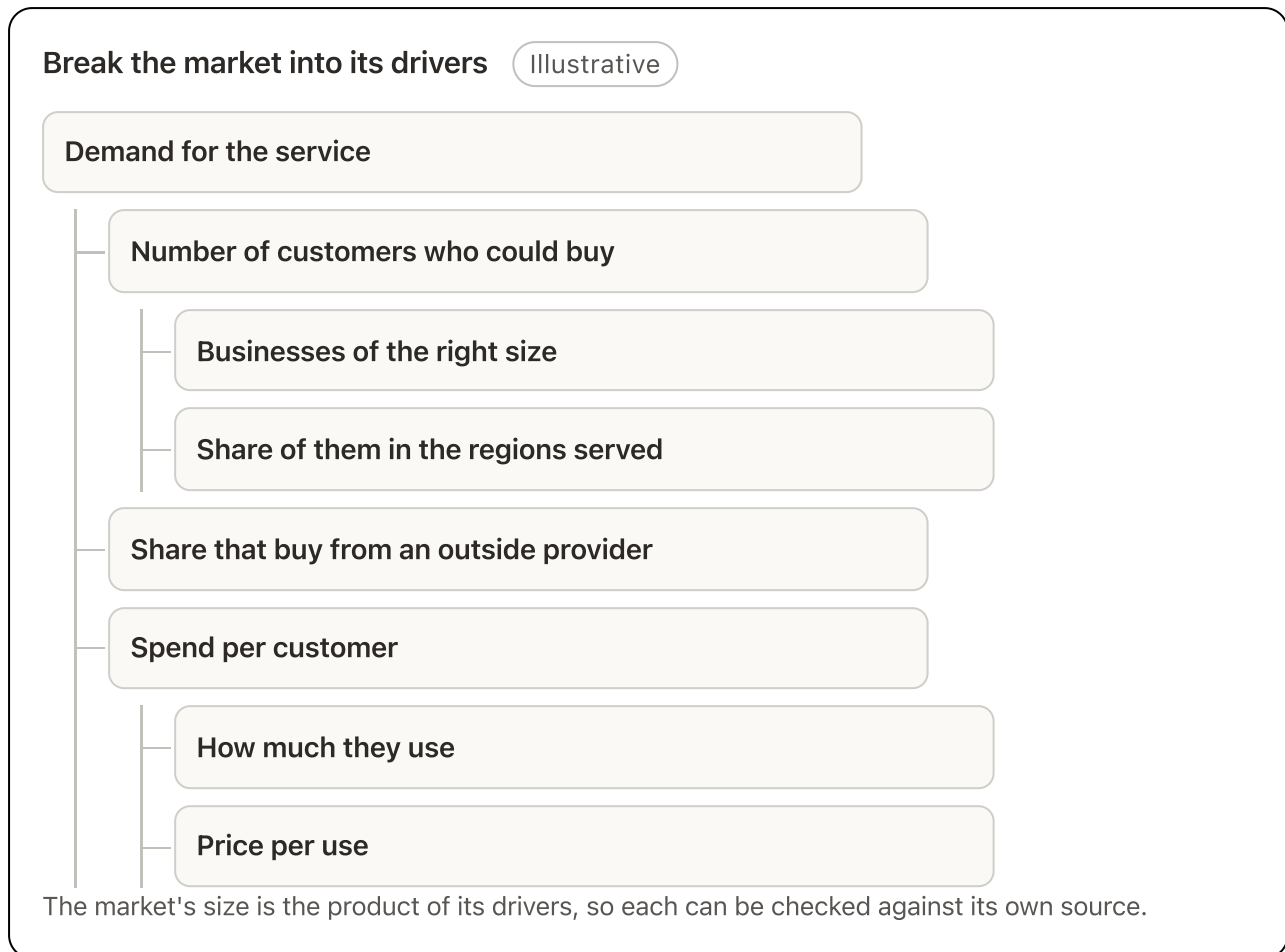
The trap. Reading a pause in growth as maturity, or a short burst as lasting growth. Check several years and several measures before you place a market.

Market driver tree

[Move guide for this step](#)

What it is. A tree that breaks demand into the drivers that multiply to make it. Each driver can then be checked against its own source.

When to use it. When the market forecast is one growth figure that nobody can check.



How to run it.

1. Write the market's size as a product of its drivers: how many could buy, how many do, and what each spends.
2. Break each driver down until each one has a source you can check.
3. Put a number and its source on each.
4. Ask which drivers are moving, and why.

Record it on [the market-granularity worksheet](#).

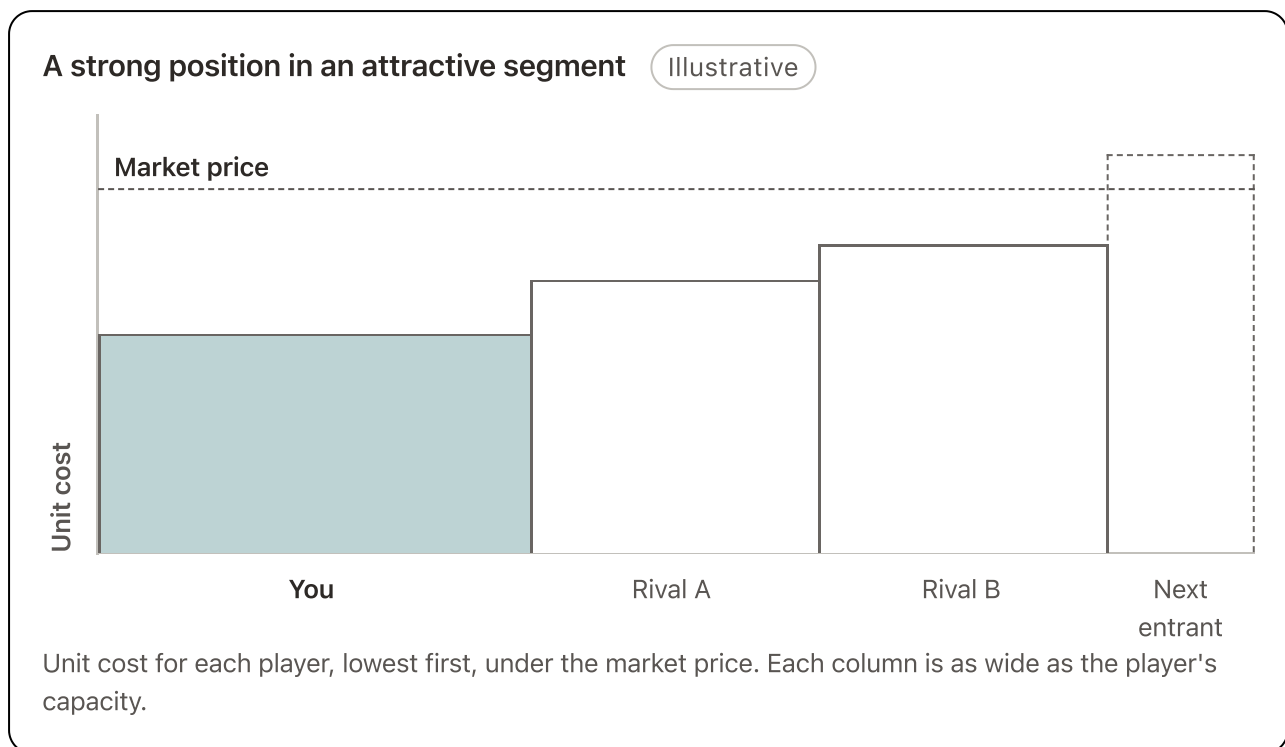
The trap. Stopping at the first level. A driver with no source behind it is a guess with a label.

The industry cost curve

[Move guide for this step](#)

What it is. Each player's unit cost, lowest first, set against the market price.

When to use it. When prices are under pressure and you need to know who can live with them.



How to run it.

1. Estimate unit cost for you and each main rival. Note why each differs: scale, inputs, experience or assets.
2. Build rivals' costs from public reports, input prices and what customers tell you. Treat each as a range.
3. Sort the players from lowest cost to highest, make each column as wide as the player's capacity, and mark the market price.
4. Add the cost of the next player who could enter.

5. Read your place. A strong position sits well below the price, and the next entrant sits above it.

Record it on [the source-of-advantage worksheet](#).

The trap. Assuming rivals' costs look like yours. A rival with a different model can sit far below you on the curve.

Worked example

Structure, conduct and performance over time

From our own work. Names and dates removed.

A national general insurance market moved through four phases. Drawing structure, conduct and performance for each phase showed why returns swung, and what would move them next.

One insurance market in four phases

	1. Fragmentation and mispricing	2. Shocks	3. Rational competition	4. Regulatory and technical disruption
Structure	• Competition split by region in personal lines • National players in commercial lines • Rules loosened • No clear leader	• Mergers and takeovers • Listings and demutualisation • A large insurer failed • Rules tightened	• Three or four strong listed players • Clear leaders by line and region • Specialists consolidated	• Regulated lines under pressure • New online entrants in personal lines • New digital models • Brokers building their own platforms
Conduct	• Heavy underpricing in long-tail lines • Weak players stayed in for strategic reasons	• Back to the fundamentals • Capacity left most lines • Stronger players bought weaker ones	• Growing share profitably • Building brands • Little appetite to price below cost	• Incumbents consolidating and investing in technology • Entrants competing harder
Performance	• Losses built up in the underpriced lines	• The hidden losses came through	• Strong profit improvement • Strong returns drew new entrants	• Returns under pressure • Marketing costs rising

Each column is a phase. Read down for structure, conduct and performance.

Phase by phase, the structure changed first, then conduct, then returns. Use the same grid for your own industry. Fill in the phases you know, then ask which shock starts the next one.

Understanding one business

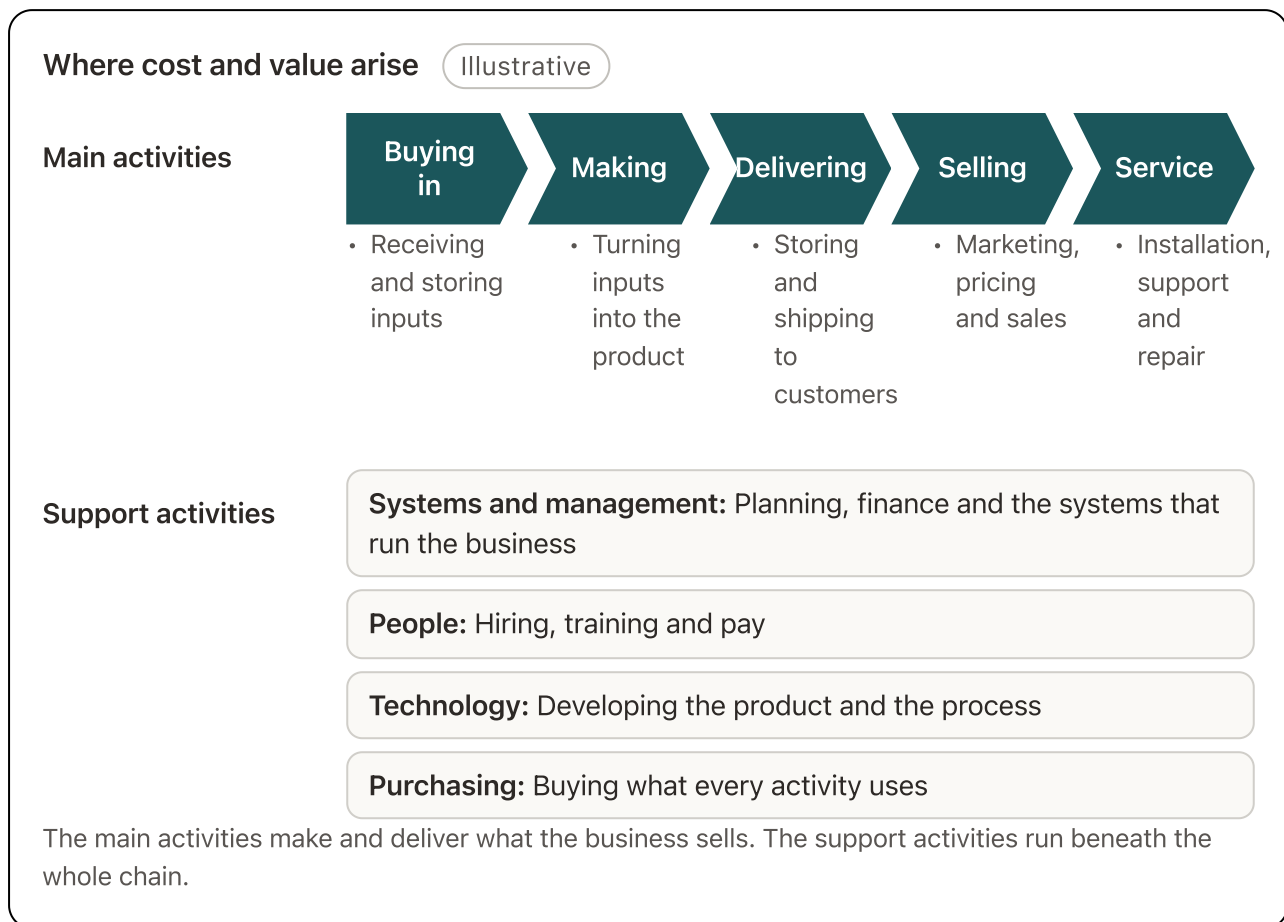
Where a business makes its money, and what sets it apart.

The value chain

[Move guide for this step](#)

What it is. A business split into the activities that make and deliver what it sells, and those that support them. It shows where cost and value arise.

When to use it. When you need to know which activities drive cost, and which ones customers pay for.



How to run it.

1. List the main activities in order: buying in, making, delivering, selling and service.
2. List the support activities: people, technology, purchasing, and the systems that run the business.

3. Put a cost on each activity, and note what customers value in it.
4. Compare each activity with your main rivals.

Record it on [the source-of-advantage worksheet](#).

The trap. Drawing the chain and stopping there. The insight comes from the costs, set against rivals activity by activity.

