Patterns of Strategy Overview

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The Science of Management

Patterns of Strategy is a revolutionary approach to developing business strategy. It's effective and simple to use, yet extremely powerful. In this radical approach, we develop strategy as a series of manoeuvres between all the players, from competitors to partners, from the regulator to the marketplace itself. It provides a framework and new vocabulary to understand the underlying forces driving your strategic relationships, so that you can tap into them and use them to your advantage to achieve the strategic fit you want. It has some key advantages, compared to conventional approaches.

- *It's faster* – fast enough that you can run multiple strategic scenarios and explore multiple options. Even taking your preferred option through to full implementation plan is much faster than a traditional strategy exercise. Being able to do strategy faster is in itself a key strategic advantage.
- *Precision and guidance* – modelling strategy as a set of manoeuvres allows you to quickly plan in detail the changes you need to carry out and the metrics of success. You can be precise about what needs to be more agile, by how much and with what effect.
- *Competition & collaboration* – most strategic approaches assume it's all about competition. **Patterns of Strategy** works just as well for collaborative strategies, so if you are a public or third sector organisation, or a private sector organisation wanting to collaborate, this is a strategic approach that will work for you.
- *It's scalable* - **Patterns of Strategy** has been used with organisations of all sizes, from a departmental strategy to the strategy for a multi-national and up to whole sectors.
- *Business ecosystems* – it provides the ability to model the dynamics of a business ecosystem – how different organisations are likely to move relative to one another – provides an added way to predict the likely future state of your strategic environment.
- *It connects directly to other approaches* – for designing or changing your organisation, for scanning your strategic environment, and for programme planning.

Using *Patterns of Strategy*

There is a toolkit for using **Patterns of Strategy**, and leaders and strategists can use it interactively to explore their strategic relationships, whether competitive or collaborative, internal to the organisation or external, or all of these. It includes boards to map out potential scenarios, and the manoeuvre set which each actor could deploy in those scenarios. You can dry run what you could do, and what effect that might have on all the other significant actors around you. You can also explore what others could do, and what effect that would have, including its impact on you.

There's another board and a set of cards to explore the value which you get and give in each relationship. This is important because it's the 'net' value which gives you advantage. It helps to get precise about what types of value you are prepared to give, to get the value you want. This gives powerful insights on the current strategic fit – and, critically, where you are likely to end up if you don't change anything. And, of course, you want your strategy to alter the value exchange so that it is more advantageous to you.

The toolkit includes a number of patterns, for both competition and collaboration, where each pattern is a sequence of manoeuvres which combine together to make a strategy: the **Patterns of Strategy.** Each pattern has a brief overview, and shows who it's suitable for, when to use it, and what you win if you can execute it successfully. There's a summary of the typical manoeuvres needed to execute the strategy successfully, and some possible warning signs which might indicate that things aren't going well. The strategy patterns are grouped to make it easy to narrow down your search: some are clustered by purpose (defence, growth, collaboration, competition, managing the herd), one for size (small organisations), one by its defining characteristic (cunning plans) and some by what the principal actor is coupled to (supplier or market).

The patterns can be used in many different ways to kick-start to the strategic process, and widen the richness of thinking. Overall, the leadership toolkit can be used to support scenario exploration and strategy development, and it's *really* fast, so it's easy and quick for leaders to evaluate many options, and to repeat their strategic evaluation every time there is a significant change in their environment.

Using the toolkit helps you get the terminology and – more importantly – its systemic thinking style into your organisation, and provides a frame and a focus for strategy development work. Using the toolkit, leaders can iterate through scenarios and options really quickly, and reducing the cycle time for each iteration of the strategy makes it possible to repeat, review and refine it at a higher cadence or when there is – or may be – a substantive change in the environment.

