

# STRATEGY

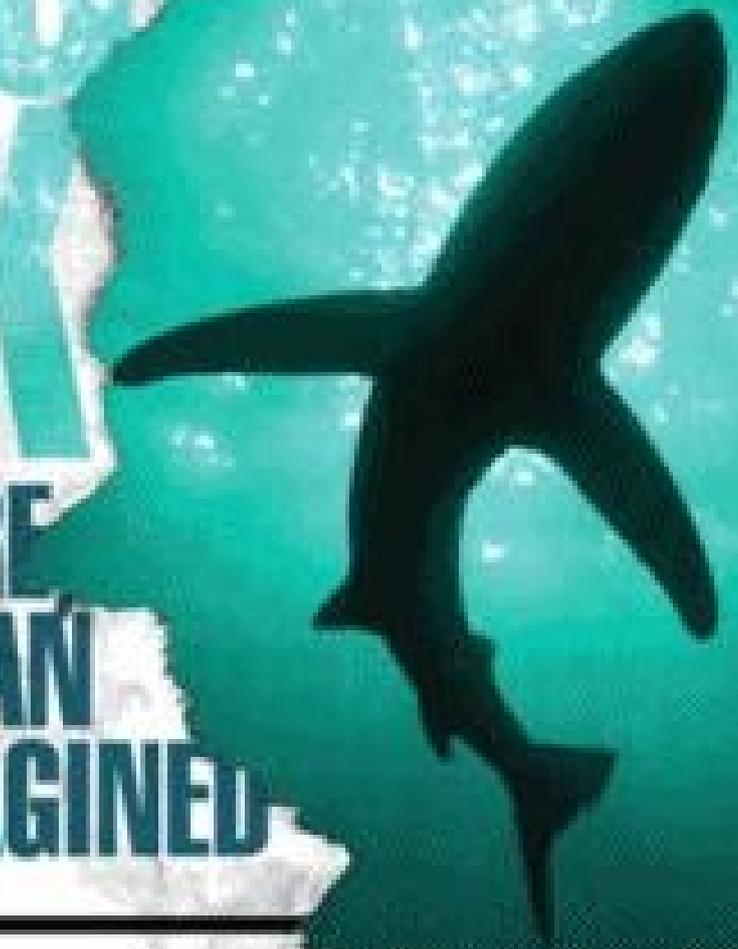
# BITES BACK

IT IS FAR MORE  
AND LESS, THAN  
YOU EVER IMAGINED

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HENRY MINTZBERG

BRUCE AHLSTRAND AND JOSEPH LAMPEL



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## **Strategy Bites Back**

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**Henry Mintzberg  
Bruce Ahlstrand  
Joseph Lampel**



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## Introduction Strategy for Fun

Strategy can be awfully boring. The consultants can be straighter than we academics, not to mention the planners. Everybody is so serious. If that gets us better strategies, fine. But it often gets us worse ones—standard, generic, uninspiring. Strategy doesn't only have to position, it also has to inspire. So an uninspiring strategy is really no strategy at all.

The most interesting companies we know, often the most successful, are not boring. They have novel, creative, inspiring, sometimes even playful strategies. By taking the whole strategy business less seriously, they end up with more serious results—and have some fun in the bargain.

So this book has a serious intention; to take strategy less seriously and so promote better strategies. Besides, why not have a good time reading a strategy book for a change? Isn't it time for strategy to bite back?

The three of us teamed up earlier to do a serious book on strategy, albeit with a not-so-serious title: *Strategy Safari*. We played with that title here and there, but mostly we set out to order and review the serious literature about strategy. We think we did a good job and recommend that book to you. It was written for your head—now here comes one for your heart. As you may have noticed, heads and hearts go together. So this book fills the gap in a field with so much head.

We organized *Strategy Safari* around ten schools of thought, from planning to positioning, visionary to venturing, etc. We use a similar structure here but with seven views, renamed and lightened up. But that is where these two books part company. For here we don't so much offer straight description as images, impressions, insights. Most books *say* it. If you read the words, they assume you *got* it. The trouble is you can just as quickly *lose* it. So here we set out, whenever possible, to *show* it so that you can *see* it. Then you'll never *forget* it.

