

## CHAPTER 1

# WHAT'S IN A WORD?

*"Strategy is when you are out of ammunition, but keep on firing so that the enemy won't know."*

*(Anonymous)*

*"When in doubt, use a bigger hammer."*

*(Dobin's law)*

*"This is the course in advanced physics. That means the instructor finds the subject confusing. If he didn't, the course would be called elementary physics."*

*(Louis Alvarez, Nobel Laureate)*

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# INTRODUCTION TO CHAPTER 1

What's in the word "strategy"? According to what follows, a lot more, and a lot less, than you might have imagined. Here, to start, we waste no time with politeness and get right to it. The opening bite reminds us about how empty the buzzwords of management can be. The author, a prominent columnist, does not mention strategy but you will get the idea. Next is a bite from *The Economist* that reviews strategy across several decades in several pages; a quick summary of the field as it is. Then another bite, by another prominent columnist and economist, about what strategy is—tongue-in-cheek. After this we get serious again—five straight definitions of strategy all starting with *P*—before we end with three views about why organizations should not have strategies.

If you think all of this is meant to confuse, then you are right; it is called unfreezing, softening you up for what follows. Welcome to the course in Advanced Strategy!

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# WHAT'S IN A BUZZWORD?

## BY LUCY KELLAWAY

What's in a word? Lucy Kellaway, who writes a column for the *Financial Times*, found what's in several of them by reading the annual report of a prominent consulting firm. The field of strategy has from time to time (1965–2005) been known to use buzzwords too, not the least “strategy” itself. So heed her words.

Last week I found myself on the Tube (London's subway system) with nothing to read but Accenture's 2002 annual report. As the London Underground barely functions at the moment, I had a long time to study it and by the time I finally arrived at London Bridge, I knew it as intimately as the passionate, world-class people who wrote it.

An annual report is meant to give a snapshot of a company's finances at year end. This one also gives something else, rarer and more useful: a linguistic snapshot of current business usage. In just a few short pages it assembles the most popular clichés, making it a valuable document that will allow future generations to understand how the business world thought and wrote as of December 31, 2002.

For those who do not have a copy of Accenture's report, or whose preferred Tube reading is about why Wacko Jacko is a great dad, I have compiled a list of the most popular words and phrases that no business writing should be without. What interests me are not the clumsy bits of jargon such as “business

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process outsourcing capabilities,” which form the backbone of the report, but the normal words, fed to us over and over again, until we become desensitised, left with no idea of what they mean at all:

- > **Deliver.** This verb is straight in at number one. If you think “delivery” is something that involves a truck, and which IKEA charges for, you are sadly out of date. Accenture delivers all manner of things, none of which requires a truck or even a bicycle. “Innovation Delivered,” it says on the cover, which sounds splendid and is ambiguous enough to be unchallengeable.

Inside, there are five *D*-words in one short paragraph. Under the heading “Global Strategic Delivery Approach,” we learn that “the ultimate goal is to deliver price competitive solutions.” This is done through “a global network of delivery centres,” which “enhance the ability to deliver results.” This sounds a bit circular—but maybe that’s the point.

There are also more advanced grammatical forms—deliverables, and delivering on something. The grocery van delivers on Tuesday; Accenture “delivers on great ideas.”

- > **Value.** The Accenture report shows there are 101 Ways With Value. You can unleash and unlock it (see below). You can create it. You can capture it. You can have a “value opportunity.” And, of course, it is not safe to leave the house without a “value proposition” in your back pocket. Does “value” mean the same in all these cases? Is it so vague that it means nothing at all?
- > **Solutions.** These are the new products and services. They are what we deliver. Last year I wrote an entire column on the solutions craze and this report is filled

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with them. There are “scalable solutions,” “solutions units,” “outsourcing solutions,” and “robust and repeatable solutions,” to name just a very, very few.

- > **To drive.** I drive a Ford Galaxy. Accenture does a lot of driving, too, but its driving doesn't involve wheels. Instead, it “drives” growth. Or new revenues. Or change. All this driving gives the impression that the entity behind the wheel is in control—which is almost bound not to be the case.
- > **To leverage.** This noun-as-verb has been in the charts for a long time but still deserves a mention. “We have a long track record of success leveraging . . . solutions.” “We leverage our global scale.” Also leveraged are assets and expertise. I think this verb means “to do,” or “to make the most of” but I wouldn't swear to it.
- > **To unleash.** “Unleashing” is what you do when you take your dog for a walk, and then it usually cocks its leg on something. But now “to unleash” is a useful verb that can be applied to almost any positive activity—creativity, value, and so on. And if you don't want to “unleash,” you can “unlock” instead.
- > **Unparalleled.** This golden oldie is as good as ever. It works nicely as follows: “Enabling us to deliver innovation at unparalleled speed.” “Unparalleled speed” must mean faster than the speed of light—which really would be innovation delivered.
- > **Track record.** Never say “record” without the word “track” in front of it and “proven,” or “unparalleled” after it.

