

I

INTRODUCTION

1 The Concept of Strategy

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Strategy is the great work of the organization. In situations of life or death, it is the Tao of survival or extinction. Its study cannot be neglected.

—SUN TZU, *THE ART OF WAR*

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Introduction and Objectives

Strategy is about winning. This chapter explains what strategy is and why it is important to success—both for organizations and individuals. We will distinguish strategy from planning. Strategy is not a detailed plan or program of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organization.

The principal task of this chapter will be to introduce the basic framework for strategy analysis that underlies this book. I will introduce the two basic components of strategy analysis: analysis of the external environment of the firm (mainly industry analysis) and the analysis of the internal environment (primarily analysis of the firm's resources and capabilities).

By the time you have completed this chapter, you will be able to:

- ◆ appreciate the contribution that strategy can make to successful performance, both for individuals and for organizations;
- ◆ recognize the key characteristics of an effective strategy;
- ◆ comprehend the basic framework of strategy analysis that underlies this book;
- ◆ become familiar with the major trends in the development of business strategy during recent decades;
- ◆ understand how strategy is made within organizations and the role played by strategic planning systems.

Since the purpose of strategy is to help us to win, we start by looking at the role of strategy in success.

The Role of Strategy in Success

Strategy Capsules 1.1, 1.2, and 1.3 outline examples of success in three very different arenas: Madonna in popular entertainment, General Giap and the North Vietnamese armed forces in warfare, and Lance Armstrong in cycling. Can the success of these diverse individuals and the organizations they led be attributed to any common factors?

STRATEGY CAPSULE 1.1

Madonna

The fifty-first birthday of Madonna Louise Veronica Ciccone on August 16, 2009 offered no respite from her hectic work schedule. The day before she had performed the 71st concert in her *Sweet and Sticky* world tour; a tour that would gross over \$400 million. For yet another year it seemed unlikely that Madonna would be displaced in the *Guinness Book of Records* as the world's top-earning female entertainer and most successful female recording artist of all time.

In the summer of 1978, aged 19, Madonna arrived in New York with \$35 to her name. After five years of struggle, she landed a recording contract. *Madonna* (1983) ultimately sold 10 million copies worldwide, while *Like a Virgin* (1984) topped 12 million copies. Between 1985 and 1990, six further albums, three world tours, and five movie roles had established Madonna with an image and persona that transcended any single field of entertainment: she was rock singer, actor, author, and pinup. Yet, she was more than this—as her website proclaims, she is “icon, artist, provocateur, diva, and mogul.” She has also made a great deal of money.

What is the basis of Madonna's incredible and lasting success? Certainly not outstanding natural talent. As a vocalist, musician, dancer, songwriter, or actress, Madonna's talents seem

modest. Few would regard her as an outstanding beauty.

She possesses relentless drive. Her wide range of activities—records, concerts, music videos, movies, books, and charity events—are unified by her dedication to a single goal: the quest for superstar status. “Even as a little girl, I knew I wanted the whole world to know who I was.” She is widely regarded as a workaholic who survives on little sleep and rarely takes vacations: “I am a very disciplined person. I sleep a certain number of hours each night, then I like to get up and get on with it. All that means that I am in charge of everything that comes out.”

She has drawn heavily on the talents of others: writers, musicians, choreographers, and designers. Many of her personal relationships have been stepping stones to career transitions. Her transition from dance to music was assisted by relationships, first, with musician Steve Bray, then with disc jockey John Benitex. Her entry into Hollywood was accompanied by marriage to Sean Penn and an affair with Warren Beatty. Most striking has been continuous reinvention of her image. From the street-kid look of the early 1980s, to the hard-core sexuality of the 90s, to the Madonna-with-children spirituality of the past decade, her fans have been treated to

multiple reincarnations. As Jeff Katzenberg of Dreamworks observed: “She has always had a vision of exactly who she is, whether performer or businesswoman, and she has been strong enough to balance it all. Every time she comes up with a new look it is successful. When it happens once, OK, maybe it’s luck, but twice is a coincidence, and three times it’s got to be a remarkable talent. And Madonna’s on her fifth or sixth time.”

She was quick to learn the ropes both in Tin Pan Alley and in Hollywood. Like *Evita* Perón, whom Madonna portrayed in *Evita*, Madonna has combined determination, ambition, social

acumen, and mastery of the strategic use of sex. As a self-publicist she is without equal, using nudity, pornography, bisexuality, spirituality and philanthropy as publicity tools. She is also astute at walking the fine line between the shocking and the unacceptable. Through Maverick Inc., a joint venture with Time Warner, she has been able to control her own creative output and also manage and develop younger entertainers and musicians. Her 2007, \$120 million contract with Live Nation revealed her understanding of the shifting of economic power from recorded music to live performances.

STRATEGY CAPSULE 1.2

General Giap and the Vietnam Wars, 1948–75

As far as logistics and tactics were concerned, we succeeded in everything we set out to do. At the height of the war the army was able to move almost a million soldiers a year in and out of Vietnam, feed them, clothe them, house them, supply them with arms and ammunition and generally sustain them better than any army had ever been sustained in the field . . . On the battlefield itself, the army was unbeatable. In engagement after engagement the forces of the Vietcong and the North Vietnamese Army were thrown back with terrible losses. Yet, in the end, it was North Vietnam, not the United States that emerged victorious. How could we have succeeded so well yet failed so miserably?

Despite having the largest army in Southeast Asia, North Vietnam was no match for South

Vietnam so long as the south was backed by the world’s most powerful military and industrial nation. South Vietnam and its U.S. ally were defeated not by superior resources but by a superior strategy. North Vietnam achieved what Sun Tzu claimed was the highest form of victory: the enemy gave up.

The master of North Vietnam’s military strategy was General Vo Nguyen Giap. In 1944, Giap became head of the Vietminh guerrilla forces. He was commander-in-chief of the North Vietnamese Army until 1974 and Minister of Defense until 1980. Giap’s strategy was based on Mao Tse Tung’s three-phase theory of revolutionary war: first, passive resistance to mobilize political support; second, guerrilla warfare aimed at weakening the enemy and building military strength; finally, general counteroffensive. In 1954, Giap’s brilliant victory over the French at Dien Bien Phu fully vindicated

the strategy. Against the U.S., the approach was similar.

Our strategy was . . . to wage a long-lasting battle . . . Only a long-term war could enable us to utilize to the maximum our political trump cards, to overcome our material handicap, and to transform our weakness into strength. To maintain and increase our forces was the principle to which we adhered, contenting ourselves with attacking when success was certain, refusing to give battle likely to incur losses.

The strategy built on the one resource where the communists had overwhelming superiority: their will to fight. As Prime Minister Pham Van Dong explained: “The United States is the most powerful nation on earth. But Americans do not like long, inconclusive wars . . . We can outlast them and we can win in the end.” Limited military engagement and the charade of the Paris peace talks helped the North Vietnamese prolong the conflict, while diplomatic efforts to isolate the U.S. from its Western allies and to

sustain the U.S. peace movement accelerated the crumbling of American will.

The effectiveness of the U.S. military response was limited by two key uncertainties: what the objectives were and who the enemy was. Was the U.S. role one of supporting the South Vietnamese regime, fighting Vietcong terrorism, inflicting a military defeat on North Vietnam, conducting a proxy war against the Soviet Union, or combating world communism? The consistency and strength of North Vietnam’s strategy allowed it to survive errors in implementation. Giap was premature in launching his general offensive. Both the 1968 Tet Offensive and 1972 Easter Offensive were beaten back with heavy losses. By 1974, U.S. resistance had been sapped by the Watergate scandal. On April 29, 1975, Operation Frequent Wind began evacuating all remaining Americans from South Vietnam, and the next morning North Vietnamese troops entered the Presidential Palace in Saigon.

