

1 The Concept of Strategy

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*

To shoot a great score you need a clever strategy.

—RORY MCILROY, *GOLFER*

Everybody has a plan until they get punched in the mouth.

—MIKE TYSON, FORMER WORLD HEAVYWEIGHT BOXING CHAMPION

OUTLINE

- ◆ **Introduction and Objectives**
- ◆ **The Role of Strategy in Success**
- ◆ **The Basic Framework for Strategy Analysis**
 - Strategic Fit
- ◆ **What Is Strategy? Why Do Firms Need It?**
 - What Is Strategy?
 - Why Do Firms Need Strategy?
- ◆ **Locating and Describing Strategy**
 - Where Do We Find Strategy?
 - Corporate and Business Strategy
 - Describing Strategy
- ◆ **How Is Strategy Made? The Strategy Process**
 - Design versus Emergence
 - Applying Strategy Analysis
- ◆ **Strategic Management of Not-For-Profit Organizations**
- ◆ **Summary**
- ◆ **Self-Study Questions**
- ◆ **Notes**

Introduction and Objectives

Strategy is about achieving success. In this chapter, I explain what strategy is and why it is important to success, for both organizations and individuals. I 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 decisions and actions of an individual or an organization.

This chapter introduces the framework for strategy analysis that underlies this book. This framework comprises two components: analysis of the external environment of the firm (mainly industry analysis) and analysis of the internal environment (primarily analysis of the firm's resources and capabilities). We shall then examine what strategy is, how we can identify and describe it, and how organizations go about making strategy.

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

- ◆ Appreciate the contribution that strategy can make to successful performance and recognize the attributes of an effective strategy.
- ◆ Comprehend the basic framework of strategy analysis that underlies this book.
- ◆ Explain what strategy is and why it is beneficial.
- ◆ Identify and describe the strategy of a business enterprise.
- ◆ Understand how strategy is made within organizations.
- ◆ Recognize the distinctive features of strategic management among not-for-profit organizations.

We start by looking at the role of strategy in success.



The Role of Strategy in Success

Strategy Capsules 1.1 and 1.2 describe two examples of outstanding strategic leadership. Despite the vastly different arenas within which Volodymyr Zelensky and Taylor Swift operate, can their success be attributed to any common factors?

My contention is that Zelensky's mobilization of the defense of Ukraine and Taylor Swift's stellar success were neither accidental or preordained—both are outcomes of soundly formulated and effectively implemented strategies. While these strategies did not exist as explicit plans in both cases, we can discern a consistency of direction and coherence of actions that reflect a profound understanding of the underlying situation and the potential to influence unfolding events toward a favorable outcome.

What do these two examples tell us about the characteristics of a strategy that is conducive to success? In both stories, four common factors stand out (Figure 1.1):

- *Goals that are clear, consistent, and long term:* From the first Russian incursion into Ukraine, Zelensky's actions have been focused on a single goal: sustaining Ukraine existence as a sovereign nation state within its borders. Swift demonstrates an unwavering career commitment that embraces social, family, and spiritual aspects of her life.

STRATEGY CAPSULE 1.1

Volodymyr Zelensky and the Defense of Ukraine, 2022–2024

When Russia launched its invasion of Ukraine on February 24, 2022, military experts and intelligence agencies in the West predicted that Ukrainian resistance would be swept away within days—such was the disparity in the military resources of the two countries.

Yet, two years and two months later, Ukrainian forces and the Ukrainian people continue to defy expectations and Russian territorial gains have been reduced to less than 8% of the country. Vital to Ukrainian resistance has been the role played by Ukraine's president, Volodymyr Zelensky.

There is little in Zelensky's background to indicate he would become a globally renowned symbol of wartime leadership. Born to Jewish parents and brought up as a Russian speaker, Zelensky's career as a comedian culminated in his playing the lead role in a TV series *Servant of the People* where, as a history teacher, he becomes the country's president. On New Year's Eve 2019, Zelensky declared his candidacy for Ukraine's upcoming presidential election promising to fight corruption and positioning himself as a mediator between pro- and anti-Russian factions in Ukrainian politics. In the second round of the election, Zelensky received 73% of the vote.

The first 30 months of Zelensky's presidency were dominated by the COVID-19 pandemic and controversy over President Trump's attempts to pressure the Ukrainian government into supporting his campaign against the Biden family. Russia's invasion triggered a transformation in his role.

Zelensky quickly drew upon expertise as a communicator and a master of social media to defy the widely

held belief that Ukrainian defenses would be swept away within days and to present himself as a leader of national resistance. He replaced his suits and clean-shaven look with military-style fatigues and a beard. Videos of Zelensky's presence among bomb-shattered buildings and words of defiance galvanized Ukrainian resistance and induced a surge of sympathy and outrage throughout the West.

While delegating military strategy to the leaders of Ukrainian armed forces, Zelensky focused his efforts on reinforcing morale at home and projecting overseas a narrative that equated the Ukrainian cause as a part of a global crusade for national self-determination and human rights against the evils of barbarism and tyranny. At home, Zelensky's leadership united the great majority of Ukraine's population behind its military campaign. Abroad, he sought political and popular support by meeting with heads of government throughout the West, addressing national legislatures, international forums (UN, G7, and Davos Forum), and cultural and music events (Grammy Awards and Glastonbury Festival). The result has been a flood of money, military equipment, munitions, military intelligence, and humanitarian support from Western governments and wide-ranging economic and diplomatic sanctions against Russia.

The situation in May 2024 is one of stalemate. Russia's superior manpower and armaments production suggests that, in the absence of increased Western financial and military support, Zelensky's goal of driving Russia out of Ukraine—including Crimea—looks increasingly unattainable. A change of strategy seems inevitable.

- *Profound understanding of the competitive environment:* The ways in which both Zelensky and Swift define their roles and choose their actions reveal a deep and insightful appreciation of the external environments in which they operate. Zelensky recognized from the outset the need to manage two constituencies: first, unifying Ukraine's historically-fractious nation behind the war effort and, second, presenting Ukraine to the outside world as a deeply-wronged, freedom-loving nation intent on upholding the principles of democracy and self-determination against the forces of intolerance and aggression. Taylor Swift demonstrates an unerring capacity to identify and connect with the emotional

STRATEGY CAPSULE 1.2

Taylor Swift

In 2024, Taylor Swift became the first musical artist to reach billionaire status solely upon income from music. Her *Eras Tour* of 2023–2024 was expected to generate revenues of close to \$2 billion—the highest grossing concert tour in history. The economic boost to U.S. cities hosting the concerts amounted to around \$5 billion.

Swift's rise to superstar status is the culmination of a career devoted to music making. Aged 13, her family moved to Nashville in order to help her break into the country music scene. At 15, she contracted with Big Machine Records. Her first album, released a year later, reached platinum status and featured songs that were all written or co-written by herself. By the age of 22, Taylor Swift had won just about every award in country music. Two years later, the release of Swift's fifth studio album, *1989*, marked her transition from country to mainstream popular music prompting a massive broadening of her fan base.

Swift directs her song-writing talent into themes that address her own life experiences. Her audience's ability to relate to these as "a mirror for her fans' own lives"^a provides

an intimacy that is the basis of her connection with them. This capacity for connection is fostered through Swift's girl-next-door look and demeanor.

Each of her albums is rooted in a phase of her life and her emotional experiences of that time. Her early albums addressed adolescent love, heartbreak, and insecurity. Subsequent albums, *Red* and *1989*, incorporated the complexities of young adulthood, including heartbreak, growth, and self-discovery. Later albums explored self-acceptance, love, and resilience, and have resonated with fans of all ages.