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Once you have mastered the above you are ready for whole sentences. The Accenture report interlaces snappy short ones, preferably clichés, aphorisms, truisms, and so on, with meatier phrases. “There is no time like the present.” Or “We live in turbulent times.” Or “Why Accenture?” (Why, indeed?) And then, having lulled readers into thinking they are with you, you hit them with something like: “Outsourcing is charged with aggressively expanding our global network of delivery centres as well as what we call our ‘solutions workforce’ to help us lower our technology solutions costs.” Phew!

As an English student, I was sometimes given a difficult Shakespeare passage to take apart phrase by phrase. I always found that when I had finished I liked it better and understood it more.

When I first glanced at the Accenture report on the Tube platform, I felt I had got the drift of it. But now I have broken it down into little bits, I have lost my confidence and can’t say I understand a single word.

Source: Originally published with the title “Delivering on Clichés: Accenture’s Annual Report Almost Makes Sense—Until You Read it Phrase by Phrase,” *Financial Times*, February 17, 2003, London edition, p. 12.

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# “EENIE, MEENIE, MINIE, MO . . . .” *THE ECONOMIST*

Hang on—*The Economist* is taking us on a tour of strategy over several decades in several pages. From the classics to the latest, *The Economist* is careful with its words.

Top managers of big firms devote the bulk of their efforts to formulating strategy, though there is remarkably little agreement about what this is.

No single subject has so dominated the attention of managers, consultants, and management theorists as the subject of corporate strategy. For the top managers of big companies, this is perhaps understandable. Served by hordes of underlings, their huge desks uncluttered by the daily minutiae of business, they often consider setting strategy as their most valuable contribution. And it is also understandable that there is a great deal of debate about which strategies work best; business is, after all, complicated and uncertain. More puzzling is the fact that the consultants and theorists jostling to advise businesses cannot even agree on the most basic of all questions: What, precisely, is a corporate strategy?

In . . . [an article in] the *Harvard Business Review*, Gary Hamel and C. K. Prahalad, professors at the London Business School and the University of Michigan, turn much recent thinking upside down by asserting that the real function of a company's strategy is not to match its resources with its opportunities, as many businessmen assume, but rather to set goals which “stretch” a company beyond what most of its managers believe is possible . . . .

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The authors' reduction of strategy to little more than a rallying cry is the apotheosis of a trend away from formal planning at big firms which has been gathering pace for the past 30 years. In a vast outpouring of writing on the subject during this period, management theorists have come up with so many alternative views of what a corporate strategy should contain that they have undermined the entire concept. A growing number of businessmen now question whether thinking consciously about an overall strategy is of any benefit at all to big firms. Grabbing opportunities or coping with blows as they arise may make more sense.

Soon after the Second World War, when a new class of professional managers began to search for ideas about how to run big firms, the original view of strategy was borrowed from the military. Managers still talk about "attacking" markets and "defeating" rivals, but the analogy between generalship and running a firm was quickly abandoned when businessmen realized that slaughtering your opponents and outselling them had little in common.

By the 1960s corporate strategy had come to mean a complex and meticulously wrought plan based on detailed forecasts of economies and specific markets. That view was endorsed by two celebrated books: Alfred Sloan's *My Years With General Motors*, a memoir by the man who made the car maker the world's biggest industrial enterprise; and Alfred Chandler's *Strategy and Structure*, a history of big, successful American firms in which the Harvard professor argued that their strategies had produced their multidivisional form.

This approach to strategy fell into disrepute for several reasons. Many people blame it for the overzealous diversification of the following decade and the creation of poorly performing conglomerates. In the 1970s the success of Japanese firms, which

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seemed to eschew detailed planning, cast further doubt on its usefulness. The two sudden oil-price rises of the 1970s also meant that many firms had to tear up their plans and start again. Most revealing of all, many companies found that the reams of statistics and targets, once assembled, sat gathering dust. Occupied with running their operations, few managers at any level of the firm ever bothered to refer again to its handsomely bound corporate strategy.

