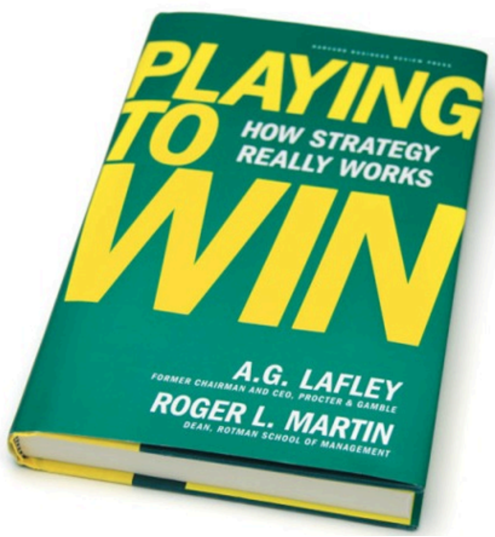
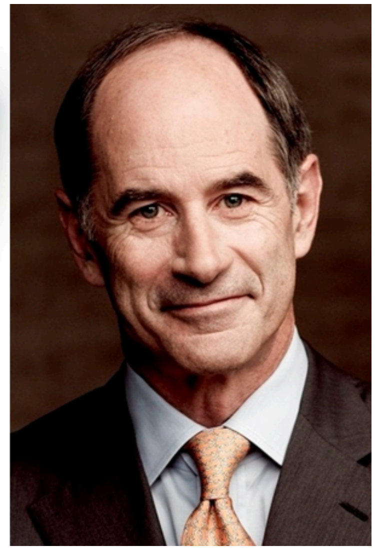
BOOK NOTES: Playing to Win

Playing to Win: How Strategy Really Works by A.G. Lafley and Roger L. Martin



Announcement:

New virtual LeanBook.Club starting June 14th!

Book: Essentialism: Playing to Win: How Strategy Really Works by A.G. Lafley and Roger L. Martin

When: Starting June 14, 2023, weekly on Wednesdays from Noon to 1 PM Eastern for six weeks.

Sign-Up: Sign-up at www.leanbook.club. I am limiting this to 15 participants. Microsoft Teams invitations will be sent to participants.

Next Steps: Sign up, order your book*, and read the first week's assignments on

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Agenda

1.1. Week 1, 6/14/23, Introduction and Chapters 1
1.2. Week 2, 6/21/23, Chapters 2-3
1.3. Week 3, 6/28/23, Chapters 4-5
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1.5. Week 5, 7/12/23, Chapters 8 and Conclusion
1.6. Week 6, 7/19/23, Appendix A-B, Q&A

Book Notes:
https://docs.google.com/document/d/1ZAsmpyCC9khwp1fKKLjKkk2VsD-NmJ2qOculk4UgoR0/edit?usp=sharing

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Author's Website: **Playing to Win (rogerlmartin.com)**

Author:
A.G. Lafley has been named the new Chief Executive Officer, President, and Chairman of Procter & Gamble, where he previously served as CEO from 2000-2009. Under Lafley's leadership, P&G's sales doubled, its profits quadrupled, its market value increased by more than $100 billion, and its portfolio of billion-dollar brands—like Tide, Pampers, Olay, and Gillette—grew from 10 to 24 as a result of his focus on winning strategic choices, consumer-driven innovation, and reliable, sustainable growth.

Roger Martin is Dean of the University of Toronto's Rotman School of Management and an adviser to CEOs on strategy, design, innovation, and integrative thinking. In 2011, Roger was named by Thinkers50 as the sixth top management thinker in the world. This is his eighth book; he also contributes regularly to Harvard Business Review, the Financial Times, and the Washington Post, among others. He holds an MBA from Harvard Business School and an AB in economics from Harvard College.

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Notes:

1. Week 1, 6/14/23, Introduction and Chapters 1
    a. Introduction
        i. How strategy really works this approach grew out of the strategy practice at monitor company and subsequently became the standard process at PNG.
        ii. Ultimately, this is a story about choices, including those choices to create a discipline of strategic thinking and strategic practice within an organization.
        iii. Mike Porter. The author of competitive strategy says strategy is a firm, creates a sustainable competitive advantage over its rivals by deliberately choosing different set of activities to deliver unique value strategy, therefore requires making explicit choices to do some things, and not others and building up business around those choices and short strategy is a choice. More specifically, strategy is an integrated set of choices that uniquely positions, the firm and its industry as to create sustainable advantageous and superior value relative to the competition.
        iv. Instead of working to develop a winning strategy, many liters tend to approach strategy, and one of the following ineffective ways
            1. They define strategy as a vision, mission and vision statements are elements of strategy, but they aren't enough. They don't include choices about what business to be in and not be, and there's no focus on sustainable competitive advantage, or the building blocks of value creation.
            2. Define strategy as a plan, plans and tactics are also elements of strategy, but they aren't enough either a detailed plan that specifies what the firm will do, and when does not imply that the things that will do add up to sustainable competitive advantage.
            3. They Deny that long term or even medium term strategy is possible emergent strategy has places in a company and reactive mode, making it easier for prey on more strategic strategic rivals.
            4. Define strategy is the optimization of the status quo. The optimization of current practices does not address the very real possibility that the firm could be exhausting, its assets and resources by optimizing the wrong activities, one more strategic competitors passerby.
            5. They define strategy is following best practices sing. This isn't a strategy it's a recipe for mediocrity.

v. What is the difference between mayo clinic and the average research hospital in your neighborhood your hospital is most likely focused on providing a service and I'm doing good and mayo clinic, though set out to transform the world of medicine to be the Vanguard medical research and win and it does.

vi. Winning should be at the heart of any strategy in our terms. A strategy is a coordinated an integrated set a five choices, a winning aspiration, where to play, how to win, core capabilities, and management systems.

b. Chapter 1: Strategy is Choice

i. Strategy is a choice

ii. We found as we looked at consumer needs in the market that there was real growth potential with consumers who are 35+

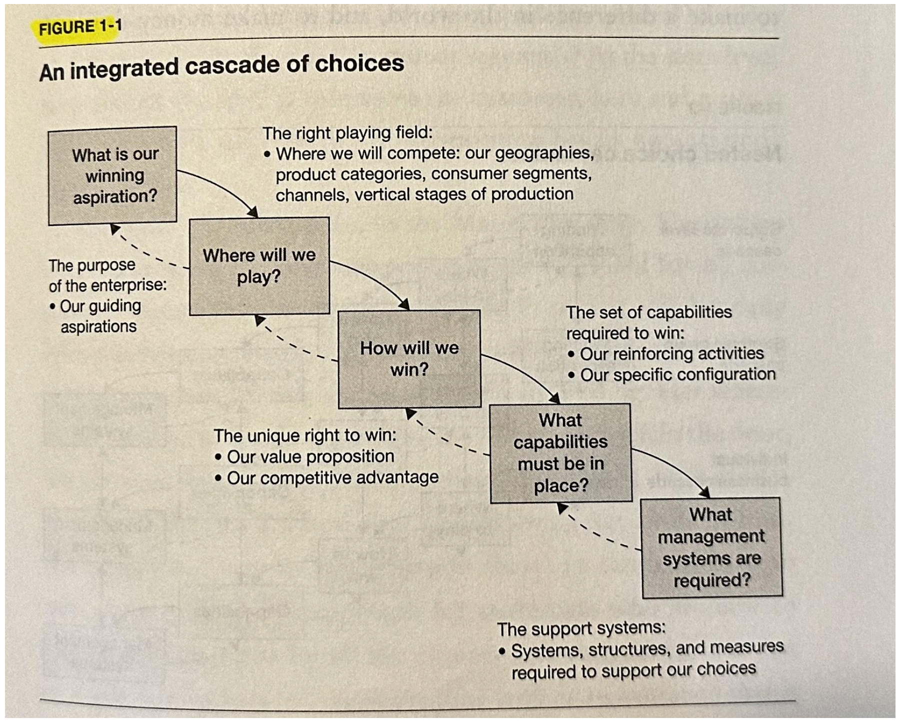
iii. Skin care was the process of pervasive believe that you get what you pay for. For the prestige shopper, it was a great value, but not too cheap to be credible in for the mass shopper signified that the product must be considerably better than anything else on the shelf just to justify a premium.

iv. What strategy is and is not. Olye had a strategic problem that mini company struggle with a stagnant Moran, agent, consumers, uncompetitive, products, strong competition, and momentum in the wrong direction.

v. They are clear to find approach to strategy I thinking process that enabled individual managers to effectively make clear and harder choices.