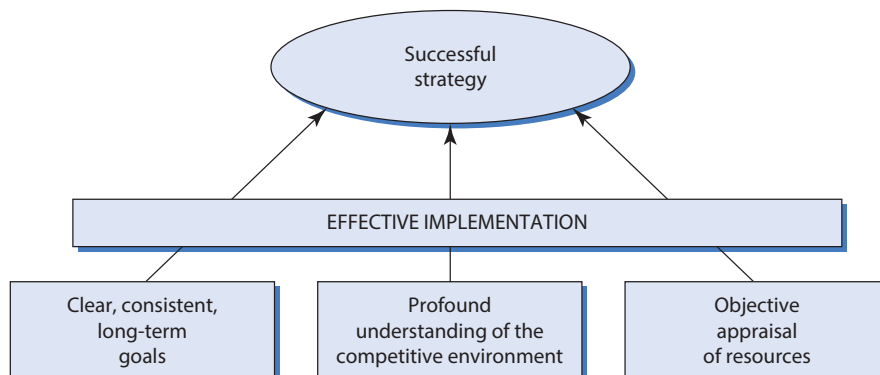
The Eras Tour encapsulated fans, intimacy with the life of their star with a nostalgic journey through Taylor's musical transformation, from country roots to pop superstardom, connecting them emotionally to the songs and stories behind them. In doing so, the *Eras Tour* has "set a new standard for live performances."^b

The Eras Tour also highlighted the expertise with which Swift and her marketing team deploy social media and interactive experiences to build awareness and anticipation.

climate of the time and with the aspirations and apprehensions of her predominantly white, suburban fan base.

- *Objective appraisal of resources:* Both President Zelensky and Taylor Swift have been adept at recognizing and deploying the resources at their disposal. Zelensky's leadership relies heavily on his media expertise and capabilities as a

FIGURE 1.1 Common elements in successful strategies



Through Instagram, TikTok, Twitter, and YouTube, she engaged with fans directly, shared exclusive content, and provided regular updates, thereby converting fans into brand ambassadors for the tour. Central to the marketing efforts are data analytics that use fan demographics and preferences to tailor marketing messages to specific target audiences.

Swift pioneered the use of promotional events to connect with her fans on a personal level. These include exclusive pre-show events, surprise meet-and-greets, and hosted online contests. These efforts to connect and delight have nurtured a community of “Swifties” with unparalleled loyalty and enthusiasm. Her intuitive marketing genius is indicated by her capacity to integrate Swiftmania with American love of football through her relationship with Travis Kelce of the Kansas City Chiefs—“a collision of two of America’s mightiest cultural institutions.”^c

In addition to creating a huge global fan base and enthusiasm for her music that extends across multiple demographics and geographies, Swift has demonstrated mastery in navigating the complex power relationships of the music business to monetize her popularity. She has fiercely protected her intellectual property. She withdrew her catalogue from Spotify for three years and, outraged at the sale of her catalogue by her original record company, Big Machine Records, to a private equity firm,

she rerecorded her first six albums which she relaunched to compete with the original recordings.

From the outset, Swift has pursued her career with resolute determination. She promoted her first album on MySpace, she mailed CDs to country radio stations nationwide, and embarked on an extensive road trip visiting radio stations and DJs. Off-duty, Swift engages with a network of celebrity acquaintances known as “Swift’s Squad.” According to one commentator: “When she’s not making music, she’s making gossip art.”^d

Swift’s direction of her career is reflected in the organization that she has built to support her creative endeavors. Eschewing outside agents and management companies, she runs a tight-knit support team that includes her father, Scott, as financial advisor, and her company, 13 Management, operating out of her private jet’s hangar in Nashville.

Notes:

^a <https://www.prdaily.com/the-core-of-taylor-swifts-pr-strategy-is-values-based-messaging/>, accessed January 22, 2024.

^b <https://www.marion.com/taylor-swift-eras-tour-marketing/>, accessed January 22, 2024.

^c “How Taylor Swift and Travis Kelce Took Over the NFL,” *Rolling Stone* (February 14, 2024).

^d “Taylor Swift: a pop star at the peak of her powers,” *Financial Times* (December 23, 2023).

communicator—leaving military decisions mainly to commanders of the armed forces. Swift’s career strategy relies heavily upon deploying her two core capabilities: her songwriting talents to create emotional connection with her audience and her mastery of self-promotion.

- **Effective implementation:** Without effective implementation, the best-conceived strategies are of little use. Critical to the success of both President Zelensky and Taylor Swift has been an unflinching commitment to maximizing media presence, connecting with people, and collaborating with ecosystem partners.

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 these 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 these four strategic factors. They

are goal focused; their career goals have taken primacy over the multitude of life's other goals—friendship, love, hedonistic pleasure, 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 recognizing the paths to advancement. They know themselves well in terms of both strengths and weaknesses. Finally, they implement their career strategies with commitment, consistency, and determination. As management guru Peter Drucker observed: “we must learn how to be the CEO of our own career.”¹

There is a downside, however. Focusing on a single goal may facilitate outstanding success but is often 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, Elvis Presley and Marilyn Monroe in entertainment, Tiger Woods and Boris Becker in sports, and Bobby Fischer in chess. For most of us, personal fulfillment is likely to require broad-based rather than narrowly-focused goals.²

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.



INTERACTIVE
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The Basic Framework for Strategy Analysis

Figure 1.2 shows the basic framework for strategy analysis that we shall use throughout the book. Here, 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 of these elements: goals and values (“simple, consistent, long-term goals”), resources and capabilities (“objective appraisal of resources”), and structure and systems (“effective implementation”). The industry environment embodies the fourth (“profound understanding of the competitive environment”) and is defined by the firm’s relationships with competitors, customers, and suppliers.

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

This view of strategy as a link between the firm and its industry environment has close similarities to the widely used **SWOT framework**. However, as I explain in Strategy Capsule 1.3, a two-way classification of internal and external forces is superior to the four-way SWOT framework.

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



STRATEGY CAPSULE 1.3

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 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 of the firm, primarily its resources and capabilities; 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, these distinctions are problematic.

Is the Harley-Davidson brand a strength or a weakness for the Harley-Davidson motorcycle company? As an iconic symbol of freedom and Americana, it engenders fervent loyalty among Harley owners. Yet, for many younger and non-American riders, it lacks appeal.

Was COVID-19 a threat or opportunity for Starbucks? Loss of sales was a huge threat. Yet, Starbucks used the pandemic to accelerate mobile ordering and payment, reconfigure coffee-shop operations, launch direct delivery, and reinforce its commitment to employees.

The lesson here is that classifying external factors into opportunities and threats, and internal factors into strengths and weaknesses, is often arbitrary. What is important is to carefully identify the external and internal forces that impact the firm, and then analyze their implications.

In this book, I will follow a simple two-way classification of internal and external factors, recognizing that their categorization into strengths or weaknesses and opportunities or threats, depends upon circumstances.

