

1

Introduction



This book is about competition between businesses. Thinking about competition between businesses is what I call Strategy, the interaction between competitive minds. Skilful strategic thinking is mindfulness that provides a basis for succeeding in commercial competition. In this book I offer advice in the form of Principles, or guidelines, for outwitting commercial rivals and also, importantly, a mindset for discouraging rivals from doing the outwitting.

The principles offered here apply equally well to large companies and small. Among the large, for instance, there is no doubt that the future of Nokia depends, on the understanding Nokia's executives have of Sony Ericsson's, Motorola's and LG's future intentions.¹ The earlier and better these are known to Jorma Ollila, Nokia's chairman and chief executive, and others charged with thinking about the firm's competitive manoeuvring, the more fully these ideas can become plans factored into Nokia's outlook for future business advantage. Executives in Sony Ericsson and the other competitors are likely to have a similar outlook.

Among smaller companies, the proprietor of that familiar small business located near where you live will also, no doubt, be mindful of the activities of commercial rivals.

While the ideas which follow concentrate on ways in which senior managers might create and sustain a successful competitive orientation towards

commercial rivals, this kind of thinking is, of course, not all that executives think about. Other considerations are vital: customers and clients, markets, supply chains, finance and staffing, together with numerous other matters. All are essential. However, strategic thinking is cardinal. To overlook the plans and progress of a business competitor invites risk; commercial opportunities might be ignored and threats could go unseen.

In this introductory chapter, I concentrate on two main topics: the heritage of strategy, and essential concepts for explaining what strategy means. I firmly believe that useful thinking about strategic thinking should take account of the fact that strategy has been studied and discussed by scholars and practitioners since the beginning of written history. It would be a mistake to overlook this heritage while attempting to distil an essence of value for strategic thinking. It is also important at the outset to clarify the conceptual domain of strategy.

Heritage

In recent times strategy has received much scholarly attention in a quest to explain and prescribe means for securing commercial advantage. However, human competition has a long history and distilled advice on strategy is available from deep in antiquity. In my view, a thorough understanding of the topic of strategy will benefit from an appreciation of our heritage.

I begin with a commentary on the place of strategy in relevant contemporary business literature. Then I offer a series of introductory sketches of the contributions of a small number of historical figures, chosen for their enduring reputations. This section provides the foundation for the content of the Principles of Strategy which follow in subsequent chapters.

Contemporary perspectives

The idea of strategy, as applied to business, has received substantial scholarly interest since the 1950s. Originally subject to academic study in the United States at that time, and primarily centred in the Harvard Business School, the evolving themes have spread throughout the business world. This American influence can be readily seen in the published work of Porter,² and Hamel and Prahalad.³ Contemporary views have been integrated into

textbooks such as that of Johnson, Scholes and Whittington.⁴ They have also received thorough comparative analysis by Mintzberg⁵ and a critique of their philosophical basis by scholars such as Calori.⁶

The main thrust of early scholarly activity during the 20th century began with a notion of improving business direction. Inspiration for this came from the enormous and successful military efforts which were conducted during World War II; this was surely a powerful influence for thinking about how to achieve large scale commercial objectives.

Three particular scholarly themes which have arisen are of special interest: the idea of management of strategy, the possibility of principles and a logical structure for strategy.

Strategic management

Early development of thinking about strategy after World War II took place alongside practitioners, the executives in large companies who were charged with shaping corporate direction. As scholarly interest in strategy grew, it is interesting to note that little time passed before the study of 'purposefulness', the essential reason for corporate direction, was displaced by 'management of purposefulness'. This was, perhaps, an inevitable result of intersecting scholarly inclinations among evolving academic disciplines. Thus the field gained the title Strategic Management.

Contemporary literature on strategic management is diverse. This is not surprising since it draws insight from a range of intellectual disciplines which range from Porter's background in industrial economics to Freeman's⁷ intellectual base in sociology. Henry Mintzberg is one of the more creative thinkers in the field of management and strategy. He and his colleagues point out that conventional views of strategic management comprise at least 10 different perspectives.⁸ There is therefore potential for great confusion if one falls into one of the twin traps of either seeking a grand all-encompassing model which integrates the different perspectives, or of trying to decide which one of the perspectives is correct.

