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Book Review

20/20 Foresight: Crafting Strategy in an Uncertain World

by Hugh Courtney, McKinsey & Company

Harvard Business School Press, 2001

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(206 Pages)

Deer. Principal defense against predators: running fast. Ability to strategize effectively against unknown threats: zero.

When faced with danger, deer instinctively do what they always do -- they run away. That doesn't cut the mustard, however, when the threat is a semi doing 50 mph on Highway 17, and they elect to bolt across the road. Where they get run over.

"What's your point?" you may be asking. Apart from insurance companies, a rather shocked driver, and the particular animal concerned, who cares?

Hugh Courtney believes we should, because such automatic behavior is not confined to the middle reaches of the animal kingdom. In his view, herds of managers in American companies seem similarly unable to deal appropriately with a world in which whatever they *think* should happen simply doesn't. This inability, he contends, is just as damaging to a business's competitive strength as being hit by a ten-ton semi is for a deer.

He has a point. Just look at the litany of dot com businesses that expired because their custodians couldn't conceive a strategy that factored in being dead wrong about the way the new economy works (or doesn't).

In *20/20 Foresight: Crafting Strategy in an Uncertain World*, Courtney sets out to provide a framework within which managers *can* analyze rationally the myriad of options available to them, even when much appears to be unknown or unknowable about the markets in which they operate.

As he himself points out, the goal of this book is to help strategists, CxOs, product managers, etc. "...think about it" -- "it" being strategy. And that constitutes a large part of the book's value. It's all too easy to avoid thinking strategically about hard things, especially if many of the variables involved seem impossible to quantify. This book takes away that excuse.

A Method for Strategic Analysis

Courtney starts by identifying four levels of uncertainty for categorizing any given environment:

- Level 1: A clear enough future
- Level 2: Alternate futures
- Level 3: A range of futures
- Level 4: True ambiguity

Just taking this first step is likely to illuminate the problem, even if you take no further action. However, categorization alone will not likely save many corporate deer; it will simply help them see a little less dimly all the possible things that are out there waiting to kill them.

The next step is to figure out whether or not you have an option to *shape* your environment or must have a strategy that *adapts* to it. The parameters for this analysis in each of the four levels are different, but interestingly, each level always seems to include *some* option to drive a market or industry to achieve the desired outcome.¹ To his credit, Courtney also recognizes that a number of other factors play a part in making those choices, not the least of which is whether your company or organization can successfully implement your chosen strategy. If you work for Red Hat, for example, you can bet that the company's not suddenly going to dump Linux and start reselling Windows because the .NET market looks appealing!

I was also pleased to see a whole chapter dedicated to another major "gotcha": timing. The bankruptcy courts are littered with companies whose epitaphs might read, "Right Move, Wrong Day/Week/Year." Again, Courtney takes a logical, step-wise approach to analyzing a situation empirically in order to estimate which strategy might provide the best ROV (return on value, a concept that embodies both time-to-market and payoff periods), and when to apply it. This he does by viewing the costs and benefits associated with any particular strategic decision in the same way one might try to value a stock. Nothing too fancy (a good thing!); just a straightforward approach that provides a baseline against which to measure and perform a sensible analysis.

Another aspect of strategy Courtney addresses is deciding whether to focus more narrowly or to increase diversification. He explores this topic solely within the limited confines of risk management, an approach that fits well with the book's intent, and again does a good job of categorization. The "focus" option is self-explanatory, but he usefully separates the "diversify" route into "classic," "hedging," and "insurance" paths. As he does throughout the book, here he effectively uses analogs from the financial world to help frame the considerations and decision making involved. (Some of his other metaphors, including "dating," are overworked and add little.)

As a closing note, Courtney rightly addresses the largest remaining roadblock: process. In order to strategize successfully in an uncertain

world, he asserts, "Managers should abandon -- or at least revise -- their traditional strategic-planning and decision-making processes." Fair enough, but the detailing of possible alternatives in the rest of the chapter is speculative (especially for Level 3 situations), lacking the real-world examples that make the earlier discussions as credible as they are.

The final section recommends toolkits that can be applied to strategy evaluation within each of the four levels of uncertainty (an Appendix provides more detail, including approaches such as game theory, decision analysis, etc.).

Strategy Pitfalls

On the down side, this volume suffers the same malaise that many business books do these days: The case studies are already out of date. Worst of all, Enron² keeps cropping up as a poster child for successfully pursuing a Level 3 shaping strategy! (That will be some comfort to their shareholders on a cold, dark night, then.) But this raises an important point that Courtney overlooks: You can have the best, most finely detailed strategy possible and *still* fail because something completely outside of the scope of your analysis comes along and hits you. Nevertheless, if your strategic focus was well targeted and aimed at the most immediate issues facing the company, then you will still be much better off than before.³

As I said above, often just categorizing the factors involved can provide valuable insight into a business problem; and *20/20 Foresight* adeptly supplies techniques for doing so. To me, the most valuable point Courtney makes is that, although companies tend to look for a single, 100 percent correct answer to strategic questions, usually there is a range of possible outcomes that should be assessed and planned for. Strategists can now do this, regardless of the degree of certainty within their operational context.

Overall, I'd give this book about a six on a scale of ten; the points off are partly because it tends to read like a textbook, which makes it hard going in places, and partly because I'd like to see some real, beginning-to-end case studies to demonstrate more effectively how to apply the techniques offered. It's definitely worth a read, though, if your daily business toil requires you to make any kind of strategic decision. After all, no one was ever the poorer for being better prepared!

-John Lambert

Vice President and General Manager
Rational Developer Solutions

Notes

¹ Rational has done this effectively in the past; the best-known example is the Unified Modeling Language strategy we adopted to shape the modeling market.

² Enron recently achieved the dubious honour of filing the largest-ever US

bankruptcy.

3 If deer could reliably avoid crowded highways, then the fact that a few might still get flattened by, say, a falling tree, wouldn't diminish the value of saving the thousands that now get run over annually.



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