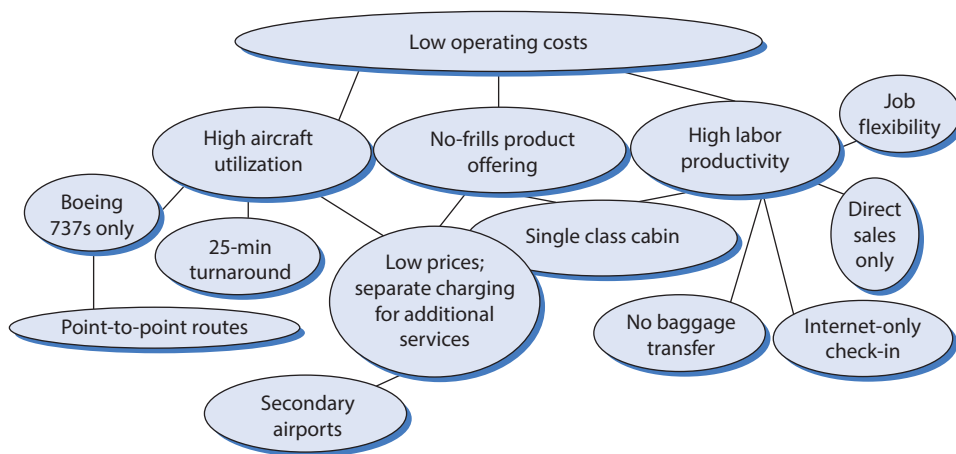
Note:

For more on SWOT see: T. Hill and R. Westbrook, “SWOT Analysis: It’s Time for a Product Recall,” *Long Range Planning*, 30 (February 1997): 46–52; M. Venzin, “SWOT Analysis: Such a Waste of Time?” (February 2015) <http://ideas.sdobocconi.it/strategy/archives/3405>.

Strategic Fit

Fundamental to this view of strategy as a link between the firm and its external environment is the notion of **strategic fit**. This refers to the consistency of a firm’s strategy, first, with the firm’s external environment and, second, with its internal environment, especially with its goals and values and resources and capabilities. A common source of corporate failure is a strategy that lacks consistency with either the internal or the external environment. The woes of the Italian airline, Alitalia (subsequently ITA Airlines) may be attributed to a strategy that failed to respond adequately to competition from budget airlines such as Ryanair and EasyJet. Other companies struggle to align their strategies to their internal resources and capabilities. A critical issue for the video streaming services of Comcast (Peacock), Paramount, and Warner Discovery (Max) is whether they possess the financial, technological, and production resources to compete head-to-head with Netflix, Amazon, and Disney.

The concept of strategic fit also extends to the internal consistency among the different elements of a firm’s strategy. An effective strategy is one in which all the decisions and actions that make up the strategy are aligned with one another to create a consistent strategic direction. This notion of internal fit is central to Michael Porter’s conceptualization of the firm as an **activity system**. Porter states that “Strategy is the creation of a unique and differentiated position involving a different set of activities.”³ The key is how these

FIGURE 1.3 Ryanair's activity system

activities fit together to form a consistent, mutually reinforcing system. Ryanair's strategic position as Europe's lowest-cost airline providing no-frills flights to budget-conscious travelers is achieved by a set of complementary activities shown in Figure 1.3.

The concept of strategic fit is one component of a set of ideas known as **contingency theory**. Contingency theory postulates that there is no single best way of organizing or managing. The best way to design and manage an organization depends upon circumstances—in particular, the characteristics of that organization's environment.⁴



What Is Strategy? Why Do Firms Need It?

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 most definitions is the notion that strategy involves setting goals, allocating resources, and establishing consistency and coherence among decisions and actions.

As Strategy Capsule 1.4 shows, our conception of firm strategy has changed greatly over time. As the business environment has become more unstable and unpredictable, strategy is concerned less with detailed plans and more with guidelines for action. This is consistent with the introductory examples to this chapter. Neither President Zelensky nor Taylor Swift appear to have articulated any explicit strategic plan, but the consistency we discern in their actions suggests both 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. The more turbulent the environment, the more strategy must embrace flexibility and responsiveness. But it is precisely under 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 the compass that can navigate the firm through stormy seas.

Why Do Firms Need Strategy?

It is precisely this uncertainty that creates the need for strategy. We do not know what the future may bring because we do not know the factors that will be generating future

TABLE 1.1 Some definitions of strategy

● Strategy: a plan, method, or series of actions designed to achieve a specific goal or effect.	
	— <i>Wordsmyth Dictionary</i> (www.wordsmyth.net)
● 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, <i>Strategy and Structure</i> (Cambridge, MA: MIT Press, 1962)
● Strategy: “a cohesive response to an important challenge.”	
	—Richard Rumelt, <i>Good Strategy/Bad Strategy</i> (New York: Crown Business, 2011): 6.
● Lost Boy:	“Injuns! Let’s go get ‘em!”
John Darling:	“Hold on a minute. First, we must have a <i>strategy</i> .”
Lost Boy:	“Uhh? What’s a <i>strategy</i> ?”
John Darling:	“It’s, er . . . it’s a plan of attack.”

—Walt Disney’s *Peter Pan*

states of the world or how they will interact with one another. Most unpredictable of all is human behavior. Most changes in a firm’s external environment are the result of human decisions: a start-up company emerges with a novel strategy, a competitor develops a new technology, a terrorist incident triggers a political chain reaction that imperils the entire global economy. As a result, the business environment is *non-ergodic*: the future is fundamentally different from the past, hence past data is of limited use in predicting the future.⁵

Hence, strategy addresses what Richard Rumelt describes as “gnarly” situations. These are complex, uncertain situations where we are unclear what the problem is, where we don’t know what the alternative paths of action are, and we don’t know what the relationship will be between action and eventual outcome.⁶ In addressing an uncertain future, strategy can assist a business in four ways. First, it can provide a basis for purposeful action. Second a strategy provides a framework for better decision-making. Third, strategy provides a basis for coordination within a firm. Finally, strategy can provide a target that drives performance. Let me address each of these.

Strategy as a Basis for Action Faced with uncertainty, a firm cannot wait to see how things turn out. It needs to act on the basis of its best guesses. By having a strategy—a view of the direction the firm will take and what it will become—the firm can take purposeful action. This action tends to be one of two types: a firm can *adapt* to how it believes its external environment will change, or the firm can attempt to *shape* its emerging environment. The balance between these two is likely to depend on the extent of the firm’s investment in the current situation. In response to the opportunity presented by electric vehicles, Tesla, a start up with zero investment in traditional automotive technology, was determined to pioneer the transformation of personal transportation. Ford, an established automobile producer with over a century of investment in petroleum-fueled cars, sought to adapt to the coming revolution.

Strategy as Decision Support Possessing a strategy adds coherence to the decisions of an individual or organization. Organizations—and individuals too—have difficulty in being consistent in the many decisions they must make. A well-understood strategy provides a unifying theme that helps ensure the alignment of decisions taken at different moments of time and by different people.

Possessing an overall strategy not only makes individual decisions more consistent with one another, it also allows for better decisions. Formulating a strategy in the

STRATEGY CAPSULE 1.4

A Brief History of Business Strategy

The origins of business strategy lie in military strategy. The term *strategy* derives from the Greek word *strategia*, meaning “generalship.” Business strategists have drawn extensively upon the classics of military strategy, including Sun Tzu’s *The Art of War* (written around 500 BC), Machiavelli’s *The Art of War*, Von Clausewitz’s *On War*, and Mao Zedong’s *On Guerrilla Warfare*.^a Common to both military and business strategy is the distinction between strategy and tactics: a *strategy* is an overall plan for deploying resources to establish a favorable position; a *tactic* is a scheme for a specific action. Strategic decisions are important, they commit resources, and are not easy to reverse.

Yet, business competition cannot be equated with military conflict. The objective of war is (usually) to defeat the enemy. Business rivalry is seldom so aggressive: firm strategies are as much about cooperation as about competition.

The evolution of business strategy has been driven more by the practical needs of business than by the development of theory. As companies grew in size and complexity, they needed systematic approaches to their long-term development that extended beyond financial budgeting. *Corporate planning* (also known as *long-term planning*) developed during the late 1950s and 1960s to serve this purpose. The typical format was a multi-year plan (most commonly, five years) that set objectives, forecasted key economic trends (including market demand and costs), established priorities for different products and business areas of the firm, and set capital expenditure budgets.^b

By the early 1980s, macroeconomic instability, rising international competition, and accelerating

technological changes had undermined confidence in corporate planning—companies couldn’t plan their actions over a five-year horizon if they couldn’t forecast that far.