Sources: Col. Harry G. Summers Jr., *On Strategy* (Novato, CA: Presidio Press, 1982): 1; Vo Nguyen Giap, *Selected Writings* (Hanoi: Foreign Language Publishing House, 1977); J. Cameron, *Here Is Your Enemy* (New York: Holt, Rinehart, Winston, 1966).

STRATEGY CAPSULE 1.3

Lance Armstrong and the Tour de France

On July 24, 2005, Lance Armstrong became the first person to win the Tour de France seven times. His achievement was all the more remarkable for the fact that he had recovered from testicular cancer that had spread to his lungs and brain.

Even without cancer, Lance Armstrong was not an obvious candidate for title of the

greatest cyclist ever. Despite certain natural advantages—notably a heart 30% larger than normal with an abnormally slow beat rate (32 times per minute while at rest)—Armstrong’s aerobic rate was less than that of cycling greats such as Miguel Indurain and Greg LeMond. For most of his career, Armstrong was not the world’s pre-eminent cyclist. He won the world

championship just once (1993) and his Olympic best was a bronze medal in the 2000 Sydney games.

Armstrong's seven-year dominance of the Tour de France resulted from a combination of factors, not least of which was his single-minded focus, not just on cycling, but on a single race: between his seven Tour de France victories, Armstrong won only five other races.

Armstrong raised planning for the Tour to new levels of sophistication: with meticulous attention to training, diet and calorific intake and expenditure. His all-round abilities as a cyclist, mental resilience, and mastery of bluff and psychological warfare were well suited to the requirements of the Tour. His feigning exhaustion at critical junctures before devastating his rivals with a powerful breakaway has been deemed "worthy of a Hollywood Oscar." However, it was in team planning and coordination where the major differences between Armstrong and his competitors were most evident.

The principal prize in the Tour de France is for the individual who achieves the fastest overall time, but cyclists compete within teams. Team coordination and the willingness of the other team members (*domestiques*) to sacrifice themselves for the leader is critical to individual success. Armstrong's U.S. Postal Service team (which became the Discovery Channel team for the 2005 Tour) was remarkable not just for the quality of other team members but for the willingness of these world-class cyclists to serve their leader. Olympic gold medal winner Viatcheslav Ekimov—"The Russian Power House"—was critical to pulling Armstrong

through the flatter stages of the Tour. Roberto Heras and Jose Asevedo defended Armstrong in the mountains—shielding him from the wind and supporting him during breakaways. George Hinkapie rode in all seven of Armstrong's Tour victories as a versatile all-rounder. Why did the team show a unique degree of loyalty to their team leader? Part was Armstrong's infectious commitment; part was his willingness to pay bonuses out of his own pocket to other riders, but also important was reciprocity—while team members gave total support to Armstrong on the Tour de France, in other competitions the roles were reversed and Armstrong served as a *domestique* to other team members.

The team's master planner was director, Johan Bruyneel, whose unrivaled knowledge of the Tour spanned sports physiology, game theory, psychology, and tactics. As well as team selection, role assignment, and discipline, Bruyneel managed a network of secret agreements with other teams. In return for financial support, other teams agreed to support Armstrong should he find himself split from his own team members. Bruyneel gave particular attention to team dynamics: fostering loyalty, camaraderie discussion, and shared emotions to overcome the notorious individualism of professional cyclists.

Armstrong's decision to come out of retirement electrified the 2009 Tour. In the Astana team, Armstrong rejoined Bruyneel and other former USPS/Discovery riders—but with one difference: Alberto Contador was team leader, not Armstrong. Contrador duly won the 2009 Tour de France; Lance Armstrong in third place.

For none of these three examples can success be attributed to overwhelmingly superior resources:

- Madonna possesses vitality, intelligence and magnetism, but lacks outstanding talents as a vocalist, musician or actress.

- The military, human, and economic resources of the Vietnamese communists were dwarfed by those of the U.S. and South Vietnam. Yet, with the U.S. evacuation from Saigon in 1975, the world's most powerful nation was humiliated by one of the world's poorest.
- Lance Armstrong possessed a powerful combination of physical and psychological attributes. Yet these endowments were not markedly superior to other top-class cyclists—especially after Armstrong's near-death encounter with cancer.

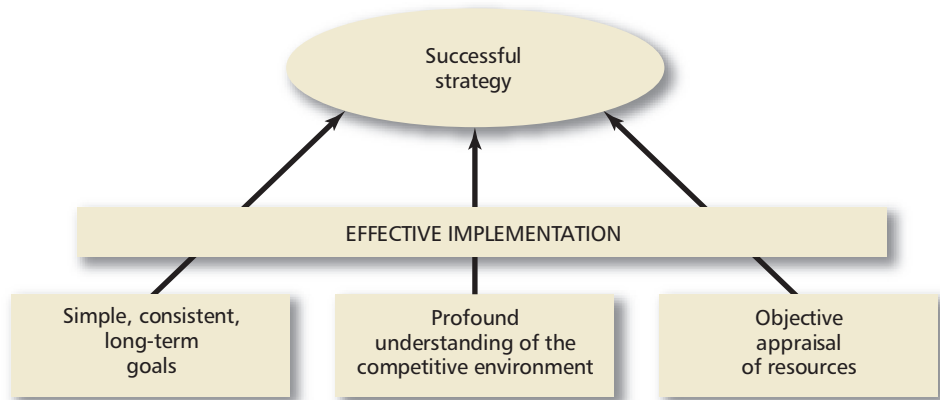
Nor can their success be attributed either exclusively or primarily to luck. For all three, lucky breaks provided opportunities at critical junctures. None, however, was the beneficiary of a consistent run of good fortune. More important than luck was the ability to recognize opportunities when they appeared and to have the clarity of direction and the flexibility necessary to exploit these chances.

My contention is that the key common ingredient in all three success stories was the presence of a soundly formulated and effectively implemented *strategy*. These strategies did not exist as a plan; in most the strategy was not even made explicit. Yet, in all three, we can observe a consistency of direction based on a clear understanding of the “game” being played and a keen awareness of how to maneuver into a position of advantage.

- Underpinning Madonna's many years as a superstar has been a strategy built on dedication, opportunism, reinvention of herself and a well-coordinated multimarket presence.
- The victory of the Vietnamese communist forces over the French and then the Americans is a classic example of how a sound strategy pursued with total commitment over a long period can succeed against vastly superior resources. The key was Giap's strategy of a protracted war of limited engagement. With the U.S. constrained by domestic and international opinion from unleashing its full military might, the strategy was unbeatable once it began to sap the willingness of the U.S. government to persevere with a costly, unpopular foreign war.
- Lance Armstrong's domination of the Tour de France from 1999 to 2005 was because he and his team did the most effective job of analyzing the requirements for success in the race, developing a strategy around those requirements and executing it almost faultlessly.

We can go further. What do these examples tell us about the characteristics of a strategy that are conducive to success? In all three stories, four common factors stand out (see Figure 1.1):

- 1 *Goals that are simple, consistent, and long term.* All three individuals displayed a single-minded commitment to a clearly recognized goal that was pursued steadfastly over a substantial part of their lifetime.
 - Madonna's career featured a relentless drive for stardom in which other dimensions of her life were absorbed within her career.
 - North Vietnamese efforts were unified and focused on the ultimate goal of reuniting Vietnam under communist rule and expelling a foreign army

FIGURE 1.1 Common elements in successful strategies

from Vietnamese soil. By contrast, U.S. efforts in Vietnam were bedeviled by confused objectives.