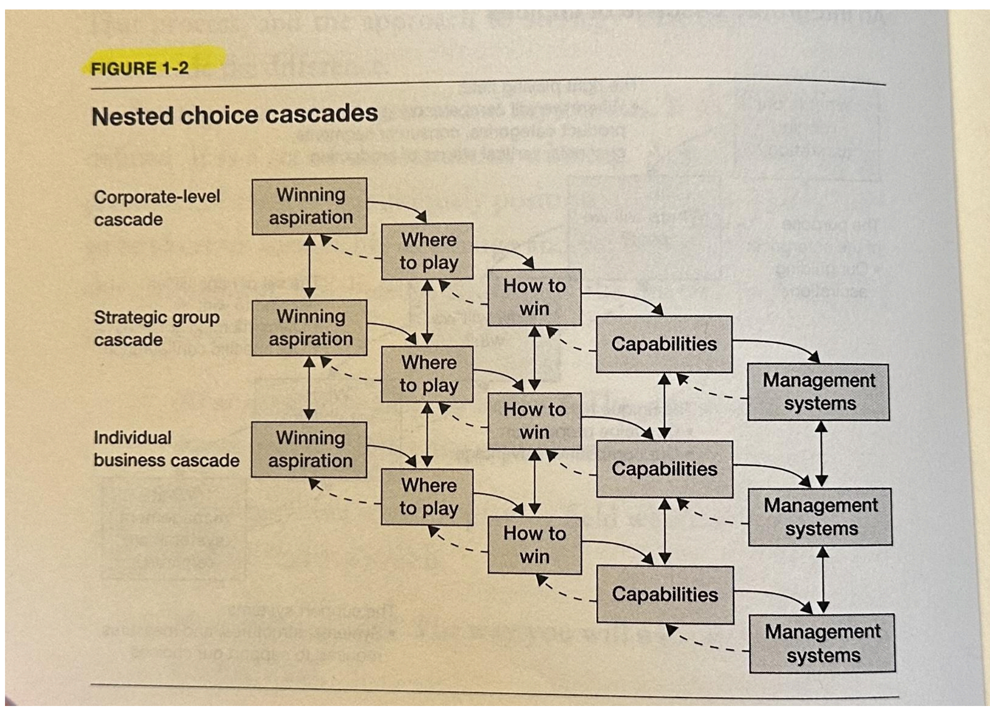
vi. Strategy can seem mystical and mysterious. It isn't. It is easily defined. It is a set of choices about winning. Again, it is integrated set of choices that you can uniquely position, the firm and its industry, so as to create sustainable advantage, and superior value relative to the competition specifically strategy is the answer to these five and related questions:

1. What is your winning aspiration the purpose of your enterprise? It's motivating aspiration.
2. Where will you play a Plainfield where you can achieve that aspiration.
3. How are you win the way you were win on the chosen playing field.
4. What capabilities must be in place the set and configuration of capabilities required to win in the chosen way.
5. What management systems are required for systems and measures that enable capabilities and support choices .

vii. 

viii. There is a category strategy that covers multiple related brands. There is a sector strategy that covers multiple categories and finally there is a strategy at the company level.

ix. The nested cascade means that Choices is happen at every level of organization.

x. 

xi. Like the CEO, a sales person must make the best choices she can under constraints and uncertainty for the CEO. The constraints came from the expectations of the capital markets, the companies, cash reserves, and the direction of the Board of Directors.

xii. Winning aspirations the first question what is our winning aspiration says the frame for all other choices the abstract concept of winning should be translated into define aspirations aspirations are statements about the ideal future at a later stage in the process, a company ties those aspirations, some specific benchmarks that measure progress towards them.

xiii. At the overall company level winning was defined as delivery of the most valuable value creating brands in every category and industry in which Parker and Gamble chose to compete to aspiration, was to create sustainable, competitive advantage, superior value imperial financial return

xiv. Aspirations can be refined and revised overtime. However, aspirations shouldn't change, day-to-day, the existing contestants consistently align activities within the firm should be the design to last for sometime definition of winning provide a contact for the rest of the strategic choices, and all cases choices should fit within and support the firms aspirations.

xv. Where to play represents the set of choices that narrow the competitive field the questions to be asked focus on where the companies will compete in which markets with which customers and consumers, and which channels in which product categories, and at which vertical stage or stages of the industry and question this set of questions as vital no company can be all things or people, and still win so it's important to understandWhich where to play choices will best enable a company to win a firm can be narrow or broad, they can compete in any number of demographic segments in geography's economically fast advancing countries. It can compete in American services, product lines, and categories. It can participate in different . He can participate in a street part of industry downstream. Orby vertically integrated these choices, when taken together capture the strategic Playing field.

xvi. How to win where to play select the playing field how to win to find the choices for winning on that field. It is a recipe for success in those chosen segments categories channels, geographies, and so on remember it's not how to win generally but how to win within the choosing, where to play The word play in how to win tuition flow from from and reinforce one another.

xvii. To determine how to win an organization, must decide what will enable it to create unique value in sustainability deliver that value to customers in a way that is distant from the firm competitors. Michael Porter called competitive advantage, the specific way affirm utilizes, vanished, great superior value for consumers our customers and intern superior returns for the firm.

xviii. Core capabilities, two questions flow from and Support The hardest strategy first, what capabilities must be in place to win and second what management system is required to support the strategic choices the first of these questions the capability choice relates to the range and quality of activities that will enable a company to win where it choosesCapabilities are the map of activities and competencies that critically underpants specific, where to play, and how to win choices.

xix. Management systems. These are the systems to foster support and measure the strategy in general though the system needs to ensure that choices are communicated to the whole company. Employees are trying to deliver on choices and leverage capabilities. Plans are made to invest in and sustain capabilities overtime in efficiOf the choices in progress toward aspirational's are measured.

xx. Rather strategy is an iterative process which all of the moving parts influence one another, and must be taken into account together a company, must understand its existing core capabilities, and consider them when deciding where to play, and how to win, but may need to generate and invest in new core capabilities to support important for thinking where to play and how to win choices considering the dynamic feedback loop between all five choices strategy isn't easy but it's doable.

xxi. Choice, cascade do and don'ts

1. Do you remember that strategy is about winning choices? It is a coordinated, an integrated set of five very specific choices. As you defined your strategy choose what you will do and what you will not do
2. Do you make your way through all five choices? Don't stop after defining winning after choosing where to play and how to win, or ever after assessing your capabilities. All five questions must be answered if you were to create a viable actionable and sustainable strategy.
3. Do you think of strategy is Edward process as you uncover insights at one stage in the cascade you may will need to revisit choices elsewhere in the cascade
4. Do understand that strategy happens at multiple levels in the organization and organization can be thought of as a set of nested Cascades keep the other Cascades in mine while working on yours
5. Do you remember that there is no perfect strategy find this is thing to Choice does that work for you.

2. Week 2, 6/21/23, Chapters 2-3

a. Chapter 2: What is Winning

i. Aspirations are the guiding purpose of an enterprise.

ii. There are many ways the higher order aspiration of a company can be expressed as a rule of thumb, though start with people consumers in customers rather than money stock price.
iii. Playing to play, rather than seeking to play to win, perpetuated, the overall corporate problem rather than overcoming them.
iv. Global business services. GBS
v. Business process outsourcer BPO
    1. These companies will provide a range of IT services from the outside managing complexity for a fee.
vi. Procter & Gamble's approach to the set up. Transaction has become a model for other organizations as multiple rather than single source business process. Outsource are becoming preferred industry norm.
vii. To set aspirations properly it is important to understand who you were winning with and against it is therefore important to be thoughtful about the business. You're in your customers and your competitors.
viii. Most companies if you ask them what business there and they will tell you their product line or will detail their service offerings. Many handheld phone manufactures for example, would say they are in the business of making smart phones. They would not likely say that they are in the business of connecting people and enabling communication, any place, any time. But this is the business they are actually in- and a smartphone is just one way to accomplish it.
ix. Companies and the grips of marketing myopia are blinded by the products they make, and are unable to see the larger purpose or true market dynamics. These companies spend billions of dollars making their new generation product just slightly better than their old generation of products they use entirely internal measures of progress and success, such as patents, technical achievements, and the like, without stepping back to consider the needs of consumer and changing marketplace, or ask him what business they are really in, which consumer needs they answer and how best to meet that need.
x. The biggest danger of having product lines is that focuses you on the wrong things on materials, engineering in chemistry, and takes away from the consumer winning aspiration should be crafted put those consumer, especially in mind the most powerful aspirations will always have the consumer rather than the product of the heart of them.
xi. Then there's competition and setting winning aspiration she must look at all the competitors and not just those you know best.
xii. The push was to ask who is really your best competitor more importantly, what are they doing strategically and operational meters better than you were in harder they outperform you what did you learn from them and do differently looking at the best competitor no matter which company it might be provides helpful insight into multiple ways to win.

xiii. The essence of great strategy is making choices, clear, tough choices, like what business to be in, and what not to be in where to play in the business, you choose how you will win where you are playing what capabilities and competencies you will turn into core strength, and how your internal systems will turn those choices and capabilities and consistently excellent performance in the marketplaceAnd it starts with aspirations to win, and the definition of what wedding looks like.

xiv. Winning aspiration do and don'ts.