This transition from corporate planning to what became called *strategic management* shifted emphasis from planning growth to positioning the company to best exploit opportunities and counter threats. The focus was upon competition as the central feature of the business environment and profitability as the primary goal.

Strategy analysis became directed toward the sources of profitability. At the end of the 1970s, Michael Porter pioneered the application of industrial organization economics to analyzing the profit potential of different industries and markets.^c

During the 1990s, the focus of strategy analysis shifted toward the sources of profit within the firm. The *resource-based view* identified the firm’s resources and capabilities as its main source of competitive advantage and the primary basis for formulating strategy. This encouraged firms to identify how they are *different* from their competitors and to design strategies that exploit these differences.^d

During the 21st century, new challenges continued to shape the principles and practice of strategic management. Digital technologies have disrupted established market positions, created winner-take-all markets, ushered in new business models, and augmented human intelligence with machine intelligence in many areas of management decision.^e Global crises—the financial crisis of 2008 and the COVID-19 pandemic—have reinforced managers’ appreciation of the need for agility, and triggered new thinking about strategy making

face of uncertainty, not only requires imagination, but also the business leader to possess a *theory* of what may happen in the future and how the actions of the firm can exploit that future opportunity or avoid that particular problem. Peter Drucker referred to this as “the theory of the business”: a set of assumptions about the firm’s business environment, about its mission, and about the competencies it needs to accomplish that mission.⁷ The emerging **theory-based view of strategy** regards the essence of business strategy as a firm-specific theory—in many cases nothing more than a set of

under conditions of profound uncertainty.^f At the same time, firms are pressured by new demands—the need to respond to stakeholder interests, to social pressures, and to the threats of climate change and environmental degradation. As we shall see, the complexity of these challenges requires strategic innovation, novel approaches to organizing, and collaboration among firms.

Figure 1.4 summarizes the main developments in strategic management since the mid-20th century.

Notes:

^aSun Tzu, *The Art of Strategy: A New Translation of Sun Tzu's Classic "The Art of War,"* trans. R. L. Wing (New York: Doubleday, 1988); N. Machiavelli, *Art of War* (University of Chicago Press, 2003); C. von Clausewitz, *On War* (Princeton University Press, 2008); Mao Zedong, *On Guerrilla Warfare* (1935).

^bH. W. Henry, *Long Range Planning Processes in 45 Industrial Companies* (Englewood Cliffs, NJ: Prentice-Hall, 1967).

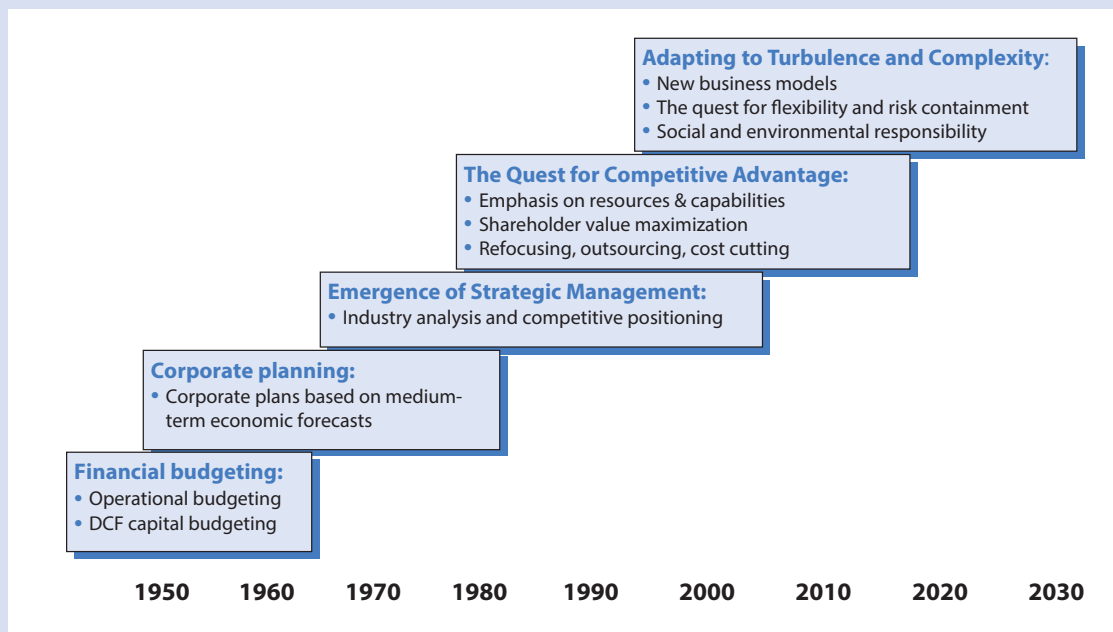
^cM. E. Porter, *Competitive Strategy* (New York: Free Press, 1980).

^dD. J. Collis and C. Montgomery, "Competing on Strategy in the 1990s," *Harvard Business Review* (July/August 1995): 119–128; R. Adner, P. Puranam and F. Zhu, "What Is Different About Digital Strategy? From Quantitative to Qualitative Change," *Strategy Science* 4 (December 2019): 253–261.

^eM. G. Jacobides, "In the Ecosystem Economy, What's Your Strategy?" *Harvard Business Review* (December 2019); J. O'Toole, "The Prospects for Enlightened Corporate Leadership," *California Management Review* 61(3) (Fall 2019): 72–92.

^fS. A. Alvarez and J. Porac, "Imagination, Indeterminacy, and Managerial Choice at the Limit of Knowledge," *Academy of Management Review* 45 (October 2020): 735–744.

FIGURE 1.4 Evolution of strategic management



beliefs—about how the firm will be able to create value. The extent to which the firm can validate its theory by probing its logic, testing its assumptions, and experimenting with applying the strategy, the more effective the strategy is likely to be in guiding the decisions of the firm toward a successful future.⁸ The power of such theories derives from the nature of strategic situations. They relate to an unknown future, they are ill-defined, the options for addressing them are not apparent, and the connections between actions and outcomes are unclear. Complex challenges—whether the threat

of climate change for ExxonMobil or the problem of homelessness for the City of San Francisco—require a multitude of decisions and actions that are highly interdependent and which must be unified by clear diagnosis and an agreed overall direction. A strategy offers a framework that permits coherence among interdependent decisions.

Strategy can also simplify decision-making by constraining the range of decision alternatives considered, thereby acting as a *heuristic*—a rule of thumb that reduces the search required to find an acceptable solution to a decision problem. Thus, Nestlé’s strategic objective “to be the leader in Nutrition, Health, and Wellness” communicates clearly what Nestlé’s business is and indicates the activities that are likely to be outside of its strategic focus.

Finally, to the extent that a process is established for creating strategy, the knowledge and insights of different individuals can be integrated and analytic tools—the concepts, frameworks, and techniques that we will encounter throughout this book—can be deployed.

Strategy as a Coordinating Device In the same way that strategy provides a process for integrating the knowledge and insights of different members of an organization, it also offers a communication device to promote coordination in its implementation. If employees understand their company’s strategy, they can ensure that their decisions are consistent with that strategy—such consensus is conducive to organizational performance.⁹ At Walmart, every employee knows that the foundation of Walmart’s strategy is “Everyday low prices!” As a result, each employee understands the importance of cost efficiency and has clear internal guidance as to how he or she should do their job. As we shall see in Chapter 6, a company’s strategic planning process provides a forum for integrating knowledge and opinions during strategy formulations. It is also a mechanism for translating that strategy into goals, commitments, and resource deployments that allows the organization to move forward in a consistent direction.