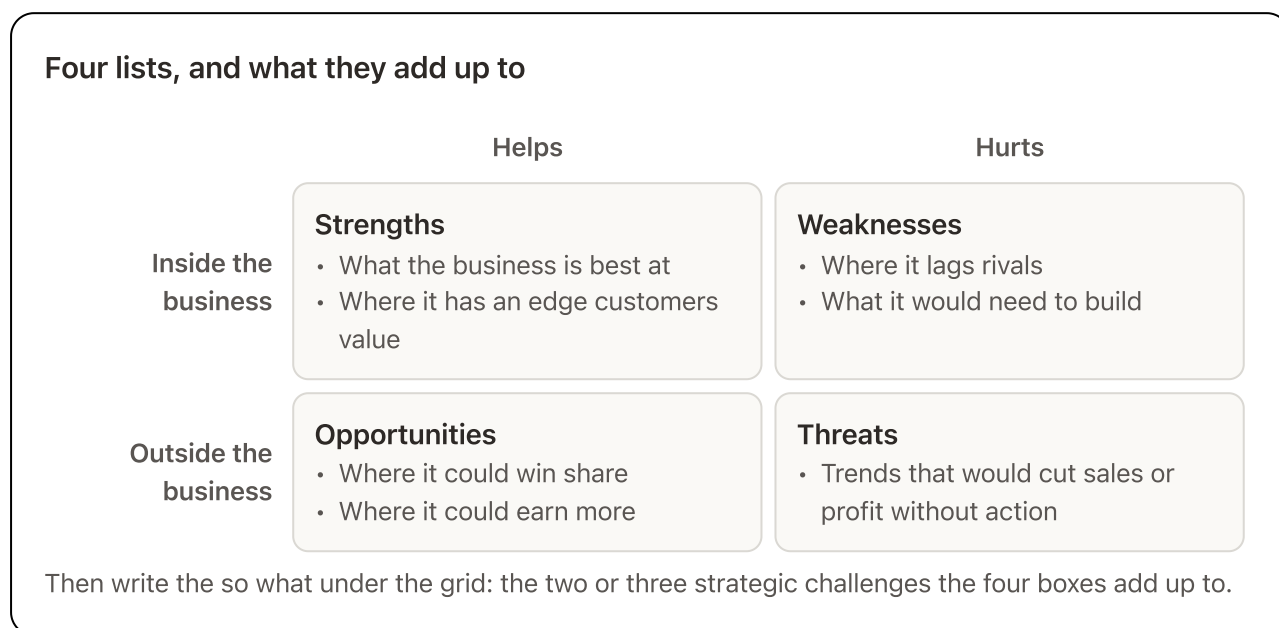
Credit. Michael Porter. Redrawn.

SWOT, with its "so what"

[Move guide for this step](#)

What it is. Strengths and weaknesses inside the business, and opportunities and threats outside it. Under the grid sits the "so what": the few challenges the four lists add up to.

When to use it. To frame the challenge quickly, at the start of a strategy or before a first meeting.



How to run it.

1. List the strengths: what the business does better than rivals, in customers' eyes.
2. List the weaknesses: where it lags, and what it would need to build.
3. List the opportunities: where it could win share or earn more.

4. List the threats: what would cut sales or profit if nothing were done.
5. Write the "so what": two or three challenges the four lists point to.

Record it on [the diagnosis worksheet](#).

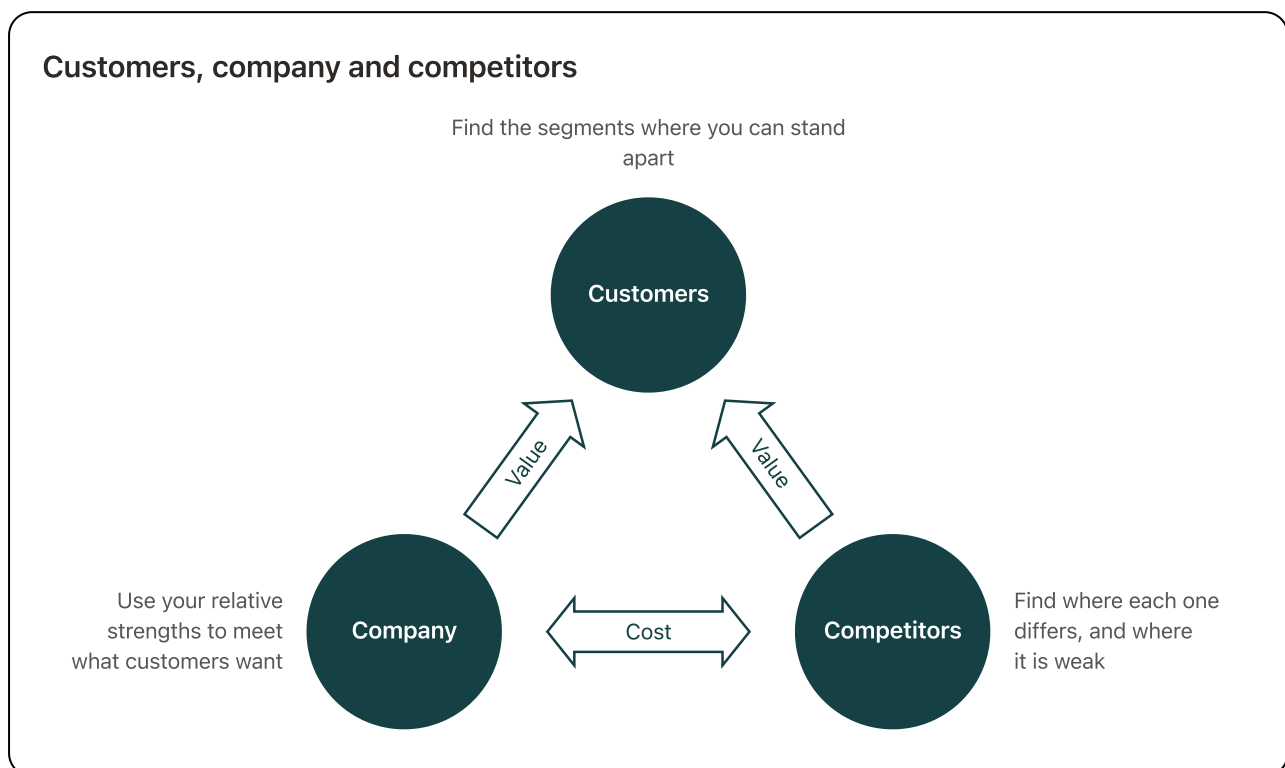
The trap. Four long lists and no "so what". The lists are the raw material. The challenges you write under the grid are the output.

The strategic triangle

[Move guide for this step](#)

What it is. A strategy seen from three corners, the customers, the company and its competitors. The company wins by offering customers more value than rivals do, at a cost that pays.

When to use it. When you need to say where the business can stand apart, and for which customers.



How to run it.

1. Customers: split them into segments, and find the ones where the business can stand apart.

2. Company: list its relative strengths, and match them to what those customers want.
3. Competitors: find where each one differs, and where it is weak.
4. Cost: check the business can deliver its offer at a cost below rivals', or charge more for it.

Record it on [the source-of-advantage worksheet](#).

The trap. Looking only at the company corner. A strength counts only where customers value it and rivals lack it.

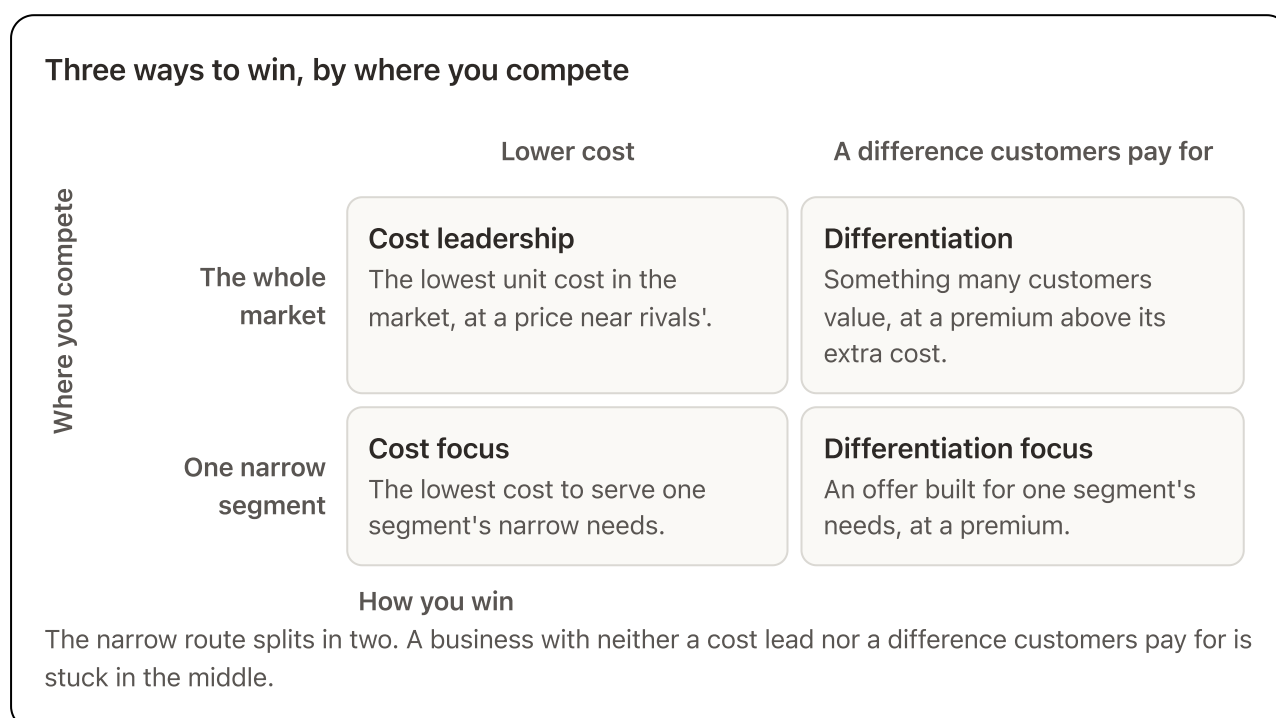
Credit. Kenichi Ohmae. Redrawn.

Porter's generic strategies

[Move guide for this step](#)

What it is. Three broad ways to earn more than rivals. Have the lowest cost, offer something customers will pay more for, or serve one narrow segment better than anyone. The narrow route splits in two, by cost or by difference.

When to use it. When the business needs to say plainly how it means to win, or seems to be trying to win every way at once.



How to run it.

1. Say how the business wins today: lower cost, a difference customers pay for, or a focus on one segment.
2. Check the claim against the numbers. A cost route needs the lowest unit cost, as set out under cost leadership. A difference needs a price premium that covers its extra cost.
3. Say how wide the target is: the whole market, or one segment.
4. Look for choices that pull the other way, such as a premium range made in a plant built for low cost.
5. Pick one route, and line up prices, costs and investment behind it.

Record it on the source-of-advantage worksheet.

The trap. Being stuck in the middle. A business with neither the lowest cost nor a difference customers pay for loses to rivals that have one.

Credit. Michael Porter. Redrawn.

Cost leadership

Move guide for this step

What it is. The cost route among the generic strategies. The business aims for the lowest unit cost in its market, and sells at or near rivals' prices. The gap between its cost and that price is its edge.

When to use it. When customers buy mainly on price, and the offer differs little from one supplier to the next.

Where a cost lead comes from

Lowest unit cost in the market

Scale

Fixed costs spread over more units

Experience

Cost falls as the team learns the work

Inputs

Cheaper or more secure access to materials

Design

A product and a process built to be cheap to make

Location

Close to inputs or to customers

Use of capacity

Plant and people kept busy

What you leave out

Fewer options, extras and services

Each source can lower unit cost. A lead that rests on several sources is harder to match.

How to run it.

1. Estimate your unit cost and each main rival's, as ranges. Place them on the industry cost curve.
2. For each gap, name its source from the diagram.
3. Check that the offer still meets what customers expect. A cost lead is worth little if buyers must be paid to accept the product.
4. Decide what the business will leave out, so that cost stays low.
5. Ask whether the lead can last. A lead built on one cheap contract or one machine is easy to match.

Record it on [the source-of-advantage worksheet](#).

The trap. Cutting price without the lowest cost. The rival with the real cost lead can follow you down and still make money.

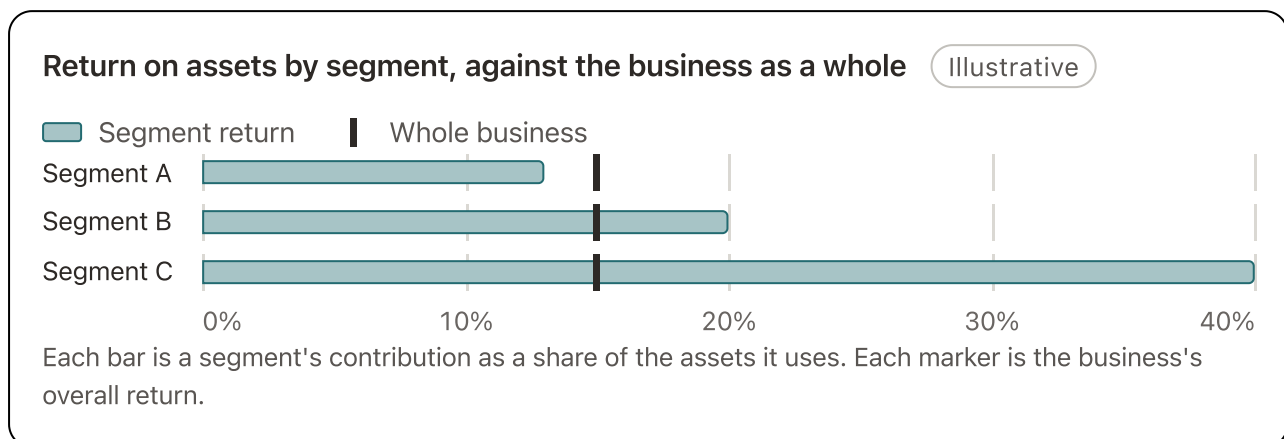
Credit. Michael Porter. Redrawn.

Returns by segment

[Move guide for this step](#)

What it is. A chart that sets each segment's return on the assets it uses beside the return of the business as a whole.