1. Do you play to win rather than simply to compete define winning in your contacts painting a picture of a brilliant successful future for the organization.
2. Do you craft aspirations that are meaningful and powerful to your employees and to your consumers it isn't about finding the perfect language, or the consensus view, but about connecting to a deeper idea of what the organization exist to do.
3. Do you start with consumers rather than products we're thinking about what it means to win.
4. Do set winning aspirations and make the other four choices for internal functions and our phasing brands and businesses alike. Ask what is winning for the function who are its customers and what does it mean to win with them?
5. Do you think about winning relative to competitors and competition? Think about your traditional competitors and look for unexpected best competitors too.
6. Don't stop here aspirations our strategy they were merely the first box and a choice cascade.

xv. To me right meant that Procter & Gamble focus on achievable ways to win with the consumer who matter most and I guess the very best competition it meant leaders will make real strategic choices, identifying what they would do and not do where they would play and not play and how specifically they were Creek Pettis of manage to win, and I meant the leaders at all levels of the company would become capable strategist as well as capable operatorsI was going to teach strategy and tell Procter & Gamble was excellent. Strategy is a way to win and nothing else. - AG Lafley

b. Chapter 3: Where to Play

i. Bounty basic it has a value offering it is priced at a premium to private label brands and offers a clear Street advantage by staying the non-commodity space in terms of both product assortment, and price point Procter & Gamble can target is core costomers through is most value core retailers leveraging core vantages of an innovation and brand building.

ii. The importance of playing in the right field. The choice of words play defines a Plainfield for company. There's a question of what business you're really in his choice about where to compete and we're not compete understanding is Choice is critical because the Plainfield you choose is the place where you will need to find a way to win where to play choices of her across the number of domains notabilities.
    1. Geography and what countries or regions will you seek to compete?
    2. Product type what kind of products and services will you offer?
    3. Consumer segment what groups of consumers will you target and watch Price cheer meeting with consumer needs?
    4. Distribution channel how are you reach the customer what channels are will you use?
    5. Vertical stage of production and what stage of production will you engage? We are along the value dream how broadly or narrowly.

iii. Choosing where to play it's also about choosing we're not to play

iv. Choosing to Playing field, identical to a strong competitors can be less attractive proposition and tracking a way to compete in a different way for different customers, or a different product lines for strategy isn't simply a matter of finding a distinct path. A company may choose to play in a crowded field or one with a dominant competitor if the Covington bring noon, distinctive value, and such case winning may mean targeting a lead competitor right away or going after a week or competitor first.

v. It's about expanding to Plainfield to make room for two competitors and creating time to gang momentum.

vi. Three dangerous Temptations and the face that kind of complexity, your strategy can easily fall prey to oversimplification resignation, or even desperation in particular, you should avoid three pitfalls, when thinking about where to play the first refused to choose, attempting to play in every field all at once, a second is to attempt to buy your way out of the inherited and unattractive choicesThe third is to accept current choices as an evitable or unchangeable giving in to one of these Temptations leads to weeks repeated twice is an often failure.

vii. Trying to buy your way out of unattractive game companies often attempt to move out of unattractive games and into attractive wants to acquisition. Unfortunately, it really works a company that is unable to strategize way out of a current challenging game will not necessarily excel different game, not without thoughtful approach, and building strategy in both industries.

viii. Accepting an Existing choice as immutable. it can also be tempting to view where to play choice as given that has been made for you, but a company always has a choice of where to play. It is tempting you think you have no choice in where to play because it makes for a great excuse or mediocre performance. It's not easy to change playing field, but it's doable and can make all the difference. Think about Apple when they chose to change is playing field to move into portable communication and entertainment space with iPod, iTunes, iPhone, and iPad.

ix. Digging deeper, sometimes you must dig a bit deeper to examine unexpected wordplay choices from all sides to truly understand what is possible, and how industry can be one with a new place to play.

x. The hardest strategy, where to play, is about understanding the possible playing fields, and choosing between them, it is about selecting regions, customers, products, channels, and stages production that fit well together that mutually reinforce, and that Mary well with the real consumer needs.

xi. As we work through your own choices, recall the word play choices are equally about we're not playing they take options off the table and great true focus for the organization.

xii. The heart of strategy is the answer to two fundamental questions where you will play and how you will win their.

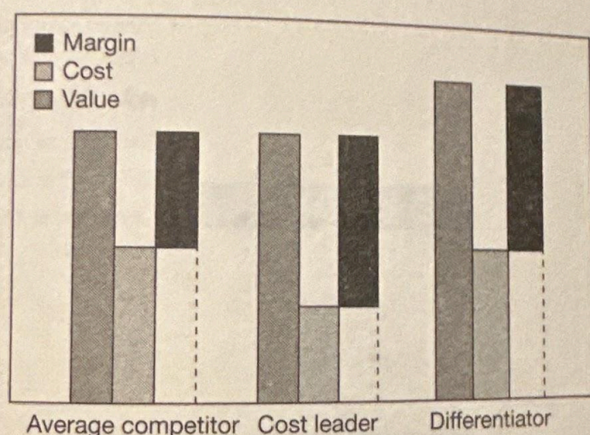
xiii. Where to play dos and don'ts

    1. Do you choose where you will play and where will you not playing explicitly, choose and prioritize choices across all relevant where dimensions including geographies, and the three segments consumers customers products.
    2. Do you think long and hard before dismissing the entire industry structurally unattractive look for attractive segments in which you can compete and win.
    3. Don't embark on a strategy withoutl specific where choices if everything is a priority nothing as there's no point in trying to capture all segments you can't don't try.
    4. Do you look for places to play that will enable you to attack from unexpected directions along the lines of least resistance don't attack walled cities or take your strongest competitors head to head if you can help it.
    5. Don't start wars on multiple fronts. It wants plan for your competitors reaction to your initial choices and think multiple steps ahead. No single choice needs to last forever, but it should last long enough to come for the advantage of seek.
    6. Do be honest about the Eller a white spaces. It is tempting to be the first move or an auto pay occupied white spaces. Unfortunately there is one true first mover as there is only one low cost player in all too often. Do you imagine white space is already occupied by formidable competitor. You just don't see or understand.

3. Week 3, 6/28/23, Chapters 4-5
    a. Chapter 4: How to Win
        i. It would mean a close partnership in one category while maintaining intense competition with another in another category.
        ii. This will be innovation of the business model innovation across the whole spectrum.
        iii. This collaboration with a competitor building, successful, leading business in a non-competitive space was huge.
        iv. Where to play is half of the one to punch at the hardest strategy. The second is how to win when it means, providing a better consumer and customer value equation then your competitors do, and providing it on stable sustainable basis as Mike Porter first articulated more than three decades ago, they were just too generic ways of doing so calls, leadership, and differentiation
        v. Low cost strategies and Costa leader ship as the name suggest profit is driven by having lower cost structure and competitors do
        vi. Low cost player doesn't necessarily charge the lowest price. Low cost players have an option of underpinning competitors. We can also reinvest the margin differential in ways to create a competitive advantage.
        vii. Are all companies make effort to control cost there's only one low-cost player in the industry, the competitor, with the very lowest cost having lower cost and some, but not all the competitors kind of naval firm to stick around and compete for a while, but it won't win only true low cost player can win with low cost strategy.
        viii. Differentiation strategies and a successful differentiation strategy the company offers products or services that are perceived to be distinctively more valuable to the customer than competitors offerings, and is able to do so with approximately the same cost structure that competitors use.
        ix. Both Cost leadership in differentiation can provide to the company, a greater margin between revenue and cost than competitors match that's percent producing sustainable winning advantage, the ultimate goal of any strategy.

FIGURE 4-1

Alternative winning value equations for low-cost strategies and differentiation strategies

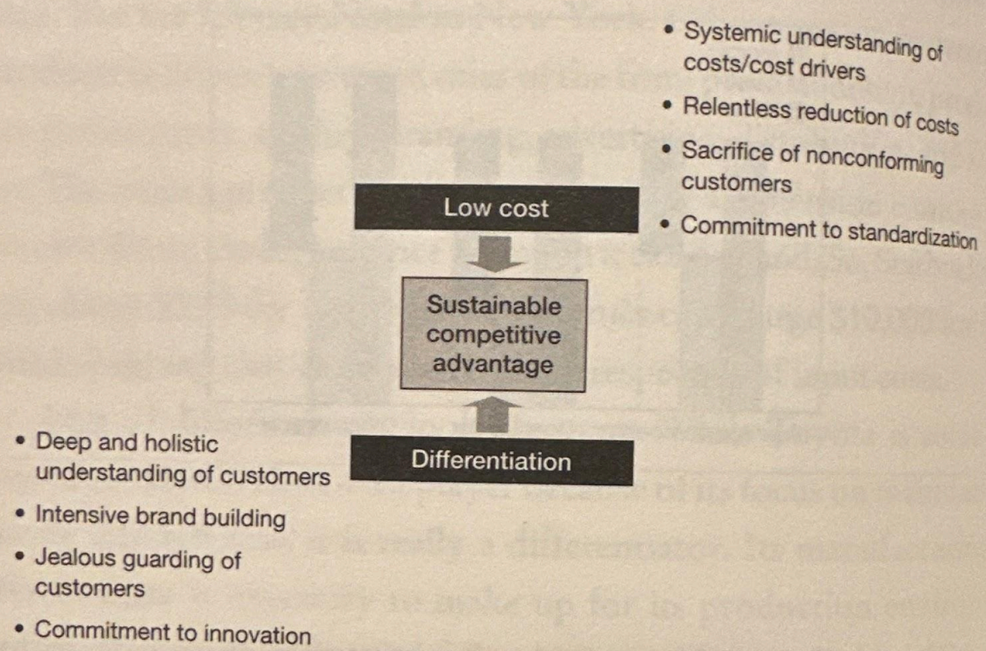


Though there are just two generic strategies, firms have many ways to employ them. In fact, in limited cases, firms can employ both strategies at the same time—driving a significant price premium over competitors and producing at a lower cost than those same competitors. This dual-strategy approach is rare, but it is possible if the company has an overwhelming share advantage and substantial scal[...] IBM, at the height of its domi-

x.