Strategy as Target Strategy is forward looking. It establishes direction for the firm’s development and sets aspirations that can motivate and inspire members of the organization. Gary Hamel and C. K. Prahalad use the term *strategic intent* to describe this desired strategic position: “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.”¹⁰ The implication is that strategy should embrace stretch and resource leverage and not be overly constrained by considerations of strategic fit.¹¹ A study of US companies that have been sector leaders for 50 years or more found that all had generated commitment and drive through setting “Big, Hairy, Ambitious Goals.”¹² Inspirational goals are often inscribed within organizations’ statements of vision and mission. One of the best known is that set by President Kennedy in 1962 for the Apollo space program: “before this decade is out, to land a man on the Moon and return him safely to Earth.”¹³ However, goals alone do not constitute a strategy. Without guidelines for their attainment, an organization’s goals are likely to be either meaningless or delusional. Too many corporations confuse strategy with aspirational financial targets unsupported by specific proposals of how the goals will be attained.¹⁴



INTERACTIVE
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Locating and Describing Strategy

Where Do We Find Strategy?

Strategy begins in the heads of business leaders. For the entrepreneur, the starting point of strategy is recognizing a business opportunity. Until the entrepreneur needs to persuade others of the merits of the idea, there is little need for any explicit statement

of strategy. Typically this occurs when the entrepreneur needs to raise finance. At that point, the entrepreneur will be expected to articulate strategy in the form of a business plan.

In established companies, strategy is a continuum that begins with a company's founding and extends into its future. At any point in time, the firm's strategy is embodied in its positioning, its aspirations, its culture, and its identity. For company executives, the emphasis of strategy is inevitably the future: "How shall we respond to the challenges and opportunities that will impact our company?"

For larger companies, strategy formulation is an explicit management process which is documented in board and executive committee minutes and strategic planning documents. These are invariably confidential. However, most companies—public companies in particular—see value in communicating their strategy (or selected parts of it) to employees, customers, investors, and business partners. Statements through which companies communicate their strategies include:

- The mission statement describes organizational purpose; it addresses "Why we exist."
- A statement of principles or values outlines "What we believe in and how we will behave."
- The vision statement projects "What we want to be."
- The strategy statement articulates the company's competitive game plan, which typically describes objectives, business scope, and advantage.¹⁵

These statements can be found in the corporate pages of companies' websites. More detailed statements of strategy—including qualitative and quantitative medium-term targets—are found in top management presentations to analysts, which are typically included in the "for investors" pages of company websites. Strategy Capsule 1.5 shows statements of strategy by Carlsberg and Zoom.

All these are intentions and, as we shall see, an intended strategy is not necessarily realized. Ultimately, strategy is realized as action. Hence, strategy is observable in where and how a firm chooses to compete. For example, information on a firm's business scope (products and its markets) and how it competes within these markets can be found in a company's annual reports.

Checking a company's pronouncements about strategy against its actions often reveals a gap between rhetoric and reality. As a reality check, it is useful to ask:

- Where is the company investing its money? Notes to financial statements offer breakdowns of capital expenditure by region and by business segment.
- What technologies is the company developing? The patents that a company has filed (using the online databases of the US and EU patent offices) point to a firm's technological trajectory.
- What new products have been launched, new facilities initiated, and senior executives hired? These strategic initiatives are typically announced in press releases and reported in trade journals.

Corporate and Business Strategy

Strategic choices can be distilled into two basic questions:

- Where to compete?
- How to compete?

STRATEGY CAPSULE 1.5

Statements of Company Strategy: Carlsberg and Zoom Video Communications

CARLSBERG GROUP

Our Purpose

- ◆ We pursue perfection every day.
- ◆ We strive to brew better beers. Beers that stand at the heart of moments that bring people together.
- ◆ We don't settle for immediate gain when we can create a better tomorrow for all of us.

Our Ambition

Successful by delivering sustainable organic top-and-bottom-line growth; **professional** by being the preferred supplier of our customers; and **attractive** by delivering value for shareholders, employees, and society.

Our Priorities

1. Strengthen #1 & #2 positions: We leverage our strong beer brands and market positions to drive growth.
2. Position for growth: We drive growth in geographies and segments where we see long-term growth opportunities. (Craft and specialty beers, non-alcohol brews, and Asia.)
3. Deliver value for shareholders (organic growth in operating profit, ROIC improvement, and optimal capital allocation).
4. Create a winning culture (team-based performance): Together towards ZERO (carbon emissions, water waste, irresponsible drinking, accidents). Live by our Compass.

ZOOM VIDEO COMMUNICATIONS, INC.

We provide a video-first communications platform that delivers happiness and fundamentally changes how people interact. We connect people through frictionless video, voice, chat, and content sharing and enable face-to-face video experiences for thousands of people in a single meeting across disparate devices and locations. Our cloud-native platform delivers reliable, high-quality video that is easy to use, manage and deploy, provides an attractive return on investment, is scalable and easily integrates with physical spaces and applications. We believe that rich and reliable communications lead to interactions that build greater empathy and trust. We strive to live up to the trust our customers place in us by delivering a communications solution that "just works." Our goal is to make Zoom meetings better than in-person meetings.

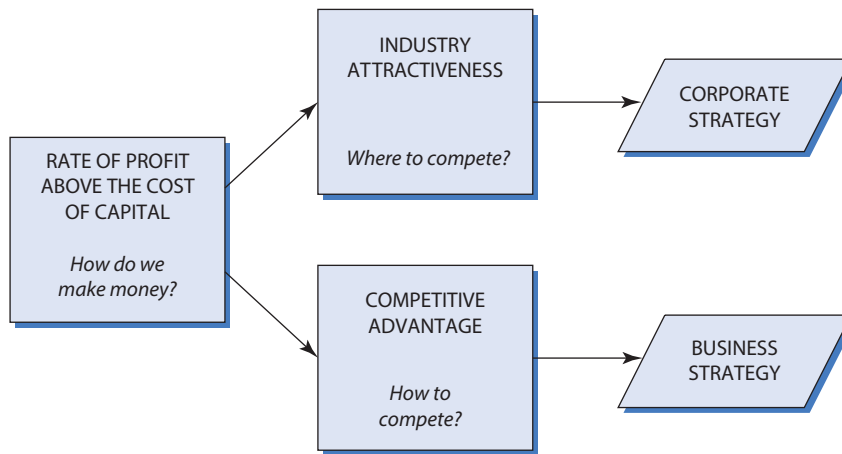
We focus on the following elements of our strategy to drive our growth:

- ◆ keep our existing customers happy;
- ◆ drive new customer acquisition;
- ◆ expand within existing customers;
- ◆ innovate our platform continuously;
- ◆ accelerate international expansion; and
- ◆ grow our partnership ecosystem and continue to expand our platform.

Sources: www.carlsberggroup.com; SEC, Form S-1 Registration Statement, Zoom Video Communications, Inc., 2019.

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

Corporate strategy defines the scope of the firm in terms of the industries and markets in which it competes. Corporate strategy decisions include choices over diversification, vertical integration, acquisitions, new ventures, and the allocation of resources between the different businesses of the firm.

FIGURE 1.5 The sources of superior profitability

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*.

The distinction between corporate strategy and business strategy corresponds to the organizational structure of most large companies. Corporate strategy is the responsibility of corporate top management. Business strategy is primarily the responsibility of the senior managers of divisions and subsidiaries.