Principles

Although the aim of scholarship in strategic management has been to inform good business practice, the distillation of principles is rare. Unusual

among contemporary prescriptions guiding business strategy is that offered by Gilbert, Hartman, Mauriel and Freedman.⁹ These authors discuss the problem of principles in strategy and offer a set of three principles for evaluation of so-called strategy frameworks.

These principles are outlined below since they were a valuable source of guidance for the writer's development of the six Principles of Strategy which form the essence of this book:

Principle about Persons. This idea points to a requirement that guidelines for strategy and strategic thinking should accommodate the fact that people, their motivations, decisions and stakes are an essential strategic consideration. Strategy and its context are not abstract and isolated. Advice guiding strategy will comply with the Principle about Persons if it acknowledges people in their context and complexity.

Principle of Business Basics. This principle is a reminder that the game, as it were, is one of commercial competition. The essential features of commerce: markets, products and services, customers and suppliers should be given full recognition in evolving strategic direction and action.

Principle of Timely Action. Strategy implies action, but analysis is not necessarily action oriented. A useful and effective guide to development of strategy will acknowledge the need to decide when to act and when not to act. The intent of strategy is to influence the course of events in a longer term as well as immediately. Such time span considerations should form an integral part of strategic thinking.

Persons, Business Basics and Timely Action are clearly helpful reference points for appreciating what one needs to take into account when thinking strategically. Note that these principles weigh up the value of different theoretical perspectives in terms of conceptual relevance; they do not evaluate prescriptions which follow from these frameworks.

Principles like these are, of course, available in the form of guidelines for thinking in other fields of human competition. In the field of military business, for example, organisations around the world employ similar guidelines for strategic thinking.¹⁰

Logic for strategy

A purposeful logic for strategy was proposed by Mitroff.¹¹ He offers the idea that strategy, or as he refers to it, policy, can be formulated in terms of the formal logic of argument. As such, a policy position or line of strategic direction is a *claim*, supported by *warrants* based on *evidence*, and surviving against *rebuttal*. This idea also carries weight as a contributor to strategic thinking because it requires precise specification of the elements and considerations in formulating a strategic position, incorporating explicit rejection of alternatives. This logical basis does not solve the problem of formulating strategy; it simply assists by providing a framework for thinking.

More recently, a further framework for the logic of strategy is proposed in terms of harmony and confrontation in commercial competition.¹² This idea is based on the observation that much of corporate behaviour involves peaceful co-existence among market-oriented firms. While a firm's vital interests are not placed under threat from the behaviour of rivals, a harmonious pattern of market-based interaction persists. If, however, interests are threatened, the pattern of competitive interaction shifts radically to a mode which is confrontational. This idea is developed further in Chapter 2.

The literature on business strategy is enormous. Its growth has been motivated by curiosity among senior executives about how to guide their businesses to succeed. But despite the quantum of scholarly effort and writing, I believe most executives are disappointed by the result. Principles are rare and the logical structure of advice is abstract. The literature on strategic management refers to many rather abstract aspects of the management of businesses, but it offers very little advice about dealing with the most difficult aspect of securing business success: dealing with direct competition from rival firms.

Classic perspectives

Although the connection between business and strategy is relatively recent, our heritage in strategic thinking has a very long history. It is over 2500 years since Sun Tzu¹³ wrote his military treatise. At about the same time Kautilya¹⁴ was providing comprehensive advice to King Chandragupta on

the Indian subcontinent. This included a guide for prevailing in competition with enemies. Alexander the Great¹⁵ undertook his great enterprise in empire building between 334 and 323 BC, leaving a history rich in evidence of strategic thinking. A little more recently those with responsibility for the protection of state sovereignty have been advised on strategy by Machiavelli¹⁶ and von Clausewitz.¹⁷

This group of scholars of strategy is neither exclusive nor comprehensive in their insights; no doubt others also have had considerable influence in their times.¹⁸ It is clear, however, that Sun Tzu, Kautilya, Alexander, Machiavelli and von Clausewitz are historical figures with enduring reputations and this is the basis for their selection to contribute to *Principles of Strategy*.¹⁹ A background sketch for each author is offered below.

Sun Tzu

Some raise doubts about the identity of the author of work attributed to Sun Tzu, but few dispute the power and wisdom of the insight handed on from around 500 BC. Sun Tzu's thinking evolved from his observation and participation in struggles among warring states. He dwelt on the sources of success in such rivalry. This thinking has been distilled into a rather abstract, even poetic form, which expresses principles which are both profoundly powerful and plainly practical.

