

HARVARD BUSINESS REVIEW PRESS

# PLAYING TO WIN

**HOW STRATEGY  
REALLY WORKS**

**A.G. LAFLEY**

FORMER CHAIRMAN AND CEO, PROCTER & GAMBLE

**ROGER L. MARTIN**

DEAN, ROTMAN SCHOOL OF MANAGEMENT

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## Praise for *Playing to Win*

“Reading *Playing to Win* is like having prime seats at the Super Bowl of strategy. You’ll learn the strategies consumer goods powerhouse Procter & Gamble uses to get its innovative products in millions of homes—plus tested methods for winning your own marketplace contests. If you’re marketer or a leader, you need to read this book.”

—Daniel H. Pink, author, *Drive* and *A Whole New Mind*

“This is the best book on strategy I have ever read. Lafley and Martin get to the heart of what’s important: how to make choices in order to control events rather than allowing events to control your choices. Everyone wants to win; this book sets down with calm authority the steps you must take to turn aspiration into reality.”

—Sir Terry Leahy, former CEO, Tesco

“Lafley and Martin teach us how to develop and then how to deploy strategy. Their recommendations apply at every level—corporation, business units, products, and teams. This is a great book.”

—Clayton M. Christensen, Kim B. Clark Professor of Business Administration, Harvard Business School; author, *The Innovator’s Dilemma*

“Most authors conduct research before they write a book. Lafley and Martin went out and did something. They used their simple, subtle framework—Where will we play? How will we win?—to double the value of one of the world’s greatest businesses. And now they’re showing you how to do the same. Read this book... before your competitors find it.”

—Chip Heath, coauthor, *Decisive: How to Make Better Choices in Life and Work*

“*Playing to Win* is a rare combination of depth of thinking and ease of use. It clearly explains what business strategy is and isn’t, and how to develop it. Lafley and Martin distill their hard-earned experiences and offer insights, practical hands-on tools, and tips that will inspire and allow you to think strategically in new ways about your own business.”

—Jørgen Vig Knudstorp, CEO, Lego Group

“A great CEO and a renowned educator join forces to create a must-read for anyone thinking about strategy.”

—Jack Welch, former Chairman and CEO, General Electric

“Here is business strategy through the eyes of the man who led Procter & Gamble’s stunning turnaround and success in the 2000s and the strategist who advised and worked with him. Lush with insights that show the ‘what’ and the ‘how’ of two master strategists.”

—Scott Cook, cofounder and Chairman of the Executive Committee, Intuit

“Lafley and Martin have invested their respective careers in understanding the complexity of strategy. What has emerged in this seminal work is a simple and rich framework that can help business leaders think through strategic choices. It is an eminently helpful guide to choice making, which is the most essential part of leadership.”

—James P. Hackett, President and CEO, Steelcase Inc.

“*Playing to Win* is an insightful do-it-yourself guide that demystifies what it takes to craft, implement, and continuously improve effective business strategies. Using relevant, real-world examples, Lafley and Martin offer proven techniques for competing and winning in today’s challenging global business environment.”

—Jim McNerney, President, CEO, and Chairman, Boeing

“I love this book; it is thought provoking and acts as a catalyst to ask questions—about ourselves and our business life course. In a day and age when information and instant communication are relentless components of business and our lifestyle, A.G. Lafley and Roger Martin suggest we take an important pause to actually question our strategic road maps and the associated plans we need in order to succeed in this marketplace.”

—Thomas Tull, founder and CEO, Legendary Pictures

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## *How Strategy Really Works*

This is a book about strategy, written by a former CEO and a business school dean. When we met, we were neither of those things. More than twenty years ago, when we first worked together on a study of P&G's distribution channels, it was as a category manager in P&G's laundry business and an outside consultant from a small but growing strategy firm called Monitor Company. Working on that assignment, we formed the basis of a very productive and very long friendship. By the time we became, respectively, CEO of P&G and dean of the Rotman School of Management, we were true thinking partners on strategy and worked together in earnest on the transformation of P&G between 2000 and 2009. This book is the story of that transformation and the approach to strategy that informed it. (Details on the results of the transformation may be found in [appendix A](#).)

