

## PD's View of Developmental Directions

### o (4) Strategy—The New Certainties

- s Every organization operates on a Theory of the Business, that is, a set of assumptions as to what its business is, what its objectives are, how it defines results, who its customers are, what the customers value and pay for.
- s Strategy converts this Theory of the Business into performance.
- s Its purpose is to enable an organization to achieve its desired results in an unpredictable environment.
- s Are there any assumptions on which to base the strategies of an organization and especially of a business?
- s Are there any certainties?
- s There are indeed FIVE phenomena that can be considered certainties.
  - i They are, however, different from anything present strategies consider.
  - i Above all, they are not, essentially, economic.
  - i They are primarily social and political.
- s These five certainties are:
  - i 1. The Collapsing Birthrate in the Developed World.
    - H Above all, any strategy, that is, any commitment of present resources to future expectations—and this, to repeat, is what a strategy means has to start out with demographics and, above all, with the collapsing birthrate in the developed world.
    - H Of all developments, it is the most spectacular, the most unexpected and one that has no precedent whatever.
  - i 2. Shifts in the Distribution of Disposable Income.
    - H Shifts in the shares of disposable income are just as important as shifts in population, but usually even less attention is paid to them.
    - H And they are likely—indeed all but certain—to be as dramatic as the demographic changes during the first decades of the 21st century.
    - H And within the first decades of the 21st century there will be both changes in the trends and changes within the trend.
  - i 3. Defining Performance.

- H We will have to learn to establish new definitions of what “performance” means in a given enterprise, and especially in the large, publicly owned enterprise.
  - r We will have to learn how to balance short-term results—which is what the present emphasis on “shareholder value” amounts to with the long-range prosperity and survival of the enterprise.
- H We will therefore have to learn to develop new concepts of what “performance” means in an enterprise.
  - r We will have to develop new measurements and so on.
- i 4. Global Competitiveness.
  - H Performance below the world’s highest standards stunts, even if the costs are very low and even if government subsidies are very high.
  - H Any institution—and not just businesses—has to measure itself against the standards set by each industry’s leaders anyplace in the world.
- i 5. The Growing Incongruence Between Economic Globalization and Political Splintering.
- s Conclusion
  - i The realities discussed in this chapter do not tell an institution what to do, let alone how to do it.
  - i They raise the questions to which strategy has to find the answers for the individual institution.
  - i And there are questions that strategy so far has rarely, if ever, considered.
  - i But unless an institution starts out by considering these new realities, it will not have a strategy.
  - i It will not be prepared for the challenges that the next few years, if not the next few decades, are certain to raise.
  - i Unless these challenges can be met successfully, no enterprise can expect to succeed, let alone to prosper, in a period of turbulence, of structural change and of economic, social, political and technological transformation.