Sun Tzu recognised war as a recurrent conscious act and not a passing and painful aberration in human affairs. This rationality is the basis of the detached analysis which forms the essence of his theory. Most importantly, Sun Tzu is aware that armed struggle is always costly and should not be undertaken recklessly. Because of the inevitable cost and mutual disadvantage arising from application of direct force, he sees it as a last resort. Far better, he argues, to attack the plans and ideas of a rival and even better still to undermine an opponent's morale. Attack a rival's intentions rather than his army or cities. The objective is elimination of the will to resist, not annihilation of the enemy.

Accomplishment of military success depends first on societal unity, order and harmony under a ruling sovereign. Sun Tzu then prescribes with clear insight and in simple representation, the contingencies for victory: the mental, moral, physical and circumstantial factors. His emphasis is placed on the general's creativity in formulating deceptions in the imagination of

his rivals: surprise, uncertainty, arrival of the unexpected and continuous change is the means for undermining a rival's sense of stability and security of command. Sun Tzu advocates that his students move with balance, speed, decisiveness and flexibility to create fear among their opponents. Victory, he argues, should be a foregone conclusion resulting from careful and imaginative preparation and the exercise of calculated risks.

Kautilya

Kautilya's book, *The Arthashastra*, was written for King Chandragupta as a manual for statecraft on the Indian subcontinent in about 350 BC. It contains detailed advice on almost every matter of concern to a king, ranging from management of the economy and treasury, to securing and housing elephants. While much of the detail refers to the particular time and location for which it was designed, Kautilya discusses timeless issues, most importantly: how a king should conduct his relationships with neighbouring kingdoms.

He takes a pragmatic view, based on his clinical observation of human nature and how people are inclined to behave. For instance, Kautilya observes that a neighbour is a potential rival and diplomacy should be based on this supposition. He recommends caution, therefore, in dealings with other kings. As part of his care in safeguarding the interests of his kingdom, Kautilya recommends that a king foster relationships with the heads of other states, near and far. Cultivation of advantage through diplomacy builds a power base which can be employed to benefit when times require it.

The essence of Kautilya's recommendations in managing foreign affairs is based on enhancing and preserving the kingdom's interests; simply put, he advocates securing power in relationships with others.

Machiavelli

Nicolò Machiavelli's writing, especially *The Prince*, convinced many, in his own time and since, that he was an evil counsellor of statesmen, inspired by the Devil. When he wrote,²⁰ reactions to his proposals drew passionate objections, particularly from those with a religious voice.²¹ But much of this criticism overlooks Machiavelli's motivation and the circumstances in which he wrote.

As his interpreters point out,²² Machiavelli was not a detached political philosopher. He was a man who was deeply concerned about the disaster facing the Italian states and particularly Florence. He wrote at a time when the states lay at the whim of invaders from Spain and France. For Machiavelli this situation was a deep threat to personal pride and esteem, an intolerable, shameful humiliation of the city states. *The Prince* is a passionate, even obsessed plea to restore autonomy, harmony and power to the states. It is a statement of hope.

Machiavelli was an astute observer of political affairs, though with little direct participation himself. He was an outsider and perhaps his psychological insight benefited from this detachment. His thinking was focused primarily on corporate success and the means by which a leader might accomplish it. *The Prince* is a formula designed to appeal to his political patrons who, should they be convinced by his argument, might act decisively to begin to turn the tide of national defeat. His treatise is a theory of power and the need for power: how a prince might acquire a principality, how it is maintained and how it might be lost.

Concerned that one of the contemporary failings of the Italian states lay with leadership, Machiavelli called for stiffened resolve and discipline, but that a state could not be rebuilt without the goodwill and respect of the people, the *Prince's* subjects. In view of the stakes, shame and the prospect for renewed self esteem, Machiavelli advocated ruthlessness and toughness to repel the invaders. He also pointed out that in the long run there is possibly a greater benefit from action that might at the time be considered cruel, rather than the considerable cost of uncertainty and loss of morale resulting from indecisiveness and weakness.

His advice is consistent with the bald observation that successful governments are always prepared to act ruthlessly to achieve their ends. In the final analysis, as Bull²³ observes, whether action is evil can only be decided in the light of what it is meant to achieve and whether it is successful in achieving it.