### **Few managers ever bothered to refer again to its handsomely bound corporate strategy.**

Then, in 1980, came another book: *Competitive Strategy* by Michael Porter, an economist at Harvard Business School. He argued that a firm's profitability was determined by the characteristics of its industry and the firm's position within it, so these should also determine its strategy. Applying the analytical techniques common to industrial economics, Mr. Porter said that a firm's primary task was to find niches it could defend from competitors, either becoming the low-cost producer, differentiating its products in a way which would allow it to command a higher profit margin, or erecting barriers to the entry of new rivals. Mr. Porter's book was an instant hit.

Nonetheless, his ideas have had little impact on how most big firms go about formulating strategy. One reason is that Mr. Porter's work is descriptive/not prescriptive. His vast checklists provide little guide to what firms should actually do, or avoid doing. Every firm would like to be in an industry with high barriers to entry, weak rivals and high profits. But few are so lucky.

About the same time as Mr. Porter's book appeared, James Quinn, a professor at Dartmouth College's Amos Tuck

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Business School, published the results of a study of how big firms actually went about formulating strategy. He found that they proceeded by trial and error, constantly revising their strategy in the light of new experience. He called this “logical incrementalism.” To a lot of people this sounded suspiciously like “muddling through” (i.e., no strategy at all), though Mr. Quinn vehemently denied this, arguing that there were great benefits to formalizing the process.

The most influential strain of theorizing about strategy in the 1980s has stressed expanding a firm’s skills—rapid product development, high-quality manufacturing, technological innovation and service—and then finding markets in which to exploit those skills. This argument was made by Messrs. Hamel and Prahalad themselves in a 1990 *Harvard Business Review* article.

Despite the changing fashions, decades of theorizing have not been entirely useless. How a company views strategy does depend largely on its circumstances. Small firms determined to challenge behemoths may find it helpful to call their aspirations a “strategy.” Big companies defending a dominant market position may find Mr. Porter’s industry analysis illuminating. All firms should try to exploit and hone their skills. But there is no single way to approach the future. The next time your boss proudly boasts that he is off to a strategic-planning meeting, give him your condolences.

Source: © *The Economist Newspaper Limited*, London (March 20, 1993).

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# WHAT IS STRATEGY?

## BY JOHN KAY

Yin and yang. Back to yin—or is it yang? John Kay, respected columnist and reputable economist, has trouble with the strategy buzzwords too.

No self-respecting business today would be without a strategy. But what is a strategy? The modern student is often confused by the many different uses of the words strategy and strategic.

Probably the commonest sense in which the word strategy is used today is as a synonym for expensive. You can always be sure that this meaning is intended when the term strategy is used in a context which involves advice. Here are some examples of strategy meaning costly. “We are strategy consultants,” “Can we help you with your strategy?” “I advise company *x* on its strategy.” These can be interpreted respectively as “our fees are very high,” “we hope to send you a large bill,” and “company *x* pays me a lot of money.” Another useful term is “strategy weekend,” which means a lot of people eating good food and fine wine at a country house hotel.

“Strategy means expensive” is also the key to understanding phrases like “strategic investment” and “strategic acquisition.” This is a “strategic investment” should be translated as “we are going to lose a lot of money on this project.” “This is a strategic acquisition” means “we are paying more for this company than it is worth.”

The word strategy is also often used to mean important. You can recognize this in the phrase “I’m in strategy,” which means “I have a large office, large salary, and the ear of the

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chief executive.” “An interesting proposal, but does it have strategic significance?” can be translated as “I am not going to waste my time with things like this.” And when the accountants, the human resources department, and the public relations people explain how they need to be involved in the firm’s strategic planning, what they are saying is that they don’t receive enough attention.

This interpretation of the word strategy has crept into everyday usage. When I picked up a leaflet the other day which described an English language gospel ministry as a truly strategic enterprise, I think what they meant was that they were engaged in an important activity.

“Strategy means important” is closely related, but not identical to, another meaning of strategy. In this, strategy is what the chief executive does. Thus, “Mr. A deals with the strategic issues while Ms. B is concerned with operations” means “Mr. A has a much larger salary and many more share options than Ms. B.” Importance is, of course, a relative concept, specific to the environment of the firm. What is important is, by definition, what the important people do. Running the business is not necessarily important.