- On his return to professional cycling in 1998, Lance Armstrong committed to a single goal: winning the Tour de France.
- 2 *Profound understanding of the competitive environment.* All three individuals designed their strategies around a deep and insightful appreciation of the arena in which they were competing.
 - Fundamental to Madonna’s continuing success has been a shrewd understanding of the ingredients of stardom and the basis of popular appeal. This extends from the basic marketing principle that “sex sells” to recognition of the need to manage gatekeepers of the critical media distribution channels. Her periodic reincarnations reflect an acute awareness of changing attitudes, styles, and social norms.
 - Giap understood his enemy and the battlefield conditions where he would engage them. Most important was appreciation of the political predicament of U.S. presidents in their need for popular support in waging a foreign war.
 - Lance Armstrong and team director Johan Bruyneel took analysis of the requirements for success in the Tour de France to unprecedented levels of detail and sophistication.
 - 3 *Objective appraisal of resources.* All three strategies were effective in exploiting internal strengths, while protecting areas of weakness.
 - By positioning herself as a “star,” Madonna exploited her abilities to develop and project her image, to self-promote and to exploit emerging trends while avoiding being judged simply as a rock singer or an actress. Her live performances rely heavily on a large team of highly qualified dancers, musicians, vocalists, choreographers and technicians, thus compensating for any weaknesses in her own performing capabilities.
 - Giap’s strategy was carefully designed to protect against his army’s deficiencies in arms and equipment while exploiting the commitment and loyalty of his troops.

- Armstrong’s campaign to win the Tour de France was based on two key strengths: unmatched determination to win and superior team-building capability.
- 4 *Effective implementation.* Without effective implementation, the best-laid strategies are of little use. Critical to the success of Madonna, Giap, and Armstrong was their effectiveness as leaders in terms of their capacity to reach decisions, energy in implementing them, and ability to foster loyalty and commitment among subordinates. All three built organizations that allowed effective marshaling of resources and capabilities and quick responses to changes in the competitive environment.

These observations about the role of strategy in success can be made in relation to most fields of human endeavor. Whether we look at warfare, chess, politics, sport, or business, the success of individuals and organizations is seldom the outcome of a purely random process. Nor is superiority in initial endowments of skills and resources typically the determining factor. Strategies that build on the basic four elements almost always play an influential role.

Look at the “high achievers” in any competitive area. Whether we review the world’s political leaders, the CEOs of the Fortune 500, or our own circles of friends and acquaintances, those who have achieved outstanding success in their careers are seldom those who possessed the greatest innate abilities. Success has gone to those who managed their careers most effectively—typically by combining the four strategic factors mentioned above. They are goal focused; their career goals have taken primacy over the multitude of life’s other goals—friendship, love, leisure, knowledge, spiritual fulfillment—which the majority of us spend most of our lives juggling and reconciling. They know the environments within which they play and tend to be fast learners in terms of understanding the keys to advancement. They know themselves in terms of both strengths and weaknesses, and they implement their career strategies with commitment, consistency and determination. As the late Peter Drucker observed: “we must learn how to be the CEO of our own careers.”⁴

There is a downside, however. Focus on a single goal may lead to outstanding success, but may be matched by dismal failure in other areas of life. Many people who have reached the pinnacles of their careers have led lives scarred by poor relationships with friends and families and stunted personal development. These include Howard Hughes and Jean Paul Getty in business, Richard Nixon and Joseph Stalin in politics, Marilyn Monroe and Elvis Presley in entertainment, Joe Louis and O. J. Simpson in sport, and Bobby Fischer in chess. Fulfillment in our personal lives is likely to require broad-based lifetime strategies.⁵

These same ingredients of successful strategies—clear goals, understanding the competitive environment, resource appraisal and effective implementation—form the key components of our analysis of business strategy.

The Basic Framework for Strategy Analysis

Figure 1.2 shows the basic framework for strategy analysis that we shall use throughout the book. The four elements of a successful strategy shown in Figure 1.1 are recast into two groups—the firm and the industry environment—with strategy forming a link between the two. The firm embodies three sets of these elements:

FIGURE 1.2 The basic framework: strategy as a link between the firm and its environment



goals and values (“simple, consistent, long-term goals”), resources and capabilities (“objective appraisal of resources”), and structure and systems (“effective implementation”). The industry environment (“profound understanding of the competitive environment”) is defined by the firm’s relationships with customers, competitors and suppliers.

This view of strategy as a link between the firm and its industry environment has close similarities with the widely used, but inferior, SWOT Framework (see strategy capsule 1.4).

The task of business strategy, then, is to determine how the firm will deploy its resources within its environment and so satisfy its long-term goals, and how to organize itself to implement that strategy.

STRATEGY CAPSULE 1.4

What’s Wrong with SWOT?

Distinguishing between the external and the internal environment of the firm is common to most approaches to strategy analysis. The best known and most widely used of these approaches is the “SWOT” framework, which classifies the various influences on a firm’s strategy into four categories: Strengths, Weaknesses, Opportunities, and Threats. The first two—strengths and weaknesses—relate to the internal environment; the last two—opportunities and threats—relate to the external environment.

Which is better, a two-way distinction between internal and external influences or the four-way SWOT taxonomy? The key issue is

whether it is sensible and worthwhile to classify internal factors into strengths and weaknesses and external factors into opportunities and threats. In practice, such distinctions are difficult:

- Is Steve Jobs a strength or a weakness for Apple? As both founder and reincarnator of Apple, few major companies owe so much to a single person. Yet, having suffered pancreatic cancer and the subject of continuing health concerns, Jobs is also a critical source of vulnerability for Apple.
- Is global warming a threat or an opportunity to the world’s automobile

producers? Global warming may encourage governments to raise taxes on motor fuels and support public transport, thereby threatening the demand for private motoring. At the same time, these circumstances create an opportunity for developing new, fuel-efficient cars that may encourage consumers to scrap their gas-guzzlers.

The lesson here is that an arbitrary classification of external factors into opportunities and

threats, and internal factors into strengths and weaknesses, is less important than a careful identification of these external and internal factors followed by an appraisal of their implications. My approach to strategy analysis favors a simple two-way classification of *internal* and *external* factors. What will characterize our strategic appraisal will be the rigor and depth of our analysis of these factors, rather than a superficial categorization into strengths or weaknesses, and opportunities or threats.

Strategic Fit

Fundamental to this view of strategy as a link between the firm and its external environment is the notion of *strategic fit*. For a strategy to be successful, it must be consistent with the firm's external environment, and with its internal environment—its goals and values, resources and capabilities, and structure and systems. As we shall see, the failure of many companies is caused by lack of consistency with either the internal or external environment. General Motors' long-term decline is a consequence of a strategy that has failed to break away from its long-established ideas about multibrand market segmentation and adapt to the changing market for automobiles. In other cases, many companies have failed to align their strategies to their internal resources and capabilities. A critical issue for Nintendo in the coming years will be whether it possesses the financial and technological resources to continue to compete head-to-head with Sony and Microsoft in the market for video game consoles.

As you will discover, the notion of *strategic fit* extends beyond the simple notion that strategy must fit with the external and the internal environment of the firm. The principles of strategic fit extend to organizational design—what is called *contingency theory* (see Chapter 7) and the view of the firm as a system of interlinked activities (see the discussion of *contextuality* in Chapter 8 and *complementarity* in Chapter 11).