Von Clausewitz

Carl von Clausewitz was a Prussian soldier who witnessed, first hand, the effects of Napoleon Bonaparte's crushing purposefulness of military expansion.

sion throughout Europe early in the 19th century. His unfinished book, *On War*,²⁴ was written as his attempt to come to terms both theoretically and practically with the nature of war.

It is commonly argued that there are three broad theories of war,²⁵ those of the so called *pessimists*, *optimists* and *realists*. The pessimist marks progress towards a single final event in which mankind will eventually meet its destruction. Optimists propose a set of conditions, as yet incompletely defined which will draw humanity into a subsequent state of harmony, free from further conflict forever after. Realists accept the inevitability of struggle among humans to maintain and enhance interests, and consequently their rivalry for power and influence. Von Clausewitz was a *realist*.

He categorically rejects war for war's sake, seeing military activity as an extension of politics: war is an exercise of force for the attainment of a political object, regardless of whether this object is ethically right. If war is a rational instrument of national policy, then it is based on a balance of benefits and costs of military action, it is purposeful and goal oriented, and it is intended to advance the nation's interests by seeking and seizing opportunities, most likely to the disadvantage of others. Military action is instrumental in a struggle for national interest, that is, for power.

A direct observer of Napoleon's transformation of war from tactical melodramatics with an emphasis on manoeuvre to decisive action through actual application of irresistible force, von Clausewitz formulated his philosophy with great clarity and simplicity. He advocated bringing requisite force together in the shortest possible time and with maximum momentum to a decisive point of action. An army therefore, as an instrument of politics, is an instrument applied with a single intention; to win, in final, absolute and unambiguous terms.

Blunt, brutal and single minded about victory, von Clausewitz is also sensitive to the subtle aspects of command. 'Everything is very simple in war, but the simplest thing is difficult.'²⁶ Among his central interests is the challenge to leadership; the requirements of a great commander who is responsible for guiding the spirit of an army. Effective leadership demands decisiveness, while resisting the inevitable emotional effects of the tumult of battle with detached rationality. All the while, the aim needs to be maintained: to undermine and destroy the enemy's will to resist.

Alexander III of Macedon

Alexander's influence on contemporary strategic thinking comes through example rather than theory. Unlike Sun Tzu, Kautilya, Machiavelli or von Clausewitz, Alexander did not leave behind him documents explaining his aims or practices. What remains of his accomplishments is their history; discovered, described and debated comprehensively by scholars for over 2000 years.

A controversial figure even in his own time, Alexander has attracted both strong criticism and flattering praise since his remarkable campaign for growth of Macedonian influence which began in 334 BC. Some have challenged the reputation of the man as a violent and destructive conqueror, prone to drink to excess, and driven by such ambition that by the end of his career he harboured divine aspirations. Others hold Alexander in heroic esteem, citing his leadership, generosity to the defeated Persian royal family and the loyalty shown by his followers as indicators of his lasting high approval. Even today Alexander's campaigns are viewed with a combination of admiring regard, especially by those who appreciate his military accomplishments, and political cynicism by those whose values challenge Alexander's motivations and methods.

Although some aspects of the Macedonian King's reign attract competing interpretations, there are others about which there is little disagreement. Acquisition of the Persian Empire, and territories beyond, was an outstanding feat. At its peak, the Macedonian empire extended from modern day Italy and Libya in the West, to India in the East; from Germany in the North, to the Arabian Sea and Ethiopia in the South. To control this area in its diversity is a monumental feat in any terms. Moreover, the influence of Alexander was one of lasting achievement. It generated both political and economic opportunities. The unity of the empire might have been lost and become fragmented after his death, but evidence of Greek culture is still evident in widespread areas under Alexander's previous control.

Alexander's political skills are often underestimated or overlooked. The League of Corinth which was forced on the Greek states by his father, Philip II, was an unstable inheritance. It was ready to split into hostile factions at any moment, its unity already undermined by the belief that the Macedonians were uncultured barbarians. Yet this fragile alliance was maintained by Alexander over the eleven years of his Asian campaign. It also

yielded him supplies and military support. A further dimension of Alexander's political intelligence was his attempt to bring together the people of Greece, Egypt and Asia in a 'policy of fusion'. His apparent design was to create a harmonious partnership which would bring economic, social and political benefits to all.