How *Patterns of Strategy* is different

Where most existing approaches look at other players in the market, or the position that you want to attain, ***Patterns of Strategy*** focuses on key relationships between you and other actors, and acts to change those, to make them more advantageous for you. It gives a much richer way to explore strategic options at the strategy development stage, and it generates a very precise implementation plan to inform the execution stage, as well as metrics which can be used to measure the effectiveness of the deployed strategy. It's a very different paradigm of what strategy is, and how it's defined, and so it also drives and enables a different paradigm for managing its execution. We define strategy as:

Changing our fit with the environment to our advantage by differential use of power and time

Given that the approach is about managing the relationships between actors, then it's fundamental to treat actors as having independent will. An actor is an individual or organisation with decision making capability, including the ability to create and execute a range of different options in any particular context or situation. You examine what happens when my option A interacts with your option B, or my option A triggers a response from you of option C. It's the interaction between my actions and your actions which creates the game, a constant dynamic as each actor seeks advantage for themselves. ***Patterns of Strategy*** models how you interact with key actors around us, explores what options each actor has, and how the situation plays out, depending on which options are chosen by each actor. Instead of just analysing some factors (strengths, threats, resource, market position, etc.), it looks at the relationships between the organisations acting in the relevant strategic arena. It's the interaction between organisations which is the underpinning driver of strategy, as significant changes on the part of one actor will have an impact on the others. It looks at strategy as the orchestration of a dance: I move, you move, I move. And once the mechanism by which these interactions drive each actor are understood, then they can be managed in a purposeful way, and this is at the heart of this way of thinking.

Patterns of Strategy looks at the relationships between the organisations acting in your strategic arena since changes by one actor *will* have an impact on the others. The development of strategy is to change the characteristics of each relationship to improve the organisation's strategic fit, building a coherent strategic position for the organisation across all its relationships. The approach treats strategy as a sequence of manoeuvres which each actor executes. The manoeuvres chain together in a sequence to make a pattern – a pattern of strategy. Each relationship or structural coupling is defined in terms of three dimensions: fit, power and time and strategic manoeuvres alter each of these dimensions to create and sustain advantage.

Fit. The first element of fit is differentiation – the degree of similarity or difference to others. In relation to a specific coupling, an organisation can be in a herd of like organisations, on the edge of that herd, or separate and different individual. Next is drive, the extent to which two organisations in the coupling co-evolve through

Patterns of Strategy has three dimensions of fit, power and time.

Fit
The nature and attractiveness of our couplings with other actors in our environment

Power
Differentials in our resource and capability, and their deployment, relative to others

Time
Differentials in our speed and rate of change relative to others

These dimensions break down into 6 elements, which we use to define manoeuvres.

time, or one primarily shapes and the other reacts. Differentiation and drive result from the configuration of the other four elements.

The final fit element is stretch, the degree of change in your organisation as a consequence of the coupling. An organisation can deploy one of more orders of stretch from incremental through to paradigm shift, with the additional potential of confounding the other actor.

Power. The first element of power is strength, and the two organisations in the coupling can be balanced in strength (though the nature of the strength may not be the same). The other element is concentration, or the degree of focus of the power, and the organisation may concentrate on one, several or many things. There are two enablers to shift the balance of power, and these are critical mass and agility.

Time. Time is the third dimension. The two organisations in the coupling can be synchronised in how they run their operations or change them, or one can be faster than the other which is slower. As for power, there are enablers to shift the relative speed, and these are foresight, change rate, and cycle time.

Setting strategy is about designing the sequence of changes in these elements to give you advantage.

Your overall strategy is likely to affect multiple actors because you have multiple strategic relationships, with customers, partners, competitors, regulators, markets, and so on. All organisations depend on cooperation and collaboration in some part of their activity. No organisation is purely competing, no organisation is purely collaborating. So it's vital to have a strategy approach which can deal effectively and equivalently with the challenges and opportunities of both collaboration and competition. In many strategic situations, the actors have to collaborate in some way and you need ways to think about these situations in strategic terms. The approach looks at strategy through a frame of strategic relationships, which can be competitive, collaborative or a combination of the two, and is equally applicable to all of these.