A Brief History of Business Strategy

Origins and Military Antecedents

Enterprises need business strategies for much the same reasons that armies need military strategies—to give direction and purpose, to deploy resources in the most effective manner and to coordinate the decisions made by different individuals. Many of the concepts and theories of business strategy have their antecedents in military strategy. The term *strategy* derives from the Greek word *strategia*, meaning

“generalship.” However, the concept of strategy did not originate with the Greeks. Sun Tzu’s classic *The Art of War*, written circa 500 BC, is regarded as the first treatise on strategy.⁶

Military strategy and business strategy share a number of common concepts and principles, the most basic being the distinction between strategy and tactics. *Strategy* is the overall plan for deploying resources to establish a favorable position; a *tactic* is a scheme for a specific action. Whereas tactics are concerned with the maneuvers necessary to win battles, strategy is concerned with winning the war. Strategic decisions, whether in military or business spheres, share three common characteristics:

- they are important
- they involve a significant commitment of resources
- they are not easily reversible.

Many of the principles of military strategy have been applied to business situations. These include the relative strengths of offensive and defensive strategies; the merits of outflanking over frontal assault; the roles of graduated responses to aggressive initiatives; the benefits of surprise and the potential for deception, envelopment, escalation and attrition.⁷ At the same time, the differences between business competition and military conflict must be recognized. The objective of war is (usually) to defeat the enemy. The purpose of business rivalry is seldom so aggressive: most business enterprises limit their competitive ambitions, seeking coexistence rather than the destruction of competitors.

The tendency for the principles of military and business strategy to develop along separate paths indicates the absence of a general theory of strategy. The publication of Von Neumann and Morgenstern’s *Theory of Games* in 1944 gave rise to the hope that a general theory of competitive behavior would emerge. During the subsequent six decades, game theory has revolutionized the study of competitive interaction, not just in business but in politics, military conflict and international relations as well. Yet, as we shall see in Chapter 4, game theory has achieved only limited success as a practical and broadly applicable general theory of strategy.⁸

From Corporate Planning to Strategic Management

The evolution of business strategy has been driven more by the practical needs of business than by the development of theory. During the 1950s and 1960s, senior executives were experiencing increasing difficulty in coordinating decisions and maintaining control in companies that were growing in size and complexity. Financial budgeting, in the form of annual financial planning and investment appraisal provided short-term control and project selection but did little to guide the long-term development of the firm. Corporate planning (also known as *long-term planning*) was developed during the late 1950s to serve this purpose. Macroeconomic forecasts provided the foundation for the new corporate planning. The typical format was a five-year corporate planning document that set goals and objectives, forecasted key economic trends (including market demand, the company’s market share, revenue, costs and margins), established priorities for different products and business areas of the firm, and allocated capital expenditures. The diffusion of corporate planning was accelerated by a flood of articles and books

addressing this new science.⁹ The new techniques of corporate planning proved particularly useful for developing and guiding the diversification strategies that many large companies were pursuing during the 1960s. By the mid-1960s, most large U.S. and European companies had set up corporate planning departments. Strategy Capsule 1.5 provides an example of such formalized corporate planning.

STRATEGY CAPSULE 1.5

Corporate Planning in a Large U.S. Steel Company, 1965

The first step in developing long-range plans was to forecast the product demand for future years. After calculating the tonnage needed in each sales district to provide the “target” fraction of the total forecast demand, the optimal production level for each area was determined. A computer program that incorporated the projected demand, existing production capacity, freight costs etc., was used for this purpose.

When the optimum production rate in each area was found, the additional facilities needed to produce the desired tonnage were specified. Then the capital costs for the necessary equipment, buildings, and layout were estimated by the Chief

Engineer of the corporation and various district engineers. Alternative plans for achieving company goals were also developed for some areas, and investment proposals were formulated after considering the amount of available capital and the company debt policy. The Vice President who was responsible for long-range planning recommended certain plans to the President and, after the top executives and the Board of Directors reviewed alternative plans, they made the necessary decisions about future activities.

Source: Harold W. Henry, *Long Range Planning Processes in Forty-five Industrial Companies* (Englewood Cliffs, NJ: Prentice-Hall, 1967): 65.

During the 1970s and early 1980s, confidence in corporate planning and infatuation with scientific approaches to management were severely shaken. Not only did diversification fail to deliver the anticipated synergies but the oil shocks of 1974 and 1979 ushered in a new era of macroeconomic instability, combined with increased international competition from resurgent Japanese, European, and Southeast Asian firms. Faced with a more turbulent business environment, firms could no longer plan their investments, new product introductions and personnel requirements three to five years ahead, simply because they couldn’t forecast that far into the future.

The result was a shift in emphasis from *planning* to *strategy making*, where the focus was less on the detailed management of companies’ growth paths than on positioning the company in markets and in relation to competitors in order to maximize the potential for profit. This transition from *corporate planning* to what became termed *strategic management* was associated with increasing focus on competition as the central characteristic of the business environment and competitive advantage as the primary goal of strategy.

This emphasis on strategy as a quest for performance directed attention to the sources of profitability. During the late 1970s and into the 1980s, attention focused on sources of profit within the industry environment. Michael Porter of Harvard Business School pioneered the application of industrial organization economics to analyzing industry profitability.¹⁰ Other studies focused on how profits were

distributed between the different firms in an industry—in particular the impact of market share and experience upon costs and profits.¹¹ These two lines of inquiry—into interindustry and interfirm differences in profitability—were combined in the Strategic Planning Institute’s PIMS (Profit Impact of Market Strategy) project.¹²

During the 1990s, the focus of strategy analysis shifted from the sources of profit in the external environment to the sources of profit within the firm. Increasingly the resources and capabilities of the firm became regarded as the main source of competitive advantage and the primary basis for formulating strategy.¹³ This emphasis on what has been called the *resource-based view of the firm* represented a substantial shift in thinking about strategy. Rather than firms pursuing similar strategies, as in seeking attractive markets and favorable competitive positions, emphasis on internal resources and capabilities has encouraged firms to identify how they are different from their competitors and design strategies that exploit these differences. Michael Porter’s answer to the question “What is strategy?” emphasized that: “Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.”¹⁴

During the first decade of the twenty-first century, the principles and practice of strategy have been molded by the uniquely challenging circumstances of a new era. Technology has been a particularly potent force.¹⁵ The beginning of the decade saw the bursting of the TMT (technology, media, telecommunications) bubble and the realization that the “new knowledge economy” and internet-based business models did not require a rewriting of the principles of strategy. Nevertheless, technology continues to reshape industries: digital technologies are associated with standards wars,¹⁶ the emergence of “winner-take-all” markets,¹⁷ and the potential for strategic innovation as firms seek the “blue oceans” of uncontested market space.¹⁸

In the face of continuous change and relentless competition, strategy becomes less about building positions of sustained competitive advantage and more about developing the responsiveness and flexibility to create successive temporary advantages. Reconfiguring resources and capabilities to achieve such responsiveness typically requires firms to collaborate within networks of strategic alliances.

The continuing traumas of the twenty-first century, including the recession of 2008–9, are encouraging new thinking about the purpose of business. Disillusion with “shareholder value capitalism” has been accompanied by renewed interest in corporate social responsibility, ethics, sustainability of the natural environment and the role of social legitimacy in long-term corporate success.

Figure 1.3 summarizes the main developments in strategic management over the past 60 years.

Strategic Management Today

What Is Strategy?

In its broadest sense, strategy is the means by which individuals or organizations achieve their objectives. Table 1.1 presents a number of definitions of the term strategy. Common to definitions of business strategy is the notion that strategy is focused on achieving certain *goals*; that the critical actions that make up a strategy involve *allocation of resources*; and that strategy implies some *consistency, integration, or cohesiveness* of decisions and actions.

