



Building a Playbook

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Changing the Rules of Strategic Planning

Strategic planning has historically been about focusing your organization's attention on a particular marketplace and ensuring that you have the operational capabilities to compete effectively in that market segment. However, in today's highly volatile and unpredictable economy, assuming any kind of stability in the market can be a fatal mistake.

Traditional strategic planning is worse than useless when dealing with the uncertainties of today's economy; indeed, traditional thinking about "the" future can be downright dangerous.

Thinking through how each a number of generic strategic moves might affect your industry or your competitive position can still be an important form of planning. But generic moves are really helpful only as suggestions of what *could* happen. They can't tell you what moves are either possible or desirable for your own business, with your unique combination of products, customers, historical relationships, competitors, and management capabilities.

But how can we predict an uncertain future? Well, we really can't. As Allan Kay once put it, "The only way to predict the future is to create it." So we recommend turning to the only approach we know that helps you think about a future that is essentially a black box (or, "a riddle wrapped in a mystery inside an enigma"): scenario planning.

Scenarios are stories about the future that, when taken together, describe a range of plausible future states of an industry, its markets, and an individual business. Scenarios are a tool for dealing with rapid change, uncertainty, and inherent unpredictability in business conditions. Scenarios are not predictions of the future; rather, they are images of *possible* futures, taken from the perspective of the present.

We believe that in today's dynamic and uncertain economy scenarios are just about the only way to think constructively about the future. Indeed, we actually believe that scenarios can help you and your organization get over the doldrums and malaise that come from the anxieties of being overwhelmed by uncertainty.

But once you have developed several plausible scenarios, what can you do with them? Having several different but equally credible views of how the future may unfold can be even more overwhelming than having no idea at all.

The "playbook" is such an approach, and we know several organizations that are using playbooks to develop multiple possible strategic moves and to initiate rapid implementation of the most potent ones. The playbook approach expands scenario planning into a complete, action-oriented management technique.

A "playbook," brings together all the elements of product/service capabilities, channel structures, competitive relationships, customer expectations, and potential conflicts. A playbook can give all of these components tangible shape through scenario analysis and anticipatory

planning; the playbook approach helps develop a specific set of specific possible market moves and countermoves.

Such a playbook is essential because traditional strategic planning is not helpful when dealing with the uncertainties of today's economy; indeed, it can be downright dangerous. Traditional strategic planning embodies the following fundamental assumptions that are patently false in the new business environment:

- ◆ industry conditions are relatively stable and predictable;
- ◆ we can extrapolate current trends into the future with reasonable accuracy;
- ◆ customers and competitors are well known and will remain so;
- ◆ competitors play by the same basic rules that have governed the industry and its channel in the recent past;
- ◆ there is one "right" picture of the future, and it can be predicted by analysis of trends and their underlying drivers; and
- ◆ strategic planning can be done periodically (typically once a year) as a way to step back from daily operations and be reflective about the future.

The state of business today shows how totally irrelevant and even misleading those assumptions are. Not only is the economy full of uncertainty, but the pace of change is so rapid that planning and reshaping your business strategy once a year is just plain silly. What is needed is an approach to planning that moves at the speed of the Internet, embraces uncertainty, and prepares the organization to move in several different possible directions, sometimes simultaneously.

The Playbook Concept

Professional teams in most major sports have used playbooks for years. A playbook contains a series of different offensive and defensive plays that have been developed for a variety of different conditions. An effective playbook also takes into account the unique strengths (and weaknesses) of the team – there is one set of plays for the first-string quarterback (who may be a left-handed, rollout passer) and a second set for the backup quarterback (who may be right-handed and more of a drop-back passer). Similarly, when the former Heisman trophy halfback is in the game, the team will execute one set of running plays, and when he is on the sidelines, there may be a completely different running game in place.

The analogy to businesses developing future-focused strategies is straightforward; like a football team, you can't afford to wait until the opening kickoff to figure out what to do. Nor do you want to wait until you have only 30 seconds left in the game to figure out how to move the ball 60 yards downfield. Instead, you want to anticipate, develop and practice (i.e., pilot) a series of possible strategic moves. Then, depending on the conditions that develop and what your competitors do, you can employ a planned series of moves.