The highest admiration is usually reserved for Alexander's military accomplishments. His methods at all levels from empire building to campaigns and battles typically receive great respect. Napoleon and Julius Caesar are most notable among those who studied Alexander's campaigns and who are known to have modelled their thinking on Alexander's designs. Detailed study of Alexander's battles, sieges and counter guerrilla campaigns are generally recommended as models in military circles, even today.

Perhaps most outstanding is Alexander's generalship. He clearly had a capacity above most people to inspire heroic behaviour in others. Through his own confidence, determination, persistence and courage he was able to motivate his followers to succeed in the most unlikely situations and overcome the almost impossible. Ruthless at times, guided by unlimited ambition, demanding of his army, he never asked more than he himself was prepared to give. Yet balanced with compassion and sensitivity to the psychological aspects of leadership, his influence was little short of inspirational.

Alexander's campaign in empire building is an enduring model.

The reader will detect a contrast between the brief overview of contemporary literature and the so-called classics. The essence of the difference is the emphasis by the latter on competition.

Delineation of strategy

The central proposition I offer is that strategy is about succeeding in competition; no more and no less. It is the creation of a design that takes account of capabilities and contingencies, it anticipates the behaviour of competitors, and so improves the prospect of relative success in accomplishing corporate direction. The outcome of strategic thinking is a compelling argument for securing corporate purpose.

Placing this supposition in a commercial context, consider Nokia once again; it is a large Finnish manufacturer and marketer of mobile telephones. We do not know what Jorma Ollila thinks about when he thinks about

strategy, nor do his commercial rivals know what he thinks.²⁷ However, we can speculate about his thinking process and its content; how he thinks and what he thinks about. Most importantly, we can reasonably assume that his purpose is to see his company succeed in the face of determined competitors.

Strategy is the appropriate word used here to describe an executive's orientation towards business competition. The word has its roots in the Greek *strategos* which refers to the work of the general.²⁸ Generals command armies to protect and enhance sovereign interests; their aim is to prevail in competition, should it arise.

The reader will note that this is a particular choice for meaning of the word strategy at a time when, in common business language, 'strategy' is associated with almost everything anyone considers important. This choice therefore excludes many topics which are relevant for study elsewhere.²⁹

Primary concepts

I propose that strategic thinking involves four interrelated primary concepts:

Purpose

The publicly apparent purpose of Nokia is to maintain its very substantial share of the mobile telephone market. No doubt Mr. Ollila is much more specific in his thinking with his senior strategy staff about particular aims for the company and its stakeholders: objectives in commercial outcomes, aims in time and ambitions in position relative to Nokia's main rivals.

The essential goal which is inherent in strategy is to strive to maintain one's discretion in independent action, unconstrained by rivals. Such commercial liberty stands in contrast with a much more unfortunate situation where one's commercial actions are constrained, or worse, dictated by others.

The achievement of the goal of freedom of commercial movement is complemented by a simultaneous and self-evident aim which is to achieve a circumstance of safety and security, rather than be placed in a position of vulnerability.

It would be a very unfortunate business indeed for any company to have its commercial actions shaped entirely according to the desires of rivals. One might argue that this is most unlikely for Nokia, given the size and stature of the company in its industry. But constraint is not inconceivable. A vital

element of strategic thinking is, therefore, to devise courses of action which avoid this unpalatable future.

Reasoning

Strategy is a thinking process which employs both concepts and content for systematically devising plans of action aimed at securing and maintaining competitive advantage. Ideally there is a rational process by which information about the competition is arranged and interpreted in a logical manner to form a reasoned argument for proceeding in one direction rather than any other.

Strategy is thoughtful and deliberate, founded on premises and proceeding to valid conclusions. We would expect an argument for a course of action for Nokia, mounted by its strategists, to aim to pass tests that ensured its premises were true and that the direction selected was not spurious.

Concepts which comprise strategic thinking are abstract ideas which help to make sense of the elements of competition, what it means and how it is engaged by participants. For instance, one of the ideas which will be explored more fully later is the concept of *flexibility*. This is an idea which, for Nokia strategists, would refer to beliefs about the degree to which the company can shift from one apparent direction to another, for example, from manufacturing its own products to a greater emphasis on buying from unbranded handset manufacturers.

Content refers to the specifics of competition: the kind of confrontation which is under way. In the case of the mobile telecommunications industry the content of strategy would include reference to the speed with which strategists at Motorola are anticipating its business position in 3G technology. Content would also include the strength of ambition among LG's strategists to increase its market share.