FIGURE 1.3 Evolution of strategic management: dominant themes

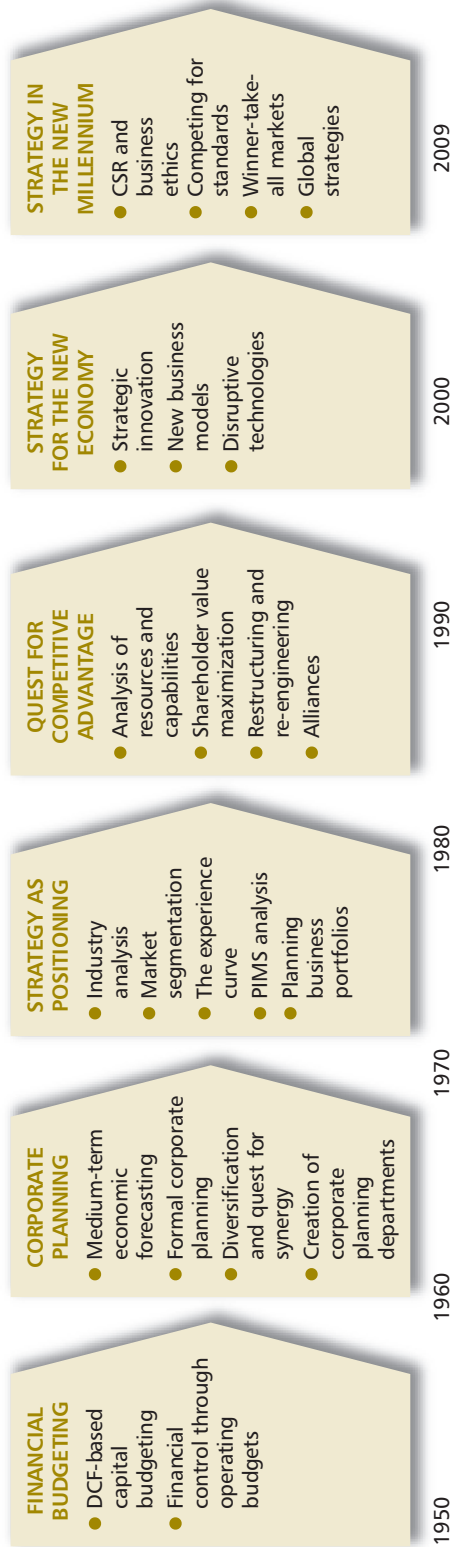


TABLE 1.1 Some definitions of strategy

-
- Strategy: a plan, method, or series of actions designed to achieve a specific goal or effect.
—*Wordsmyth Dictionary*
 - The determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.
—Alfred Chandler, *Strategy and Structure* (Cambridge, MA: MIT Press, 1962)
 - Strategy is the pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.
—Kenneth Andrews, *The Concept of Corporate Strategy* (Homewood, IL: Irwin, 1971)
 - Lost Boy: “Injuns! Let’s go get ‘em!”
John Darling: “Hold on a minute. First we must have a strategy.”
Lost Boy: “Uhh? What’s a *strategy*?”
John Darling: “It’s, er . . . it’s a plan of attack.”
—Walt Disney’s *Peter Pan*
-

Yet, as we have seen, the conception of firm strategy has changed greatly over the past half century. As the business environment has become more unstable and unpredictable, so strategy has become less concerned with detailed plans and more about the quest for success. This is consistent with the starting point to the chapter. If we think back to our three introductory examples—Madonna, General Giap and Lance Armstrong—none wrote detailed strategic plans but all possessed clear ideas of what they wanted to achieve and how they would achieve it. This shift in emphasis from strategy as plan to strategy as direction does not imply any downgrading of the role of strategy. Certainly, in a turbulent environment, strategy must embrace flexibility and responsiveness. But it is precisely in these conditions that strategy becomes more, rather than less, important. When the firm is buffeted by unforeseen threats and where new opportunities are constantly appearing, then strategy becomes a vital tool to navigate the firm through stormy seas.

In an environment of uncertainty and change, a clear sense of direction is essential to the pursuit of objectives. As Michael Porter has emphasized, strategy is not about doing things better—this is the concern of operational effectiveness—strategy is about doing things *differently*; hence, the essence of strategy is *making choices*.¹⁹

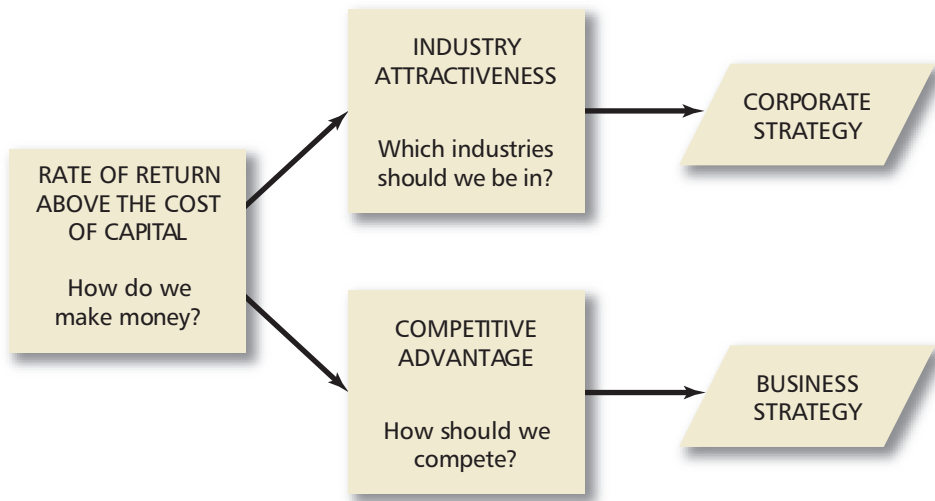
Strategic choices can be distilled to two basic questions:

- *Where* to compete?
- *How* to compete?

The answers to these questions also define the major areas of a firm’s strategy: *corporate strategy* and *business strategy*.

Corporate and Business Strategy

If we start from basics, the purpose of strategy is to achieve certain goals. For the firm, the basic goal is to survive and prosper. Survival, over the long term, requires

FIGURE 1.4 The sources of superior profitability

that the firm earns a rate of return on its capital that exceeds its cost of capital. There are two possible ways of achieving this. First, the firm may locate within an industry where overall rates of return are attractive. Second, the firm may attain a position of advantage vis-à-vis its competitors within an industry, allowing it to earn a return in excess of the industry average (see Figure 1.4).

These two sources of superior performance define the two basic levels of strategy within an enterprise:

- *Corporate strategy* defines the scope of the firm in terms of the industries and markets in which it competes. Corporate strategy decisions include choice over in diversification, vertical integration, acquisitions and new ventures; and the allocation of resources between the different businesses of the firm.
- *Business strategy* is concerned with how the firm competes within a particular industry or market. If the firm is to prosper within an industry, it must establish a competitive advantage over its rivals. Hence, this area of strategy is also referred to as *competitive strategy*.

This distinction may be expressed in even simpler terms. The basic question facing the firm is: “How do we make money?” The answer to this question corresponds to the two basic strategic choices we identified above: “Where to compete?” (“In which industries and markets should we be?”) and “How should we compete?”

The distinction between corporate strategy and business strategy corresponds to the organization structure of most large companies. Corporate strategy is the responsibility of the top management team and the corporate strategy staff. Business strategy is primarily the responsibility of divisional management.

As an integrated approach to firm strategy, this book deals with both business and corporate strategy. However, my primary emphasis will be business strategy. This is because the critical requirement for a company’s success is its ability to establish

competitive advantage. Hence, issues of business strategy precede those of corporate strategy. At the same time, these two dimensions of strategy are intertwined: the scope of a firm's business has implications for the sources of competitive advantage, and the nature of a firm's competitive advantage determines the range of businesses it can be successful in.

Describing a Firm's Strategy

These same two questions “Where is the firm competing?” and “How is it competing?” also provide the basis upon which we can describe the strategy that a firm is pursuing. The *where* question has multiple dimensions. It relates to the industry or industries in which the firm is located, the products it supplies, the customer groups it targets, the countries and localities in which it operates and the vertical range of activities it undertakes.