This approach grew out of the strategy practice at Monitor Company and subsequently became the standard process at P&G. Over the course of our careers, we worked to develop a robust framework around our strategic approach, a way to teach the concepts to others, and a methodology for bringing it to life in an organization. Within Monitor, Michael Porter, Mark Fuller, Sandi Pocharski, and Jonathan Goodman played important roles in advancing this thinking. At P&G, Tom Laco, Steve Donovan, Clayt Daley, Gil Cloyd, and dozens of other business and functional leaders (including those whose stories are told in this book) all contributed substantially to the work of sharpening the strategy of the company. Along with Michael Porter, academics Peter Drucker and Chris Argyris were seminal influences who shaped our thinking and work.

Ultimately, this is a story about choices, including the choice to create a discipline of strategic thinking and strategic practice within an organization. Though we use P&G as our main example, that doesn't mean that our approach to strategy can only be effective in a global consumer goods company. We've seen it powerfully used in all manner of industries and all sizes of organizations, including start-ups, not-for-profits, and government agencies. But it was at P&G that we were really able to use this approach across a wide range of businesses, geographies, and functions and over a decade (and see where it worked and didn't work)—so that is the story we have chosen to tell. We will use P&G brand, category, sector, function, and company examples to illustrate the strategy concepts and tools throughout the book. Of course, not all companies look like P&G. But it is our hope that through examples from across P&G's diverse businesses, organizations, and levels, the lessons for your organization will become clear.

### *What Is Strategy?*

Strategy is a relatively young discipline. Until the middle of the last century, much of what people

now think of as strategy was categorized simply as management. So it is really no wonder that many organizations struggle to define what a strategy is and how to create a useful one; there is no single, clear, and pervasive definition of strategy and even less consensus on how to build one. When strategy succeeds, it seems a little like magic, unknowable and unexplainable in advance but obvious in retrospect.

It isn't. Really, strategy is about making specific choices to win in the marketplace. According to Mike Porter, author of *Competitive Strategy*, perhaps the most widely respected book on strategy ever written, a firm creates a sustainable competitive advantage over its rivals by "deliberately choosing a different set of activities to deliver unique value."<sup>1</sup> Strategy therefore requires making explicit choices—to do some things and not others—and building a business around those choices.<sup>2</sup> In short, strategy is choice. More specifically, *strategy is an integrated set of choices that uniquely position the firm in its industry so as to create sustainable advantage and superior value relative to the competition.*

Making choices is hard work, and it doesn't always fit with all the other work to be done. In our view, far too few companies have a clear, choiceful, and compelling winning strategy in place. Too often, CEOs in particular will allow what is urgent to crowd out what is really important. When an organizational bias for action drives *doing*, often *thinking* falls by the wayside. Instead of working to develop a winning strategy, many leaders tend to approach strategy in 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 offer no guide to productive action and no explicit road map to the desired future. They don't include choices about what businesses to be in and not to be in. There's no focus on sustainable competitive advantage or the building blocks of value creation.
2. *They 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 it will do add up to sustainable competitive advantage.
3. *They deny that long-term (or even medium-term) strategy is possible.* The world is changing so quickly, some leaders argue, that it's impossible to think about strategy in advance and that, instead, a firm should respond to new threats and opportunities as they emerge. Emergent strategy has become the battle cry of many technology firms and start-ups, which do indeed face a rapidly changing marketplace. Unfortunately, such an approach places a company in a reactive mode, making it easy prey for more-strategic rivals. Not only is strategy possible in times of tumultuous change, but it can be a competitive advantage and a source of significant value creation. Is Apple disinclined to think about strategy? Is Google? Is Microsoft?
4. *They define strategy as the optimization of the status quo.* Many leaders try to optimize what they are already doing in their current business. This can create efficiency and drive some value. But it isn't strategy. 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, while more-strategic competitors pass it by. Think of legacy airlines optimizing the spoke-and-hub models while Southwest Airlines created a transformative new point-to-point business model. Optimization has a place in business, but it isn't strategy.
5. *They define strategy as following best practices.* Every industry has tools and practices that

become widespread and generic. Some organizations define strategy as benchmarking against competition and then doing the same set of activities but more effectively. Sameness isn't strategy. It is a recipe for mediocrity.

These ineffective approaches are driven by a misconception of what strategy really is and reluctance to make truly hard choices. It is natural to want to keep options open as long as possible rather than closing off possibilities by making explicit choices. But it is only through making and acting on choices that you can win. Yes, clear, tough choices force your hand and confine you to a path. But they also free you to focus on what matters.

What matters is winning. Great organizations—whether companies, not-for-profits, political organizations, agencies, what have you—choose to win rather than simply play. What is the difference between the Mayo Clinic and the average research hospital in your neighborhood? Your local hospital is, most likely, focused on providing a service and on doing good. The Mayo Clinic, though, sets out to transform the world of medicine, to be at the vanguard of medical research, and to win. And it does.

