

What is Strategy Anyway?

by Richard W. Oliver

On the face of it, defining “business strategy” seems like a no-brainer. Yet when I was confronted with the challenge recently in a faculty meeting, I found myself rather less than articulate. “Bad form!” you might say, for a professor of the subject and more importantly, a columnist on strategy.

Okay, so you got me. But before you get too critical dear reader, how about taking a shot at it yourself?

... I’m waiting ...

Ah, see what I mean? It’s not as easy as it might at first appear. The fact is, there are many definitions of strategy, some are highlighted here.

Defining Strategy

Well, I finally got my act together and will share with you now my humble (and brief) contribution to the strategy definition debate:

Strategy is understanding an industry structure and dynamics, determining the organization’s relative position in that industry, and taking action to either change the industry’s structure or the organization’s position to improve organizational results.

This definition encompasses all the major activities undertaken in the strategy process and should focus practitioners and scholars alike on what’s important (i.e., what drives the amount and nature of corporate suc-

cess). *Industry structure and dynamics* determine the broad parameters of growth and earnings potential and delimit what is realistically possible to achieve. *The firm’s relative position* in a given industry structure sets its specific achievement profile and the scope of its strategic options. Finally, *industry or organizational change* defines the specific organizational responses to its strategic (structural and positional) circumstance and aspirations.

While no definition is perfect (and granted, this one suffers from lack of detailed specifics when compared to some of those offered in the list that appears later), it does offer the practitioner a general place to start in determining an approach that a particular firm might use.

One of the most frequent topics of discussion among C-level executives is “strategy.” Yet, there are many interpretations of what the word really means. Before a strategy can be developed and implemented, it is important that a company’s entire management team agrees on what a strategy is, so they know what they are trying to create. In this article, the author puts forth a number of possibilities as a starting point for discussion.

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To help broaden your thinking about the definition of strategy, I offer a brief review of the history of strategic thinking.

The Evolution of Business Strategy: Strategic Metaphors

One time-honored way to come to grips with a difficult concept such as strategy is to think in terms of metaphors—something that is “linguistically transformed to ‘stand for’ something else”. An early and persistent model was that of strategy as war, and later modified to strategy as sport.

Strategy As War

The word *strategy* is derived from the Greek word *strategia*, meaning “generalship.” For early commercial enterprise that moved beyond the

family firm, business approaches often mirrored those of the military. The command and control models army generals used moved easily into business practice with little alteration. Company heads commanded the troops while winning battles through sheer force (superior resources), because they had an impenetrable fortress (a protected market or monopoly), or via guerilla warfare (going after competitors when they're not expecting it).

Some of these thematic elements still exist today. Many top executives regard Sun Tzu's *The Art of War*, written more than 2,000 years ago, as required reading. The command and control model was pervasive until the dawn of antitrust legislation in the late 1900s, and its lifecycle was extended by the Great Depression. Keeping workers happy or motivated was rarely a consideration, and companies were much more likely to dictate to customers what they could buy than to listen to what buyers wanted. Strategy was primarily centered on winning the war by eliminating competitors.

Strategy As Machine

World War II demonstrated that the winner was the one with the better "industrial machine." Thus, the war metaphor gave way to a view of strategy as essentially an industrial process that, just like a factory, was largely mechanized. The prescribed approaches to strategy seemed to suggest (just as with a machine), "If you press this button or pull this lever, then such and such would happen."

With its new emphasis on mechanistic processes, the idea of strategic planning drew more attention in academic circles through the 1960s. Major corporations created strategic planning staffs and began to implement systematic planning processes. For the first time, strategy became a *business* process that was seen as manageable, in the same manner as other elements of the business. Many of

today's key terms and tools—as well as a number of strategy consulting firms—were developed during this period. Courses on strategic planning began to enter the business school curriculum in a limited fashion.

However, just as enhanced communication and global planning permanently changed the nature of warfare, these factors also affected the nature of business. By the late 1960s, business had become more international, more complex, and more sophisticated as firms rushed to reinvent themselves and grab global market share. Firms realized that there was a "web" of interrelated stakeholders who directly affected success. What was needed, then, was a new metaphor.

Strategy As Network

The global shocks of the 1970s illustrated the importance of flexibility, non-linear thinking (i.e., strategy was not simply an extension of current trends), and rapid communication in strategic thinking. Many companies burdened with a rigid planning process, or no planning process at all, suffered devastating consequences at the hands of escalating oil prices, war, government instability and increasing global competition.

The 1980s saw the rise of Japan and its consequent effect on strategic planning theory and practice. The rapid advances in technology also had a dramatic effect, with the humble bar code turning inventory management upside down and the rise of ERP computer systems allowing managers to track widespread geographic activity in real time.

As the personal computer and advanced robotics became more widespread, productivity increased, and managers gained a wider view of operations than ever before. The

1980s were a golden time in the history of strategy. The decade witnessed the start of global planning processes, corporate reengineering, the "information-based organization," and recognition of the employee as a key resource.