Thus, Coca-Cola's strategy comprises these two elements. With regard to *where*:

- Coca-Cola competes in the soft drinks industry where it supplies concentrate for its branded carbonated drinks (such as Coca-Cola, Sprite, Fanta, Tab and Fresca) and supplies other drinks (such as Minute Maid, Hi-C and Five Alive fruit juices, and Dasani bottled water).
- Geographically, Coca-Cola competes worldwide. Its major markets are the U.S. (27% of sales) followed by Mexico, Brazil, Japan, and China.
- In terms of vertical scope, Coca-Cola's main activities are product development, brand management, and concentrate manufacture and distribution. The production and distribution of its soft drinks are undertaken by its sister company Coca-Cola Enterprises and franchised local bottlers.

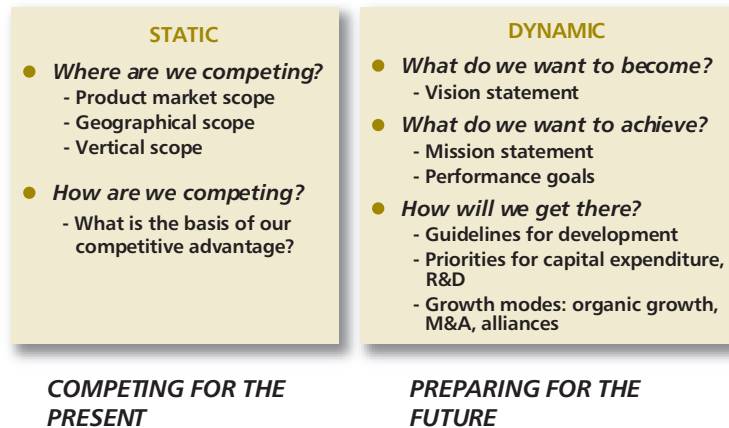
With regard to *how*: Coca-Cola pursues a differentiation strategy where it relies on brand image developed through heavy advertising and promotion. It seeks market share leadership through its mass marketing and through close relationships with the leading bottlers in every country where it does business.

However, strategy is not simply about “competing for today”; it is also concerned with “competing for tomorrow.” This dynamic concept of strategy involves establishing objectives for the future and determining how they will be achieved. Future objectives relate to the overall purpose of the firm (*mission*), what it seeks to become (*vision*) and specific performance targets.

In the case of Coca-Cola, this dynamic dimension of its strategy is outlined in broad terms in its statements of vision (to refresh the world) and mission which outlines goals in relation to its five Ps: people, products, planet, partners, and profit. More specific objectives are outlined in presentations to analysts: long-term volume growth of 3–4%, revenue growth of 5–6%, and operating profit growth of 6–8%. These objectives are to be achieved through growing sales of still drinks, exploiting growth opportunities in emerging markets, accelerating innovation and building core capabilities.²⁰

These two dimensions of strategy—the static and the dynamic—are depicted in Figure 1.5. As we shall see, reconciling these two dimensions of strategy—what Derek Abell calls “competing with dual strategies” and Tushman and O'Reilly refer to as “the challenge of ambidexterity”—is one of the central dilemmas of strategic management.²¹

FIGURE 1.5 Describing firm strategy: competing in the present, preparing for the future



How Is Strategy Made? Design versus Emergence

How companies make strategy has been one of the most hotly debated issues in strategic management. Our emphasis on strategy analysis encourages the view that strategy is the result of managers engaging in deliberate, rational analysis. However, strategy may also emerge through adaptation to circumstances. In discussing Madonna's career, we discerned a consistency and pattern to her career decisions that we described as a strategy, yet there is no evidence that she engaged in any systematic strategic planning. Similarly many successful companies were not products of grand designs—for example Wal-Mart's winning strategy built on large-store formats, hub-and-spoke distribution, small-town locations and employee motivation emerged from Sam Walton's hunches and a series of historical accidents.

Henry Mintzberg is a leading critic of rational approaches to strategy design. He distinguishes *intended*, *realized* and *emergent* strategies. *Intended strategy* is strategy as conceived of by the top management team. Even here, intended strategy is less a product of rational deliberation and more an outcome of negotiation, bargaining and compromise among the many individuals and groups involved in the process. However, *realized strategy*—the actual strategy that is implemented—is only partly related to that which was intended (Mintzberg suggests only 10–30% of intended strategy is realized). The primary determinant of realized strategy is what Mintzberg terms *emergent strategy*—the decisions that emerge from the complex processes in which individual managers interpret the intended strategy and adapt to changing external circumstances.²² According to Mintzberg, not only is rational design an inaccurate account of how strategies are actually formulated—it is a poor way of making strategy. “The notion that strategy is something that should happen way up there, far removed from the details of running an organization on a daily basis, is one of the great fallacies of conventional strategic management.”²³ The emergent approaches to strategy making permit adaptation and learning through continuous interaction between strategy formulation and strategy implementation in which strategy is constantly being adjusted and revised in light of experience.

Honda's successful entry into the US motorcycle market has provided a central battleground between those who view strategy making as primarily a rational, analytical process of deliberate planning (the design school) and those that envisage strategy as emerging from a complex process of organizational decision making (the emergence or learning school of strategy).²⁴ Boston Consulting Group lauded Honda for its single-minded pursuit of a global strategy based on exploiting economies of scale and learning to establish unassailable cost leadership.²⁵ However, subsequent interviews with the Honda managers in charge of U.S. market entry revealed a different story: a haphazard entry with little analysis and no clear plan.²⁶ As Mintzberg observes: "Brilliant as its strategy may have looked after the fact, Honda's managers made almost every conceivable mistake until the market finally hit them over the head with the right formula."²⁷

In practice, strategy making almost always involves a combination of centrally driven rational design and decentralized adaptation. The design aspect of strategy comprises a number of organizational processes through which strategy is deliberated, discussed, and decided. In larger companies these include board meetings and a formalized process of strategic planning process supplemented by more broadly participative events such as strategy workshops. I will discuss processes of strategic planning more fully in Chapter 6.

At the same time, strategy is being continually enacted through decisions that are made by every member of the organization—by middle management especially. The decentralized, bottom-up strategy emergence often precedes more formalized strategy formulation. Intel's historic decision to abandon memory chips and concentrate on microprocessors was initiated by incremental decisions taken by business unit and plant managers that were subsequently promulgated by top management into strategy.²⁸

In all the companies I am familiar with, strategic planning combines design and emergence—a process that I have referred to as "planned emergence."²⁹ The balance between the two depends greatly upon the stability and predictability of a company's business environment. The Roman Catholic Church and the U.S. Postal Service inhabit relatively stable environments. For Google, Al Qaida and Zimbabwe Banking Corporation, strategic planning will inevitably be restricted to a few principles and guidelines; the rest must emerge as circumstances unfold.

As the business environment becomes more turbulent and less predictable, so strategy making becomes more concerned with guidelines and less with specific decisions. Bain & Company advocate the use of strategic principles—"pithy, memorable distillations of strategy that guide and empower employees"—to combine consistent focus with adaptability and responsiveness.³⁰ America's most successful airline, Southwest, encapsulates its strategy in a simple statement: "Meet customers' short-haul travel needs at fares competitive with the cost of automobile travel." Kathy Eisenhart and Don Sull make a similar argument when they advocate "simple rules" as the basis for successful strategies in fast-moving businesses. For example, Lego evaluates new product proposals by applying a checklist of rules: "Does the product have the Lego look?" "Will children learn while having fun?" "Does it stimulate creativity?"³¹

We shall return to the role of rules and principles to guide an organization's evolution and coordinate the decisions of its many members in our final chapter where we explore some of the implications of complexity theory for strategic management.