Advantage

The priority in strategic thinking is the view to rivals. To disregard one's competitors could place the business in jeopardy through inattention to the designs a rival might have on one's enterprise. The aim therefore is to achieve relative advantage over rivals.

Strategy takes account of how this aim is to be achieved. This is in part a matter of relative capability of competitors and of the conditions under which competition proceeds. The work of a strategist is to conceive of paths

to create a state of relative commercial advantage. That is, for example, to see to it that Nokia is positioned to prevail in competition with its rivals.

While the essential emphasis in strategy is on rivals, to disregard one's clients could render a business unviable through inattention to the market's needs. Here, then, I draw a distinction between marketing and strategy: whereas *marketing concentrates a firm's attention on its clients, with an eye to its competitors, strategy concentrates attention on competitors, with an eye to clients.*

Nokia's marketing outlook refers to the company's orientation towards its clients and customers; network operators and mobile phone users. Strategy refers to Nokia's particular orientation towards its rivals, concentrating particularly on the plans and activities of Motorola, Sony Ericsson and others.

Our interest in strategic thinking will therefore concentrate on competition from here on, but clearly, not to the exclusion of the market.

Future

Strategy is oriented towards advantage at a time which is yet to arrive. As such it is an abstract concept dealing with a future reality which is as yet only imagined and anticipated.

Strategy does not deal with the past or present. Nokia's current situation is the outcome of past strategic thinking; its current strategic thinking is the design for competitive manoeuvres to achieve future outcomes. Not for tomorrow, but for the longer term.

Strategy is abstract: it is an idea about imaginary actions in an imagined future with imaginary implications. It is prospective. That is, strategy refers to thinking in the present about future actions; thinking now about what to do at some future time.

Thinking about the strategy of Nokia is therefore thinking about what actions this firm might take in a future where competitors act according to predictions and possibilities. As a consequence, strategy is not real and it cannot therefore be judged true or correct. Evaluation of strategy is meta-level thinking about the future value of those future actions. And, strictly speaking, strategy can only be evaluated after the consequences of plans unfold.

Levels of direction

Strategy, Policy, Tactics and Operations are often confused with one another. There is a degree of arbitrariness in distinguishing between them because

they all refer to aspects of corporate direction. I choose to separate these concepts, for convenience, in terms of the criteria which follow.

Policy is the term I will use to refer to the highest or most general level of corporate direction; for instance, directions from the Board of a public company. Policy forms an envelope of direction within which strategic objectives are formed. These, in turn, define the conceptual space within which Tactics are decided, and Operations are determined. Strategy therefore takes its general direction from purposes set by Policy, and it in turn, sets the direction for Tactics.

To illustrate, let us hypothesise that Nokia's Policy is to achieve a certain return on investment in a particular future year, say 10 years hence. This goal frames Strategy. To achieve this Policy objective, Nokia will need to contend with several ambitious current and future rivals. Strategic direction formed within this Policy might be to dominate 3G technology before its competitors are able to gain a foothold in this emerging market. Tactically, actions would need to be taken to secure advantage in relevant technology and to draw so closely to mobile operators that competitors would find it difficult to negotiate a position of advantage. Tactical objectives would be turned into Operations, that is, into the particular practical steps needed to ensure that technology and relationships with mobile operators are secured.

Ideally, Policy, through Strategy to Tactics and Operations, should be aligned with one another so that Policy directions are eventually accomplished at the lowest level by Operations. Non-alignment at any level requires resetting direction either above or below.

Hierarchical relationships among Policy, Strategy, Tactics and Operations can be distinguished by three criteria:³⁰

1. *Time Horizon*: Strategy is concerned with the longer, rather than shorter term outlook. Its considerations lie between Tactics which are short term, and Policy which has a time perspective as long as is possible for the enterprise.
2. *Size of Asset Commitment*: Strategy is concerned with a larger, rather than smaller asset commitment; larger than is needed for Tactics and smaller than the entire asset base of the firm which is the concern for Policy.
3. *Decision Reversibility*: Strategic decisions are substantial and therefore rather difficult to reverse. They are more difficult to reverse than those of Tactics, but not of the great trouble to reverse which is typical of Policy.