## *The Playbook: Five Choices, One Framework, One Process*

Winning should be at the heart of any strategy. In our terms, *a strategy is a coordinated and integrated set of five choices: a winning aspiration, where to play, how to win, core capabilities, and management systems*. [Chapter 1](#) introduces these five essential choices as strategic questions. Each [chapter 2](#) through [6](#) dwells at some length on one of the questions, explaining the nature of the choice to be made, providing a number of examples of that choice, and offering some advice for making the choice in your own context. The five choices make up the *strategic choice cascade*, the foundation of our strategy work and the core of this book.

To really think through strategy, though, the cascade isn't quite enough. In [chapter 7](#), we provide another tool—the *strategy logic flow*, a framework designed to helpfully direct your thinking to the key analyses that inform your five strategy choices. Then, in [chapter 8](#), we provide a specific methodology for making sense of conflicting strategic options, a process—called *reverse engineering*—for making strategic choices with others. Taken together, the five choices, our framework, and one process provide a playbook for crafting strategy in any organization.

Our intent is to provide you with a do-it-yourself guide to strategy. We offer you the conceptual process, and practical tools you need to create and develop a winning strategy for your business, function, or organization—a strategy that serves your customers better and enables you to compete more successfully and to win.

The world needs more business leaders who understand strategy and are capable of leading the strategy process for their companies. It needs strategic capabilities at all organizational levels in all industries of all kinds, in government, in health care, in education, and in the social sector. Strategy needn't be mysterious. Conceptually, it is simple and straightforward. It requires clear and hard thinking, real creativity, courage, and personal leadership. But it can be done.

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## Strategy Is Choice

By the late 1990s it became clear that P&G really needed to win in skin care. Skin care (including soaps, cleansers, moisturizers, lotions, and other treatments) constitutes about a quarter of the total beauty industry and has the potential to be highly profitable. When done well, it can engender intense consumer loyalty compared with other beauty categories like hair care, cosmetics, and fragrances. Plus, there's significant knowledge and skill transfer from skin care to these other categories in terms of technology and consumer insights. To be a credible player in the beauty business, P&G needed leading hair-care and skin-care brands. Skin care was the weak link. In particular, Oil of Olay was struggling. It wasn't P&G's only skin-care brand, but it was by far the largest and best known.

Unfortunately, the brand had baggage. Oil of Olay was seen as old-fashioned and no longer relevant. It had come to be derisively called "Oil of Old Lady," a not entirely unfair characterization, as its customer base was growing older every year. More and more, when selecting a skin-care regime, women were passing over Oil of Olay in favor of brands with more to offer. Oil of Olay's core product (pink cream in a simple plastic bottle), sold mainly through drugstores at the bargain-basement price of \$3.99, just wasn't competitive against an ever-growing range of skin-care alternatives. By the late 1990s, Oil of Olay sales were clocking in below \$800 million a year, nowhere close to the industry leaders in the \$50 billion skin-care category.

All this presented a difficult strategic choice and generated a number of possible responses. P&G could maintain status quo on Oil of Olay and launch a more relevant alternative under a different brand name to compete for a new generation of consumers. But building a skin-care brand from scratch to market leadership could take years, even decades. P&G could go for an immediate fix by buying an established skin-care leader (think Estée Lauder's Clinique or Beiersdorf's Nivea brand) to more credibly compete in the category. But an acquisition would be both expensive and speculative. Plus, over the previous decade, P&G had actively pursued several opportunities for leading brands with no success. P&G could attempt to extend one of its leading beauty brands, like Cover Girl, into the skin-care category. This too would be highly speculative. How easily could even a leading cosmetics brand gain traction in skin care? Finally, P&G could attempt to revive a fading but still valuable Oil of Olay to compete in a new segment. This meant finding a way to reinvent the brand in the minds of consumers, a big investment with no guarantee of success. But P&G believed that the Oil of Olay brand had potential, especially with the right push behind it.