Identifying a Company's Strategy

Where do we look to find a company's strategy? Strategy is located in three places: in the heads of the chief executive and senior managers, in their articulations of strategy in speeches and written documents, and in the decisions through which strategy is enacted. Only the last two are observable.

While the most explicit statements of strategy—in board minutes and strategic planning documents—are almost invariably confidential, most companies—public companies in particular—see value in communicating their strategy to employees, customers, investors, and business partners—and, inevitably, to the public at large. Collis and Rukstad identify a hierarchy of strategy statements:

- The mission statement is the basic statement of organizational purpose, it addresses “Why we exist.”
- A statement of principles or values states “What we believe in and how we will behave.”
- The vision statement projects “What we want to be.”
- The strategy statement articulates “What our competitive game plan will be.” Collis and Rukstad argue that this should comprise three definitive components of strategy: *objectives*, *scope* (where we will compete) and *advantage* (how we will compete).³²

A version of some or all of these statements is typically found on the corporate pages of companies' websites. More detailed statements of strategy—including qualitative and quantitative medium-term targets—are often found in top management presentations to analysts which are typically included in the “for investors” pages of company websites.

More detailed information on scope (*where?*) and advantage (*how?*) can be found in companies' annual reports. For U.S. corporations, the description of the business that forms Item 1 of the 10-K annual report to the SEC is particularly informative about strategy.

Strategy capsules 1.6 and 1.7 provide summary statements of strategy by Apple Inc. and Nokia Corp.

STRATEGY CAPSULE 1.6

Apple Computer, Inc.: Business Strategy

The Company is committed to bringing the best personal computing and music experience to students, educators, creative professionals, businesses, government agencies, and consumers through its innovative hardware, software,

peripherals, services and internet offerings. The Company's business strategy leverages its unique ability, through the design and development of its own operating system, hardware, and many software applications and technologies, to bring

to its customers new products and solutions with superior ease-of-use, seamless integration, and innovative industrial design. The Company believes continual investment in research and development is critical to facilitate innovation of new and improved products and technologies. Besides updates to its existing line of personal computers and related software, services, peripherals, and networking solutions, the Company continues to capitalize on the

convergence of digital consumer electronics and the computer by creating innovations like the iPod and iTunes Music Store. The Company's strategy also includes expanding its distribution network to reach more of its targeted customers effectively and provide them a high-quality sales and after-sales support experience.

Source: Apple Computer, Inc., 10-K Report, 2005.

STRATEGY CAPSULE 1.7

Nokia's Strategy

VISION

Our vision is a world where everyone can be connected. Everyone has a need to communicate and share. Nokia helps people to fulfill this need and we help people feel close to what matters to them. We focus on providing consumers with very human technology—technology that is intuitive, a joy to use, and beautiful.

We are living in an era where connectivity is becoming truly ubiquitous. The communications industry continues to change and the internet is at the center of this transformation. Today, the internet is Nokia's quest.

Nokia's strategy relies on growing, transforming, and building the Nokia business to ensure its future success.

STRATEGY

We seek to grow, transform and build the Nokia business based on our business strategies and strategic capabilities.

Our business strategies reflect the primary focus of each of Nokia's business areas as follows:

- lead and win in mobile devices
- grow consumer internet services
- accelerate adoption of business solutions
- leverage scale and transform solutions in infrastructure.

Our strategic capabilities are the priority areas where we are investing with the aim of gaining a competitive advantage. The following capabilities can be shared among our several business areas:

- consumer understanding
- brand
- technology and architecture
- channels and supply chain.

Sources: www.nokia.com/A4126317 (accessed July 2, 2009); U.S. Securities and Exchange Commission, Nokia Form 20-F 2007 (March 20, 2008): 27–28.

However, the usefulness of public statements of strategy is limited by their role as public relations vehicles—this is particularly evident in vision and mission statements which are frequently grandiose and platitudinous. Hence, explicit statements of strategy need to be checked against decisions and actions:

- Where is the company investing its money? Notes to financial statements provide detailed breakdowns of capital expenditure by region and by business segment.
- What technologies are the company developing? Identifying the patents that a company has filed (using the online databases of the U.S. and E.U. patent offices) indicates the technological trajectory it is pursuing.
- What new products have been released, major investment projects initiated, and top management hired? A company's press releases usually announce these strategic decisions.

To identify a firm's strategy it is necessary to draw upon multiple sources of information in order to build an overall picture of what the company says it is doing and what it is actually doing. We will return to this topic when we discuss competitive intelligence in Chapter 4.

Multiple Roles of Strategy

The transition from corporate planning to strategic management has involved strategy moving from technocratic planning departments to the center of corporate leadership. As a result, strategy occupies multiple roles within an organization.

Strategy as Decision Support I have described strategy as a pattern or theme that gives coherence to the decisions of an individual or organization. But why can't individuals or organizations make optimal decisions in the absence of such a unifying theme? Consider the 1997 "man-versus-computer" chess epic in which Garry Kasparov was defeated by IBM's "Deep Blue." Deep Blue did not need strategy. Its phenomenal memory and computing power allowed it to identify its optimal moves based on a huge decision tree.³³ Kasparov—although the world's greatest chess player—was subject to *bounded rationality*: his decision analysis was subject to the cognitive limitations that constrain all human beings.³⁴ For chess players, a strategy offers guidelines and decision criteria that assist positioning and help create opportunities.

Strategy improves decision making in several ways. First, strategy simplifies decision making by *constraining* the range of decision alternatives considered and by acting as a *heuristic*—a rule of thumb that reduces the search required to find an acceptable solution to a decision problem. Second, a strategy-making process permits the knowledge of different individuals to be pooled and integrated. Third, a strategy-making process facilitates the use of analytic tools—the frameworks and techniques that we will encounter in the ensuing chapters of this book.

Strategy as a Coordinating Device The greatest challenge of managing an organization is coordinating the actions of different organizational members. Strategy can promote coordination in several ways. First, it is a communication device. Statements of strategy are a powerful means through which the CEO can

communicate the identity, goals and positioning of the company to all organizational members. However, communication alone is not enough. For coordination to be effective, buy-in is essential from the different groups that make up the organization. The strategic planning process can provide a forum in which views are exchanged and consensus developed. Once formulated, the implementation of strategy through goals, commitments and performance targets that are monitored over the strategic planning period also provides a mechanism to ensure that the organization moves forward in a consistent direction.

Strategy as Target Strategy is forward looking. It is concerned not only with how the firm will compete now but also with what the firm will become in the future. A key purpose of a forward-looking strategy is not only to establish a direction of the firm's development but also to set aspirations that can motivate and inspire members of the organization. Gary Hamel and C. K. Prahalad use the term "strategic intent" to describe the articulation of a desired leadership position. They argue that: ". . . strategic intent creates an extreme misfit between resources and ambitions. Top management then challenges the organization to close the gap by building new competitive advantages."³⁵ The implication they draw is that strategy should be less about fit and resource allocation, and more about *stretch* and *resource leverage*.³⁶ The evidence from Toyota, Virgin, and Southwest Airlines is that resource scarcity may engender ambition, innovation, and a "success-against-the-odds" culture. Jim Collins and Jerry Porras make a similar point: U.S. companies that have been sector leaders for 50 years or more—Merck, Walt Disney, 3M, IBM, and Ford—have all generated commitment and drive through setting "Big, Hairy, Ambitious Goals."³⁷ Striving, inspirational goals are typical of most organizations' statements of vision and mission. One of the best known is the goal set by President Kennedy for NASA's space program: ". . . before this decade is out, of landing a man on the moon and returning him safely to Earth." British Airways aspires to be "The World's Favourite Airline," while Coca-Cola's drive for growth is driven by the quest to "have a Coca-Cola within arm's reach of everyone in the world."