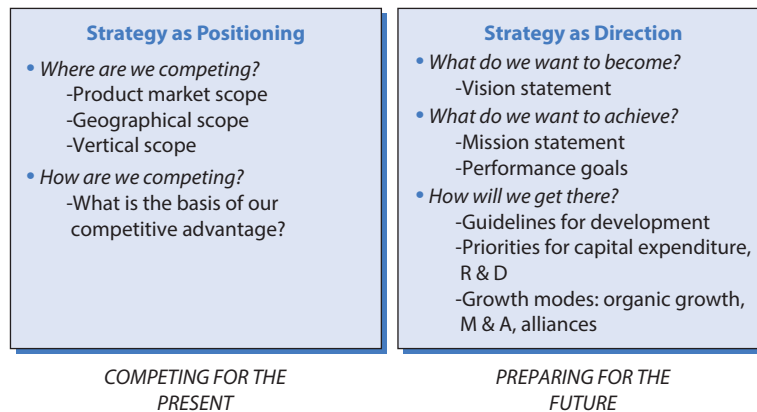
This distinction between corporate and business strategy also corresponds to the primary sources of superior profit for a firm. To survive and prosper over the long term, a firm must earn a return on its capital that exceeds its cost of capital. There are two possible ways of achieving this. First, by locating within industries that offer attractive rates of profit (corporate strategy). Second, by establishing a competitive advantage over rivals within an industry (Figure 1.5). This distinction may be expressed even more simply. The basic question facing the firm is, “How do we make money?” This prompts the two basic strategic choices identified above: “Where to compete?” and “How to compete?”

In offering an integrated approach to firm strategy, this book addresses both business and corporate strategy. However, our primary emphasis will be on business strategy. This is because the critical requirement for a company’s success is its ability to establish competitive advantage. Indeed, competitive advantage is a central issue in the analysis of corporate strategy: Can a firm’s competitive advantage in one area of business be transferred to another area of business? Is a firm’s competitive advantage in one area of business reinforced by its presence in another area of business? As we shall discover, business and corporate strategy are closely intertwined.

Describing 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 products the firm supplies, the customers it serves, the countries and localities where it operates, and the

FIGURE 1.6 Describing firm strategy: Competing in the present, preparing for the future



vertical range of activities it undertakes—what we term *the scope of the firm*. The *how* question relates to the nature of the firm’s competitive advantage: Is it seeking a cost advantage or a differentiation advantage? How is the firm using its distinctive resources and capabilities to establish a competitive advantage? This present-oriented notion of strategy may be seen as an aspect of *organizational identity*—“who we think we are.”¹⁶

However, strategy is not simply about “competing for today”; it is also concerned with “competing for tomorrow.” This dynamic aspect 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 how it will meet specific performance targets.

These two dimensions of strategy—the static and the dynamic—are depicted in Figure 1.6. As we shall see in Chapter 8, reconciling these two dimensions of strategy—what Derek Abell calls “competing with dual strategies”—is one of the central dilemmas of strategic management.¹⁷



How Is Strategy Made? The Strategy Process

How companies make strategy and how they should make strategy are among the most hotly debated issues in strategic management. The corporate planning undertaken by large companies during the 1960s was a highly formalized approach to strategy making. Strategy may also be made informally: emerging through adaptation to circumstances. Our opening discussion of Ukraine’s strategy in its war with Russia points to strategy emerging in response to a dominant problem, rather than the outcome of a systematic process of strategy formulation.

Similarly, successful companies are seldom the products of grand designs. The rise of SpaceX to become the world’s leading space launch did not follow an explicit strategic plan. The origins of its strategy lie in Elon Musk’s fascination with interplanetary travel and the possibility of establishing a colony on Mars. At the heart of its strategy was Musk’s insight that the key to lower cost launches lay in developing a reusable rocket.¹⁸

So, what does this mean for strategy making by companies and other organizations? Should managers seek to formulate strategy through a rational systematic process, or is the best approach in a turbulent world to respond to events with opportunism and creativity?

Design versus Emergence

Henry Mintzberg is a leading critic of rational, analytical approaches to strategy design. He distinguishes *intended*, *emergent*, and *realized* strategies. **Intended strategy** is strategy as conceived of by the leader or top management team. Even here, intended strategy may be less a product of rational deliberation and more an outcome of inspiration, negotiation, bargaining, and compromise among those involved in the strategy-making 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 it to changing circumstances.¹⁹

According to Mintzberg, rational design is not only an inaccurate account of how strategies are actually formulated, it is also 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.”²⁰ Emergent approaches to strategy-making permit adaptation and learning through a continuous interaction between strategy formulation and strategy implementation in which strategy is constantly being adjusted and revised in the light of experience.

The debate between those who view strategy-making as a rational, analytical process of deliberate planning (the *design school*) and those who envisage strategy-making as an emergent process (the *process* or *learning school* of strategy) has centered on the case of Honda’s successful entry into the US motorcycle market during the early 1960s.²¹ The Boston Consulting Group lauded Honda for its single-minded pursuit of a global strategy based on exploiting economies of scale and learning to establish unsailable cost leadership.²² However, subsequent interviews with the Honda managers in charge of its US market entry revealed a different story: a haphazard, experimental approach with little analysis and no clear plan.²³ 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.”²⁴

In practice, strategy-making involves both thought and action: “Strategy exists in the cognition of managers but also is reified in what companies do.”²⁵ Top-down rational design combines with decentralized adaptation:

- The design aspect of strategy comprises organizational processes through which strategy is deliberated, discussed, and decided. These include board meetings, a strategic planning process, and informal participative events, such as strategy workshops. I will discuss processes of strategic planning more fully in Chapter 6.
- The enactment of strategy through decisions and actions being taken throughout the organization is a decentralized process where middle managers play a central role. These emergent processes are typically viewed as occurring when formal strategic plans are being implemented. However, these emergent processes may come first. Intel’s historic decision to abandon memory chips and concentrate on microprocessors was initiated in the operational decisions of business units and plant managers. It was subsequently adopted as strategy by top management.²⁶

I refer to this process of strategy-making that combines design and emergence as “planned emergence.”²⁷ The balance between the two depends greatly upon the stability and predictability of the organization’s business environment. The Roman Catholic Church and La Poste, the French postal service, inhabit relatively stable environments; they can plan activities and resource allocations in some detail quite far into the future. For the environmental action group, Extinction Rebellion, or the Yemen Mobile Telecom Company, strategic planning will inevitably be restricted to a few guidelines; most strategic decisions must be responses to unfolding circumstances.

As the business environment becomes more turbulent and less predictable, so strategy-making becomes less about detailed decisions and more about guidelines and general direction. Bain & Company advocates the use of *strategic principles*—“pithy, memorable distillations of strategy that guide and empower employees”—to combine consistent focus with adaptability and responsiveness.²⁸ Southwest Airlines encapsulates its strategy in a single phrase: “Meet customers’ short-haul travel needs at fares competitive with the cost of automobile travel.” For fast-moving businesses, it can be helpful to reduce strategy to a set of “simple rules.” 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?”²⁹

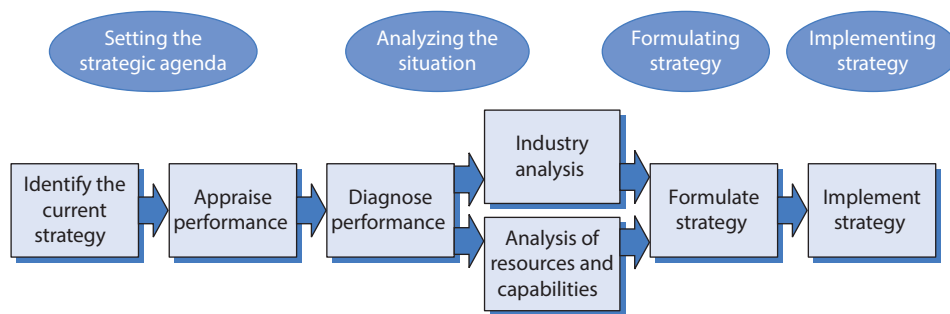
Applying Strategy Analysis

Despite the criticisms leveled at rational, analytical approaches to strategy formulation, the emphasis of this book will be the application of analytical tools to strategy issues. This is not because I wish to downplay the role of intuition, creativity, or spontaneity—these qualities are essential ingredients of successful strategies. Nevertheless, whether strategy formulation is formal or informal, deliberate or emergent, systematic analysis leads to better decisions and helps protect strategic decision-making from power battles, whims, fads, and wishful thinking. Concepts, theories, and analytic tools are complements to, and not substitutes for, intuition and creativity, and they provide a framework for organizing discussion, processing information, and developing consensus.