When to use it. When the business reports one margin and nobody can say which parts earn it.



How to run it.

1. Split the business into segments that customers and costs would recognise.
2. Give each segment its contribution and the assets it uses. Put shared costs and assets on a line of their own.
3. Work out each segment's return and set it beside the total.
4. Ask why each segment earns what it does.

Record it on [the own-economics worksheet](#).

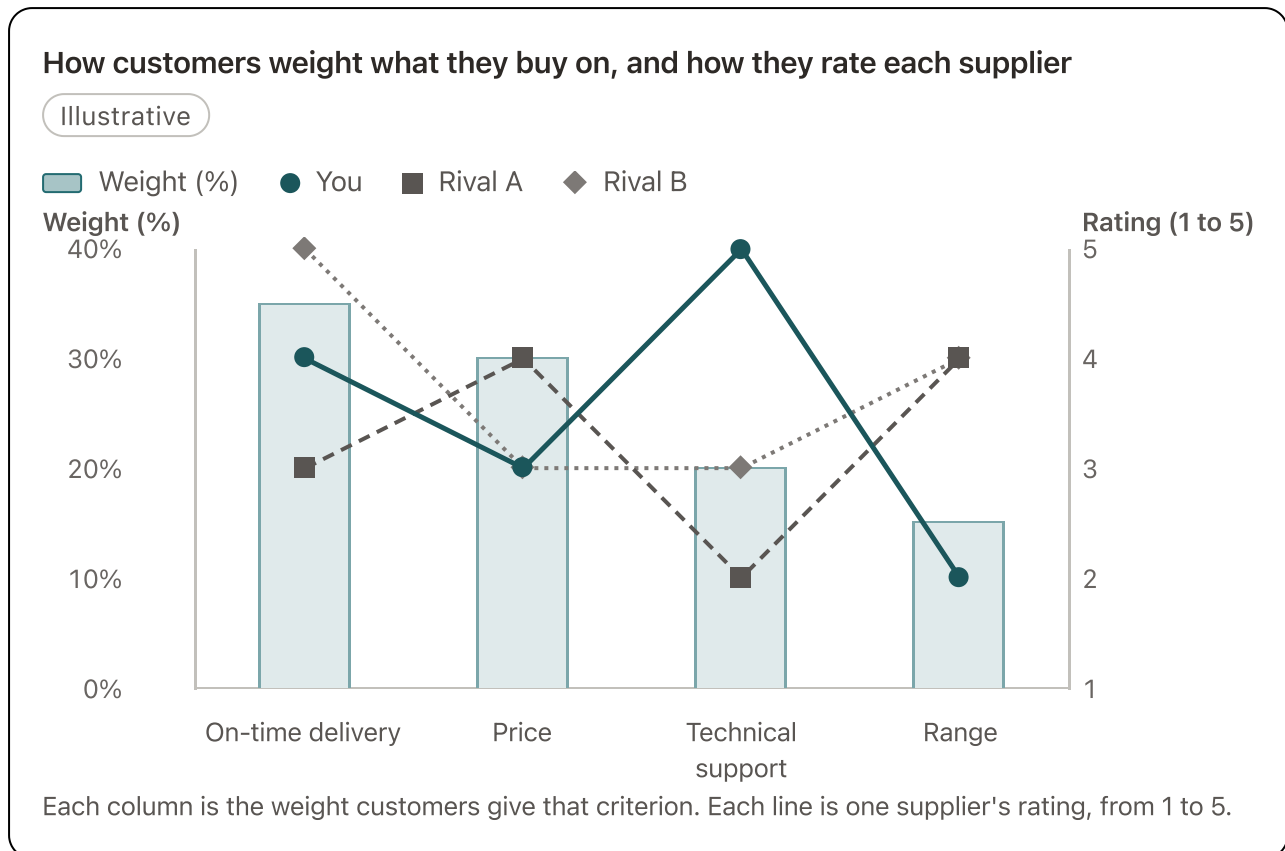
The trap. Spreading shared costs across segments by revenue. Every segment then looks average, and the one that loses money hides.

Customer purchase criteria

[Move guide for this step](#)

What it is. What customers choose on, how much each criterion matters to them, and how they rate each supplier on it.

When to use it. When the team agrees on why customers buy, but nobody has asked them.



How to run it.

1. Ask customers what they choose on, in their own words.
2. Ask them to weight each criterion, so the weights add up to 100.
3. Ask them to rate you and each main rival on each one.
4. Look for a high weight beside a low rating, for you or for a rival.

Record it on [the ability-to-win worksheet](#).

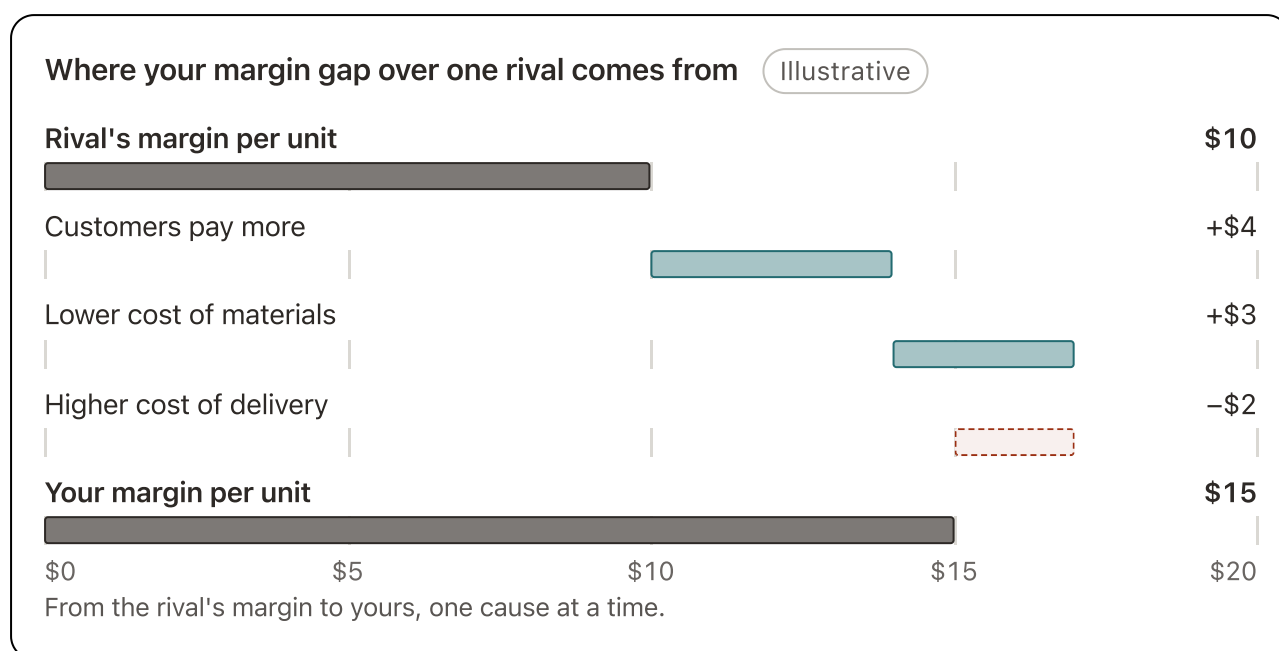
The trap. Asking only your own customers. The ones you lost, and your rivals' customers, tell you more.

Competitive advantage

[Move guide for this step](#)

What it is. An edge that shows in the numbers. The business earns a better margin than rivals serving the same customers. Either customers pay more for its offer, or it costs less to make and serve, or both.

When to use it. When the team says the business has an edge, and you need to know where it shows and how big it is.



How to run it.

1. Pick one segment, and one or two rivals that serve the same customers.
2. Compare your price and unit cost with each rival's. Use ranges where you must estimate.
3. Split the margin gap into price and each main cost, as in the diagram.
4. Trace each part to the activity that causes it, using [the value chain](#).
5. Test whether the parts in your favour will last, with [the tests of a lasting advantage](#).

Record it on [the source-of-advantage worksheet](#).

The trap. Calling a strength an advantage before it shows in price or cost. If your margin matches your rivals', there is no advantage yet.

Credit. Michael Porter. Redrawn.

Tests of a lasting advantage

[Move guide for this step](#)

What it is. Four questions that test whether an advantage will last. Is it valuable, rare and hard to copy, and are you set up to keep its value? The tests are known as VRIO, from valuable, rare, inimitable and organised.

When to use it. When the plan rests on an advantage that everyone in the room believes in.

An advantage lasts only if every answer is yes

Ask the questions in order. The first no tells you what the advantage is worth.

Valuable?

If not: a disadvantage. It costs more than it earns.

Rare?

If not: parity. Rivals have it too.

Hard to copy?

If not: an advantage for now, until rivals copy it.

Organised to keep its value?

If not: an advantage you are not using.

→ **Yes to all four: a lasting advantage.**

How to run it.

1. List each advantage the business claims. [Competitive advantage](#) shows where each one appears in price or cost.
2. Answer the four questions for each, with evidence.
3. Keep the ones that pass all four.
4. For the rest, decide what would make them pass, or stop relying on them.

Record it on [the source-of-advantage worksheet](#).

The trap. Counting something customers do not pay for. Rare and hard to copy is worth nothing if it creates no value.

Credit. Jay Barney. Redrawn.

Setting priorities and portfolio roles

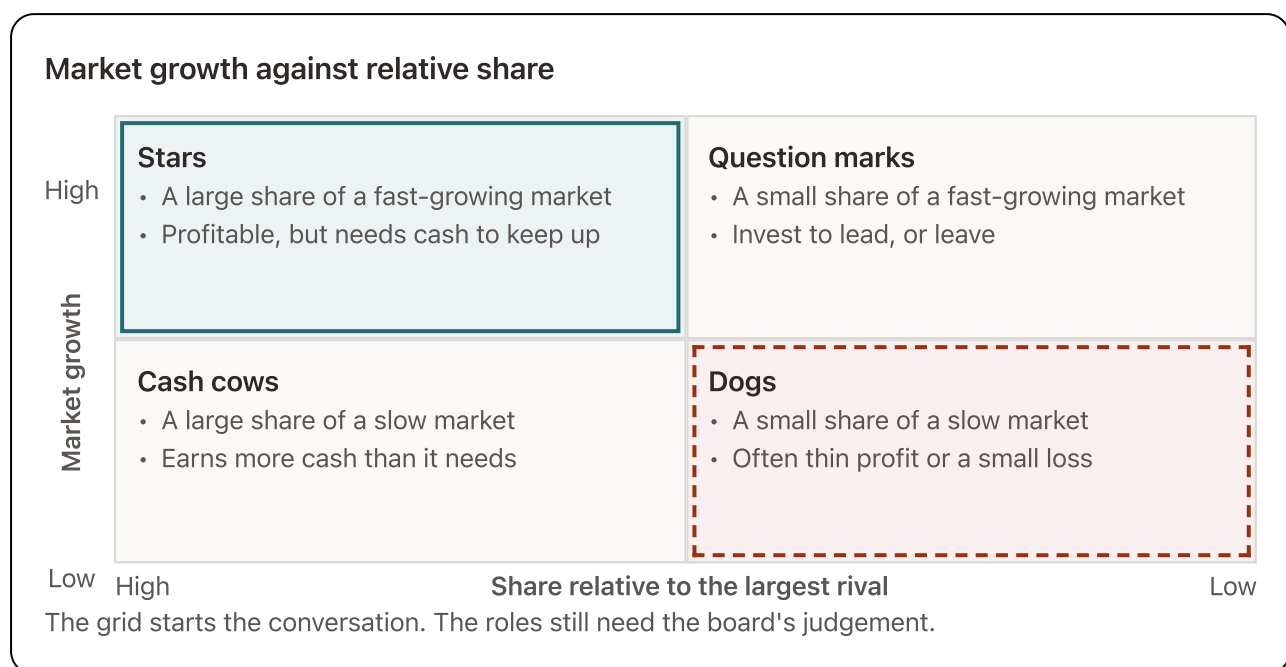
Which segments, projects and businesses get the money and the people.

The growth-share matrix

[Move guide for this step](#)

What it is. Each business placed by how fast its market grows and by its share against the market leader.

When to use it. To start a group's conversation about the role each business plays.



How to run it.

1. Measure the growth of each business's market.
2. Measure its share against the largest rival.
3. Place each business on the grid.
4. Agree a role for each, then check it against the business's own profit and cash.

Record it on [the portfolio-logic worksheet](#) and [the capital-across-businesses worksheet](#).

How to rate each part.

- **Market growth:** how fast the market grows in volume each year, after inflation, over the next few years. Use the market's growth. The business's own growth comes in later, in the check against profit and cash.
- **Relative share:** your share divided by the share of the largest rival. Above 1, you lead the market. Below 1, a rival is bigger. If you lead, divide by the second-largest.
- **Where to draw the lines:** set fast against slow at the growth of the economy, or at the group's own average. Set high against low share at 1, the point where you lead.
- **Profit and cash:** beside each business, note whether it makes cash or uses it. Then check the role the grid suggests against that note.

The trap. Letting the grid decide. Share and growth leave out profit, the cash each business needs, and whether you are the right owner.