FIGURE 4-2

Differing imperatives under low-cost strategies and differentiation strategies



It is very difficult to pursue both cost leadership and differentiation, because each requires a very specific approach to the market (figure 4-2).

In other words, life inside a cost leader looks very different from life inside a differentiator. In a cost leader, managers are forever looking to better understand the drivers of costs and are modifying their operations accordingly. In a differentiator, managers are forever attempting to deepen their holistic understanding of

xi.

xii. Life inside a cost leader looks very different from life and sided differentiator, and a cost leader managers are forever looking for better understand the driver to cost in our modifying their operations to quarterly and a differentiator managers are forever attempting to deep in their holistic understanding the customers to learn how to serve him more distinctively, and it cost literCost reductions is relentlessly pursue well differentiation the brand is relentlessly built.

xiii. You don't get to be a class leader, piper, choosing your product or service exactly as your competitors do and you don't get to be a differentiator by trying to produce a product or service identical to your competitors to see it in the long run you must make thoughtful, creative decisions about how to win and doing song, you enable your organization to sustainably provide a better value equation for consumers that competitors do And create competitive advantage.

xiv. Most companies like to describe themselves as wanting through operational effectiveness, or customer intimacy they sound like good ideas, but they don't translate into genuinely lower cost structure or higher prices for customers they aren't really strategies worth having.

xv. There's simply is no one perfect strategy that will last for all time there are multiple ways to win and almost any industry that's why building a strategic thinking capability within our organization is vital.

xvi. Organizations are often good at one or the other without realizing there are two different sets of decisions, just like a business to lose its focus and intern, it's growth potential when you try to do too many things at a time or do two things that are further away from your core strengths. We were relatively diluted in the nature of the impact we could have.

xvii. Where to play and how to win choices do not function and independently a strong word. Play choice is only valuable if supported by robust and actionable how to win choice.

xviii. You don't need to build all the bells and whistles only what consumers in developed markets expect.

xix. Where to play in how to win or not independent variables, the best strategies have a mutually reinforcing choices at their heart.

xx. How to win do and don'ts

    1. Do worked great knew how to win choices or non-currently exist just because there is an obvious how to win choice given your current structure doesn't mean it is impossible to create one.
    2. But don't kid yourself either if, after lots of searching, you can't create a credible how to win choice find a new playing, feel or get out of the game.
    3. Do you consider how to win a concert with where to play? The choices should be mutually reinforcing, creating a strong strategic core for the company.

4. Don't assume the dynamics of the industry are set and immutable the choice of the players within those industries may be creating. The dynamics and string dynamics might be changeable.
5. Oh, don't reserve questions of where to play and how to Win for only customer facing functions, internal and support function can and should be making these choices to.
6. Do you set the rules of the game and play the game better if your wing change the rules of the game if you're not.

xxi. And Peter Druckers terms created customers and serve them better than competitors did.

b. Chapter 5: Play Your Strengths

i. And the first thing I want you to do is spend two weeks in India. I want you to live with these consumers. I want you to go in their homes you need to understand how they shave, and how shaving fits into their lives.

ii. You can look at pictures in the books you can hear the stories, but it's not until you're there and that you understand.

iii. Treat consumers as the boss.

iv. And organizations core capabilities, are those activities that one performed at the highest level Enable to organization to bring its where to play and how to win choices to life.

v. Powerful and sustainable competitive advantage is unlikely to arise from one capability, such as having the best sales force in the industry, or the best technology in the industry but rather from a set a capabilities, both fit with one another, and that don't conflict with one another, and actually reinforce one another that make each other stronger than they would be alone.

vi. The activity system is a visual representation of a firms, competitive advantage, capturing on a single page, the core capabilities of the firm.

vii. What they thought were key strengths of the companies.

viii. First forgiven capability, the group had to be reasonably sure that Procter & Gamble already had real measurable competitive advantage in that area and could widen its margin of advantage. In the future second, the capability had to be broadly, relevant and important to the majority of Procter & Gamble's business that is, it had to be company Larratt level rather than business level capability that distinguishes PNG from the competitors. Third the capability had to be decisive and real competitive advantage that was difference between winning and losiUltimately the question was what capabilities must Procter & Gamble as a global company have to win across the industries it would compete.

ix. There are five core capabilities.

1. Understanding consumers really knowing to consumers uncovering there unmet needs and design solutions for them

better than competitor, Ken, and other words making the consumer, the boss, and order when consumers value equation.

2. Creating a building brands launching in cultivating brands with powerful consumer value equations for true longevity in the marketplace.
3. Innovating in the broader sense R&D with the aim of advanced materials, science and inventing breakthrough new products, but also taking Innovative approach to business models, external partnerships, in the way, PNG does business.
4. Partnering and going to market with customers and suppliers being the partner of choice by virtue a PNG's willingness to work together on joint business plans, and to share joint value creation.
5. Leveraging, global scale, operating as one company to maximize buying power, cross branch strategies and development of globally replicable capabilities.

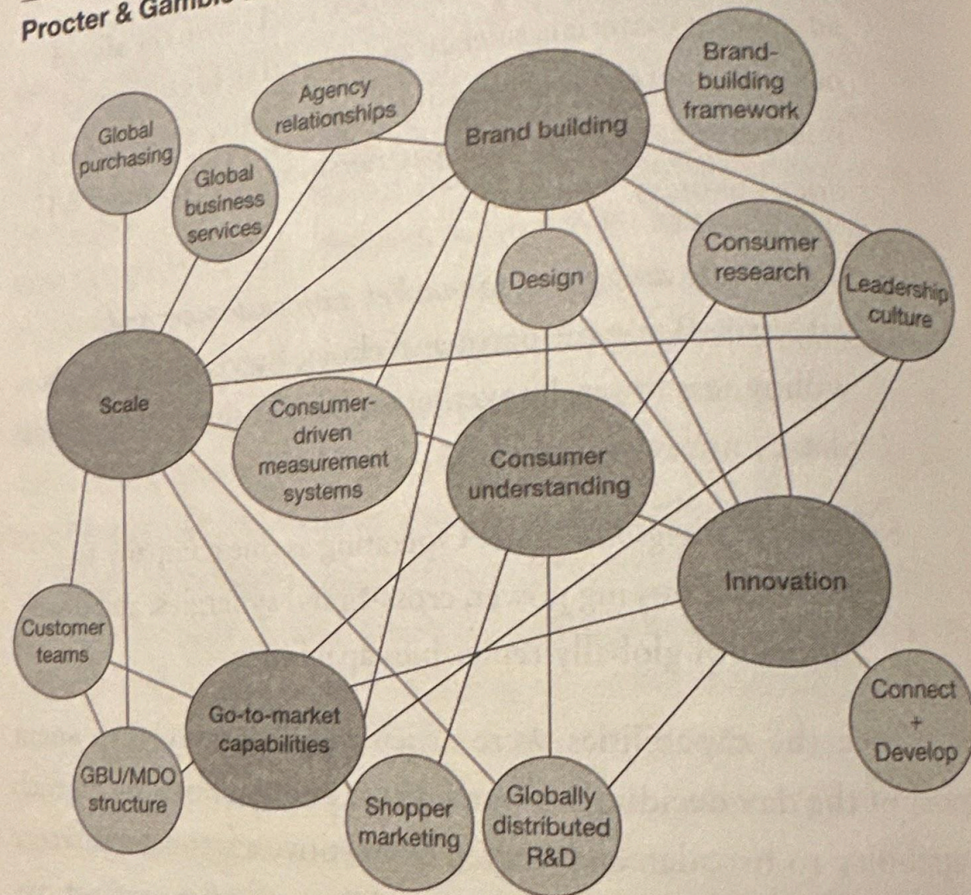
x. The activity system captures the core capabilities, required to win the relationships between them and the activities that support them. This map shows where to play and how to win choices as shown below.

xi. INSET FIGURE 5-1

In th...
and the links between th...
forcing relationships. These reinforcing relationships make each