The good news was that there was still widespread consumer awareness of Oil of Olay, and as every good marketer knows, awareness precedes trial. Michael Kuremsky, Oil of Olay's North America brand manager at the time, summed up the state of affairs: "There was still a lot of promise. [But] there was really no plan."<sup>2</sup> The team wanted to turn the promise into a plan. The plan was to remain



Oil of Olay—its brand, its business model, its package and product, its value proposition, and even its name. Out went “Oil of,” and the brand was rechristened “Olay.”<sup>3</sup>

## *Rethinking Olay*

Together with Susan Arnold, then president of global beauty, we focused on the mid- and long-term strategy for beauty, working to establish P&G as a credible contender in the sector. As P&G learned the beauty game, it could win across the categories. So, P&G invested in the SK-II brand (a super-premium Japanese skin-care line acquired when P&G bought Max Factor in 1991), Cover Girl (P&G's leading cosmetics brand), Pantene (its biggest shampoo and conditioner brand), Head & Shoulders (its leading antidandruff shampoo line), and Herbal Essences (its hair-care brand aimed at a young demographic). The company bought Wella and Clairol, to create a position in hair styling and coloring. And it pursued acquisitions that could build leadership in skin care. The Olay team, meanwhile, worked to reinvent the brand.

Led by Gina Drosos (then general manager for the skin-care business), the team set to work to understand its consumers and its competition. The team members discovered, to no one's surprise, that Olay's existing customers were price sensitive and only minimally invested in skin care. Conventional wisdom was that the most attractive consumer segment was women aged fifty-plus and concerned with fighting wrinkles. These women would pay significant premiums for promising products, and this was where the leading brands tended to focus. But, Drosos recalls, “We found, as we looked at consumer needs in the market, that there was real growth potential with consumers who were thirty-five-plus, when they noticed their first lines and wrinkles. Before that, a lot of women were still using hand and body lotions on their face or really nothing at all.”<sup>4</sup> The midthirties seemed to be a potential point of entry in women's skin care. At this age, consumers become more aware of and committed to, a regimen—cleansing, toning, and moisturizing and using day creams, night creams, weekly facials, and other treatments to keep the appearance of youthful, healthy skin. In the midthirties, women tend to become more highly committed to skin care and are more willing to pay for quality and innovation. They seek out a preferred brand on a regular basis and try new offerings from it. They become loyal devotees. These were the consumers Olay needed, but to play in this segment, Olay would have to up its game significantly.

Traditionally in the beauty industry, department store brands have taken the lead on innovation, developing new products and better products that, over time, trickle down to the mass market. Given P&G's greater scale, lower distribution costs, and considerable in-house R&D capabilities, there was an opportunity to lead on innovation from the middle of the market. “We could flip this consumer paradigm that the best technology trickles down,” Drosos says. “We could have the best technology come from Olay.” So, P&G scientists went to work on sourcing and developing better and more effective compounds—skin-care products that could dramatically outperform existing products in the market. Rather than focus exclusively on wrinkles as a product benefit, Olay broadened the value proposition.

The research showed that wrinkles were but one of many concerns. Joe Listro, Olay's R&D vice president, notes, “Besides wrinkles, there was dry skin, age spots, and uneven skin tone problems. Consumers were telling us, ‘We have these other needs.’ We were working on technologies from a skin-biology and noticeable-appearance standpoint. We identified a material combination called VitaNiacin that showed noticeable benefits across a range of these factors that could actually improve the appearance of skin.”<sup>5</sup> Olay sought to redefine what anti-aging products could do. The result was

series of new products, beginning with Olay TotalEffects in 1999, that combined consumer insight with better active ingredients to fight the multiple signs of aging. The products marked a significant improvement in skin-care performance for consumers.

The new, more effective products could credibly be sold in department stores like Macy's and Saks, the *prestige channel* that accounted for more than half of the market. Olay had traditionally been sold only in the mass channel, through drugstores and discount retailers. These mass retailers, including Walgreens, Target, and Walmart, were P&G's biggest and best customers across multiple categories. But the company had precious little experience in, and influence with, department stores where it sold in just a few categories. To play to P&G's strengths, it made sense to stay in mass channels, but only if department store consumers would defect there for Olay. To win with Olay in mass, the company had to bridge the mass and prestige markets, creating what it would come to call the *masstige* category. Olay needed to shift the perception of beauty care in the mass channel, selling higher-end, more prestigious products in a traditionally high-volume environment. It needed to attract consumers from both the mass and the prestige channels. To do so, the product itself was only a part of the battle; Olay also needed to shift consumer perception of the brand and channel through its positioning, packaging, pricing, and promotions.