This kind of usage is exemplified in another meaning of strategy: Strategy is about acquisitions and disposals. This interpretation is virtually universal in the City (the financial district of London). “We don’t understand company *x*’s strategy” means “we haven’t heard about (or aren’t hired for) any deals involving company *x*.” “Firm *y* has no strategy” means it hasn’t bought or sold any other companies recently. This concept is reflected in the common financial market term “corporate activity,” which covers financial restructuring and acquisitions. The opposite of “corporate activity” is “corporate inactivity,” which describes the rest of a company’s operations—making things and encouraging customers to buy them . . . .

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There is more vacuity about strategy than about any other topic in business today. (I wrote that down but I'm not sure I believe it—there is a lot of vacuity about.) But there is a real issue and a real

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subject of strategy for the corporation. And because strategy is based on distinctive capabilities, there are no generic strategies. There really are many interpretations of strategy. Strategy is what is right for you.

Source: *Financial Times*, August 5, 1998.

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# FIVE Ps FOR STRATEGY

## BY HENRY MINTZBERG

One of us tries to sort all this out. Seriously. Five different definitions of strategy; all begin with a *P*.

### Strategy is a plan

To almost anyone you care to ask, *strategy is a plan*—some sort of *consciously intended* course of action, a guideline (or set of guidelines) to deal with a situation. A kid has a “strategy” to get over a fence, a corporation has one to capture a market. By this definition, strategies have two essential characteristics: They are developed *consciously and purposefully*.

### Strategy is a ploy

As plan, a strategy can be a *ploy*, too, really just a specific “maneuver” intended to outwit an opponent or competitor. The kid may use the fence as a ploy to draw a bully into his yard, where his Doberman pincher awaits intruders. Likewise, a corporation may threaten to expand plant capacity to discourage a competitor from building a new plant. Here the real strategy (as plan, that is, the real intention) is the threat, not the expansion itself, and as such is a ploy.

### Strategy is a pattern

But if strategies can be intended (whether as general plans or specific ploys), surely they can also be realized. In other words, defining strategy as a plan is not sufficient; we also need a definition that encompasses the resulting behavior. Thus a third definition is proposed: strategy is a *pattern*—specifically, a *pattern*

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*in a stream of actions.* By this definition, strategy is consistency in behavior, whether or not intended. To paraphrase Hume, strategies may result from human *actions* but not human designs. We can call this “emergent” strategy—where a pattern realized was not intended. Strategies, in other words, *form* as well as are *formulated*. So even good ones need not necessarily be conscious and purposeful.

### **Strategies may result from human *actions* but not human designs.**

#### **Strategy is a position**

Strategy is also a *position*—specifically, a means of locating an organization in its “environment.” In ecological terms, strategy becomes a “niche”; in management terms, a product-market “domain.” Position is usefully identified with respect to competitors (literally so in the military, where position becomes the site of the battle).

#### **Strategy is a perspective**

While *position* looks out, seeking to locate the organization in the external environment, *perspective* looks inside the organization, indeed inside the heads of the strategists. Here, strategy becomes the ingrained way of perceiving the world. Some organizations, for example, are aggressive pacesetters, while others build protective shells around themselves. Strategy in this respect is to the organization what personality is to the individual.

Each of these definitions adds important elements to our understanding of strategy, indeed encourages us to address fundamental questions about organizations in general. As plan, strategy deals with how leaders try to establish direction for

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organizations, to set them on predetermined courses of action. As ploy, strategy takes us into the realm of direct competition, where threats and feints and other maneuvers are employed to gain advantage. This places the process of strategy formation in its most dynamic setting, with moves provoking countermoves and so on. As pattern, strategy focuses on action, reminding us that the concept is an empty one if it does not take behavior into account. As position, strategy encourages us to look at organizations in context, specifically in their competitive environments—how they decide on their products and markets and protect them in order to meet competition, avoid it, or subvert it. And finally as perspective, strategy raises intriguing questions about intention and behavior in a collective context.

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# BEWARE OF STRATEGY

## FIRST: BY A. INKPEN AND N. CHOUDHURY

Maybe strategy is not always such a good thing. So we suggest two different bytes.

- > ... Strategy absence need not be associated with organizational failure ... Deliberate building-in of strategy absence may promote flexibility in an organization ... Organizations with tight controls, high reliance on formalized procedures, and a passion for consistency may lose the ability to experiment and innovate.
- > Management may use the absence of strategy to send unequivocal signals to both internal and external stakeholders ... For example, various articles have described Nucor's disdain for formal planning systems and the firm's reliance instead on a consistency in action at all levels in the organization. Nucor has no written strategic plan, no written objectives, and no mission statement. For Nucor, an absence of many of the supposed elements of strategy is symbolic of the no-frills, nonbureaucratic organization Nucor has worked hard to become.
- > An absence of a rigid pattern of strategic decision making may ensure that "noise" is retained in organizational systems, without which strategy may become a specialized recipe that decreases flexibility and blocks learning and adaptation . . . .

