

The ACS Why Strategies Fail Bibliography

Articles, essays, and books by ACS and others

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Introduction

Why do strategies fail? After all, today's strategists are the most educated, professional, experienced, incentivized, motivated, and data-based of any in the history of industry. You'd think that by now we'd get it right.

Of course, we extraordinary strategists compete against other extraordinary strategists. So then we might ask why extraordinary strategists cause whole industries to suffer. Price wars, commoditization, scandal, bailouts. Is this inevitable? Have we competed away all the good, profitable strategies? Have we forgotten them in our leanness and meanness? Are we plowing past them in our drive to do the latest big thing right now?

I've seen a lot in my 35 years in competitive strategy: business war games in dozens of industries around the world, case studies on hundreds of businesses, statistical data on thousands of real-life businesses, results from millions of simulations. I've seen strategists refuse to accept what appeared to me to be undeniable truths. I've seen strategists make 180-degree turns when they gained new insights.

I don't have the answers, but I have some ideas. I've captured many of those ideas in articles and essays I've written with ACS, and I've found fascinating ideas from others in the books they've written. Perhaps the most useful and thought-provoking come from disciplines outside business.

The material I cite here covers three areas in which errors can lead strategies to fail. One is **outcomes**. We may misinterpret them, we may judge them against dubious targets and goals. The second is **strategies**. Our strategy decisions may be wrong if we use, say, accounting-based technologies to solve strategy problems. The third is **strategists**. Strategists are human beings, and human beings have certain kinds of biases built in.

Enjoy your reading! Let me know what you think.

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Outcomes: Measuring and interpreting

Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets, Nassim Nicholas Taleb, 2008.

Innumeracy: Mathematical Illiteracy and Its Consequences, John Allen Paulos, 2001.
The first in a series of books. The others are great too.

The Drunkard's Walk: How Randomness Rules Our Lives, Leonard Mlodinow, 2009.

Are We Clear?, May, 2010.

“Where is the evidence that a clear strategy makes a company more likely to succeed?” That brave question is stunningly difficult to answer. We’ll try anyway, and end up with a bumper sticker for professional strategists.

Experience: Threat or Menace?, Competitive Intelligence Magazine, October/December 2010.

What will you experience in this essay? I don’t know. Different people read the same words and see different stories. Which, actually, is what this essay is about. Which story should we believe? Does CEO experience help or hurt?

Gross Galactic Product: Growth Rates, Stock Prices, and Thinking Differently In a Crisis, October 2008.

How big would Google be if its recent growth weren’t “as bad as some had feared”? We know growth doesn’t go on forever, but our quest for bigger and better every year leads to trouble. How can executives know when they cross the line from building up to propping up to puffing up?

It’s Working! How evidence proves all’s well before a fall, September 2008.

What does your strategy development have in common with the financial crisis? And why did smart, self-interested, experienced people decide to buy and sell complicated financial instruments, risk so much on unsupportable assumptions, and let the inmates run the asylum.

Numbers, Circular Reasoning, and Numbers, November 2010.

Here we’ll look at people who switch, 20% liberals, a tremendous success rate, and customer satisfaction. What does that crowd have in common?

Pundits and Stress, February 2009.

According to Newsweek’s Sharon Begley, “The more feted by the media, the worse a pundit’s accuracy.” So, if we shouldn’t trust pundits who have (merely)

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achieved fame, how should we decide whom to trust? Fame may not be a prerequisite, but it doesn't follow that obscurity is.

[The First-Tagger Advantage: Will You Be Sorry?](#) July 2010.

Same-store sales rose 14.3% when using RFID tags on clothes. Is there a first-tagger advantage, and is it worth having? Let's think it through.

[The Good, the Bad, and the Lucky: Placing your bets on principles or performance,](#) August 2008.

How would you know if a company is worth investing in? How would you know if a business is likely to be profitable and long-lived? Make a list of the characteristics that you believe would separate good businesses from bad...

[The How-Likely Case: When The Most-Likely Scenario Isn't Likely At All.](#) May 2010.

Strategists commonly analyze best-case, worst-case, and most-likely scenarios before making a significant strategy decision. That covers about 0.000007618% of the possibilities. I'm not making up that number.

Strategies: Technologies and analysis

[The Evolution of Cooperation,](#) Robert Axelrod, revised edition 2006.

[The Logic of Failure: Recognizing And Avoiding Error in Complex Situations,](#) Dietrich Dörner, 1997.

[All About Models: The Strategist's Guide to How They Think,](#) May 2010 (#1 in a series).

We can classify models chemically: those based on carbon and those based on silicon. The former, mental models, operate inside our heads. The latter, computer-based models, operate inside computers. They behave differently.

[Honey, We Shrunk the Industry: An Automotive War Game,](#) Competitive Intelligence Magazine, July/August 2009

A business war game. Five automotive teams: Ford, GM, Hyundai, Toyota, Volkswagen. One set of customer judges, one set of investor judges. Three market segments. Fascinating, unexpected results.

The teams were smart and they wanted to win. Yet collectively their decisions subtracted value from the industry: four out of five would have been better off if they'd done nothing at all and repeated last year's moves for two more years. The

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fifth team had problems of its own – appearing to be successful, but leaving many billions of dollars on the table.

[Honey, We Shrunk The Industry Again: Another War Game About Automobiles](#), October 2009.

We've run it again: a business war game on the automobile industry. It was to demonstrate war-gaming, not to solve the industry's problems. That said, it revealed a lot about what goes right and what goes wrong when people develop competitive strategies.

[Marvelous Techniques: Streaks, slumps, and improving your odds](#), January 2009.