From strategy to strategic plan

Once we see strategy as being a set of manoeuvres being played out between real actors with real resources, then identifying what is required in the implementation plan becomes very concrete and straightforward. So too does monitoring strategy execution and measuring its performance, because you define metrics against each of the manoeuvres: have you changed yourself as you intended, has that had an impact on the other actor or actors, and has that in turn brought you the advantage you wanted? We defined strategy as

changing our fit with the environment to our advantage by differential use of power and time

The critical focus of strategy is to improve your fit, either by changing yourselves to better fit our environment or by changing your environment to be a better fit for you. You assess the interactions between you and the other actors, and also the interactions between other actors which don't involve you, and in this way get rapid and direct feedback through the defined metrics on whether the strategy is working as intended and improving your degree of fit.

To change your fit, you develop a sequence of strategic manoeuvres, and each strategic manoeuvre requires a change in capability to deliver it. Defining these manoeuvres makes it clear on what exactly

in your organisation you need to change and by how much. The approach is systemic, and assesses the differentials between the actors against the six different elements, within the core dimensions of fit, time and power. As it uses differentials between the actors, it requires you to define exactly what needs to change, to change your fit with the environment to your advantage. So the development of manoeuvres comes with a high degree of precision: not just a vague "*be more agile*" type of statement, but instead: "*be this fast, in that business operation*" and have "*x amount of resource deployed to Operation A which could also deliver Operation B and be moved there with y days' notice.*" In addition, the manoeuvres have an inherent sequence, which informs the strategy execution plan.

If you need a faster cycle time, for example, the precision of what change and in what cycle, and by how much and by when is detailed enough to define the key features of an implementation plan. If we see organisations as a set of capabilities, then the strategic plan is to develop and improve the performance of one or more capabilities. Some manoeuvres can simply be executed without any organisational change, but many will need some sort of change in the organisation – a redirection of existing capabilities, increasing or decreasing some existing capabilities or the building of new capabilities. The articulation of strategy is two-fold, both its definition and also the order in which things are chained together. The strategy directly and easily generates the strategy execution plan as a sequence of changes in capability, with clear metrics on which capabilities need to change, by how much, and when. This gives early validation of the strategic option which has been chosen, testing whether we are capable of delivering the strategy, given the degree and rate of change it requires.

Defining how strategy performance will be assessed

It's important to be able to monitor progress of the capability shifts. So, are you now "*this fast, in that business operation"?* Are you now able to shift "*x amount of resource deployed to Operation A which could also deliver Operation B with y days' notice"?* These are the output indicators, of course, and are directly in the control of your organisation. But our definition of strategy is changing your fit with the environment to your advantage by differential use of power and time, these output indicators give you some leading measures but don't provide a full measurement picture. To understand if you have been successful in changing your fit, you also need outcome indicators, which assess the external impact of your internal capability shifts, the impact on your fit and your advantage.

As well as defining output metrics, the approach also generates outcome metrics, indicators about you and the other actor. In our experience, this focus on the other actor as well as you is unusual but, given all we have said about the dynamic interactions between you and the other actor, it is critical. We generally look at two types of outcome indicator about other actors. One is monitoring for evidence of the other actor being forced into reacting to delivery of your strategy. The other recognises that even as you are planning and changing, so are they. So the other type of outcome indicator is to look for early signs that they are changing their manoeuvres in any way which could have an impact on you.

When fit is built and sustained, there is a multi-way value exchange, with each actor giving and receiving value from the strategic relationships they have. The manoeuvres change your fit, and so alter the amounts and types of value which you give and receive. Usually, the types of value exchanged are rich and varied, in both directions. The value received and the value given could include a wide range of resources, reputation, learning, access, reliability, resilience and intangibles as well. In this approach, you make explicit what value you want to get, which types of value and how much of each,

and what value you are willing to give in order to get what you want. Assessing shifts in the value exchanged, both outputs and outcomes, is part of assessing the performance of the strategy.

Overall, then, you measure outputs for you, and outcomes for both you and other actors – has your strategy made a difference? – and using both quantitative and qualitative metrics.

Patterns of Strategy: communicating the strategy to the organisation.