First, Olay needed to convince skin-care-savvy women that the new Olay products were just as good as, or better than, higher-priced competitors. It began with advertising in the same magazines and on the same television shows as those populated by the more expensive brands; the idea was to put Olay into the same category in the consumer's mind. Ads highlighted Olay as the way to fight "the seven signs of aging," and outside experts were enlisted to bolster claims relating to the new and better ingredients. Drosos explains, "We developed a breakthrough external-relations and credentialing program. We determined who would be the key influencers for consumers. We opened our labs to some of the top dermatologists to come in to see the work we were doing." Independent tests, which showed Olay products performing as well as or better than department store brands costing hundreds of dollars more, helped reframe consumer perceptions of performance and value. All of a sudden Olay was seen as offering high-quality products at an affordable price.

Olay also needed to look the part. The packaging had to represent an aspiration, but also effectively deliver the product. Recalls Listro, "Most products in mass, and even prestige to some extent, were sold either in squeeze bottles or in generic jars. What we were looking for was a technology that could deliver a thick cream elegantly, more like a lotion. We found this design that could actually pump creams." The result: a package that would look distinctive and impressive on the shelf, but also work effectively once the product was at home.

Pricing was the next element. Traditionally, Olay products had sold, like most drugstore brands, in the sub-\$8 price category (compared with department store brands, which could be priced anywhere from \$25 to \$400 or more). As Drosos explains, in skin care, there was the pervasive belief "that you get what you pay for. Women felt the products available in the mass-market channel were just not as good." Olay's advertising and packaging promised a high-quality, effective product that could compete with department store brands. Its pricing needed to hit the perfect note as well—not so high that mass consumers would be turned off, but not so low that prestige consumers would doubt its efficacy (no matter what those independent experts said).

Listro recalls the testing that went on to determine the pricing strategy for Olay Total Effects: "We started to test the new Olay product at premium price points of \$12.99 to \$18.99 and got very different results at those price points." At \$12.99, there was a positive response and a reasonably good rate of purchase intent (a stated intention to buy the product in the future). But most of the subjects who signaled a desire to buy at \$12.99 were mass shoppers. Very few department store shoppers were

interested at that price point. “Basically,” explains Listro, “we were trading people up from within the channel.” That was good, but not enough. At \$15.99, purchase intent dropped considerably. Then, at \$18.99, purchase intent went back up again—way up. “So, \$12.99 was really good, \$15.99 not so good, \$18.99 great. We found that at \$18.99, we were starting to get consumers who would shop in both channels. At \$18.99, it was a great value to a prestige shopper who was used to spending \$30 or more. The \$18.99 price point was just below Clinique and considerably below Estée Lauder. For the prestige shopper, it was great value, but not too cheap to be credible. And for the mass shopper, it signified that the product must be considerably better than anything else on the shelf to justify such a premium price. Listro continues: “But \$15.99 was no-man’s-land—way too expensive for a mass shopper and really not credible enough for a prestige shopper.” So, with a strong push from the senior leadership team, Olay took the leap to \$18.99 for the launch of Olay Total Effects. It was set as the manufacturer’s suggested retail price, and the team worked hard to convince retailers to stick to that price.

Momentum started to build. Olay followed up with an even more expensive premium brand, with an even yet-better active ingredient: Olay Regenerist. Then, it introduced Olay Definity and then the still higher premium Olay Pro-X—which sold at a \$50 price point, something inconceivable ten years earlier. The team built and deepened capabilities around the new strategy. For most of the 1990s, P&G’s skin-care business had grown at 2 to 4 percent per year. Following the 2000 relaunch, Olay had double-digit sales and profit growth every year for the next decade. The result: a \$2.5 billion brand with extremely high margins and a consumer base squarely in the heart of the most attractive part of the market.

## *What Strategy Is (and Isn’t)*

Olay had a strategic problem that many companies struggle with—a stagnant brand, aging consumers, uncompetitive products, strong competition, and momentum in the wrong direction. So, why was Olay able to succeed spectacularly where so many fail? The people at Olay aren’t harder working, more dedicated, bolder, or luckier than everyone else. But their way of thinking about the choices they made was different. They had a clear and defined approach to strategy, a thinking process that enabled individual managers to effectively make clearer and harder choices. That process, and the approach to strategy that underpins it, is what made the difference.

