



## BLOGS: The Conversation

### Why Most CEOs Are Bad at Strategy

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by Roger Martin There is a lot of strategy in the world, produced by all types of CEOs, corporate heads of strategy, and strategy consultants. Yet very little of this strategy is any good. There are undoubtedly many possible explanations for why this is the case, but here is my own pet theory, which I offer up to elicit your reactions and surface alternatives:

**A good strategy is the product of the creative combination of two disparate logics — rather than a single linear analytical logic flow — but CEOs and "strategists" are seldom conditioned to become skilled at the requisite creative combination.**

The two most fundamental strategic choices are deciding *where to play* and *how to win*. These two decisions — in what areas will the company compete, and on what basis will it do so — are the critical one-two punch to generate strategic advantage. However, they can't be considered independently or sequentially. In a great strategy, your where-to-play and how-to-win choices fit together and reinforce one another.

For example, operating only in your home country market may seem to be a perfectly fine where-to-play choice and winning on the basis of technological superiority a perfectly fine how-to-win choice, but their combination almost always produces a bad strategy — because of global economies of scale in R&D, some competitor will globalize and blow out the geographically narrow national player. These choices don't fit or reinforce.

In contrast, Apple wins because its where-to-play choice — broad participation across a number of high-involvement consumer electronics categories (computers, music, phones) — is matched wonderfully with its how-to-win choice — competing on user experience design and eco-system orchestration. It leverages the winning capabilities it has built in these two areas across the domains in which it has chosen to play to produce its winning Macs, iPods, and iPhones.

The trouble is, CEOs don't usually get to the top by integrating different logics in that way. More often they rise by pushing a single logic. They like to analyze a problem and

come up with a single, sufficient answer, like how to globalize or get costs under control or introduce a new product, rather than trying to look for answers to two questions that fit together elegantly.

As a consequence, many of them come to think of strategy as either where-to-play or how-to-win. For example, in the global pharma industry today, it appears that most CEOs define their strategies as simply playing in the historically lucrative pharma industry and doing whatever the rest of their competitors do. This is silent on how-to-win and the resultant set of me-too strategies is one reason why performance in the industry is going downhill fast.

Or alternatively, for many high-tech CEOs, the dominant choice is to win with a proprietary technology. This is silent on where-to-play and that has led many technology companies astray because it really matters where exactly that technology is used — as we see with Nortel Networks, which is now in the bankruptcy court despite its treasure trove of technology patents.

Meanwhile, corporate strategists and strategy consultants get ahead by demonstrating mastery of all sorts of conceptual tools for analyzing where-to-play (*five forces*, profit maps, etc.) or how-to-win (experience curve, value chain, VIRO, etc.). However, there as yet is no analytical tool for combining a given where-to-play choice with a congenial how-to-win choice or vice versa. That takes creative insight. But the majority of people who seek to become corporate strategists or strategy consultants do so because they are much more comfortable with analysis than what they perceive as guesswork. So they tend to become expert at strategic analyses, not strategy.

That, I submit, is why CEOs and "strategists" so seldom produce good strategies. Strategy is a creative act and the way to produce good strategy is go beyond basic analysis to creatively integrate your choices concerning where you play and how you propose to win.

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