We call this collection *bytes* because we searched for really interesting excerpts on strategy, as short as we could find, or make, them. We wanted each to have a maximum of three pages. Most, but not all, do. You will find some classic material among these bytes, drawn from key sources, supplemented with stories of strategy in action, often with an unusual twist. But mostly this book contains all kinds of wild and wooly things—poems, quotations, cartoons . . . whatever we could find on paper that enlightens about strategy. We did not want nutty stuff, at least for its own sake, but eye-opening stuff, which can sometimes appear nutty. Bear in mind that many of the great strategies of this world initially appeared nutty too.

We also call some of these readings *bites* because we have felt no obligation to always be polite about all this. We did not look for criticism for its own sake, but neither have we shied away from critical material that provides insight. Entrenched beliefs that have outlived their usefulness sometimes have to be challenged by a good push. And strategy certainly is a field full of such beliefs. One of our beliefs, in contrast, is that there are no prophets in this field. There are certainly people worth paying attention to, and we give many of them space in this book, but none is a prophet because all views are vulnerable. Only when you, as a reader, put them together—see them in

juxtaposition and combine them in application—do they come usefully alive. As Gary Hamel put it, starkly, "The dirty little secret of the strategy industry is that it doesn't have any theory of strategy creation." Strategy has to come out of a creative process conducted by thoughtful people. Profits and prophets don't mix well in strategy.

We summarize below the various views that make up the main chapters of this book, sandwiched between a first one to get you going, on that word "strategy," and a last one to ease you back into the real world of shareholder value and other easy answers.

## **SWOTed by Strategy**

We begin with the most established view of strategy, epitomized by the conductor up on the podium—a favored metaphor, in fact. Here, the chief pronounces strategy from on high so that everyone else can scurry around "implementing" it.

Key to this view is achieving a fit between internal Strengths and Weaknesses and external Opportunities and Threats—hence the SWOT model. It has much to recommend it, as you will see in some of the bytes, and lots to be critical about too, as you will see in the bites. After all, the conductor has rehearsals too, and they do not always go quite so smoothly as the concert. Besides, who is the real strategist—the conductor or the composer?

## **Strategy Carefully**

Open your newspaper and turn to the horoscope. (Maybe you do already but don't tell anybody.) There your future is neatly laid out for you. This second view of strategy is curiously similar. It proceeds on the basis that the future can be laid out for organizations. It's called *strategic planning* and has been all the rage among American corporations and communist governments; they both like to control things. Of course, strategic planning is surrounded by all sorts of fancy paraphernalia: checklists, techniques, systems galore. But when you think about it, so too is astrology. (One of the bites lets you so think about it.)

OK, enough of the bite. Strategic planning is a serious business. The readings suggest why. They also suggest that strategic planning does not create strategies so much as plan out the consequences of strategies already created. That, too, is a serious business.

## **Figuring Strategy**

Here the strategist metamorphoses one step further, from the chief of SWOT and the planner of planning to the analyst of positioning.

Michael Porter of the Harvard Business School gave this view its great impetus, following on some earlier work by consulting firms, itself preceded by two millennia of theorizing about military strategy.

Here strategy reduces to a generic position selected through systematic analysis:

Under condition  $x$ , you had better do  $y$ . So the job of the strategist is not to create new strategies so much as select the best of proven ones. Consultants and academics love this because it allows them to sink their teeth into some good "hard data" and promote their "scientific" truths. But has it been good for companies? Read on.

## **A Vision of Strategy**

Moses came down from the mountain with "the word" on the tablets, only to discover everyone else worshipping the Golden Calf. Visionaries have had similar problems ever since. The great leaders appear with their great messages while the rest of us want to get on with our narrow prejudices.

The visionary—in business often the entrepreneur, but sometimes also niche players and turnaround artists in established organizations—sees beyond the designs, plans, and positions of the earlier views, to strategy as perspective—a unique worldview. As a consequence, out goes systematic planning and careful figuring and in comes inspiration, insight, and intuition in the leader's head.

Conventional consultants, planners, and academics are not amused: It leaves them little room to maneuver. And that, in turn, gave us great room to maneuver. The stories of the visionaries are wonderful; what a rich choice we had! But be careful; great stories can be dangerous ones, sometimes a little too enticing.

## **Inside the Strategist's Head**

Wouldn't it be nice to know what goes on inside the head of someone making strategy? Some researchers—mostly cognitive, psychologists so-called—worry about that. Think of the tantalizing questions: How does the brain come up with a new idea? How do we process information? How do we put these together into strategies? Indeed, what form does strategy take in the brain: a model? a frame? a map? Unfortunately, the researchers have not gotten very far yet—these processes remain mysterious—but far enough to provide us with some interesting ideas.