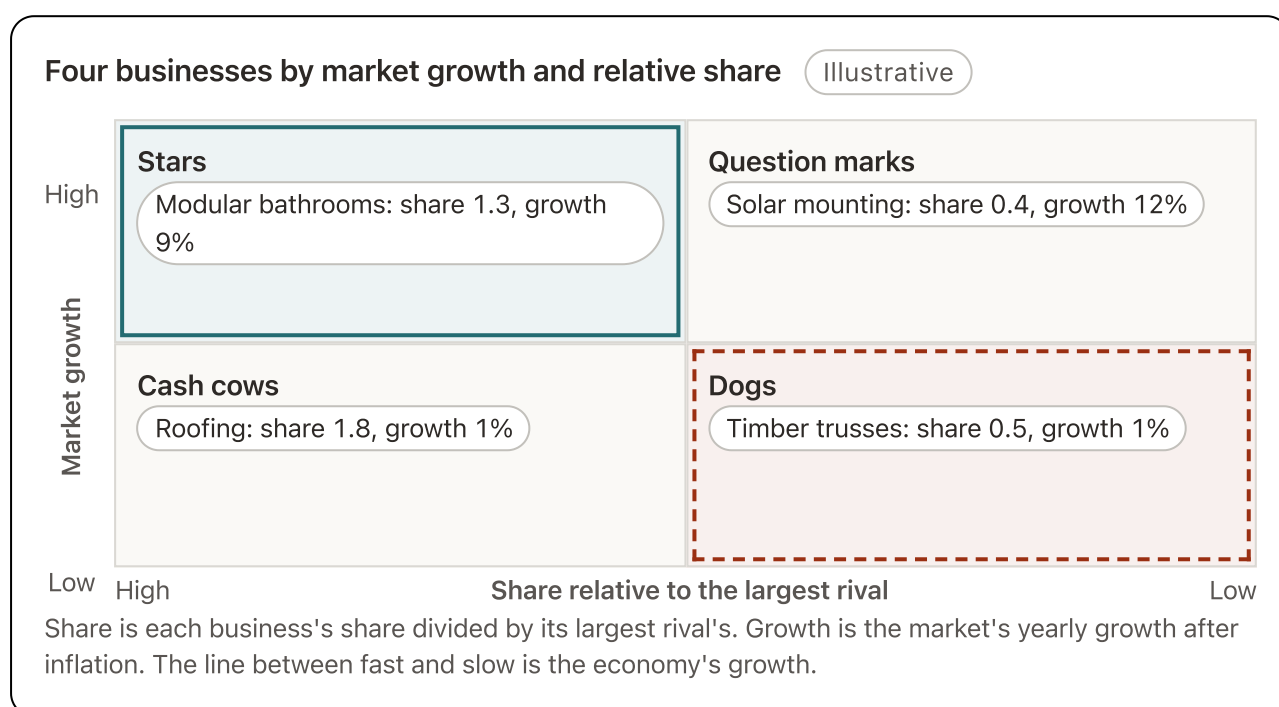
Credit. The Boston Consulting Group. Redrawn.

Worked example

The growth-share matrix for a group of four businesses

An invented group, to show the method. The figures are made up.

A family-owned group has four businesses in building products. The board wants to agree a role for each before it sets next year's budgets.



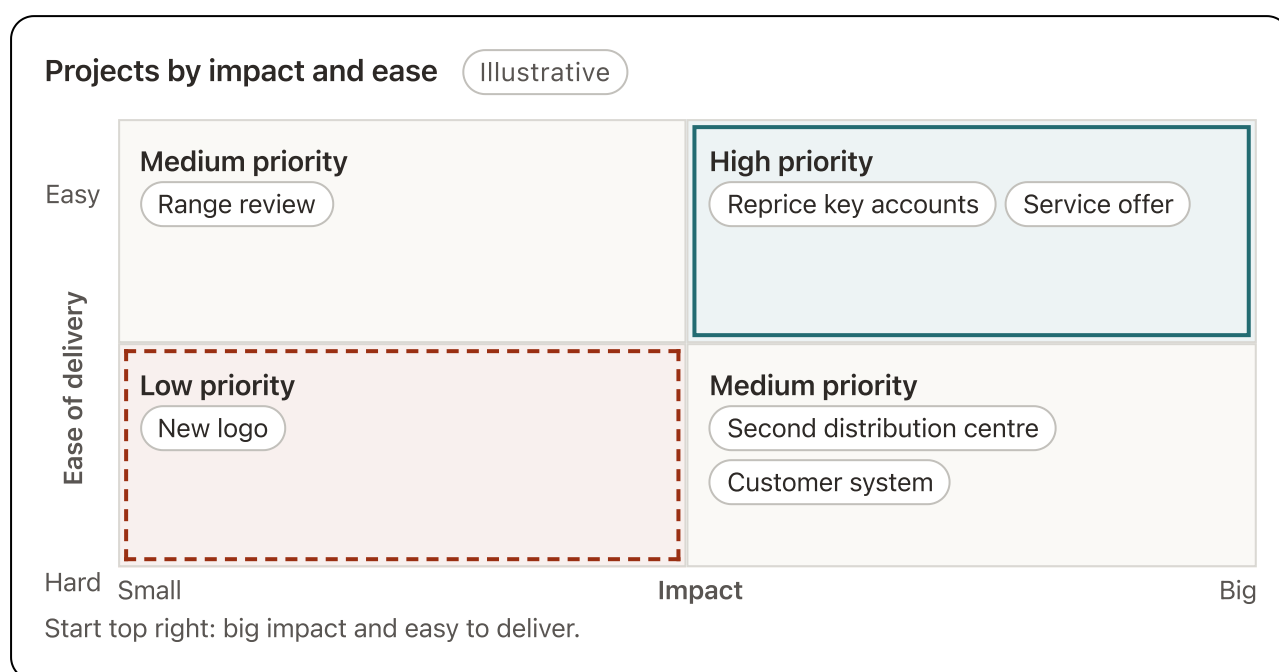
On the grid alone, roofing funds the others and the truss business is sold. The check against profit and cash changes one call. The truss business earns a steady return, and builders buy its trusses with their roofing. So the board keeps it and sets it a cost target. The real choice is how much of roofing's cash to put behind solar mounting.

Impact and ease

[Move guide for this step](#)

What it is. A grid that ranks projects by their profit impact and how easy they are to deliver.

When to use it. When there are more projects than money and people to run them.



How to run it.

1. Score each project's profit impact.
2. Score how easy it is to deliver: the cost, the risk, the time and the people it needs.
3. Place each project on the grid.
4. Start with the big, easy projects. Weigh the two medium cells next. Drop the small, hard ones.

Record it on [the translation worksheet](#).

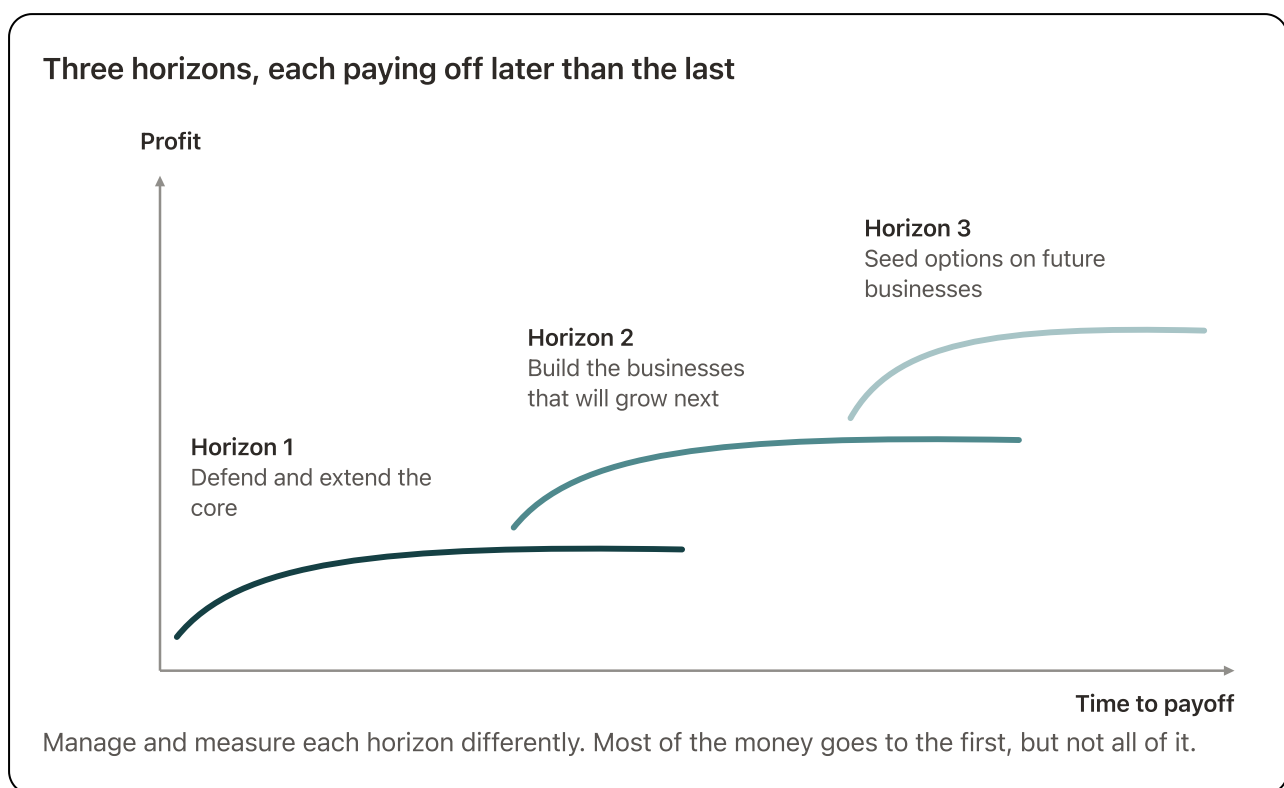
The trap. Scoring ease kindly for the projects people like. Ask the person who will deliver each one.

Three horizons

[Move guide for this step](#)

What it is. Money and people spread across three horizons. They are the core that earns today's profit, emerging businesses, and small bets on future ones.

When to use it. When every spare dollar goes to the core, or new ventures are judged on the core's measures.



How to run it.

1. Place each business and initiative in a horizon.
2. Check how money and people are spread across the three.
3. Judge each horizon on its own measures.
4. Move a venture to the next horizon only when it meets that horizon's tests.

Record it on [the resources-follow worksheet](#) and [the initiative-portfolio worksheet](#).

The trap. Judging a small bet on this year's profit. It fails that test every time, and the pipeline dries up.

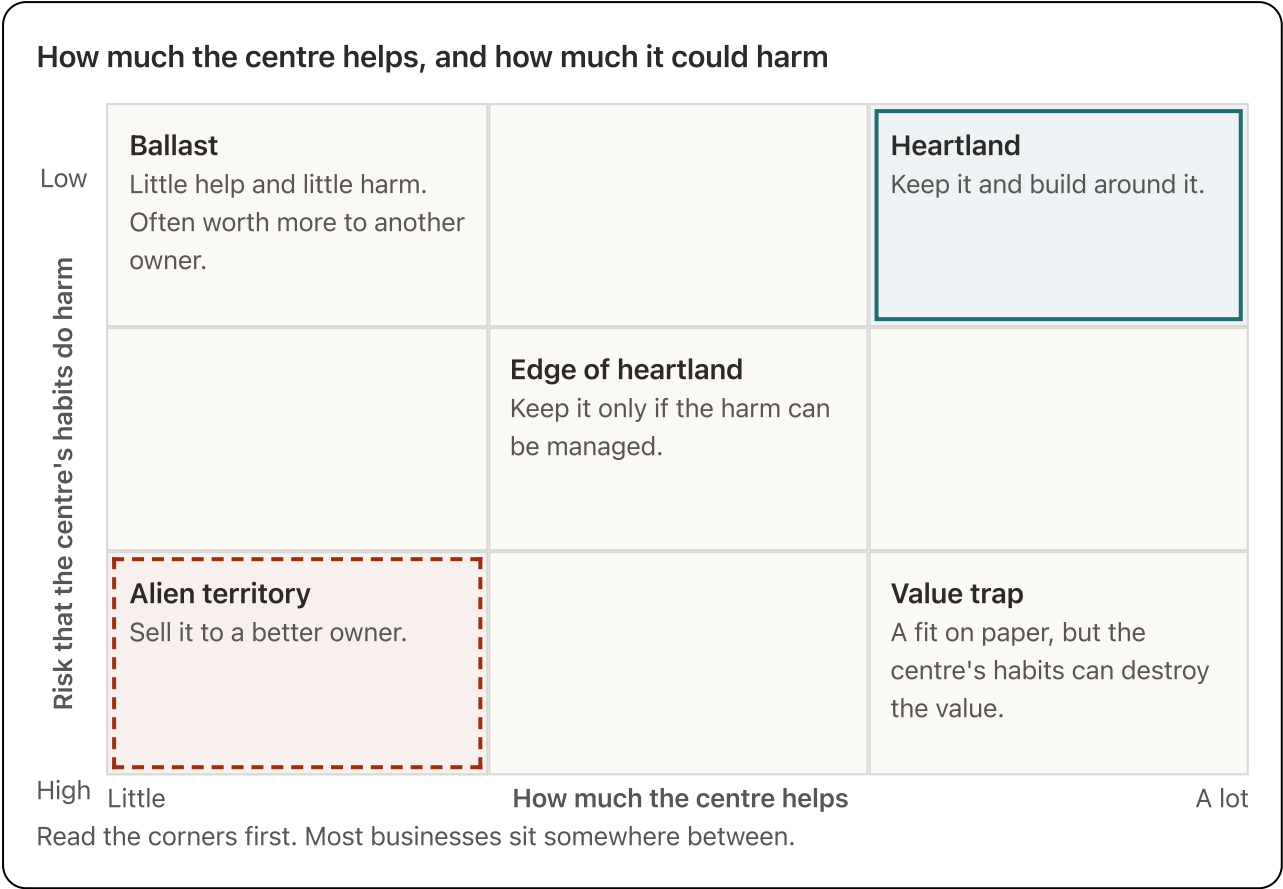
Credit. Mehrdad Baghai, Stephen Coley and David White. Redrawn.

Are we the right owner?

[Move guide for this step](#)

What it is. A test of whether the group adds value to each business it owns, or whether the business would be worth more to another owner.

When to use it. In a portfolio review, before you decide to keep, fix or sell a business.



How to run it.

1. List what the centre gives each business: money, skills, buying power and customers.
2. Ask whether the business needs each of these.
3. Ask whether the centre's habits could harm it, through the wrong targets, controls or costs.

4. Ask whether another owner would add more.

Record it on the natural-owner worksheet and the centre-adds worksheet.

The trap. Counting a shared service as value added. If each business could buy it for less, it adds nothing.

Credit. Michael Goold, Andrew Campbell and Marcus Alexander. Redrawn.