The Role of Analysis in Strategy Formulation

Despite the criticism of rational, analytical approaches to strategy formulation by Henry Mintzberg and others, the approach of this book is to emphasize analytic approaches to strategy formulation. This is not because I wish to downplay the role of intuition, creativity and spontaneity—these qualities are essential ingredients of successful strategies. Nevertheless, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, systematic analysis is a vital input into the strategy process. Without analysis, strategic decisions are susceptible to power battles, individual whims, fads and wishful thinking. Concepts, theories, and analytic tools are complements not substitutes for experience, commitment and creativity. Their role is to provide frameworks for organizing discussion, processing information and opinions and assisting consensus.

This is not to endorse current approaches to strategy analysis. Strategic management is still a young field and the existing toolbox of concepts and techniques remains woefully inadequate. Our challenge is to do better. If existing analytical techniques do not adequately address the problems of strategy making and strategy

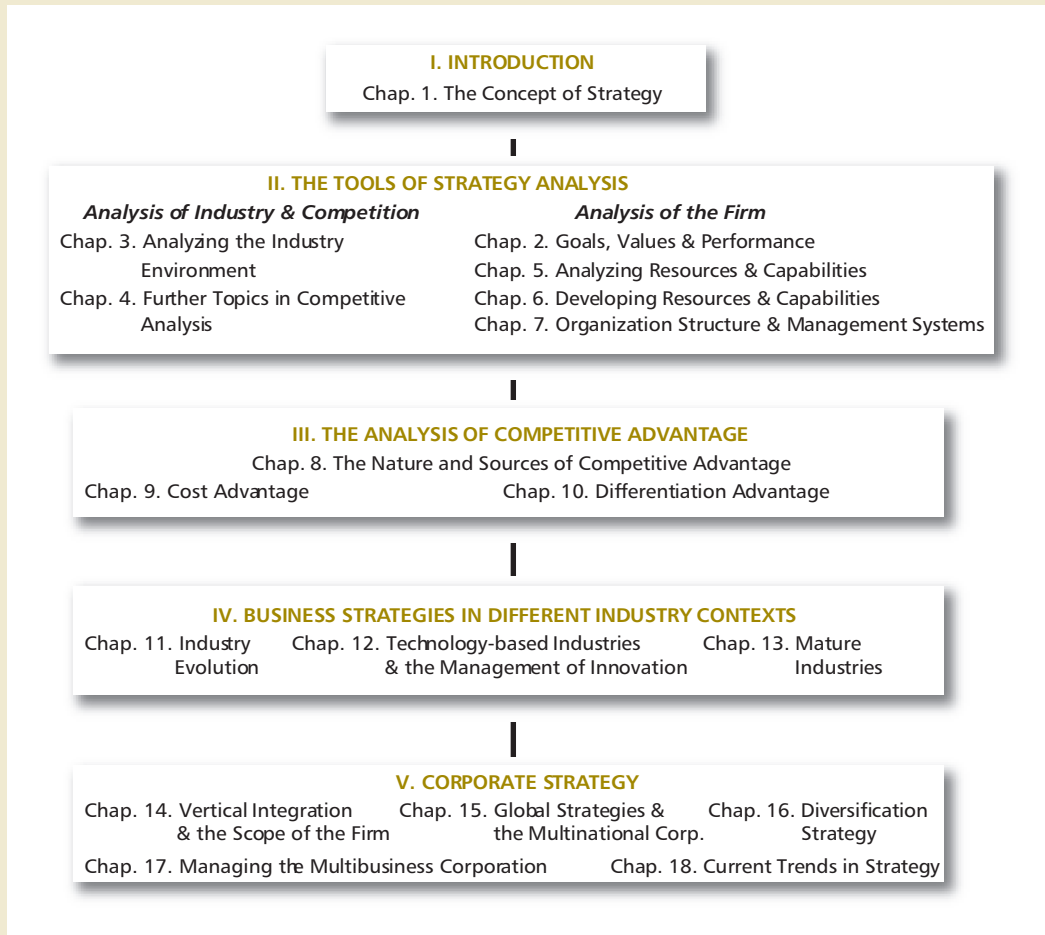
implementation under conditions of uncertainty, technological change and complexity, we need to augment and extend our analytical toolkit. In the course of the book you will encounter concepts such as real options, tacit knowledge, hypercompetition, complementarity, and complexity that will help you address more effectively the challenges that firms are facing in today's turbulent business environment. We must also recognize the nature of strategy analysis. Unlike many of the analytical techniques in accounting, finance, market research, or production management, strategy analysis does not generate solutions to problems. It does not yield rules, algorithms, or formulae that tell us the optimal strategy to adopt. The strategic questions that companies face (like those that we face in our own careers and lives) are simply too complex to be programmed.

The purpose of strategy analysis is not to provide answers but to help us understand the issues. Most of the analytic techniques introduced in this book are frameworks that allow us to identify, classify and understand the principal factors relevant to strategic decisions. Such frameworks are invaluable in allowing us to come to terms with the complexities of strategy decisions. In some instances, the most useful contribution may be in assisting us to make a start on the problem. By guiding us to the questions we need to answer and by providing a framework for organizing the information gathered, strategy analysis places us in a superior position to a manager who relies exclusively on experience and intuition. Finally, analytic frameworks and techniques can improve our flexibility as managers. The analysis in this book is general in its applicability; it is not specific to particular industries, companies, or situations. Hence, it can help increase our confidence and effectiveness in understanding and responding to new situations and new circumstances. By encouraging depth of understanding in fundamental issues concerning competitive advantage, customer needs, organizational capabilities, and the basis of competition, the concepts, frameworks and techniques in this book will encourage rather than constrain innovation and flexibility.

Summary

This chapter has covered a great deal of ground—I hope that you are not suffering from indigestion. If you are feeling a little overwhelmed, not to worry: we shall be returning to most of the themes and issues raised in this chapter in the subsequent chapters of the book.

The next stage is to delve further into the basic strategy framework shown in Figure 1.2. The elements of this framework—goals and values, the industry environment, resources and capabilities, and structure and systems—comprise the basic components of strategy analysis. The next part of the book devotes separate chapters to each. We then deploy these tools in the analysis of competitive advantage (Part III), in the formulation and implementation of business strategies in different industry contexts (Part IV), and then in the development of corporate strategy (Part V). Figure 1.6 shows the framework for the book.

FIGURE 1.6 The structure of the book

Self-Study Questions

- 1 In relation to the four characteristics of successful strategies (clear, consistent, long-term objectives; profound understanding of the environment; objective appraisal of resources and effective implementation), assess the U.S. strategy towards Iraq during 2003–9.
- 2 The discussion of the evolution of business strategy (“From Corporate Planning to Strategic Management”) established that the characteristics of a firm’s strategic plans and its strategic planning process are strongly influenced by the volatility and unpredictability of its external environment. On this basis, what differences would you expect in the strategic plans and strategic planning processes of Coca-Cola Company and Google Inc.?

- 3 I have noted that a firm's strategy can be described in terms of the answers to two questions: "Where are we competing?" and "How are we competing?" Applying these two questions, provide a concise description of Madonna's career strategy (see Strategy Capsule 1.1).
- 4 Using the structure outlined in Figure 1.5, describe the strategy of the business school you attend?
- 5 What is your career strategy for the next five years? To what extent does your strategy fit with your long-term goals, the characteristics of the external environment and your own strengths and weaknesses?
- 6 In relation to each of the "multiple roles of strategy" outlined above, what use (if any) is Nokia's statement of strategy as outlined in Strategy Capsule 1.7?

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