FIGURE 5-1

Procter & Gamble activity system

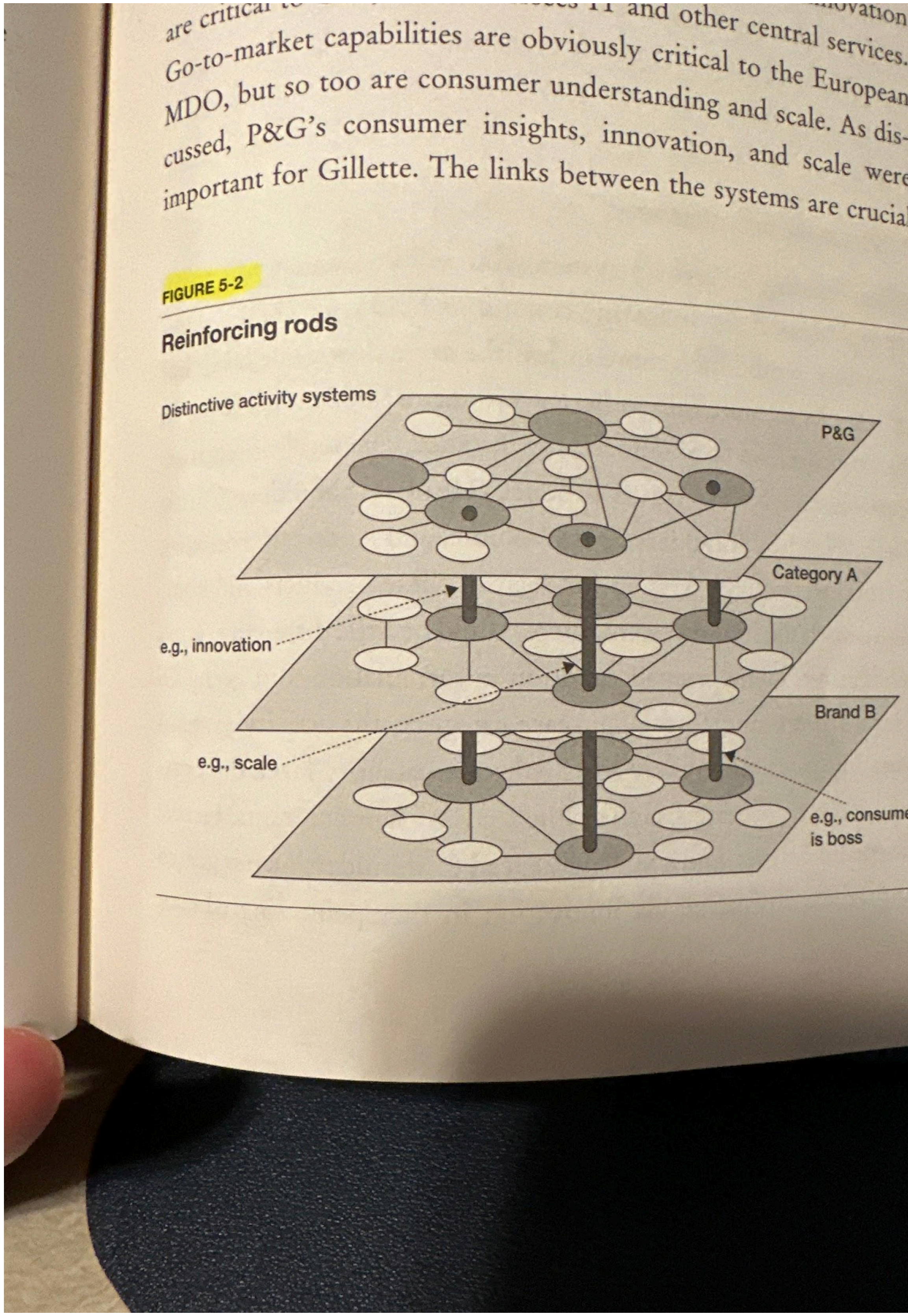


Connect + Develop is P&G's open-innovation program; see also chapter 6. *Abbreviations*: GBU, global business unit; MDO, market development organization.

xii.

xiii. When it has a feasible and distinctive activity system, you can ask is a system defensible against competitive advantage.
xiv. And a corporation, though, with different brands, categories and markets, eight different business line makes its own where to play and how to win choices within context of organizational choices logical Keaton, each unit must have an activity system that supports his choices assist system that informs by the corporate level map in other words, layers of capabilities of her throughout the organization and activity system looks at least a little different in different parts of the company.
xv. However, if there's nothing in common between these different activity systems, it is a signal that the organization has a business that may fit poorly in the same portfolio.

xvi. Insert Figure 5-2



...novation

are critical ... IT and other central services.
Go-to-market capabilities are obviously critical to the European
MDO, but so too are consumer understanding and scale. As dis-
cussed, P&G's consumer insights, innovation, and scale were
important for Gillette. The links between the systems are crucial

FIGURE 5-2

Reinforcing rods

xvii. Multi level strategy, start at the end, visible level, one building an activity system. You will know that you are in the right spot. If you follow conditions, hold true first activity system would look more or less the same down one level but second it looked meaningful different up one organizational level.

xviii. The ground level map can be thought of as a indivisible activity system blow this level of activity system doesn't divide and does it stink Mabs well above this level multiple distinct Mabs are aggregated together in a two unique system every top, and he hast to find the level of direct competition, and begin articulating capabilities, there build activity system, starting at the ground, level, the point to where indivisible activity systems and work your way up from there why the capabilities at the invisible level drive the ones above.

xix. Second, add competitive advantage to the level below all the levels above the individual activity system are aggregations that must add net competitive advantage in someway, since aggregations, inevitably create cost of financial and administrative that would exist if the individual activity system existed, separate business, the strategy at all levels of aggravation must contribute to countervailing benefits to those below, somehow improving their competitiven

xx. A level can contribute and net benefit, and two ways through two cons of reinforcing rods, first can provide benefit of shared activity second is a higher level of aggregation, can provide value through its skill and knowledge transfer.

xxi. The aggregators primary job is to help the level below, compete more effectively through shared activities and a transfer of skills. This means having a clear view of how the level which is to add value, and then focusing all of its regions, forces and resources in doing so activities that don't add value to activity system flow should be minimized because they destroy value.

xxii. Expand approve the portfolio below the enhance competitiveness the second job is to expand, improve and lower level portfolios on the basis of fit to broader capabilities determine whether the portfolio can be expanded into businesses that would benefit competitively from those reinforcing rods.

xxiii. Gillette reinforcing rods sharing, and transferring those capabilities

xxiv. By identifying capabilities, required to achieve competitive and manage the firm can apply resources and tension, and time do things that matter most

xxv. Building Capabilites Dos and Donts

   1. Do you discuss debate and refine your activity system creating an activity system is hard work and may take a few tries to capture everything in a meaningful way.

2. Don't access where there something is a core capability or support activity. Try your best to capture the most important activities required to deliver on your way to play in how to win choices.
3. Don't settle for a generic activity system or create a distinctive system that reflects the choices you've made.
4. Do you play your own unique traits, reverse, engineer, the activity system, and where to play and how to win choices of your best competitors, an overlay them with yours ask how to make yours truly distinctive and value creating.
5. Do you keep the whole company mind looking for reinforcing rods that are strong and versatile enough to run through multiple layers of activity system to keep the company aligned.
6. Do you be honest about the state of your capabilities asking what will be required to keep and attain capabilities your require.
7. Do explicitly test for feasibility distinctiveness in defensibility, assess the extent to which your activity system is doable, unique and defendable on the face of competitive reaction.
8. Do you start building activity systems with the lowest indivisible system for all levels above system should be geared to supporting capabilities required, when.

4. Week 4, 7/6/23 (Thursday), Chapters 6-7

a. Chapter 6: Manage What Matters

i. Often senior management teams formulate strategy and then broadcast key things to the rest of the company, expecting quick and definitive action. But even if you set winning aspirations, determine where to play in how to win and find the capabilities required strategy can still fail if you fail to establish management systems that support those choices and capabilities. Without supporting structures, systems, and measures strategy remains a wish list, a set of goals that may or may not be achieved. To truly win in the marketplace, a company needs a robust process for creating, reviewing, communicating, about strategy. It needs structures to support its core capabilities, and it needs specific measures to ensure the strategy is working. These management systems are needed to complete the strategic choice cascade and enssure effective action throughout the organization.

ii. A strategy discussion is not an idea review a strategy discussion is not a budget or forecast review a strategy discussion is how we're going to accomplish our growth objectives in the next 3 to 5 years.

iii. We genuinely wanted to have conversations about key strategic issues in the business. The questions tended to press on a few key points was Procter & Gamble winning in this category was the business team sure how did they really know? What were the opportunities related to a net consumer needs? what were the most promising innovations in technologies what were the threats to category Or country or channel structure attractiveness what core capabilities was businesslike and what was it most troubling or threatening competitor?

iv. Procter & Gamble needed a multi dimensional leader who could both Meg to strategic calls and lead effective operating systems.

v. The presidents came to understand that they wouldn't be judged on whether they had every aspect of their strategy buttoned up, but whether they can engage in a productive conversation about real strategic issues in their business

vi. The meetings actually worked really well because they were never any big, huge surprise discussions that were unprepared for giving. We had an agreement to the subject ahead of the meeting we make sure with a pre-reading we'd send out ahead of time everyone had sufficient background to engage and productive, dialogue and value provide outstanding input on critical strategic elements we needed help on.

vii. Choice of words play how to play competitive core capabilities, and management system.

viii. New norms for dialogue: Assertive inquiry approach blends, the explicit expression of your own thinking (advocacy) with a sincere exploration of the thinking of others (inquiry). In other words, it means clearly articulating your own ideas and sharing the data and reasoning behind them, while genuine inquiring into the thoughts and reasoning of your peers.

ix. I have a view worth hearing, but I may be missing something. It sounds simple, but the stance has dramatic affect on group behavior. If everyone in the room holds it, individuals try to explain their thinking because they do not view worth hearing, so they advocate as clearly as possible for their own perspectives, but because they remain open to the possibility that they may be missing something too very important things happen one they advocate their view as a possibility not as a single right answer to they listen carefully and ask questions about alternative use why? Because it might be missing something the best way to explore. The possibility is to understand not what others see, but what they do not.

x. Contrast this to managers to come in the room with the objective of convincing others they are right they will advocate their position in the strong as possible terms, seeking to convince others and win the argument they will be less inclined to listen, or they will listen with the intent of finding flaws and other arguments. Such a stance is a recipe for discord and impass.

xi. This approach includes three key tools, advocating your own position, and then dividing response. For example, this is how I see the situation and why to what extent do you see differently paraphrasing you believe to be other persons, view an inquiry and ask the validity of your understanding, and sounds to me like your argument is this to what extent does that capture your argument accurately, and third explaining a gap in your understanding of the other persons, views, and asking for more information and sounds like you think the acquisition is a bad idea. I'm not sure how you got there. Could you tell me more?

xii. The goal was to create a OGSM, a simple, clear expression of strategy, a living document that everyone in the business knew and understood.

xiii. Insert Tabl 6-1

xiv. Measurement of desired outcomes. It is an old saying that one gets measured gets done. There's more than a little truth to this if aspirations are to be achieved capabilities, develop a management system created progress and needs to be measured. Measurement provides focus and feedback.

xv. Stock price is a manifestation of investor expectations. Something substantially out of Procter & Gamble's control operating TSR is a measure of three real operation performance measures and sales growth. Profit margin improvement an increase in capital efficiency.

xvi. Management systems, and measures does and donts.