Testing a strategy

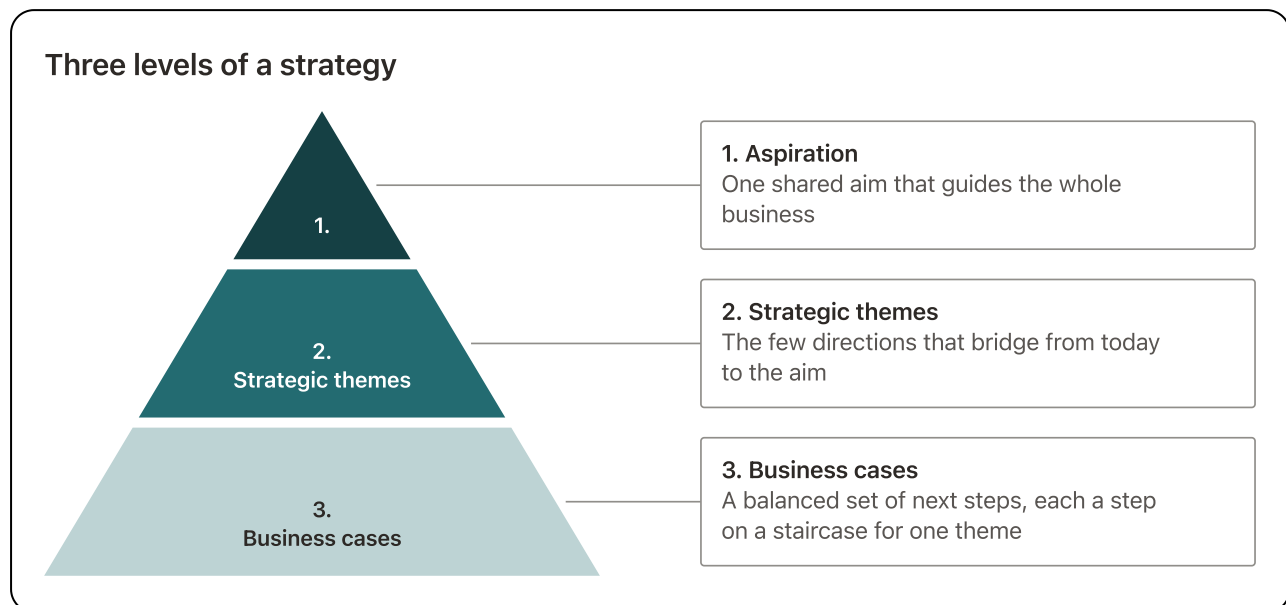
Whether a strategy, for a group or for one business, hangs together and can last.

Aspiration, themes and business cases

[Move guide for this step](#)

What it is. A strategy read at three levels. One aspiration ties it together, a few themes bridge to it, and business cases sit under each theme.

When to use it. When the strategy is a long list of projects with nothing to tie them together.



How to run it.

1. Write the aspiration as one aim, with a number and a purpose.
2. Set three to five themes that close the gap to it.
3. Under each theme, list the business cases.
4. Make each case a step that builds a capability the next step needs.

Record it on [the goals-aspiration worksheet](#).

The trap. Too many themes. Past five, the page is a list again.

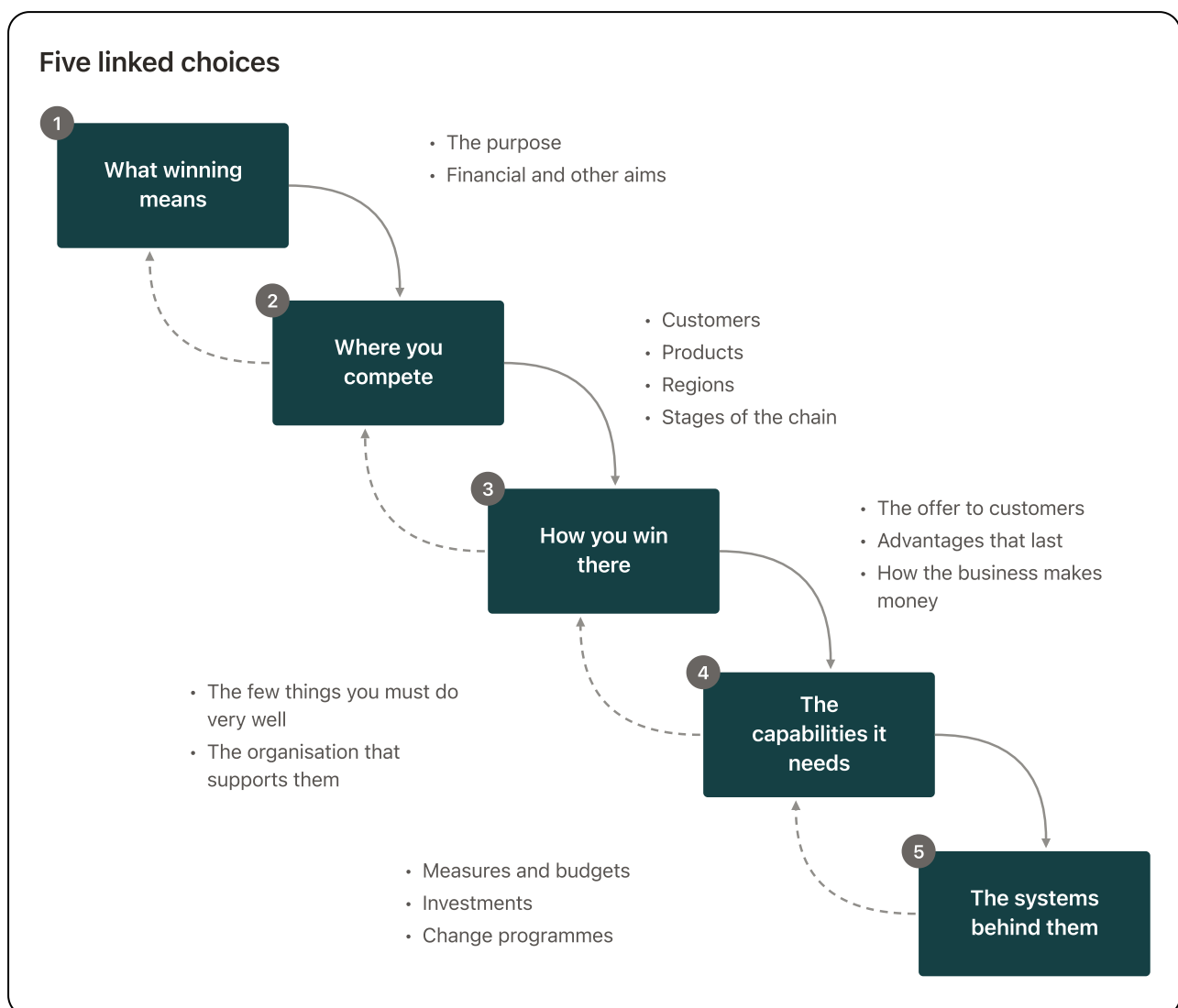
Credit. Mehrdad Baghai, Stephen Coley and David White. Redrawn.

Five linked choices

[Move guide for this step](#)

What it is. A strategy as five linked choices. They are what winning means, where you compete, how you win there, the capabilities it needs and the systems behind them.

When to use it. When the plan is a list of goals and projects with no clear choices behind it.



How to run it.

1. Write one line for each choice.

2. Check that each follows from the one above it.
3. Where two choices pull apart, change one of them.
4. Work through the five more than once. The later choices often change the earlier ones.

Record it on [the choices worksheet](#) and [the coherence worksheet](#).

The trap. Answering "where you compete" with "everywhere". A choice that leaves nothing out has not been made.

Credit. A.G. Lafley and Roger Martin. Redrawn.

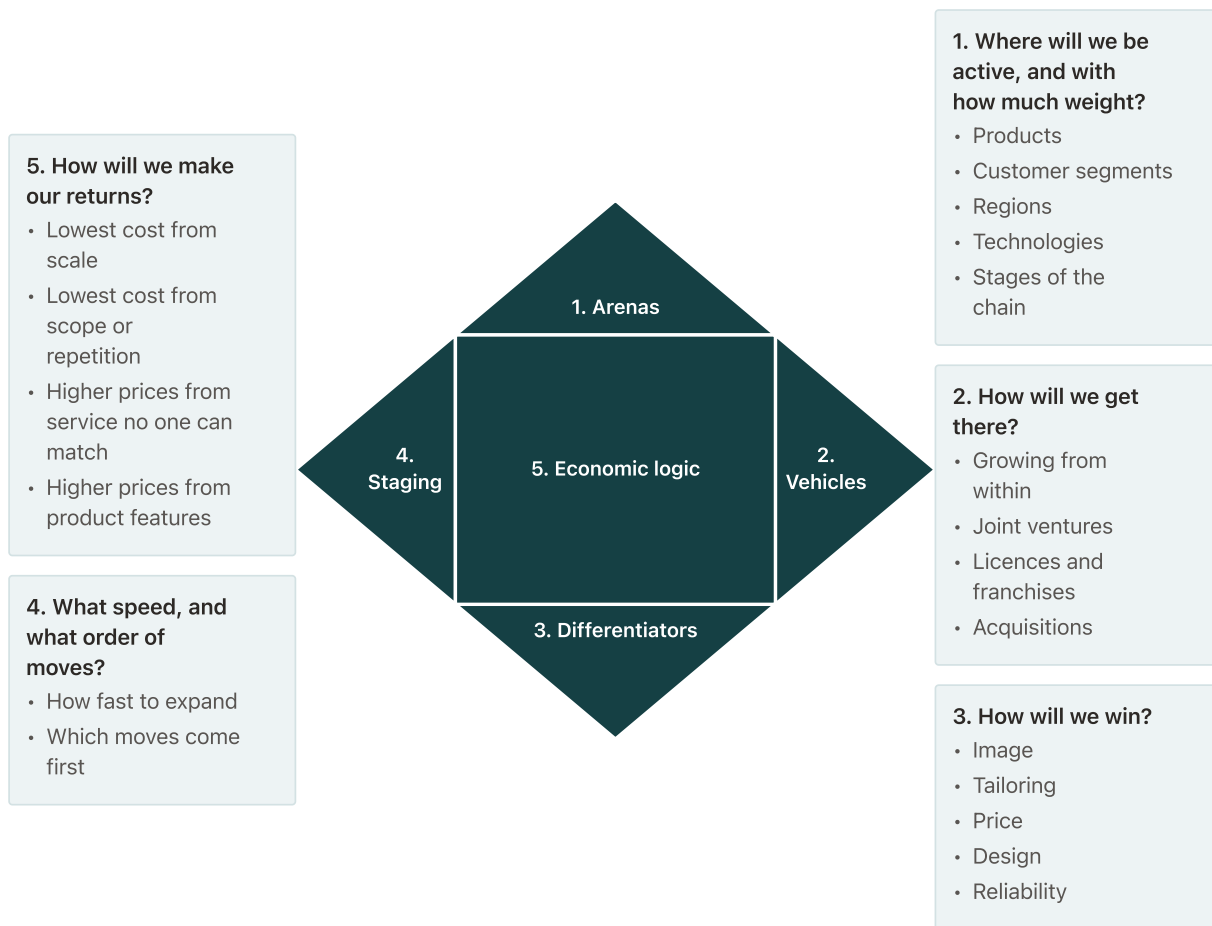
The strategy diamond

[Move guide for this step](#)

What it is. A strategy as five linked parts. Three say where you will be active, how you will get there and how you will win. Two say how fast and in what order you will move, and how you will make money.

When to use it. When testing whether a strategy is complete, or comparing two strategies side by side.

Five parts of a strategy



How to run it.

1. Answer each of the five questions in a line or two.
2. Check that the answers support each other.
3. Look for the gap. Plans often skip the order of moves, or how the returns will come.
4. Test the economic logic with numbers.

Record it on [the coherence worksheet](#).

The trap. Calling a list of goals a strategy. Until the arenas, the vehicles and the economic logic are written down, the strategy is incomplete.

Credit. Donald Hambrick and James Fredrickson. Redrawn.

Find the purpose by asking why

[Move guide for this step](#)

What it is. A way to find a purpose. Ask "why does that matter?" of what the business does, and keep asking until the answer stops changing.

When to use it. When you want a purpose above the vision, and the draft reads like a slogan.

Asking why until the answer stops changing

Illustrative

Keep asking why. An example for a building supplies business:

What we do	We deliver building supplies to site, on time.
Why?	Builders lose money when a crew waits.
Why?	Their margins depend on every day going to plan.
→ Purpose We help builders finish on time and on budget.	

How to run it.

1. Start with a plain line on what the business does.
2. Ask why that matters to the people it serves.
3. Ask the same question of the answer.
4. Stop when the answer stops changing. Then test it with staff.

Record it on [the articulation worksheet](#).

The trap. Going so far that the purpose could belong to any business. If a rival could sign it, go back a step.

Credit. James Collins and Jerry Porras. Redrawn.

Test the strategy before you commit

[Move guide for this step](#)

What it is. Questions that test a strategy in three ways. Does it fit the market, does it hang together, and can it last?

When to use it. Before the leadership team signs off the one-page strategy.

Three tests of a strategy

Is the strategy ...

Fits the market

Compelling

Do the customers we target find the offer compelling?

Distinct

Does it differ from rivals' strategies?

Hangs together

Coherent

Do the parts of the strategy work together?

Consistent

Does it fit the group's strategy and aims?

Achievable

Do we have the capabilities and resources to deliver it?

Lasts

Sustainable

Will it last, or can rivals copy it quickly?

Adaptable

Can it take a shock?

How to run it.

1. Answer each question with evidence.
2. Mark each answer yes, partly or no.
3. Treat every no as work to do before you commit.
4. Where leaders still disagree, find the source of the tension and settle it there.

Record it on [the conviction worksheet](#).

The trap. Answering from belief. A yes needs evidence that someone outside the room would accept.