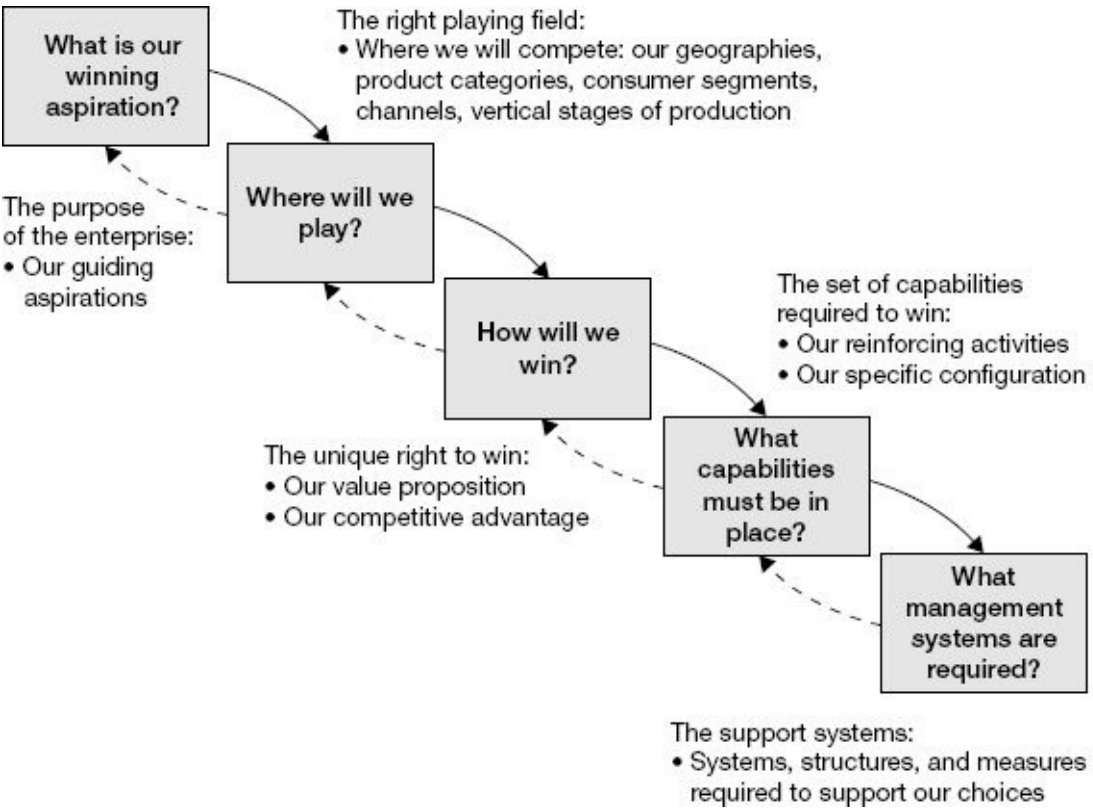
Strategy can seem mystical and mysterious. It isn’t. It is easily defined. It is a set of choices about winning. Again, it is an integrated set of choices that uniquely positions the firm in its industry so as to create sustainable advantage and superior value relative to the competition. Specifically, strategy is the answer to these five interrelated questions:

1. *What is your winning aspiration?* The purpose of your enterprise, its motivating aspiration.
2. *Where will you play?* A playing field where you can achieve that aspiration.
3. *How will you win?* The way you will 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?* The systems and measures that enable the capabilities and support the choices.

These choices and the relationship between them can be understood as a reinforcing cascade, with the choices at the top of the cascade setting the context for the choices below, and choices at the bottom influencing and refining the choices above ([figure 1-1](#)).