Or, if the competition does something unexpectedly, you can even "call an audible" at the last minute and execute it well because you have rehearsed it in advance. In addition, of course,

when you know what strategic moves you want to be able to make, you also know what skills and resources you will need to make the moves successfully.

Management teams that think of themselves as coaches planning for a championship game are more likely to succeed than those who “wing it” by acting predictably, randomly, or only in response to the actions of others. Working through in advance what “plays” or strategic moves you want to make under different conditions is by far the best way to prepare for the new, highly unpredictable “game” of business strategy. We have even seen some companies that engage in “scrimmages” where they explore several generations of strategic moves by imagining what their competitors will do in response to their initial moves, and then determining what to do next.

Building a Business Playbook

A business playbook must be developed quickly, and it should be fully integrated into the organization’s strategic planning and execution process. Building the playbook should involve the entire senior management team in thinking through the possibilities of market futures, strategic moves, and potential business outcomes.

Structure of a Playbook

From our perspective, a complete strategic playbook includes six basic “chapters.”

1. **Analyzing the “Game.”** This opening chapter includes a basic analysis of the company’s business environment, focusing on the fundamental drivers of change, including those strategic uncertainties whose combinations lead to a set of plausible alternative futures.
2. **Assessing our Competitive Position.** This chapter includes a thorough examination of the company’s capabilities and limitations, with a particular focus on its position and power in its current channels. What is your present value proposition? Why do your customers buy from you and not your competitors? What are your capabilities and resources?
3. **Scenarios – Envisioning the Future.** This chapter contains documentation of the alternative futures that come out of the critical uncertainties defined by the scenarios you have created. These scenarios are most effective when they take the form of rich, detailed narratives that make the alternative futures come alive. In addition, more detailed economic analyses, customer profiles, and channel structures may also be described and discussed. This is also the chapter of the playbook where opportunities for “changing the rules of the game” can be identified.
4. **Plays – Setting Our Options.** Chapter Four details the specific strategic moves that could be made within each of the scenarios. In addition, indicators are identified – environmental factors that can act as signals that one or more of the alternative worlds described in Chapter Three may actually be occurring, or becoming more likely. Here is where a potential sequence of plays can be outlined, helping to identify strategic priorities and interdependencies.
5. **Executing the Plays.** Chapter Five lays out the action steps required to execute each plausible or desirable strategic move. In this chapter, the resources needed to execute each play are delineated, as are the managerial accountabilities for ensuring resource availability

and actually executing the plays. In addition, it is often useful to identify the consequences of both success and delay in executing each play.

6. **Tracking, Anticipating, and Acting.** This chapter includes the ongoing documentation of the plays as they are executed, and it contains updated environmental assessments as well as any new plays or counterplays as they are developed. It represents the regular, if not continuous, revision of the playbook. This notion of the playbook as a “living” document is critical – given the pace of change we live with today, any set of “static” plays will become outdated very rapidly.

It should be clear from these descriptions that creating and maintaining a comprehensive strategic playbook is no small undertaking. Yet today’s business environment does not allow any organization the luxury of taking a year or even six months to develop its playbook. The successful companies we have observed typically complete a first-draft playbook in twelve weeks or less. It takes a focused, high-energy effort to do so. A “time-box” approach – that necessarily limits the amount of detail in the initial version of each chapter and each play to what can be prepared in a short period – is the only way to get the job done in time to make a difference.

The Process for Creating a Playbook

We recommend developing a playbook in three phases:

- ◆ Phase One – Background research and scenario development.
- ◆ Phase Two – Developing strategic options.
- ◆ Phase Three – Acquiring necessary resources and building the capability to execute.

Phase One – Background Research and Scenario Development

Phase One corresponds to chapters 1-2 of the playbook structure described above, plus the groundwork for Chapter Three. In a period of roughly four weeks the company conducts intensive background research into its industry, its current customers and channel partners, and its own business capabilities. This phase begins with formation of an effective cross-functional playbook team that not only represents all the skills and perspectives needed to build a playbook, but also has the credibility with senior management to ensure that its findings and recommendations are listened to and acted on.