Planning for uncertainty and rivals

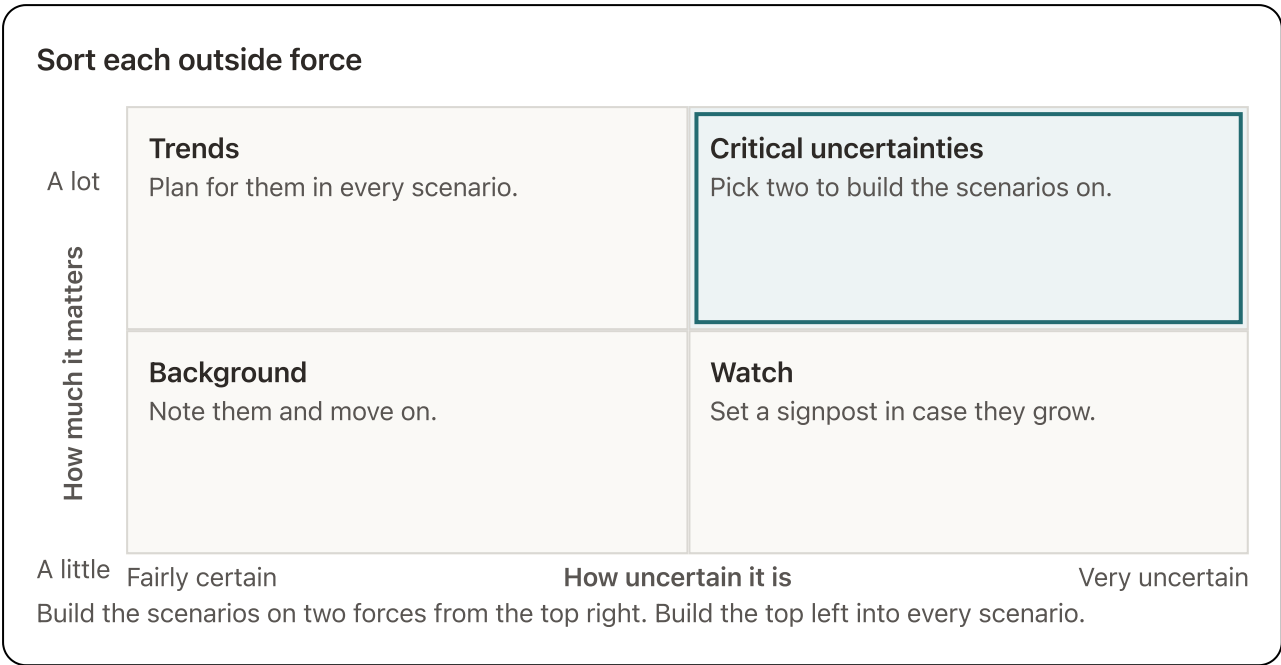
How the future could break, and how rivals might answer your move.

Trends and critical uncertainties

[Move guide for this step](#)

What it is. A grid that sorts the outside forces on a business by how much they matter and how uncertain they are.

When to use it. Before you build scenarios, or when the plan rests on one forecast.



How to run it.

1. List the outside forces that drive the business: economic, social, technology, policy, environment and law.
2. Place each force on the grid.
3. Build the forces in the top left into every plan.
4. From the top right, take the two forces that matter most and are least linked. Build the scenarios on them.

Record it on [the trends-uncertainty worksheet](#).

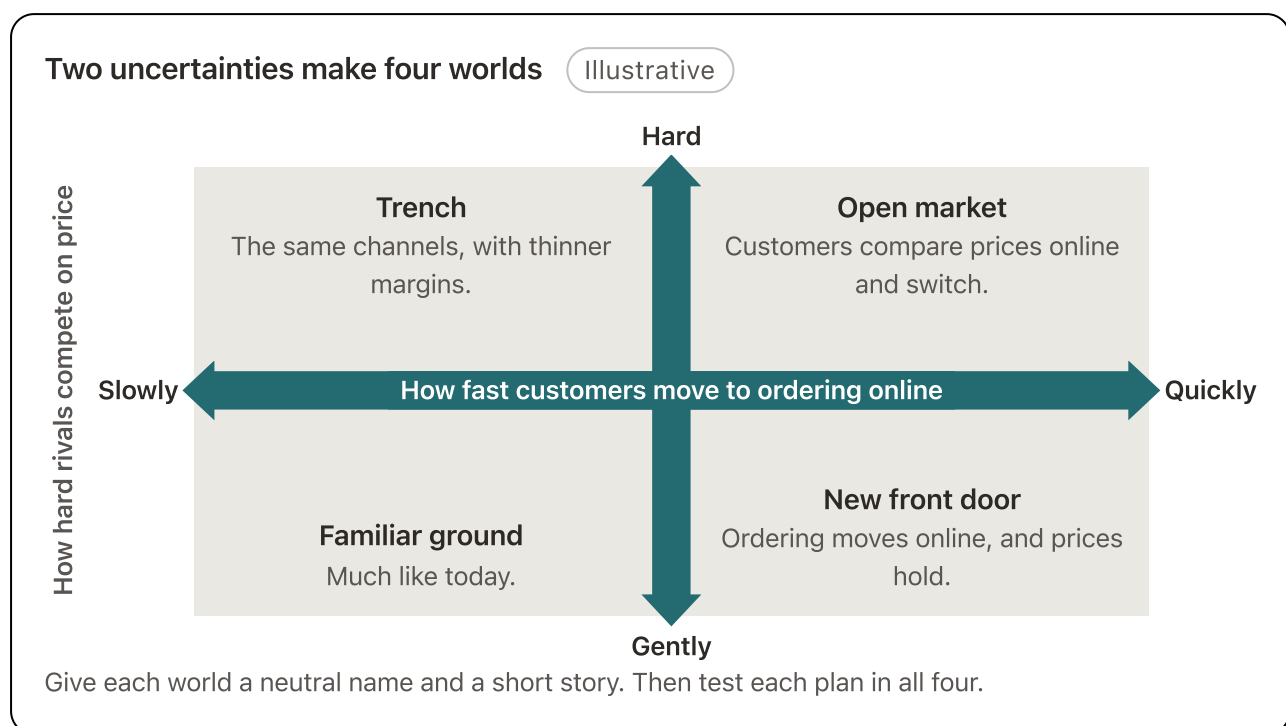
The trap. Putting every force in the top right. If every force is critical, none has been judged.

Scenarios

[Move guide for this step](#)

What it is. Four believable futures, built from two critical uncertainties. You test each plan in all four before you commit to one.

When to use it. When the future could break more than one way and the plan works in only one of them.



How to run it.

1. Set two extreme but believable ends for each of the two uncertainties.
2. Lay them out as a two-by-two. Give each world a neutral name, a short story and numbers that hang together.
3. Value each plan in each world, side by side.
4. Sort the moves by how many worlds they pay in.
5. Set signposts that show which world is arriving, and say what you would do in each.

Record it on [the trends-uncertainty worksheet](#) and [the assumptions worksheet](#).

The trap. Treating the four worlds as the answer. They are a way to find the insight, and in the end you still commit to one plan.

Four levels of uncertainty

[Move guide for this step](#)

What it is. Four levels of uncertainty about the future, each with the tools that fit it. The same authors sort moves into no-regret moves, options and big bets.

When to use it. When deciding whether a forecast, scenarios or another approach fits the question in front of you.

Four levels of uncertainty, and how to work at each				
	1. A clear enough future	2. A few distinct futures	3. A range of futures	4. True ambiguity
What you can know	One view of the future.	A few possible outcomes, one of which will happen.	A range of possible outcomes.	Not even a range.
Tools to use	Forecasts and the standard tools.	Decision trees, scenarios and game theory.	Scenarios, game theory and research into demand.	Analogies, and reasoning back from what you would need to believe.
How to decide	Choose the strategy worth the most.	Weigh each future's chance and payoff.	Judge each option across the range.	Be clear about the beliefs the strategy rests on.

How to run it.

1. Ask how much you can know about the outcome.
2. Pick the tools for that level, from the diagram.

- Sort the moves. No-regret moves pay in every future. Options keep a door open at low cost. Big bets pay in only one or two futures.
- Fund the no-regret moves now, keep the options open, and set the signal that would trigger each big bet.

Record it on [the trends-uncertainty worksheet](#).

The trap. Using one forecast because the budget asks for one number. The budget needs a figure, and the strategy needs the range.

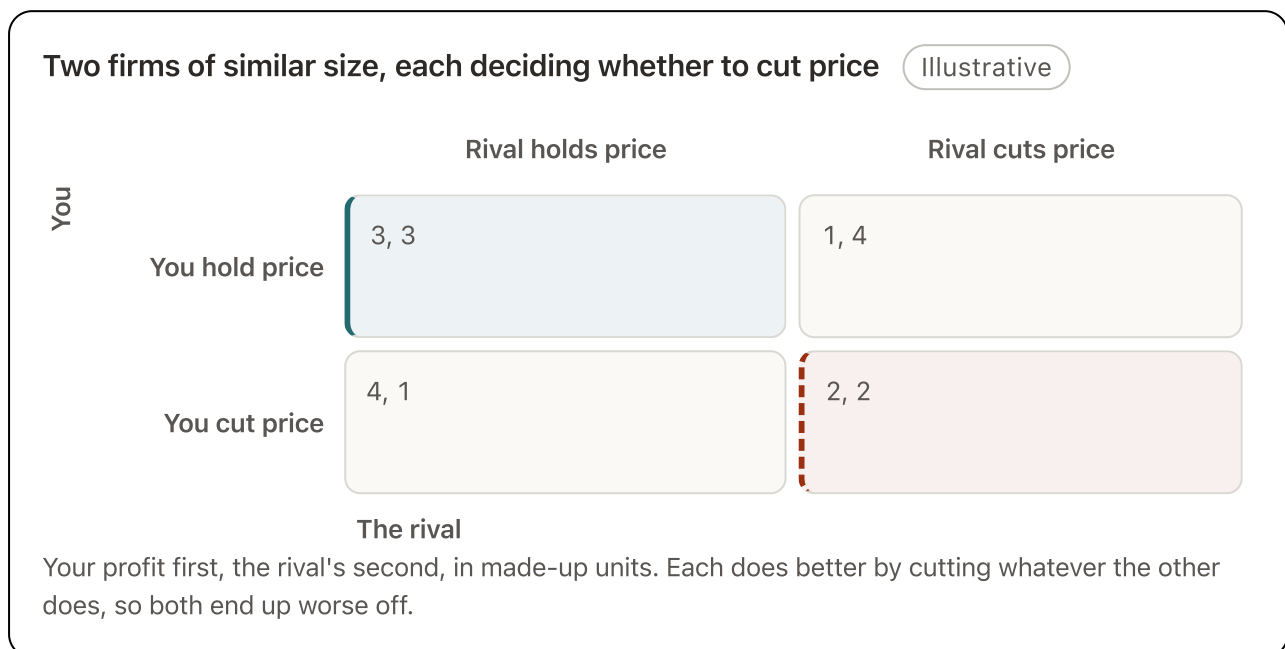
Credit. Hugh Courtney, Jane Kirkland and Patrick Viguerie. Redrawn.

Competitor-response game

[Move guide for this step](#)

What it is. A working session in which small teams play each main rival, from that rival's own economics, to test how rivals might answer your move.

When to use it. Before a price move, a capacity decision or a market entry that rivals will notice.



How to run it.

- Build a short fact base on each rival: its costs, capacity, customers and what its leaders are paid on.

2. Put a small team in each rival's seat.
3. Play two or three rounds. Each round is a move, then the replies.
4. Work out each player's profit after each round.
5. Change the plan where the replies hurt it.

Play the rivals from public facts and their economics. Never discuss prices or plans with a competitor. Record it on the competitor-response worksheet.

The trap. Playing the rivals as you would like them to act. Each team must play to win for its rival.

Finding growth options

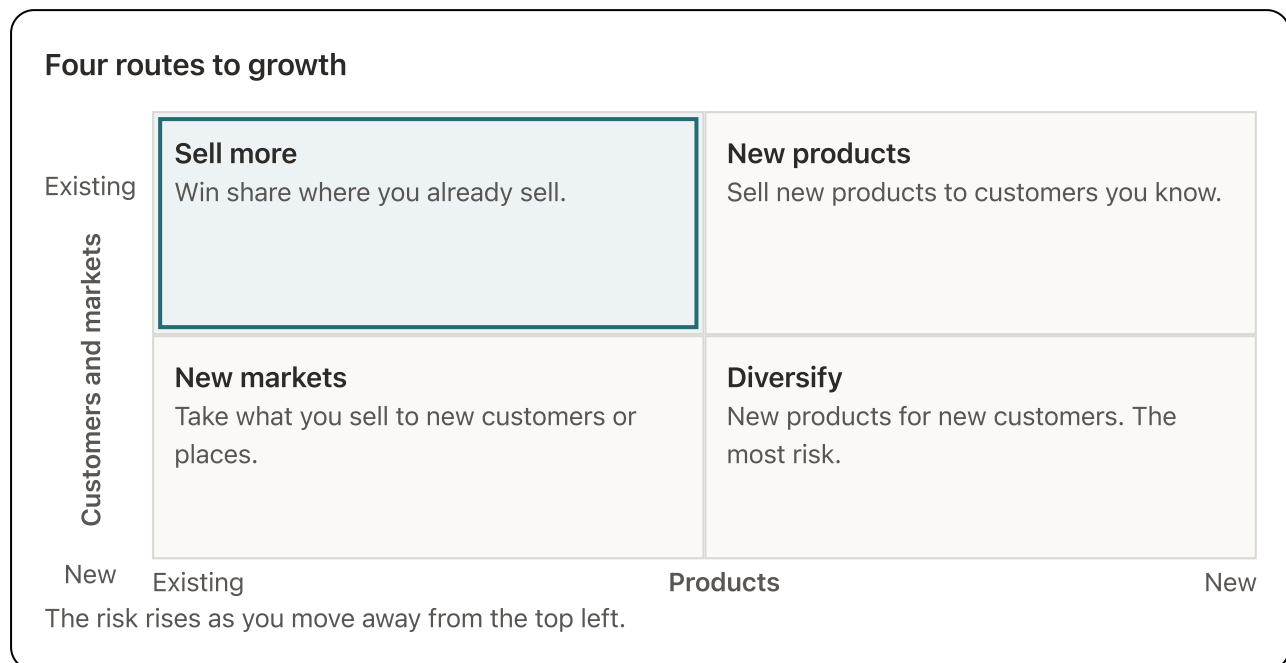
Where the next growth could come from, and what each route needs.