FIGURE 1-1

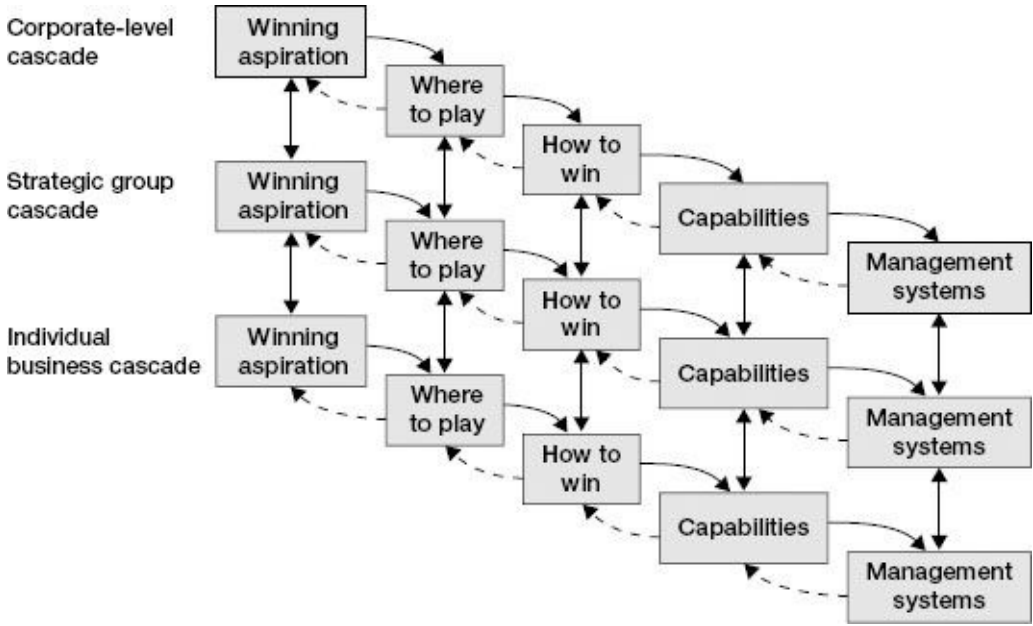
An integrated cascade of choices



In a small organization, there may well be a single choice cascade that defines the set of choices for the entire organization. But in larger companies, there are multiple levels of choices and interconnected cascades. At P&G, for instance, there is a brand-level strategy that articulates the five choices for a brand such as Olay or Pampers. There is a category strategy that covers multiple related brands, like skin care or diapers. There is a sector strategy that covers multiple categories, for example, beauty or baby care. And finally, there is a strategy at the company level, too. Each strategy influences and is influenced by the choices above and below it; company-level where-to-play choices, for instance, guide choices at the sector level, which in turn affect the category-level and brand-level choices. And the brand-level choices influence the category-level choices, which influence the sector and company-level choices. The result is a set of nested cascades that cover the full organization (figure 1-2).

FIGURE 1-2

Nested choice cascades



The nested cascades mean that choices happen at every level of the organization. Consider a company that designs, manufactures, and sells yoga apparel. It aspires to create fierce brand advocates, to make a difference in the world, and to make money doing it. It chooses to play in its own retail stores, with athletic wear for women. It decides to win on the basis of performance and style. It creates yoga gear that is both technically superior (in terms of fit, flex, wear, moisture wicking, etc.) and utterly cool. It turns over its stock frequently to create a feeling of exclusivity and scarcity. It draws customers into the store with staff members who have deep expertise. It defines a number of capabilities essential to winning, like product and store design, customer service, and supply-chain expertise. It creates sourcing and design processes, training systems for staff, and logistical management systems. All of these choices are made at the top of the organization.

But these choices beget more choices in the rest of the organization. Should the product team stay only in clothing or expand to accessories? Should it play in menswear as well? Should the retail operations group stay in bricks and mortar or expand online? Within retail, should there be one store model or several to adapt to different geographies and customer segments? At the store level, how should the staff person serve the customer, here and now, in order to win? Each level in the organization has its own strategic choice cascade.

Consider the salesperson in the Manhattan store. She defines winning as being the best salesperson in the store and having customers who are delighted with her service. From not only her daily sales numbers but also her interactions with repeat customers and feedback from her peers, she knows she is succeeding. Her where-to-play choice is largely defined by the folks who walk in the door, but she may notice that there are types of customers, times of day, or parts of the store where she can best bring her skills to bear. She consequently turns her attention there. In terms of how to win, she may have one approach for customers who are new to yoga and intimidated by all the choices (offering advice not just on attire but on how to get started, as well as reassurance that it will all make sense in time), another for aficionados (highlighting the technical specs of the gear but also swapping stories about classes and instructors), and another for the fashion crowd who seek yoga pants not for athletic

but for running errands (pointing out racks of new arrivals, emphasizing unique colors and designs). She chooses to develop her own capabilities in clear communication, understanding technical specifications, and practicing different forms of yoga. She builds her own management systems, like a personal check sheet for products and styles and a directory of her favorite local studios and instructors.

These frontline choices may not seem as complex as the choices facing the CEO, but they are indeed strategic choices. Like the CEO, a salesperson must make the best choices she can under constraints and uncertainty. Her constraints came from the choices made above her in the organization, from the demands of her customers, and from the strategies of her competitors. For the CEO, the constraints came from the expectations of the capital markets, the company's cash reserves, and the directions of the board of directors. Both the salesperson and her CEO are making strategic choices and acting upon them—the only difference is the scope of the choices and the precise nature of the constraints.

Strategy can be created and refined at every level of the organization using the choice cascade framework. Each box of the choice cascade is the subject of an upcoming chapter, but for now, we'll explain a little about each one, using Olay brand-level and P&G company-level choices as illustrations.

