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Strategy

A Short Guide to Strategy for Entrepreneurs

by Kevin J. Boudreau

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Summary. For too many entrepreneurs, strategy often seems to be an afterthought. Experiment and create a great product, the thinking goes, then scale, and then figure out the business model once you've succeeded. It's true that nothing beats having a compelling product that... [more](#)



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It sometimes appears that the traditional rules of business are being upended by today's mega-trends of multisided platforms, big data, machine learning and AI, crowdsourcing, the internet of things (IoT), and more. These trends have transformed the world of business immeasurably. But they have certainly not repealed the timeless rules of strategy.

Yet for too many entrepreneurs, especially those steeped in tech and devoted to product, strategy often seems to be an afterthought. Experiment and create a great product, the thinking goes, then scale, and then figure out the business model once you've succeeded. It's true that nothing beats having a compelling product that customers badly

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want. However, while good products and good “shopkeeping” are surely good business, they are no substitute for clear-minded strategy.

Savvy entrepreneurs and business founders might come across any number of tool kits and frameworks — from [jobs to be done](#) to [business model canvases](#) to [disruptive business models](#) and [industry forces](#), all while seeking [blue oceans](#), and so on. Each of these has value and can be the source of useful ideas, but each represents only part of what strategy can offer.

The challenge of strategy is to develop an integrated view of the workings of your business and how it creates and captures value within its operating environment. So, rather than develop allegiance to one piece of the strategy puzzle, founders are best served by familiarizing themselves with the basic tenets of the field.

What’s more, my academic research on strategy in the contexts of multisided platforms, crowds, big data, machine learning, and IoT shows that it is only when timeless tenets are applied that entrepreneurs can sensibly plot strategy. Today’s strategy is just too complex, dynamic, and demanding to rely on partial storylines.

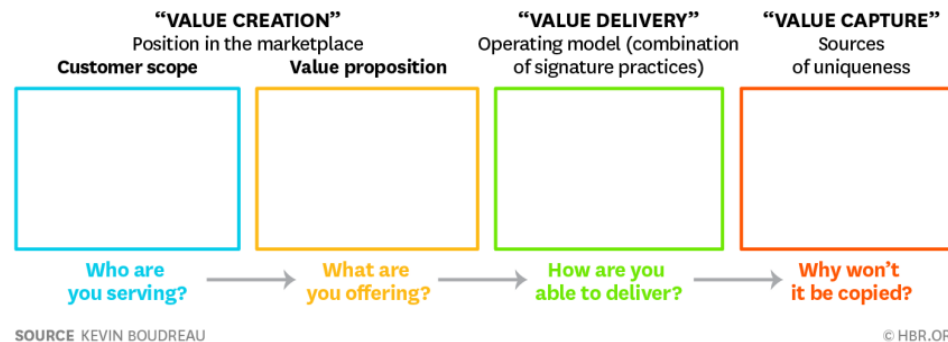
As a professor teaching strategy, most recently at Harvard Business School and Northeastern University, I have tried to offer the minimum essential explanation of an integrated view of strategy, to combine the best of the many frameworks that exist, show how they relate to one another, and distill the field to the essentials that entrepreneurs need to know to get started.

I’ve published my notes to that effect in a [hundred-page working paper](#), and I won’t try to sum up the entire effort here. Strategy is hard work, and there are no magic shortcuts. What I offer here is a starting point:

the most basic questions that every successful business must answer. Entrepreneurs who design their business around these questions will have a leg up when it comes to crafting strategy.

To begin, you can sketch out your answers to these questions on a single index card.

Ask These Questions When Designing Your Business



What Value Are You Intending to Create, and for Whom?

Customers buy products and services because they perceive value in them. The first step toward a successful strategy is to clarify how you plan to create value, and for whom. That means defining who your customers are. That's the first blank space on the index card above: Whom are you serving? Your customers may be defined by any number of attributes — age, geography, interests, the particular scenario or use case they find themselves in, or any number of other things.