Products and markets grid

[Move guide for this step](#)

What it is. Four routes to growth. Sell more to the markets you serve, take what you sell to new markets, bring new products to your customers, or do both at once.

When to use it. When you list growth options, to check that no route has been missed.



How to run it.

1. List the options under each of the four routes.
2. Note the risk. It rises the further an option sits from what you know.
3. Ask what each option needs that you do not have.
4. Take the strongest into business cases.

Record it on [the choices worksheet](#).

How to rate each part.

Rate each option on two scales, from 1 to 3.

- **How new the product is to you.** Score 1 if you sell it now. Score 2 if it is close to what you make. Score 3 if you would have to learn it.
- **How new the customers are to you.** Score 1 if you sell to them now. Score 2 if they are like your customers in needs or place. Score 3 if you would have to learn how they buy.

Add the two scores. A score of 2 sits in the top left, with the least risk. An option that scores 5 or 6 needs proof before it gets real money, such as a pilot, a partner or a small purchase. Then note the one capability each option needs that you do not have.

The trap. Treating new products for new markets as one more option. It carries the most risk and needs the most proof.

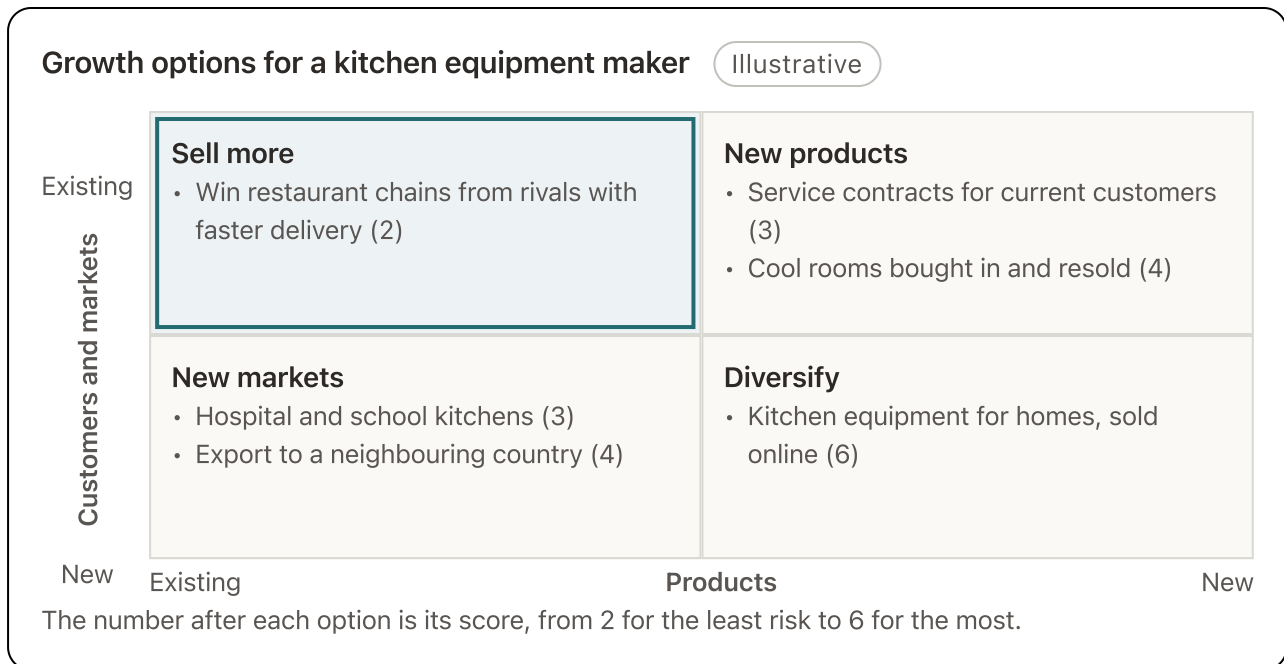
Credit. H. Igor Ansoff. Redrawn.

Worked example

Growth options for a maker of commercial kitchen equipment

An invented business, to show the method.

A business makes ovens and fryers for restaurants and cafés in one country. Its owners want to grow, and the team has a long list of ideas. They placed each idea on the grid and scored it as the rating section sets out.



The service contracts and the hospital kitchens both score 3. Each uses what the business already knows, and each needs one new skill. The contracts need field technicians, and the hospitals need a way to win public tenders. Equipment for homes scores 6, with new products and new buyers at once. The team took the two 3s into business cases and set the home idea aside.

Options in three places

[Move guide for this step](#)

What it is. Three places to look for strategic options. Strengthen your position, shift the mix of segments, or make a segment more attractive for you.

When to use it. When every option on the table comes from the same place.

Where to look for options

1. Strengthen your position

Widen your cost or service lead in segments that are worth winning, or build a new source of advantage.

2. Shift the mix

Grow your share of the better segments, and leave the ones that do not pay.

3. Make a segment more attractive for you

Raise the barriers to entry, or reduce your exposure to powerful buyers, suppliers and substitutes. Never by coordinating with competitors.

How to run it.

1. List options under each of the three places.
2. Model each beside the case for doing nothing, with one sensitivity test.
3. Note what would have to be true for each to work.
4. Choose, and write down the options you set aside and why.

Record it on [the choices worksheet](#).

The trap. Missing the second place. Leaving a segment that does not pay can be worth more than winning share in it.

Core competencies

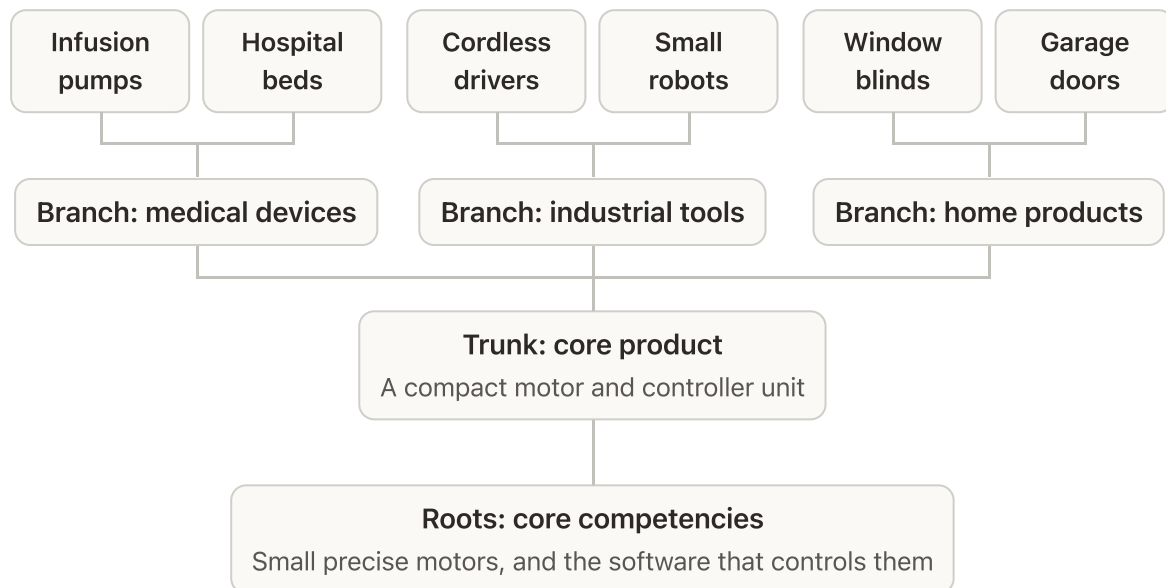
[Move guide for this step](#)

What it is. The few skills and kinds of know-how that a business combines better than others, and that feed many of its products. New products and businesses can be built on them.

When to use it. When choosing which new markets to enter, or which work to keep in-house.

A business as a tree that grows from its competencies

Illustrative



Read from the roots up. Rivals see the leaves. The strength is in the roots.

How to run it.

1. List what the business is good at, as skills and know-how. Products and assets do not count.
2. Test each one three ways. Does it open several markets? Do customers feel it in the end product? Is it hard to copy?
3. For each that passes, list the products and markets it could open.
4. Keep the work that builds it in-house. Take care before you outsource any part of it.
5. Take the best openings to [the products and markets grid](#).

Record it on [the choices worksheet](#).

The trap. Calling everything the business does well a core competence. A long list means the three tests were not applied.

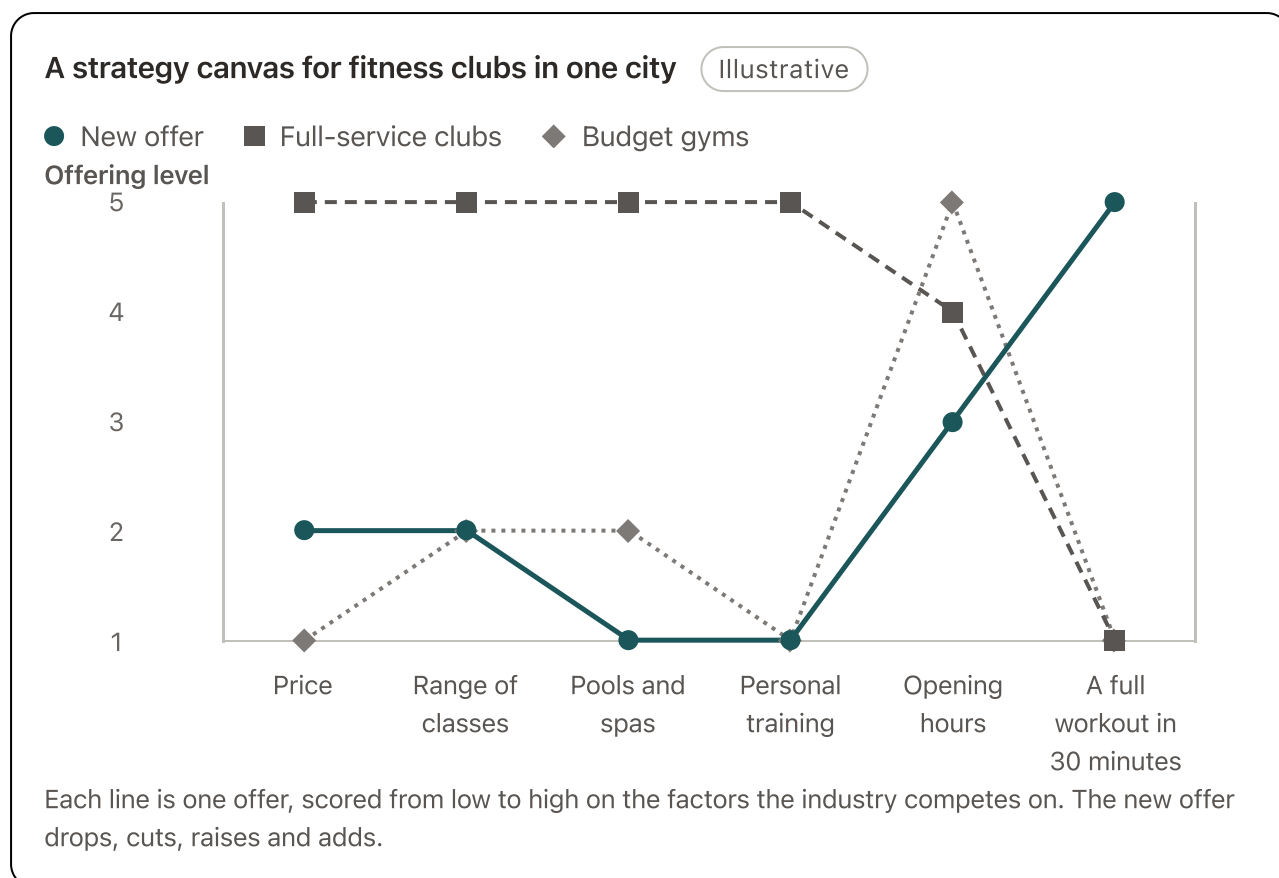
Credit. C.K. Prahalad and Gary Hamel. Redrawn.

Blue ocean strategy

[Move guide for this step](#)

What it is. A way to grow by making the fight with rivals matter less. You find buyers the industry serves badly or ignores, and reshape the offer for them. You drop or cut what they do not value, and raise or add what they do.

When to use it. When every rival offers much the same thing, and the fight is mainly on price.



How to run it.

1. List the factors the industry competes on, such as price, range, service and speed.
2. Score your offer and two rivals' on each factor, from low to high. Draw each offer as a line across the factors. Lines that run together show an industry where everyone copies everyone.
3. Talk to people who buy little or nothing from the industry today. Ask what puts them off.
4. Ask four questions of each factor. Which could go altogether? Which could fall well below the industry's level? Which could rise well above it? Which has the industry never offered?

5. Draw the new offer's line. Its shape should differ from rivals' lines, and it should cost no more to deliver.

Record it on [the choices worksheet](#).

The trap. Adding features and calling it a new market. If nothing is dropped or cut, cost rises and the offer is only a dearer version of the old one.

Credit. W. Chan Kim and Renée Mauborgne. Redrawn.