Phase One includes asking questions like these:

- ◆ What is changing today: about our customers, our competitors, our marketplace?
- ◆ What is our current position within our supply chain? What is keeping us where we are in the chain? What forces are changing our channel power relative to our suppliers, our customers, and – if applicable – the ultimate end consumers?
- ◆ What core business processes drive our industry and channel today?
- ◆ What kind of channel player do we want to be going forward? What are our ambitions?

Phase One typically concludes with a workshop with senior management in which these questions are addressed. Critical uncertainties are identified, and the senior management team itself explores scenarios of possible future operating states.

Phase Two – Developing Strategic Options

Phase Two, corresponding to Chapters Three and Four of the playbook structure, is typically time-boxed at another four weeks. The playbook team develops the scenarios in much greater detail, and for each scenario the team asks, “If this world actually happens, what do we want to do? What capabilities and resources are required to be successful?”

Other important questions to ask during Phase Two include:

- ◆ What impact would each scenario have on our existing resources, market position, and channel partners?
- ◆ How might our competitors react to each scenario? What opportunities and threats would their reactions create for us?
- ◆ How could our resources evolve or be transformed to take advantage of the conditions in each scenario?
- ◆ What competencies are required to be successful in each scenario? What will it take for us to develop or acquire those competencies? Can we afford them? Can we afford to ignore them?
- ◆ What kinds of products or services would our customers value in each scenario? Can we create these offerings ourselves, or do we need new (or existing) partners to create them?

It’s very important at this point to engage senior management across the company in playbook development. When done well, this participation produces rich scenario narratives, and the detailed playbook becomes the basis for extended discussion and excitement within the operating units that will ultimately implement the plays.

During this phase, the company sometimes discovers that some of the critical indicators it has identified as signals of the future are already occurring. Such discoveries can serve as powerful wake-up calls that action is needed, and quickly. Of course, they also help in narrowing the field of likely and feasible options for action.

Phase Three – Acquiring Resources and Building the Capability to Execute

Phase Three, corresponding to Chapter Five of the playbook structure, is also best completed within another four to six weeks. It consists primarily of working through the resource requirements and execution capabilities surrounding each of the strategic options that have come out of the scenario-building process in Phase Two.

Here the organization is doing something that looks and feels like traditional resource planning – sorting out the implications and consequences of each possible scenario. What makes this process different, however, is that no final or formal commitments have been made to any particular strategic move. Identifying the possible or most likely scenarios is not equivalent to

predicting that they will actually occur, and describing a set of possible plays is not committing to execute them.

Indeed, defining the resource requirements and costs of each strategic play is another consideration that will help to determine what actions management actually wants to take. The practicality and economic feasibility of developing or acquiring the resources is an important part of deciding which of the moves to prepare to take. The first iteration of playbook development concludes with another senior management workshop, this time to consider the playbook as a whole, internalize the scenarios, evaluate the plays, select any plays for immediate execution, and plan investments in capabilities and resources that will enable strategic plays in the future.

Summary

Building a playbook is not a simple task, but it is an extremely effective approach to anticipating how your business will be affected by the complex dynamics of a volatile marketplace. No one can predict with any confidence what the future in general will be like, and certainly no one but you can plan for how it might evolve in your industry and within your particular market segments.

However, there is no escaping the reality that you have to make plans, commitments, and be ready for serious competitive battles over the next few years. In spite of our uncertainty about how the economy will evolve over the next three to five years, we do know that it is and will be highly disruptive in virtually every industry.

While not every industry will be transformed in the near term, and some may evolve far more slowly than others, our research suggests that both consumers and businesses are changing their buying patterns far faster than anyone would have predicted a few short years (or months) ago. Understanding the economic structures and leverage points within your industry is an absolutely essential first step in preparing for this unprecedented wave of change.

But even more important is preparing yourself for change by anticipating the range of plausible futures for your industry, defining what strategic moves you want to be able to make, and then laying out a playbook of your strategic options.

As the old saying has it, "Chance favors the prepared mind." In the fast-changing world of today, the future may be almost completely unpredictable, but it is not completely random. Scenario analysis, strategic indicators, and playbooks are tools for increasing your odds of success (and survival). When you know your strengths and limitations, your sources of competitive advantage, and your strategic options, then playing the game well becomes much easier.