The next step is to define your value proposition, also known, among other things, as a job to be done or a problem you intend to solve. That's the second space: What are you offering? This is an area of strategy that

greatly overlaps with other fields such as design thinking, and there is endless reading and an endless numbers of frameworks and practices you can refer to. Central questions to ask include: What dimensions of a solution does your customer value — speed, cost, customizability? In what dimensions is your solution better than the competition? Where is it at parity? Where is it worse? (Remember, it is usually not possible to be better than the competition on each and every dimension.)

You can think of the value you intend to create in a marketplace as akin to a position on a game board. Your position is defined by the combination of your customer scope and your value proposition. The best imaginable position is to offer a product that is highly valued and demanded by customers and sufficiently unique as to defy duplication by competitors (more on that in a bit).

If you're not sure how to answer these first two questions, think about your customers and their preferences. What do they want more of, and what do they want less of? For example, perhaps your customers value both variety and lower prices. How do you compare with competitors along those dimensions? Perhaps your value proposition is to offer the lowest possible price, but at the expense of the variety offered by your competitors.

How Do You Plan to Deliver That Value?

In plotting your position in the market, defining how you'll create value and for whom, you also need to define your operating model. The operating model is the set of choices and practices defining how to carry out the business. This will typically imply a set of trade-offs in trying to find a combination of activities that allows you to stake out your position — delivering certain dimensions of your solution better than the competition.

This may be the most difficult of the questions listed above, since designing the operating model means sorting out choices across the entire enterprise that need to work together. A successful operating model is more than just “how you make money”; it’s a set of decisions that together create more value than each would on its own. It’s about doing things that reinforce each other, to create a whole that’s more valuable than the sum of its parts.

To get started, think about the steps in your value chain, and list any key practices that appear to distinguish your company. Then think about how those practices fit together. Where are there complementarities, where one activity is made more valuable by another? Finally, think about how these practices connect to the position you’ve sketched out. How do these complementary activities create value for your customers?

What Is Your Competitive Advantage — Your Sources of Uniqueness?

The last question on the index card is perhaps the central question of strategy: Why won’t you be copied? Even if you’re delivering a great product that customers love and making money doing it, if competitors can easily enter the market and copy you, economic theory suggests they’ll drive your profits down to zero.

There are many sources of competitive advantage, but they come in roughly two broad categories. Resource-based advantages are based in unique assets or inputs that are valuable, rare, hard to imitate, durable, and specific to your organization. Position-based advantages involve your role and the position you occupy in your industry — things like scale and incumbency or network effects and early entry. Think about the resources you have that would be hardest for competitors to copy, as

well as any advantages that your position confers. What would keep another company from replicating your operating model?

Understanding LinkedIn's Business

The questions I've outlined leave out plenty of aspects of strategy.

[\(Again, have a look at the full notes for a complete account.\)](#)

Nonetheless, they offer a starting point for understanding a business and how it plans to succeed. Consider how LinkedIn might have answered these questions: It's a multisided platform, so its index card may look more complex than most. It has one value proposition for job seekers and another for recruiters and consultants. Its operating model emphasizes free access and easy onboarding, which in turn creates scale. Scale offers a competitive advantage in the form of network effects. The more users LinkedIn has on the platform, the more valuable it is for everyone. (In my notes you can see an example where I've sketched LinkedIn's answers, along with other businesses.) The card suggests some fit between LinkedIn's activities. It has a theory of the value it will provide, how, to whom, and why its model won't be easy to copy. In other words, it has a strategy.

One big limitation of this analysis is the fact that this depiction is static: It ignores how competitors react to each other and how industries and technologies change. As you design your business, whether from the ground up as an entrepreneur or by evolving a legacy operation, you'll want to go deeper into the field of strategy, to expand your theory of how you create and capture value. But don't lose sight of the fundamental questions that underscore a business's success: offering products and services that customers want, selling them for more than they cost to deliver, and having some plausible reason for why competitors can't easily copy you if it works.

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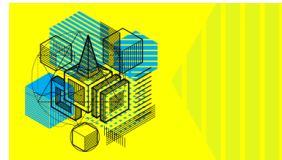


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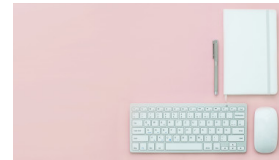
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