Most of these are about pathologies. There is no shortage of distortion in our cognitive processes, and there is no shortage of academic researchers who take great glee in exposing it: how we misread information, get carried away with our own actions, and so on.

But our human brains do some rather remarkable things too, like putting together extraordinary creative and integrated strategies (think of the whole system of an IKEA); happily, other researchers in the field recognize this. They see strategies as creative interpretations invented in the mind. To them, "environment" is not something given, to be analyzed out there, but something invented, to be constructed in here. So in [Chapter 6](#), we juxtapose these two very different perspectives on strategic thinking.

## **Strategy a Step at a Time**

Mao Tse Tung said that a long journey begins with a single step. Strategy can seem like *Mission Impossible*: Things are so complicated, so interconnected; where do you begin? The answer: with a single step. Do something, anything. Venture! As you proceed you will learn, and as you learn you will build. Great strategies grow out of little initiatives.

The implications are profound, not the least being that anyone can be a strategist. After all, anyone can take that first step; that is, have the initial idea. Who knows where the great strategy shall begin. So here too, you can imagine the fun we had picking the bytes and bites. The one-step-at-a-time approach opens strategy up to a whole world of learning.

Is this, then, the "word"? No, not any more than any of the other views. But it is certainly part of the words worth reading.

## **Strategy with the Gloves Off and the Halo On**

Next we turn to a kind of yin and yang of strategy: its dark side of politics—or is it the realistic side?—and its light side of culture—or is that heavy?

Power and politics certainly convey another slice of reality; strategy can be a nasty business. Competitors are out to crush you, and not always in polite economic ways. They can deceive and backstab too. But then again, you too are a competitor, not always merely responding to what they do to you. And then there are your colleagues in your own organization, who can be doing the same sort of thing, while you are all supposed to be creating common strategy. Aren't we all supposed to be in this together, developing our strategies for the common good? Why, then, doesn't everyone else listen to me?

So we have two views of strategy as power and politics. In one, people within the organization push each other around, so that if strategies appear at all it is through the give and take of bargaining, jockeying, infighting, and all the rest. In the other, the whole organization pushes its weight around in the world, maneuvering itself into strategies that are often less economic than political.

Now, hold power up to a mirror and the reverse image you see is culture. Where one focuses on self-interest and fragmentation, the other reflects common interest and integration—strategy as a social process rooted in culture.

Culture became a big issue in the West after Japanese management was recognized in the 1980s. It became clear that strategic advantage also lay in difficult-to-imitate factors deeply rooted in the history and traditions of an organization. Like a fine tapestry, this view encourages an organization to weave its various beliefs and activities into a tight and unique strategy. But like a tapestry, that makes it difficult to take the strategy apart. If one part—one strand, one color, one product line—no longer works, you might have to throw the whole thing away and start over.

Japan may be having economic difficulties today, but the message of strategy rooted in culture remains as germane as it was in the 1980s. (Just ask people in the automobile business about the success of Toyota, a company that remains deeply rooted in the Japanese style of managing.) So the message of culture is ignored at your peril—and in this world of "shareholder value" it is being ignored a great deal. We put this as the

last of our views because we believe it is time to bring it back to life.

So here you have it; seven views on a fascinating process. Will Rogers, the great American wit, once said, "I never met a man I did not like." We bet he did. But his point was that there is something likeable in everyone. So too there is something useful in each of these views on strategy—even, we are prepared to say with a little trepidation, some fun in each. So off we go.

This book is not particularly linear, so please do not feel obligated to read everything, or even, if you prefer, anything in any particular order. Do what suits you. Just enjoy it.

We have prepared some useful tools to help make your strategy sessions more incisive and to give your strategy more bite. You can find them at: [www.pearson-books.com/StrategyBitesBack/](http://www.pearson-books.com/StrategyBitesBack/).

F. Scott Fitzgerald reportedly said, "The test of a first-rate intelligence is the ability to hold two opposing ideas in the mind at the same time and still retain the ability to function." Here we offer you seven. Keep functioning! Have fun!

*A final note to you, the reader.*

We are thinking of two sequels:

*Management Bites Back* and *Organizations Bite Back*. So please send us the little gems, the bits and bytes and bites that you have come across. (You can send them to Bruce at [bahlstrand@trentu.ca](mailto:bahlstrand@trentu.ca).)

## 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)

### 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 byte 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!

### 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 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 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.

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.

**"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 . . . .

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 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 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).

## **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 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