1. Do you stop at capabilities? Ask yourself which management systems are needed to foster those capabilities.
2. Do you continue strategic discussions throughout the year building internal rhythm that keeps focus on the choices that matter.
3. Do you think about Claritin simplification my communicating Krisa three choices to the organization to get at the core don't over complicate things.
4. Do you build systems and measures the support both enterprisewide capabilities in business specific capabilities.
5. Do you define measures that will tell you over the short and long run how you're performing relatives your strategic choices.

xvii. There's no doubt in my mind that clarity makes a difference clear and simple easily transferred choices in a crucial to get 135,000 Procter & Gamble employees and 90 countries operating with excellence every day

b. Chapter 7: Think-Through Strategy

i. Five questions in the strategic choice cascade what is your winning aspiration? Where will you playing? How are you and what capabilities will you use in? What management system will you employ?

ii. There are four dimensions you need to think about to choose where to play and how to win.

1. Industry, what is the structure of the industry in the attractiveness of a segments?
2. Customers, what do your channeling customers value?

3. Relative position how did your company fair and how could it fair relatively competition
4. Competition. What will your competition do in reaction to your chosen course of action?

iii. Insert Figure 7-1
iv. Segmentation industry segmentation is the singer subset of the larger industry a long line such geography, product or service type channel customer, or consumer needs, and so on.
v. Attractiveness, Mike, porters 705 forces analysis and ask about bargaining power suppliers. The bargaining power buyers the degree of rivalry and threat of new entrance, and the threat of substitutes..
vi. Insert Figure 7-2
vii. Customer value analysis, this means understanding underlying needs like recognizing with gain that sizable group of consumers care deeply about the sensory experience of doing laundry, volume to sent a concert in the box.
viii. Customer value analysis, the company assessors, what channel customers and consumers really want and need and what value they drive from the farms products and services relatively cost incurred from vine on and using product and services.
ix. Their job is to understand their customer so well that they could work collaboratively gonna get Mutual business goals, joint value creation, strategies, and shared action plans to win.
x. Call Henry Ford famous quip, that if at the Dona automotive industry, he asked consumers what they wanted. They would've said it faster horse..
xi. With the understanding of industry and customers, the next step is to explore your own real deposition on two levels capabilities, and cost.
xii. Capabilities and other word how did your capabilities be configured to translate to immeasurable, sustainable, competitive advantage.
xiii. Cost the other half of the analysis of the relative position relates to cost and the degree. What's the organization and chief approximate cost parity with competitors are just equally lower cost than competitors.
xiv. Strategy Logic Dos and Don’ts
    1. Do explore all four critical dimensions of strategy, choices, industry, customers, relative position, and competit
    2. Do you like being on your current understanding of the industry, pushing to generate new ways of segmenting the market.
    3. Don't accept that the entire industries are or must be on attractive explore the drivers of different dynamics in different segments and asked how the game to be changed.
    4. Do you consider both channel and N customer value equations if only one of those constitutes happy your strategy is fragile one a

winning strategy is a win-win it creates value for the consumer customer and the company.

5. Don't expect either the channel or the current customer to tell you what constitutes value that's your job to figure out.
6. Don't buy as your relative capabilities or cost, compared them to those with your best competitors and really push understand how you can win against them.
7. Do explore arrange a possibility competitive reactions to your choices and ask under what conditions competitors to block you from winning

5. Week 5, 7/12/23, Chapters 8 and Conclusion

a. Chapter 8: Shorten Your Odds

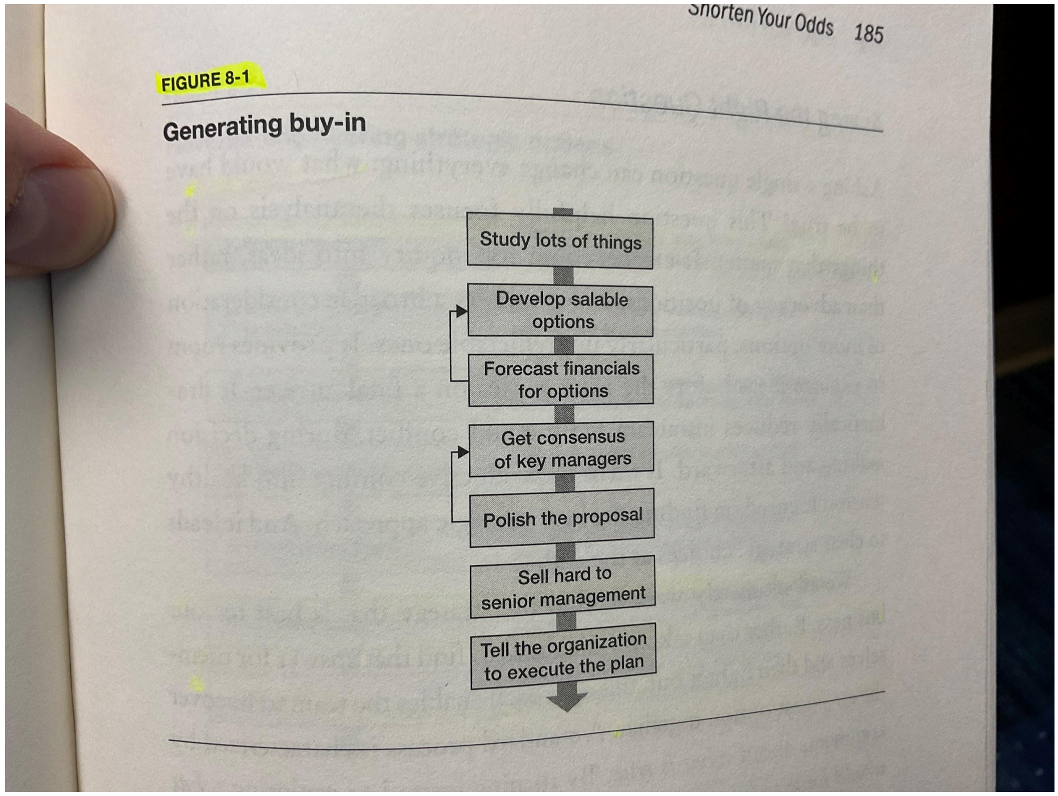
i. Building a strategy isn't about achieving perfection. It's about shorten your odds.

ii. In a typical strategy process, participants seek to find a single right answer, then bill unassailable arguments to support it and sell it to the rest of the organization at the beginning, and another internal project team or external consultant, or both will set out to rigorously analyze everything they can to figure it out answers about the world what consumers want the competitive dynamics of the industry and so on.

iii. The Implications is that unexpected, even while strategic of options and creative ideas, will slow down the process, and I know value and might become dangerous if momentum is built behind them.

iv. Then the options are typical assess during a single metric, the financial plausibility test.

v. The problem with the traditional approach are numerous first and it's expensive and time-consuming to analyze everything upfront plus there's so many different analyst are being conducted. They are often done independently of one another, making it difficult to see the whole picture at any point.

vi. 

vii. Creativity discourages the pressure to converge on an answer on the basis of existing data and limits the possibilities that are off the mainstream path.

viii. Asking the right questions, what would have to be true? This question hopefully focuses analysis on things that matter.

ix. We all ultimately want to find a strategy that is best for our business rather than asking individuals to find answers for themselves and then fight it out. this approach enables the team to uncover the strongest opinion together.

x. It begins with framing the fundamental choice articulating at least two different ways forward for the organization on the basis of your winning aspirations, then the team works to brainstorm a wider variety of possible strategic choices different where to play and how to win choice combinations that could result in winning the strategic possibilities are then each considered intern by asking what would have to be true for this possibility to be potentially winning choice?