Yet, we must acknowledge the limits of analytical approaches to strategy making. Strategy analysis does not tell us the optimal strategy to adopt in a particular situation. Ultimately, strategic decisions require us “to embrace imagination, judgment, and creativity.”³⁰ What strategy analysis can do is to help us to probe systematically the relevant issues. It does so by providing concepts and frameworks that allow us to recognize the factors that influence a strategic situation, to organize the relevant information, and identify and assess strategic options. Finally, to the extent that our analytic tools are not specific to individual businesses or situations, they can improve our flexibility as managers by increasing our confidence and effectiveness in understanding and responding to new situations and new circumstances.

So, how do we go about applying our tools of strategy analysis in a systematic and productive way that allows us to make sound strategy recommendations? Developing a strategy for a business typically involves four main stages. These are shown in Figure 1.7.³¹

1. *Setting the strategic agenda.* Any strategy-making exercise must begin by identifying the important issues that the strategy must address. For an existing company, this involves assessing whether the current strategy is working, which requires that we:
 - Identify the current strategy. A vital preliminary step is to establish consensus around what the current strategy is. The above sections on “Where Do We Find Strategy?” and “Describing Strategy” offer guidance in this.

FIGURE 1.7 Applying strategy analysis

- **Appraise performance.** How well is the current strategy performing? In the next chapter, we shall learn how to apply financial analysis to assess firm performance.

2. *Analyzing the situation*

- **Diagnose performance.** Having determined the level and trend of the firm's performance, the next challenge is *diagnosis*: In the case of poor performance, what are the sources of unsatisfactory performance? In the case of good performance, what are the factors driving this? Chapter 2 offers guidance on performance. Richard Rumelt puts it even more succinctly: the core question in most strategy situations is, "What's going on here?"³² Answering this question requires identifying the heart of the strategic challenge—what Rumelt refers to as "the crux."³³ Probing the crux requires deploying our tools of strategic analysis.
 - **Analyze the industry.** To determine whether the current strategy needs to be changed, we need to look not just at how it is currently performing, but how it will perform in the future. This requires looking at the likely changes in the firm's industry and their implications. Chapters 3 and 4 address industry analysis.
 - **Analyze resources and capabilities.** Having established likely external changes, what do these mean for the firm's competitive position? This requires analysis of the firm's resources and capabilities—which we address in Chapter 5.
3. **Formulating strategy.** Performance diagnosis, industry analysis, and resource and capability analysis provide a basis for generating strategic options, the most promising of which can be developed into a recommended strategy. Generating strategic options requires creative thought. As already noted, at the basis of every strategic alternative is a theory concerning the outcomes that a particular course of action will generate. Inevitably, recommended strategies lack specificity and detail—they embody a logic of action whose foundation is a recognition of primary basis for a firm's competitive advantage. In Chapter 7, I discuss how the intersection of internal strengths and external success factors create the basis for a firm's competitive advantage.
4. **Implementing strategy.** Without action, a strategy is merely an idea expressed in words. Implementing strategy requires allocating resources and motivating people. As we shall see in Chapter 6, this requires putting in place the organizational structure and management systems within which action can take place.

Strategic Management of Not-For-Profit Organizations

When strategic management meant top-down, long-range planning, there was little distinction between business corporations and not-for-profit organizations: the techniques of forecast-based planning applied equally to both. As strategic management became increasingly oriented toward identifying and exploiting the sources of profit, it became more closely identified with for-profit organizations. However, the recent shift in emphasis among business enterprises toward value, rather than profit alone, has permitted a closer convergence.

The concepts and frameworks of business and corporate strategy are certainly applicable to not-for-profit organizations. The benefits I have attributed to strategic management in terms of improved decision-making, achieving coordination, and setting performance targets (see the section “Why Do Firms Need Strategy?” above) may be even more important in the nonprofit sector because of the complexity of highly politicized environments and the dire scarcity of financial resources. Moreover, many of the same tools of strategic analysis are readily applicable to not-for-profits—albeit with some adaptation. However, the not-for-profit sector encompasses a vast range of organizations that require different strategy analyses and tools.

A basic distinction is between those not-for-profits that operate in competitive environments (most non-governmental, not-for-profit organizations) and those that do not (most government departments and government agencies). Among the not-for-profits that inhabit competitive environments, we may distinguish between those that charge for the services they provide (most private schools, non-profit-making private hospitals, social and sports clubs, etc.) and those that provide their services free—most charities and NGOs (non-governmental organizations). Table 1.2 summarizes some key differences between each of these organizations with regard to the applicability of the basic tools of strategy analysis.

Among the analytic tools applicable to all types of not-for-profit organizations, those that specify organizational goals and link goals to resource-allocation decisions are especially important. For businesses, profit is always a key goal since it ensures survival and fuels development. But for not-for-profits, goals are typically complex. The mission of Harvard University is to “create knowledge, to open the minds of students to that knowledge, and to enable students to take best advantage of their educational opportunities.” But how are these multiple objectives to be reconciled in practice? How should Harvard’s budget be allocated between research and financial aid for students? Is Harvard’s mission better served by investing in graduate or undergraduate education? The strategic planning process of not-for-profits needs to be designed so that mission, goals, resource allocation, and performance targets are closely aligned. Strategy Capsule 1.6 shows the 10-year strategic planning framework for the International Red Cross.

Similarly, most of the principles and tools of strategy implementation—especially in relation to organizational structure, management systems, techniques of performance management, and choice of leadership styles—are common to both for-profit and not-for-profit organizations.

TABLE 1.2 The applicability of the concepts and tools of strategic analysis to different types of not-for-profit organizations

	Organizations in competitive environments that charge users	Organizations in competitive environments that provide free services	Organizations sheltered from competition
<i>Examples</i>	Royal Opera House, Guggenheim Museum, Stanford University	Salvation Army, Habitat for Humanity, Greenpeace, Linux	UK Ministry of Defence, European Central Bank, New York Police Department, World Health Organization
<i>Analysis of goals and performance</i>	Identification of mission, goals, and performance indicators (and establishing consistency among them) is critical for all not-for-profits		
<i>Analysis of the competitive environment</i>	Main tools of competitive analysis are the same as for for-profit firms	Main arena for competition and competitive strategy is the market for funding	Not important. However, there is interagency competition for public funding
<i>Analysis of resources and capabilities</i>	Identifying and exploiting distinctive resources and capabilities critical to designing strategies that confer competitive advantage		Analysis of resources and capabilities essential for determining priorities and designing strategies
<i>Strategy implementation</i>	The basic principles of organizational design, performance management, and leadership are common to all organizational types		

In terms of the analysis of the external environment, there is little difference between the techniques of industry analysis applied to business enterprises and those relevant to not-for-profits that inhabit competitive environments and charge for their services. In many markets (theaters, sports clubs, vocational training), for-profits and not-for-profits may be in competition with one another. Indeed, for these types of not-for-profit organizations, the pressing need to break even in order to survive may mean that their strategies do not differ significantly from those of for-profit firms.