Table 1.1 *Interdependence among Strategy Concepts.*

Concepts of Strategy	Purpose	Reason	Advantage	Future
Purpose	Aspirations of corporate stakeholders inform corporate aims			
Reason	Direction logically created as a path from aims to compelling claims for specific action	Rational, logical argument for direction using valid information and explanation		
Advantage	Direction secures interests of stakeholders relative to rival aspirations and capability	Systematic appraisal of interests of competitors revealing threats and opportunities	Benefit to corporate interests relative to intention and capability of specified rivals	
Future	Direction secures enduring protection of stakeholder interests	Systematic assessment of alternative likely linked events through scenarios	Interests secured relative to actions of current and future rivals in anticipated situations	Anticipated outcomes of action, situations and likely events in longer term

Finally in distinguishing among levels of direction, scale matters; while the concept of Strategy, enveloped within Policy and guiding Tactics, is a useful abstract device for showing what is required for unity of direction, distinctions cannot be universal. What is Strategic thinking in a small firm might be Tactics in a larger one.

These four primary concepts help to explain what strategic thinking entails, as I intend to show. They are not independent of each other; in strategic thinking they form an interdependent cluster, a holistic idea, rather than one comprising a set of discrete elements. Each concept relates to each other, as Table 1.1 shows in sketch form. The combination of concepts forms a basis for the discussion of Principles which follows in subsequent chapters.

Principles

Now I invite the reader to take a short leap of faith; I am about to assert a set of Principles before fully explaining them. It is my view that a deep and diverse

heritage in strategic thinking, such as has been introduced above, offers to enrich our understanding of the essence of strategy. The product of my own analytical and integrative effort in drawing insights from these various sources is a set of six Principles of Strategy. These are the main topics of the chapters which follow. But before proceeding I first introduce the Principles themselves. Since there is much ground to cover exploring each one, and because of the interdependence and overlap among them, I urge the reader to suspend critical judgement about these ideas until they have all been fully explored.

The Principles of Strategy are asserted as guidelines for both the development of strategic thinking and for evaluating strategy. They are prescriptive propositions, which, taken together, incorporate both the four essential concepts of strategy distilled above, and the recurrent themes about strategy identified in contemporary and classic sources.

The Principles are as follows:

1. *Principle of Competition*: Strategy is a purposeful activity; it is aimed at achieving beneficial corporate goals in competition with rivals aiming to gain the same objectives. Corporate purpose therefore, is to outwit out-manoeuvre and outperform the competition.³¹ Competitive intelligence is required to inform strategy about the intentions and capabilities of rivals. Strategic thinking must also take regard of the competitive context to appreciate the effects of potential opportunities and pitfalls.

More formally stated, *Strategy ensures that the enterprise maintains its orientation towards those rivals who could interfere with corporate aims.*

2. *Principle of Assessment*: Assessment involves two components: design, which is the formulation of a logical argument for action; and evaluation, the estimation of relative value of alternative courses of action.³²

In essence, *Strategy ensures that the enterprise creates a compelling and logical argument for choice of direction to achieve aims.*

3. *Principle of Integrity*: A central idea in strategic thinking is devising initiative; designing decisive pre-emptive thrusts while adapting to circumstances to dislocate a rival's activities. Strategic thinking is unified through building and maintaining competitive momentum, flexibly adapting to changing circumstances, and by maintaining competitive readiness.

Thus, *Strategy ensures that the enterprise maintains unity of thinking which concentrates on progressive enhancement of competitive advantage.*

4. *Principle of Security:* Progress towards goals is secured through maintenance of freedom of action and balance. Time in all its aspects, is central to strategy. So also is the ability to influence a rival's perception of the competitive circumstances he or she faces. Out of impressions they form, a rival is overpowered. Efforts to shape rivals' perceptions and their consequent choice among courses of actions should be designed to restrict competitive freedom of movement. Such influence is designed to increase a rival's perception of perceived dependence.

Thus, *Strategy ensures that the enterprise secures its position from a condition of psychological strength and stability.*

5. *Principle of Feasibility:* Assets and abilities necessary to enable accomplishment of aims need to be acquired and maintained. Strategic capability is enhanced by securing systemic uniqueness in assets and through developing the ability to outwit rivals. Alliances strengthen strategy to the degree that they reinforce strategic assets and abilities. Allies will support strategy to the degree that they are satellites which extend competitive influence.