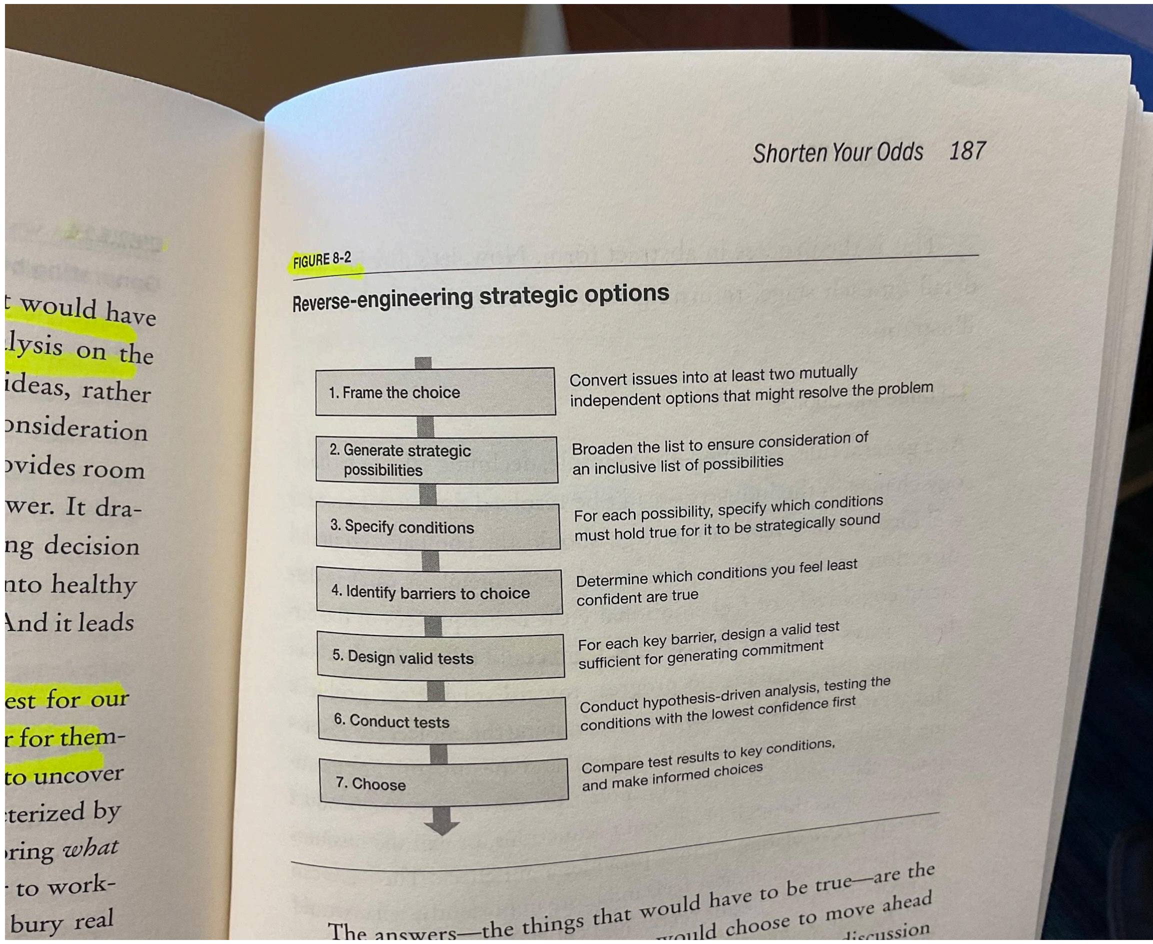
xi. 

FIGURE 8-2

Reverse-engineering strategic options

1. Frame the choice	Convert issues into at least two mutually independent options that might resolve the problem
2. Generate strategic possibilities	Broaden the list to ensure consideration of an inclusive list of possibilities
3. Specify conditions	For each possibility, specify which conditions must hold true for it to be strategically sound
4. Identify barriers to choice	Determine which conditions you feel least confident are true
5. Design valid tests	For each key barrier, design a valid test sufficient for generating commitment
6. Conduct tests	Conduct hypothesis-driven analysis, testing the conditions with the lowest confidence first
7. Choose	Compare test results to key conditions, and make informed choices

The answers—the things that would have to be true—are the

xii. These least likely to be true conditions are the barriers to selecting a given option until the group has some confidence as to whether these conditions hold it is impossible to move ahead with a possibility.

xiii. Frame, the choice a team could talk endlessly about declining cells making no progress towards solving the problem, but crystallizing the issue by clearly framing the choice for resolving it makes the issue immediately real and meaningful articulating options provides a gut check.

xiv. First, To frame the choice, explicitly ask what are the different ways of resolving the problem? Work to generate several options that stand in opposition to one another such that she cannot easily pursue a different remedies at the same time.

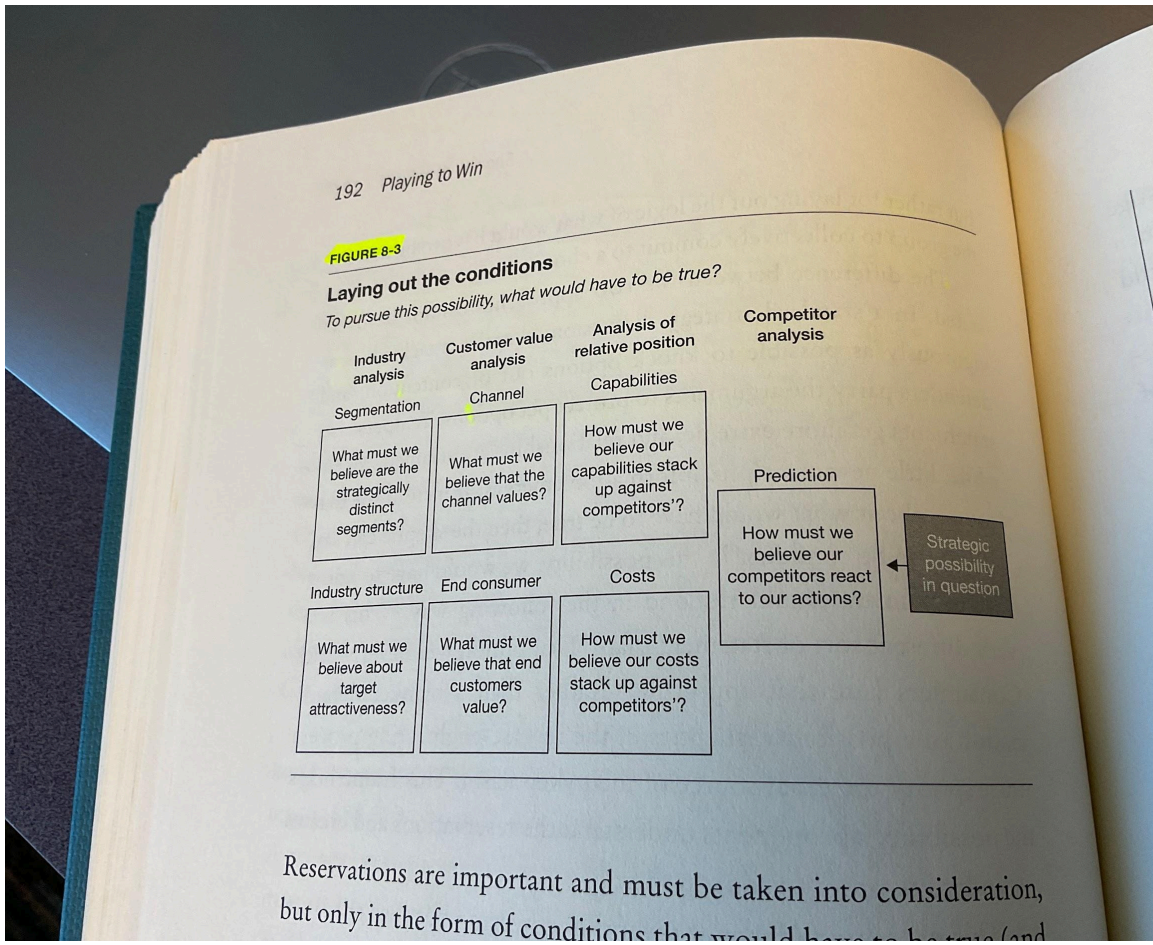
xv. Second generate strategic possibilities the objectives in the step is to be inclusive, rather than restrictive of the number of diversity of possibilities on the table. No one yet is arguing for a possibility you and your colleagues are simply envisioning a world in which the story makes good sense.

xvi. Third specify conditions it needs to specify what must be true for the possibility to be a terrific choice noticed the step is decidedly not for arguing about what is true, but rather lying out the logic of what would have to be treated for the group to collectively commit to a choice

xvii. The difference between two approaches cannot be overstated and a standard strategy. Discussion skeptics attack ideas vigorously as possible to knock options out of contention and defenders array the arguments to protect pet options.

xviii. The team that works to understand the conditions under which that assumption is correct it worked backwards to clear various conditions that would have to hold for this to be a great possibility.

xix. The only interest is ferreting out I would have to be true for every member of the group to fill in a Leslie and emotionally committed to the possibility, understand consideration.

xx. 

xxi.

xxii. It's equally important that options are reverse engineer by the group not individual who first suggested the possibility.

xxiii. Once a full set of conditions is articulated, the list can be paired back by the group to do so ask about each condition if all other conditions were found to hold, but this wanted that eliminate the possibility

xxiv. Fourth identify bears to Choice the previous step stayed assiduously away from the op pinions on whether the condition would hold true this creates an environment that enables each team member to explore the logic behind the possibility and codified of an organizer. Now, the only now you can cast a critical eye on the conditions your team has identified.

xxv. so a skeptical group member must be encouraged to raise not suppress concerns at this point in the process.