## *Winning Aspirations*

The first question—what is our winning aspiration?—sets the frame for all the other choices. A company must seek to win in a particular place and in a particular way. If it doesn't seek to win, it's wasting the time of its people and the investments of its capital providers. But to be most helpful, this abstract concept of winning should be translated into defined aspirations. Aspirations are statements about the ideal future. At a later stage in the process, a company ties to those aspirations some specific benchmarks that measure progress toward them.

At Olay, the winning aspirations were defined as market share leadership in North America, \$1 billion in sales, and a global share that put the brand among the market leaders. A revitalized and transformed Olay was expected to establish skin care as a strong pillar for beauty along with hair care. Establishing and maintaining leadership of a new masstige segment, positioned between mass and prestige, was a third aspiration. This set of aspirations served as a starting point to define where to play and how to win, enabling the Olay team to see the larger purpose in what it was doing. Clarity about the winning aspirations meant that actions at the brand, category, sector, and company level were directed at delivering against that ideal.

At the overall company level, winning was defined as delivering the most valuable, value-creating brands in every category and industry in which P&G chose to compete (in other words, market leadership in all of P&G's categories). The aspiration was to create sustainable competitive advantage, superior value, and superior financial returns. P&G's statement of purpose, at the time, read as follows: "We will provide products and services of superior quality and value that improve the lives of the world's consumers. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper." Improving consumers' lives to drive leadership sales, profit, and value creation was the company's most important aspiration. It drove all subsequent choices.

Aspirations can be refined and revised over time. However, aspirations shouldn't change day to day; they exist to consistently align activities within the firm, so should be designed to last for some time. A definition of winning provides a context for the rest of the strategic choices; in all cases, choices

should fit within and support the firm's aspirations. The question of what a winning aspiration is will be further explored in [chapter 2](#).

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## *Where to Play*

The next two questions are where to play and how to win. These two choices, which are tightly bound up with one another, form the very heart of strategy and are the two most critical questions in strategy formulation. The winning aspiration broadly defines the scope of the firm's activities; where to play and how to win define the specific activities of the organization—what the firm will do, and where and how it will do this, to achieve its aspirations.

Where to play represents the set of choices that narrow the competitive field. The questions to be asked focus on where the company will compete—in which markets, with which customers and consumers, in which channels, in which product categories, and at which vertical stage or stages of the industry in question. This set of questions is vital; no company can be all things to all people and still win, so it is important to understand which where-to-play choices will best enable the company to win. A firm can be narrow or broad. It can compete in any number of demographic segments (men aged eighteen to twenty-four, midlife urbanites, working moms) and geographies (local, national, international, developed world, economically fast-advancing countries like Brazil and China). It can compete in myriad services, product lines, and categories. It can participate in different channels (direct to consumer, online, mass merchandise, grocery, department store). It can participate in the upstream part of its industry, downstream, or be vertically integrated. These choices, when taken together, capture the strategic playing field for the firm.

Olay made two strategically decisive where-to-play choices: to create, with retail partners, a new prestige segment in mass discount stores, drugstores, and grocery stores to compete with prestige brands and to develop a new and growing point-of-entry consumer segment for anti-aging skin-care products. Many other where-to-play options were considered (like moving into prestige channels and selling through department and specialty stores), but to win, Olay's choices on where to play needed to make sense in light of P&G's company-level where-to-play choices and capabilities. P&G tends to do well when the consumer is highly involved with the product category and cares a good deal about product experience and performance. It excels with brands that promise real improvement when the consumer puts in effort on a regular basis, as part of a well-defined regimen. P&G also does well with brands that can be sold through its best customers, retailers with which it has strong relationships and with which it can create significant shared value. So, the Olay team decided where to play with the P&G choices and capabilities in mind.

Corporately, when it came to where to play, the company needed to define which regions, categories, channels, and consumers would give P&G a sustainable competitive advantage. The idea was to play in those areas where P&G's capabilities would be decisive and to avoid areas where they were not. The concept that helped P&G leaders sort one area from the other and to define the strategic playing field clearly was the idea of *core*.

We wanted to play where P&G's core strengths would enable it to win. We asked which brands truly were core brands, identifying a set of brands that were clear industry or category leaders and devoting resources to them disproportionately. We asked what P&G's core geographies were. With ten countries representing 85 percent of profits, P&G had to focus on winning in those countries. We asked where consumers expected P&G brands and products to be sold, that is, mass merchandisers and discounters, drugstores, and grocery stores. Core became a theme in innovation as well. P&G



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