In brief, *Strategy ensures that the enterprise acquires and maintains sufficient capability to accomplish aims.*

6. *Principle of Morality:* Strategy will be judged on whether its aims and associated actions are good and right. Strategic thinking therefore needs to be ethically defensible.

Finally therefore, *Strategy ensures that the enterprise acts consistently with ethically principled judgement in achievement of aims.*

The Principles introduced above are constructed on a foundation formed from the primary concepts discussed earlier. The essence of this foundation is explained and illustrated in Table 1.2.

The statements of Principle and Table 1.2 are intended to guide progress through the chapters which follow, each dwelling on one of these Principles in turn. The final chapter employs a case study which shows how the Principles relate to one another to form a combined interdependent whole.

Table 1.2 Relationships between Strategy Concepts and Principles.

<p>Strategy: Concepts and Principles</p>	<p>Purpose: Aspirations of corporate stakeholders inform corporate aims</p>	<p>Reason: Rational, logical argument for direction using valid information and explanation</p>	<p>Advantage: Benefit to corporate interests relative to intention and capability of specified rivals</p>	<p>Future: Anticipated outcomes of action, situations and likely events in longer term</p>
<p>Competition: Orientation to those with rival claims</p>	<p>Purpose in competition is to secure enterprise and its aims against others with rival claims</p>	<p>Commerce is a potential intersection of interests among competing rivals</p>	<p>Benefits accrue to a competitor able to reduce own weaknesses and exploit rival vulnerabilities</p>	<p>Commercial competition contains the potential for rivalry over interests in the indefinite future</p>
<p>Assessment: Compelling logical case for direction</p>	<p>Construction of convincing, logical and rational argument supporting purposeful course of action</p>	<p>Explanation of basis for choice of intended direction ensures non-rational elements are avoided and motivation is raised</p>	<p>Evaluation of benefits and limitations of alternative courses of action underpin advantage</p>	<p>Appraisal of competitive circumstances as they exist, and as they could be, is the basis for design of action for anticipated benefit</p>
<p>Integrity: Concentration on advantage</p>	<p>Initiative, flexibility and balance are purposeful activities designed to secure competitive momentum</p>	<p>Explicit reasoning reveals the basis for creation of direction intended to upset rival equilibrium</p>	<p>Maintenance of initiative secures control of competitive momentum</p>	<p>Competitive momentum keeps a competitor disadvantaged for the time it can be maintained</p>

Table 1.2 *Continued*

<p>Strategy: Concepts and Principles</p>	<p>Purpose: Aspirations of corporate stakeholders inform corporate aims</p>	<p>Reason: Rational, logical argument for direction using valid information and explanation</p>	<p>Advantage: Benefit to corporate interests relative to intention and capability of specified rivals</p>	<p>Future: Anticipated outcomes of action, situations and likely events in longer term</p>
<p>Security: Psychological control of impressions</p>	<p>Purposeful management of rival's impressions of time, reality and dependence to cause disorientation</p>	<p>Creation of impressions relies on formulation of logic of interpretation from rival's viewpoint</p>	<p>A competitor deprived of an accurate sense of reality is vulnerable to loss of advantage</p>	<p>Creation of false impression is designed to temporarily disable a rival to secure a better position of future advantage</p>
<p>Feasibility: Maintenance of capability</p>	<p>Purposeful assembly and maintenance of assets, abilities and allies to secure advantage</p>	<p>Capability underpins rationale for securing interests through transformation of circumstances</p>	<p>Maintenance of advantage depends on ensuring relative capability is superior</p>	<p>Capability declines over time, undermining competitive effort and advantage; must therefore be sustained</p>
<p>Morality: Action consistent with principled standards of behaviour</p>	<p>Purposeful identification of values and standards of behaviour to secure reputation</p>	<p>Adoption of assertive or defensive posture logically maintains finite game within infinite game</p>	<p>A competitor's reputation as an acceptable player in an infinite game depends on articulation of values and standards of behaviour</p>	<p>Reputation is a future appraisal of a competitor's acceptability as a member of a competitive commercial community</p>



Figure 1.1 Concept map for Strategy.

There the reader will find a comprehensive basis for understanding and evaluating strategic thinking.

The diagram above is a concept map³³ (Figure 1.1) guiding the visualisation of the following chapters.

Reflection

Can there be competition without strategy?

Can one have a strategy to climb a mountain?