Source: Excerpted from "The Seeking of Strategy Where It Is Not: Toward a Theory of Strategy Absence" by A. Inkpen and N. Choudhury in *Strategic Management Journal* Vol. 16, 1995: pp. 313-323 © 1995, John Wiley & Sons Limited. Reproduced with permission.

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### ***NEXT: BY HENRY MINTZBERG***

- > Strategies are to organizations what blinders are to horses: They keep them going in a straight line, but impede the use of peripheral vision. By focusing effort and directing the attention of each part within the integrated whole, the organization runs the risk of being unable to change its strategy when it has to. Setting oneself on a predetermined course in unknown waters is the perfect way to sail straight into an iceberg. Sometimes it is better to move slowly, a little bit at a time, looking not too far ahead but very carefully, so that behavior can be shifted on a moment's notice. Besides, it is not always clear what a good strategy is, or indeed if it is not better at times to proceed without what amounts to the straitjacket of a clear intended strategy.

### **Strategies are to organizations what blinders are to horses.**

- > Sometimes lack of strategy is temporary and even necessary. It may, for example, simply represent a stage in the transition from an outdated strategy to a new, more viable one. Or it may reflect the fact that an environment has turned so dynamic that it would be folly to settle on any consistency for a time.
- > Like every theory, strategy is a simplification that necessarily distorts the reality. Strategies and theories are not reality themselves, only representations (that is, abstractions) of reality in the minds of people. Thus every strategy must misrepresent and mistreat at least some stimuli.

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- > Eventually all situations change, environments destabilize, niches disappear. Then all that is constructive and efficient about an established strategy becomes a liability. That is why even though the concept of strategy is rooted in stability, so much of the study of strategy focuses on change.

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# ARE STRATEGIES REAL THINGS?

## BY BRUCE AHLSTRAND AND HENRY MINTZBERG

Maybe not, claim two of this book's authors, putting this book and all of us—writers and readers alike—into question. Strategy is treated as some kind of real thing—a conceptual artifact, if you like. Thus we hold retreats to “decide” on them, hire consultants to propose them, have CEOs present them to their boards, and hold case study discussions for students to learn about them. That way we get these things called strategies, these conceptual artifacts.

We wonder. Sure we hear about strategies, all nicely conceived and articulated. And so too do we hear about the failures of so many of them. Walter Kiechel, when he was at *Fortune*, wrote about a study that found only 10 percent of strategies successfully implemented. Tom Peters referred to this figure as “wildly exaggerated!”

Of course, failure is almost always attributed to implementation. Our strategies were clever, say the formulators; the problem is with you dumbbells in implementation. But the dumbbells might reply that if you formulators are so clever, how come you didn't formulate strategies that we dumbbells were capable of implementing. The problem, however, may lie deeper, in the very separation of formulation and implementation. Organizations don't stand still; they are dynamic entities constantly evolving. Unlike buildings, strategies do not get finished. They are works-in-progress, always changing. So their structures have to be fluid, their walls permeable. Executives cannot just hand them over to others for implementation the way

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architects hand over plans to builders for construction. Strategies, in other words, have to live, and so the people concerned with them had better be able to deal with them intimately, continuously. That is why the strategy process cannot be replicated in a classroom or a consulting study. Strategies from the consulting office or the case classroom, even the executive suite, often prove sterile because real strategies are about living customers and dynamic markets and evolving technologies, not about abstract strengths, weaknesses, threats, and opportunities.

**Strategies from the consulting office or the case classroom, even the executive suite, often prove sterile because real strategies are about living customers and dynamic markets and evolving technologies, not about abstract strengths, weaknesses, threats, and opportunities.**

Don Schön has described designing as an intimate conversation with the situation, by committed and knowledgeable people in constant search for improvement. This is quite different from “experts” looking for the right answer, the generic strategy.

The artifactual view reifies strategy, turning it into something artificially tangible. It also puts strategy on a pedestal, out of reach. Who can ask hard questions of the lofty goals and bold intentions inscribed on a pedestal? They may look good to a business press hungry for fancy strategies, even to a board marginally informed and uncomfortable about carrying out its responsibilities. But do they allow others to act better?

So should we drop the word strategy altogether, in order to focus on what really matters—products and services, customers and markets, and how they combine? Should we at least stop obsessing about strategy?

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