Delivering and tracking the strategy

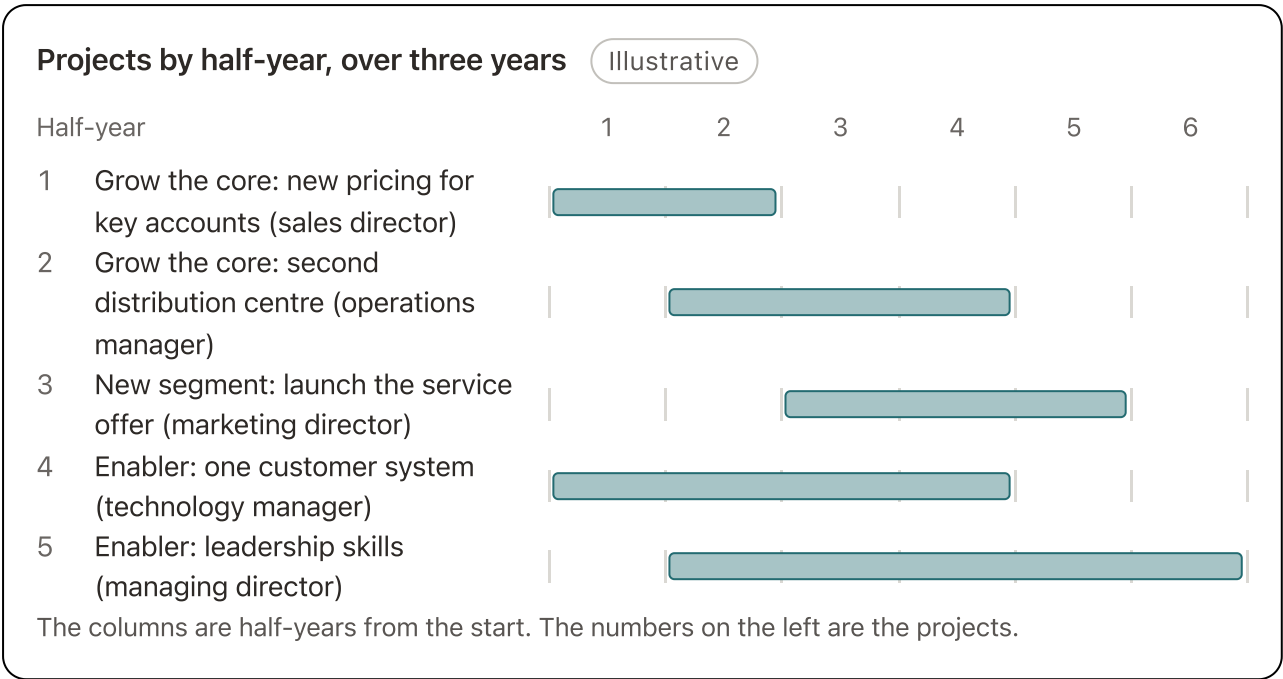
Turning the choices into projects, and checking progress against them.

The delivery roadmap

[Move guide for this step](#)

What it is. Every project on one timeline, grouped by theme, each with an owner named by job title.

When to use it. When projects start at once and compete for the same people.



How to run it.

1. List the projects under each theme.
2. Give each one an owner, a start and an end.
3. Lay them out on one timeline, and look for clashes.
4. Move start dates until the load is one the business can carry.

Record it on [the translation worksheet](#).

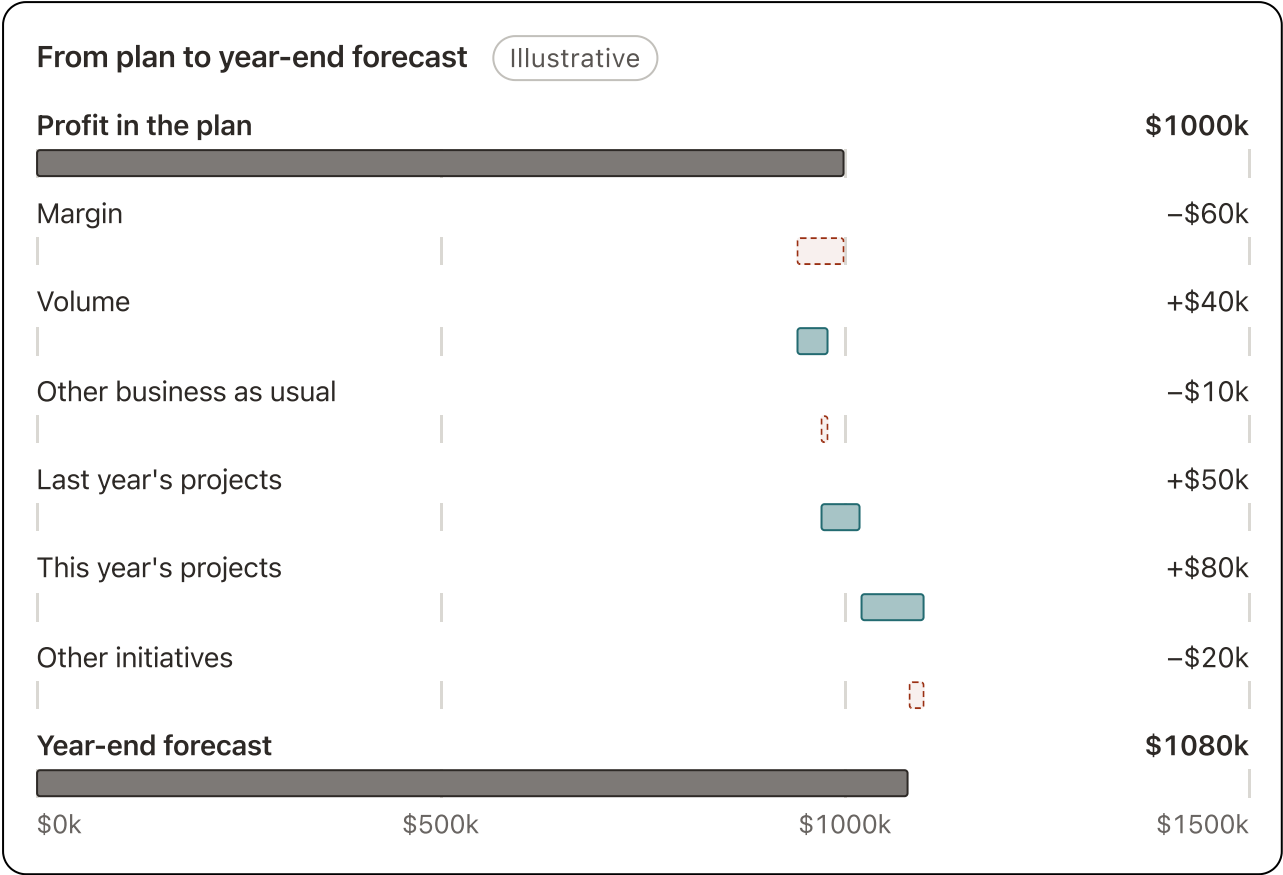
The trap. Starting everything in the first half-year. The roadmap shows the clash, and only a decision to wait fixes it.

Forecast against plan, explained

[Move guide for this step](#)

What it is. A bridge that explains the gap between the year-end forecast and the plan, in two parts. One is business as usual, the other the projects.

When to use it. In each quarterly review, so each owner can see which part of the gap is theirs.



How to run it.

- 1. Start with the profit in the plan.
- 2. Add the business-as-usual changes: margin, volume and the rest.
- 3. Add each group of projects.
- 4. End at the forecast, and check that the steps add up to it.

Record it on [the measurement worksheet](#) and [the review-cadence worksheet](#).

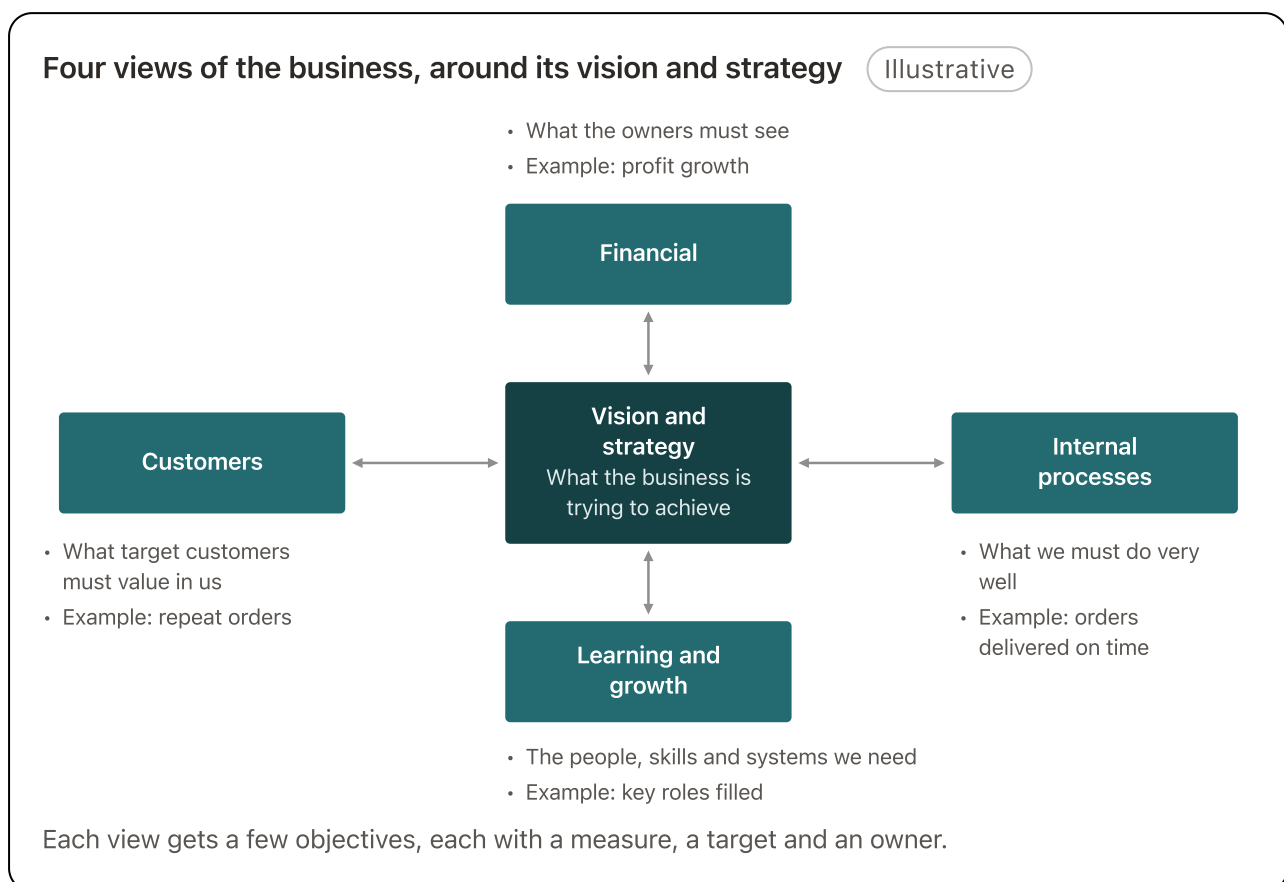
The trap. One "other" bar that holds most of the gap. If it is larger than any named bar, split it.

Balanced scorecard and strategy map

[Move guide for this step](#)

What it is. A short set of measures across four views of the business. They are the owners' returns, customers, the internal processes that serve customers, and the people and systems behind those processes. The strategy map draws the links between them on one page.

When to use it. When the business tracks only financial results, and nobody can say which day-to-day measures lead to them.



How to run it.

1. Start at the top. Write the one or two financial results the strategy must deliver.

2. Ask what customers must see for those results to come: which customers, and what they must value.
3. Ask which internal processes must work well to give customers that.
4. Ask what skills, systems and data those processes need.
5. Draw the links from bottom to top. That drawing is the strategy map. Give each box one measure, a target and an owner.

Record it on [the measurement worksheet](#).

The trap. A long list of measures sorted into four boxes. If a measure links to nothing above it on the map, drop it.

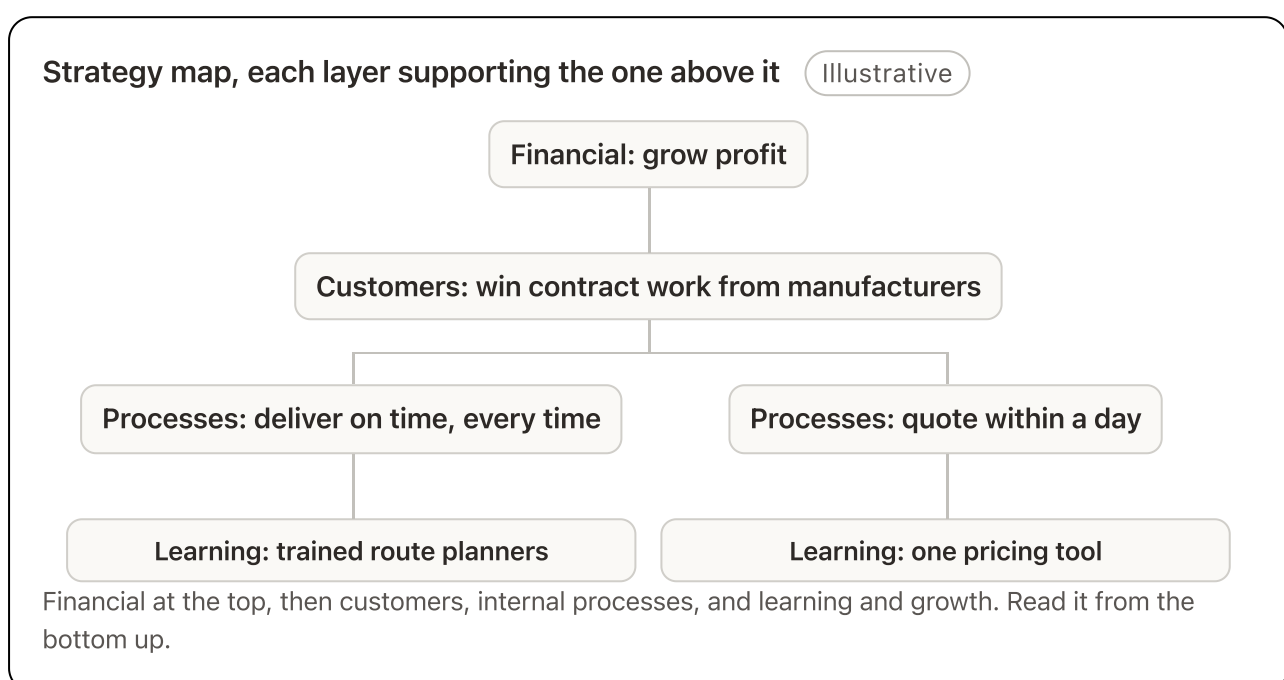
Credit. Robert Kaplan and David Norton. Redrawn.

Worked example

A strategy map for a regional freight business

An invented business, to show the method.

A regional freight business wants to grow profit by winning more contract work from manufacturers. Its strategy map links each objective to the one it supports in the layer above.



Give each box one measure, a target and an owner. Then test the links. If deliveries improve and contract wins do not follow, the map is wrong.

Where is your strategy weakest? The strategy check at onestepright.com/strategy takes about ten minutes.

Think we've used your work without proper credit? [Tell us](#) and we'll fix it.