xxvi. This design valid test at this point the critical issue is whether the decision making group regards the test is valid in this sense the most skeptical member of the team is the most valuable first people demonstrate extremes of skepticism largely because they don't feel heard in a typical buying process, concerns or roadblocks to be pushed out of the way as quickly and thoroughly as possible.

xxvii. Six conduct test the lazy a persons approach to strategy simply put first test things. You're most dubious about take the conditions the team feels is the least likely to hold up and test it first.

xxviii. Seven choose. This process bronze the possibilities of upfront, and then systematically Narrows the field at leverages different perspectives to Rich, discussion rather than bogging it down.

xxix. Reverse Engineer Dos and Don'ts

1. Don't spend a lot of time upfront, analyzing everything you can instead use reverse engineering to pinpoint only what you really need to know.
2. Do frame of clear and important choice upfront make it real and significant.
3. Do explored a wide range of wordplay and how to win possibilities or other than narrowing the list early on to those that feel realistic unexpected possibilities often have interesting and helpful elements that can otherwise be dismissed out of hand learn from them.
4. Do staying focus on the most important question what would have to be true for this to be a winning possibility listening to conditions under which possibility would be really good one
5. Don't forget to go back and eliminate any nice to have conditions. Every condition should have truly binding if it weren't true, you would pursue the possibility.
6. Do encourage skeptics to expressed concerns at the specific barrier stage have them articulate the specific nature of their concerns about specific conditions.
7. Don't have proponents of a given possibility, set and perform the test. Ask the skeptics to do it at the skeptics are certified in the end. Everyone else will be too.

8. So test the biggest barrier first start with condition. The group feels is least likely to be true if it isn't true, that conditions required do not hold and you cannot stop testing.
9. Do you have a Silletti heater to run the reverse engineering process and help to have someone attend to process in group dynamics as you work through the thinking desk

xxx. My new favorite question what would have to be true early on in the life of a research project what you would ask what would have to be true about each box of the logic flow diagram for this project produce a commercial success

xxxi. I use the most important question and strategy, what would be true to build an entirely new new methodology for thinking through choices

b. Conclusion

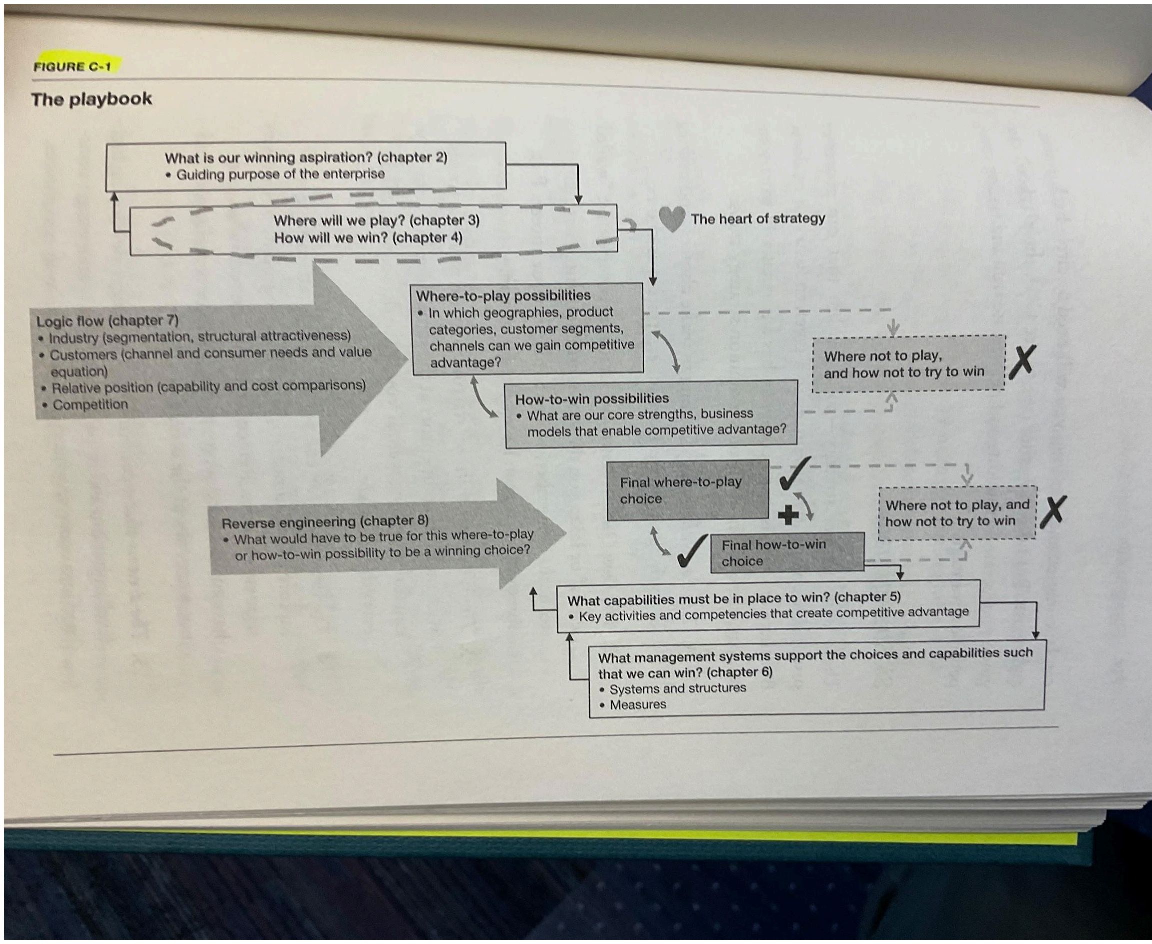
i. The new normal is to borrow a phrase from the US military, a VUCA environment, volatile, uncertain complex and ambiguous.

ii. As the world continues to globalize companies, face more competition for customers, and consumers than ever before consumers are growing more demanding and more vocal assisting upon better performance, quality and service all a better price.

iii. For your company as the following questions

1. Have you define winning? And are you crystal clear about your winning at aspirations?
2. Have you decided where are you can play to win and just as decisively where you will not play?
3. Have you determined how specifically you are? When were you choose to play?
4. Have you pinpointed and built your core capabilities in such a way that they enable your where to play and how to win choices?
5. Do your management systems and key measurement support your other for strategy choices?

iv. Have you reverse engineer the strategic possibilities, and ask what would have to be true to ensure that this possibility is the one that gives you the best chance to win

v. 

vi. Six strategy traps

1. To do it all strategy failing to make a choice and making everything a priority remember strategy is a choice.
2. The Don Quixote strategy: Attacking competitive walled cities, or taking on the strongest competitor first head to head remember, where to play is your choice pick somewhere or you can have a chance to win.
3. The Waterloo strategy starting wars on multiple fronts with multiple competitors at the same time no company can do everything well if you try to do so you will do everything weekly.
4. There’s something for everyone strategy attempting to capture all consumers or channels or geographic or category segments of wants remembered, create real value. You have to choose to serve some constitutes really well, and not worry about the others.
5. The dreams that never come true strategy, develop in high-level aspirations and mission statements that never get translated into concrete where to play how to play and win choices, core capabilities in management systems. Remember the aspirations

are not strategy strategies answer to all five questions in the choices cascade.

6. The program of the month strategy settling for generic industry shredders in which all competitors are chasing the same customers, geographies and segments in the same way the choice, cascade activity system supports. The choices, should be distinctive, the more your choices look like those of your competitors the less likely you'll ever won.

vii. Six Tellteale Signs of a Winning Strategy
    1. An activity system that looks different from any competitor system. It means you're attempting to deliver value in a distinctive way.
    2. Customers who absolutely adore you and non-customers who can't see why anybody would buy from you this means you have been Choice phone
    3. Competitors who make good profits doing what they are doing it means your strategy has left where to play and how to win choices for the competitors don't need attack the heart of your market to survive,
    4. More resources to spend on ongoing basis, the competitor salve. This means you're winning the value equation and have the biggest march in between price and cost in the best capacity at spending to take advantage of the opportunity to defend your turf.
    5. Competitors to attack one another not you it means that you look like the hardest target in the industry to attack.
    6. Customers who look first to you for innovation as new products and service enhancements to make their lives better. This means that you are customers leave that you are uniquely positioned great value for them.

viii. All strategy entails risk for operating in a slow, growing fast challenging, potentially competitive world without a strategy to guide you as far riskier.

ix. Use the strategic choice cascade the strategy, logic, flow and reverse engineering, a strategic choices to craft winning strategy, a sustainable, competitive and re-organization.

6. Week 6, 7/19/23, Appendix A-B, Q&A

a. Appendix B

i. Some costs don't vary with the production of other units, such as research and development or advertising or other cost increase with additional unit is produce such as raw material or direct labor. The latter cost are most important and driving price.

ii. The only strategy to follow for competitive advantage as a low-cost one for commodity.

iii. In the case of a unique offering the firm needs to different rate in a way that the customer Vicic synthetically to pay a price premium enabling the firmed to earn a attractive return.
iv. And a differentiation strategy, the firm needs to focus it's energies on maintaining a uniqueness in the eyes of the customer.
v. So firms can always choose to win either a cost leader or differentiator what they can't do is win any other way due to the fundamental microeconomics of business, there are only two ways to win a higher margin through lower cost, or a higher margin through differentiation. Does this apply to healthcare? Can we make those choices?