(4) **Strategy—The New Certainties**

- 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.
- Strategy converts this Theory of the Business into performance.
- Its purpose is to enable an organization to achieve its desired results in an unpredictable environment.
- Are there any assumptions on which to base the strategies of an organization and especially of a business?
- Are there any certainties?
- There are indeed FIVE phenomena that can be considered certainties.
  - They are, however, different from anything present strategies consider.
  - Above all, they are not, essentially, economic.
  - They are primarily social and political.
- These five certainties are:
  1. **The Collapsing Birthrate in the Developed World.**
     - 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.
  2. **Shifts in the Distribution of Disposable Income.**
     - Shifts in the shares of disposable income are just as important as shifts in population, but usually even less attention is paid to them.
     - And they are likely—indeed all but certain—to be as dramatic as the demographic changes during the first decades of the 21st century.
  3. **Defining Performance.**
     - 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.
  4. **Global Competitiveness.**
     - Performance below the world’s highest standards stunts, even if the costs are very low and even if government subsidies are very high.
     - Any institution—and not just businesses—has to measure itself against the standards set by each industry’s leaders anyplace in the world.
  5. **The Growing Incongruence Between Economic Globalization and Political Splintering.**

**Conclusion**

- The realities discussed in this chapter do not tell an institution what to do, let alone how to do it.
- They raise the questions to which strategy has to find the answers for the individual institution.
- And there are questions that strategy so far has rarely, if ever, considered.
- But unless an institution starts out by considering these new realities, it will not have a strategy.
- It will not be prepared for the challenges that the next few years, if not the next few decades, are certain to raise.
- 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.