We know pretty well how to assess the financial impact of a product or service that purports to reduce costs. What about products or services that purport to improve the quality of our decisions? And how can we avoid the traps of streaks and slumps?

[Putting the Lesson Before the Test: Using Simulation to Analyze and Develop Competitive Strategies](#). With David J. Reibstein. A chapter in *Wharton on Dynamic Competitive Strategy*, George S. Day and David J. Reibstein (editors), John Wiley, 1997. *Putting the Lesson Before the Test* was reprinted by *Competitive Intelligence Review* and *Marketing Research*.

Simulation can play a powerful role in developing and analyzing competitive-strategy options. Using simulation, managers have developed successful strategies, anticipated events that later occurred in real life, and learned about strategy, and their own businesses, at each step of the simulation process. Simulations give managers something that athletes have always had: the ability to practice before facing actual competitors.

[The Model Whisperer: The Strategist's Guide to Creating Value with Models](#), May 2010 (#3 in a series).

In qualitative business war games we experiment with ideas and paradigms embedded in our mental models. In quantitative business war games we use computer-based models to stress-test specific strategy options. In strategy decision tests we run massive what-if simulations to gauge the risks and rewards of going down different paths.

The hypothetical examples I'll present are actually not hypothetical. Each is an amalgam of multiple war games I've conducted in multiple industries, with identifying marks removed to protect confidentiality.

[What If? How to Create a Great Strategy](#), *Competia Magazine*, December 2002.

What if you could answer your what-if questions before you make a key strategy decision? What if you could realistically and rigorously test your options before you committed real money? What if you could raise the odds that you'd make

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wise decisions and create a great strategy? As this article describes and illustrates, that's what strategy simulation is for. So: what if you investigated strategy simulation?

[What The Model Says: The Strategist's Guide to Listening to Models](#). May 2010 (#2 in a series).

The challenge in developing an effective strategy begins long before we decide what actions to take and how to execute them. The challenge begins when we decide what model to use. By selecting a model we frame the way we see and evaluate our strategy options.

[Why Do War Games Work? Or, Better Questions, Better Answers](#). March 2011.

Business war games, in my experience, provide outstanding insights that greatly impact bottom lines. But why? What is it about business war games that produces insights that evidently elude other approaches?

[With All This Intelligence, Why Don't We Have Better Strategies?](#) The Journal of Business Strategy, January-February 2005.

With all our skills, data, enthusiasm, opportunities, knowledge, motivation, and power, why do we produce strategies that fail? This article discusses the inherent shortcomings in conventional models and human thinking that make it easy for even the best strategists to fall into bad strategy decisions. It concludes with practical advice to help strategists improve creative thinking and decision-making.

Strategists: People gone biased

[Decision Traps: The Ten Barriers to Decision-Making and How to Overcome Them](#), J. Edward Russo and Paul J.H. Schoemaker, 1990.

[Judgment in Managerial Decision Making](#), Max H. Bazerman, 2008.

[Mistakes Were Made \(But Not by Me\): Why We Justify Foolish Beliefs, Bad Decisions, and Hurtful Acts](#), Carol Tavris and Elliot Aronson, 2008.

[The Psychology of Judgment and Decision Making](#), Scott Plous, 1993.

[Bias: It's About You](#). February 2011.

If we ran a survey asking "are you biased?" we would find no one is. Bias is a characteristic of others, not of ourselves. It's about you, not me. Which is ironic, and the point.

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[Do Not Overtighten](#), December, 2009.

Businesses tend to overtighten. They do it because they're led there by simple, persuasive logic, which we can boil down to this: it is cheaper to print "do not overtighten" on the instructions than it is to supply products that can withstand formidable strength.

[Doesn't Make Sense: Which is wrong, the question or the answer?](#), August, 2008.

Although this post seems superficially about stock-market investments, it really isn't. It applies equally to virtually any competitive-strategy decision.

[House, MBA: What Strategists Can Learn From TV's Nastiest Doctor](#), October 2009.

What can we learn about business diagnosis from TV's nastiest doctor? Quite a bit. We take a look at Safeway and Supervalu pricing on our rounds.

[Motor Swilling Forbidden](#), January 2009.

People talk of business models with certain words and meanings in the USA. People may use the same words with different meanings in France, Malaysia, Brazil, and South Africa. We may translate the words but we may not understand each other, with real consequences.

[Resisting Change: Overcoming Impediments to Creativity](#), July 2008.

As human beings we are all familiar with the dig-in-our-heels sensation of resisting change. How do we know in which changes we ought to invest our time and treasure?

[True-Due Diligence: Or, Avoiding Failure When Due Diligence Says You'll Succeed](#), November 2010.

Due diligence may not protect you from frenzies of advocacy. At its worst, it's like signing an ill-advised legal document because the spell-check said it was okay. Think it doesn't happen? Remember that no one invests in a strategy or business expecting it to fail, yet somehow smart people invest in strategies and businesses that fail.

[When I Was Wrong](#), November 2008.

This essay starts with a shocking pricing tournament and proceeds to the challenges faced by President-elect Obama and the titans of industry. All of us are human and so all of us will be wrong. What's important is when we make our mistakes.

[You've Got The Data. Now What?](#) A chapter in *Starting a CI Function*, Ken Sawka and Bonnie Hohhof (editors), The CI Foundation, 2008

Most strategy challenges cannot be solved – emphasis on solved, not merely “responded to” – with data and information alone. Instead, they must be solved by

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combining intelligence (knowledge) with intelligence (human decision making). This book chapter discusses hidden traps that bedevil strategy decision-making: conventional tools, overconfidence, innumeracy, monsters, and obviousness.

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