A real constraint on strategy execution is the quality by which the strategy is actually defined and then communicated to the organisation at large. After the strategy discussion, it's important to be able to describe it to others, in an easily communicable form. The organisation can only execute strategy when they understand it, and understand it in detail and with precision. If we go back to a previous example, then "*being more agile"* doesn't help. But being "*this fast, in that business operation"* sets a clear expectation to all involved.

Having worked through the approach, the elements of **Patterns of Strategy** themselves make communication very straightforward.

There are five main steps to the strategy statement:

1. Define the desired state of each strategic relationship(s), as it/they will be after the manoeuvres have been completed.
2. Define the changes in the **Patterns of Strategy** elements.
3. Define the capability shifts required to alter the **Patterns of Strategy** dimensions.
4. Define the metrics you will use, for both Black and White.
5. And finally we turn it into 'plain English'.

Here's an example from one of our clients. We've redacted it a bit and made it rather more high level, (it is their strategy, after all), but you can clearly see the four steps.

Our Strategy is:

1. *To secure our relationship as a preferred first tier supplier to ANO Automotive, so that we can maintain and grow revenue in the long term*
2. *and we're going to do this by:*
   - *synchronising our operations with theirs (so they get what they need when they need it), and*
   - *being more innovative than we have been – at least matching the innovation rate of our peers and what ANO are expecting from us.*

3. *To do those two things we're going to have to restructure <these operations> to improve their innovation and agility so we can respond to changes in demand more easily. And to do all that we're going to invest in people and change, including <these new techniques and skills> and structural change.*

4. *And we'll know this has worked if we get the new contract confirming us a preferred supplier, ANO's trust in us increases and they start chasing other suppliers to bring them up to speed. And while we're doing all that, we will need to keep our other customers on board.*

Using the *Patterns*

The book includes a catalogue of more than 80 strategies which we have seen used repeatedly by organisations, either consciously or unconsciously. Each strategy is documented with a description, typical use, and an example. Importantly, we also include the sequenced set of manoeuvres which are needed to execute the strategy, and the indicators for monitoring its progress.

This is a totally different way to work, and while it's unlikely that your strategic situation will exactly match one of the examples, it is likely to be strongly similar to one of the examples, or a hybrid of two of the examples. An alternative way to use the catalogue is to define your strategic context carefully and then work through all the strategies and ask yourself: how could this apply here? It is possible to do this in about an hour and generate a couple of dozen viable potential options to broaden the thinking and repertoire; many organisations unconsciously reuse a pattern they are familiar with, without reconsidering if it is the most suitable for the current context and situation.

Example of manoeuvres in a **Pattern.** Keiretsu is a collaborative strategy.

Using the documented strategies provides an accelerant to your strategy development work, which is already quick and easy. And the description of the strategies helps you to diagnose the patterns at play in your sector, and which strategies your competitors or partners might be using, and what that could mean for you.

The approach is fast, and you can readily take the generic components of a pattern and translate and apply it to the realities of your context and strategic situation. This speed matters; the best strategy comes from exploring multiple options and ideas and testing them for their impact – and their do-ability. The discussion moves between what you might do strategically, and whether and how fast you could do it, and this is the interaction between strategy and organisation. Typically, you are considering what organisation and capabilities you might need for a particular strategy, and simultaneously considering what strategy options are possible or easy, given the organisation and capabilities you currently have, and iterating between these two perspectives. The approach provides rich information to the strategy end of that interplay, and a good model of your organisation is invaluable at the organisation end. Iterating in this way builds confidence that the defined strategy is realistically deliverable by the organisation.

Having chosen a strategy from the different options you have explored, you are then able to chart its path as it unfolds. You can assess whether the planned capability shifts are taking place to the degree and at the speed required. You can evaluate which actors and which organisations are actually affecting the situation and how effective each is being. Perhaps most critically, this approach provides early evidence of the effect of the strategy; it isn't necessary to wait until the end to be able to see the results, thus providing better control and the ability to change the strategy to meet changes in the unfolding situation.

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Patterns of Strategy: Developing strategy for collaboration & competition in business ecosystems

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