The 1990s were a boom time for the United States. Strategic thinking was affected by the rise of the Internet, accelerating advances in technology of all kinds, and a continuing striving for efficiency and low-cost production, putting the focus on a firm's ability to "add and migrate value." Strategic planning and continual revision became entrenched as a vital core of the corporation.

Strategy As Biology

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government-dictated monopolies) the customer has always been the final arbitrator of corporate strategic success, particularly over the long term.

However, as a result of the proliferation of information technologies during the late 1990s, the customer role in strategy formulation became more immediate and instantly powerful, influencing the life of the firm just as a living organism interacts with its environment.

This strong and continuous interaction of a firm with its environment, particularly its customers, begs for a

new metaphor: Occasionally, one hears a biological metaphor suggested for a firm and its strategy. I predict *strategy as biology* will be the dominant strategic metaphor for the future.

Strategy Today

What is strategy today if the CEO is the DNA of a firm rather than the ultimate manager pushing buttons or leading a platoon? If innovation and change are being created as a natural and intimate part of a constantly mutating organism?

This is where many definitions of strategy fail. Even mine. Most definitions are written by academics for other academics and their students or, at best, by consultants for their CEO/CFO/Chairman clients, and most fail to capture the currents of change in business.

The dismal state of the world economy in the beginning of the new millennium made judgments about the state of strategy today even more difficult.

However, while admittedly not perfect, the definition I advance does argue for a more organic view of strategy. To me, strategy is the process of understanding the industry (its ecology) and the firm's position in that industry (its genetic makeup). It involves understanding whether the firm can either improve the structure of its industry or improve its position within the industry (either a revolutionary or evolutionary path).

It asks the question: Can the firm be better than average in its current industry (get beyond its DNA)? If not, it must change the structure of the industry or place itself in another industry where it can be dominant (mutate or die).

While I'm not entirely happy with my definition, it will have to do for the moment. Next faculty meeting I'll try to be more articulate in defining strategy. In the meantime, practitioners need to have a working definition that they and their colleagues agree on and use.

Here in the Ivory Tower, it's simply a matter of debate. For those of you in the real world, it can spell the difference between corporate life and death.

Strategy Definitions: A Sampling Over Time

A *strategy* is the general direction in which an objective is to be sought. (*Strategic Planning and Policy*, William R. King and David I. Cleland, 1978, p.51)

Strategy is a major organizational plan for action to reach a major organizational objective. (*Strategic Management, Text and Cases*, James M. Higgins and Julian W. Vincze, 1989, p. 166)


Strategy is a coherent, unifying and integrative pattern of decisions; determines and reveals the organizational purpose in terms of long-term objectives, action programs and resource allocation priorities; selects the businesses the organization is in or is to be in; attempts to achieve a long-term sustainable advantage in each of its businesses by responding properly to the opportunities and threats in the firm's environment, and the strengths and weaknesses of the organization; engages all the hierarchical levels of the firm (corporate, business, functional); and defines the nature of the economic and non-economic contributions it intends to make to its stakeholders. (*The Strategy Concept & Process, A Pragmatic Approach*, Arnold C. Hax and Nicolas S. Majluf, 1991, p. 6)

Strategy is a plan, or something equivalent—a direction, a guide or course of action into the future, a path to get from here to there, etc. Strategy is also a pattern, that is, consistency in behavior over time. (*The Rise and Fall of Strategic Planning*, Henry Mintzberg, 1994, p.23)

Strategy refers to either the plans made, or the actions taken, in an effort to help an organization fulfill its intended purposes. (*Strategic Management*, Second Edition, Alex Miller and Gregory G. Dess, 1996, p.38)

Strategy is the creation of a unique and valuable position, involving a different set of activities ... The essence of strategic positioning is to choose activities that are different from rivals'. ("What Is Strategy?" Michael E. Porter, *Harvard Business Review*, November/December 1996.)

Every organization operates on a Theory of the Business ... *Strategy* converts this Theory of the Business into performance. Its purpose is to enable an organization to achieve its desired results in an unpredictable environment. For strategy allows an organization to be purposefully opportunistic. (*Management Challenges for the 21st Century*, Peter Drucker, 1999, p. 43)

Strategy is a broad articulation of the kinds of products the organization will produce, the basis on which its products will compete with those of its competitors, and the types of resources and capabilities the firm must have or develop to implement the strategy successfully. (*Strategic Management*, Garth Saloner, Andrea Shepard, Joel Podolny, 2000.) 

Here is the definition of Strategic Thinking coined by Decision Processes International, publisher of *The Strategist* magazine.

Strategic Thinking: That *thinking process* that goes on in the head of a CEO and key management when they attempt to articulate a vision and translate it into a *profile* of what they want the business to become.

To learn more about Strategic Thinking, we suggest reading the ground breaking book, *The New Strategic Thinking*, Copyright © Michel Robert, published by McGraw-Hill.