In the case of not-for-profits that do not charge users for the services they offer (mostly charities), competition does not really exist at the final market level: different homeless shelters in San Francisco cannot really be said to be competing for the homeless. However, these organizations compete for funding—raising donations from individuals, winning grants from foundations, or obtaining contracts from funding agencies. Competing in the market for funding is a key area of strategy for most not-for-profits.

The analysis of resources and capabilities is important to all organizations that inhabit competitive environments and, hence, must deploy their resources and capabilities to establish a competitive advantage. However, even for those organizations that are monopolists—such as government departments and other public agencies—performance is enhanced by aligning strategy with internal strengths in resources and capabilities.

STRATEGY CAPSULE 1.6

The Strategic Plan of the International Red Cross

The International Federation of Red Cross and Red Crescent Societies (IFRC) coordinates activities of 190 National Red Cross and Red Crescent Societies. “Its *Strategy 2020* document provides the basis for the strategic plans of National Societies.” It includes the following:

Fundamental Principles	Humanity, Impartiality, Neutrality, Independence, Voluntary service, Unity, Universality		
Vision	To inspire, encourage, facilitate, and promote at all times all forms of humanitarian activities by National Societies, with a view to preventing and alleviating human suffering, and thereby contributing to the maintenance and promotion of human dignity and peace in the world.		
Strategic Aims	1. Save lives, protect livelihoods, and strengthen recovery from disasters and crises	2. Enable healthy and safe living	3. Promote social inclusion and a culture of non-violence and peace
Enabling Actions	Build strong National Red Cross and Red Crescent Societies	Pursue humanitarian diplomacy to prevent and reduce vulnerability in a globalized world	Function effectively as the IFRC
Expected Impact	Expanded sustainable national and local capacities of National Societies. A stronger culture of voluntary service and participation in National Societies. Scaled-up services for the most vulnerable people.	Greater access to help people who are vulnerable and attention to causes of vulnerability. Deeper public, government, and partner support. More resources to address vulnerabilities. Stronger recognition of community perspectives.	Stronger cooperation, coordination and support arrangements. Improved accountability for IFRC activities. Greater IFRC contribution to meeting vulnerability needs at global, national and local levels.

Source: Adapted from International Federation of Red Cross and Red Crescent Societies, *Strategy 2020*.



Summary

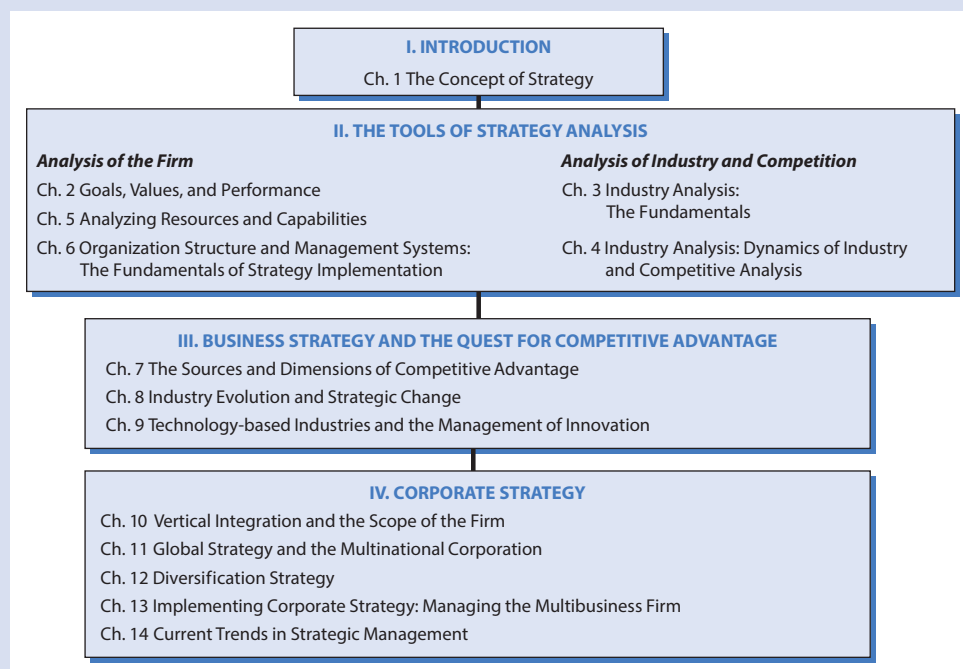
This chapter has covered a great deal of ground—I hope that you are not suffering from indigestion. If you are feeling a little overwhelmed, not to worry: we shall be returning to the themes and issues raised in this chapter in the subsequent chapters of this book.

The key lessons from this chapter are:

- ◆ Strategy is a key ingredient of success both for individuals and organizations. A sound strategy cannot guarantee success, but it can improve the odds. Successful strategies tend to embody four elements: clear, long-term goals; profound understanding of the external environment; astute appraisal of internal resources and capabilities; and effective implementation.
- ◆ The above four elements form the primary components of strategy analysis: determination of goals, industry analysis, analysis of resources and capabilities, and strategy implementation.
- ◆ Strategy is no longer concerned with forecast-based planning; it is about an enterprise's identity, direction, and potential for superior performance.
- ◆ To describe the strategy of a firm (or any other type of organization), we need to identify where the firm is competing, how it is competing, and the direction in which it is developing.
- ◆ Developing a strategy for an organization requires a combination of purpose-led planning (rational design) and a flexible response to changing circumstances (emergence).
- ◆ The principles and tools of strategic management have been developed primarily for business enterprises; however, they are also applicable to the strategic management of not-for-profit organizations, especially those that inhabit competitive environments.

Our 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—are the subjects of the five chapters that form Part II of the book. We then deploy these tools to analyze the quest for competitive advantages in different industry contexts (Part III), and then in the development of corporate strategy (Part IV). Figure 1.8 shows the framework for the book.

FIGURE 1.8 The structure of the book



Self-Study Questions

1. In relation to the four characteristics of successful strategies in Figure 1.1, assess Donald Trump's 2024 presidential campaign.
2. 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?
3. As the business environment of most firms has become more complex and more turbulent, there has been a growing tendency for firms to express their strategies in simple statements (e.g., Southwest Airlines: "Meet customers' short-haul travel needs at fares competitive with the cost of automobile travel"). Why might firms find this beneficial?
4. 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 Taylor Swift's career strategy (see Strategy Capsule 1.2).
5. I have argued that, in the two years following Russia's invasion of Ukraine, President Zelensky's strategy of building national resistance while seeking the military, financial, and moral support of other nations has been effective. With the war in stalemate and weakening support from the West, what changes in strategy, if any, would you recommend for Zelensky?
6. Your business school is considering appointing as dean someone whose entire career has been spent in business management. What challenges might the new dean face in applying their strategic management skills to a business school?

Notes

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20. H. Mintzberg, "The Fall and Rise of Strategic Planning," *Harvard Business Review* (January/February 1994): 107–114.
21. The two views of Honda are captured in two Harvard cases: Honda [A] and [B] (Boston: Harvard Business School, Cases 384049 and 384050, 1989).
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31. A similar, but more detailed, approach is proposed in M. Venzin, C. Rasner, and V. Mahnke, *The Strategy Process: A Practical Handbook for Implementation in Business* (London: Cyan, 2005).
32. Rumelt, *Good Strategy/Bad Strategy* (2011), op. cit.: 79.
33. R.P. Rumelt, *The Crux* (2022), op cit.

