2 Strategic Management

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Organizing has been central to the evolution of our species. From our earliest days as hunter gatherers, humans have worked collaboratively to achieve things which might be impossible when acting alone. Long before the emergence of formal organizations such as armies or religious groups, people have acted strategically and our history is littered with the names of those who are remembered for the quality of their strategic thinking. One simple definition is that strategy is the craft of collectively rising to a significant challenge and accomplishing more than might be reasonably expected (MacIntosh and MacLean, 2015: 3). Defined in this way, it is easy to spot strategy wherever unexpected outcomes are achieved. In military terms, leaders such as Alexander the Great occasionally triumph against the odds. They do so by being strategic in deploying their troops or by outsmarting their rivals. In political terms, leaders such as Nelson Mandela or Mahatma Ghandi galvanise efforts to overcome seemingly impossible circumstances and effect regime change where others have failed. In commercial terms, small start-ups go on to dislodge larger competitors and establish a dominant position.

On first inspection, David should never defeat Goliath, yet this assessment of advantage and disadvantage overlooks the critical role of the strategist. The lowly shepherd boy would almost certainly have lost had he engaged in hand-to-hand combat with a larger, more experienced and more skilled warrior. Instead, David chose to use a particular skill, accuracy with a sling shot, to change the dynamic of the competitive encounter. In order to achieve more than might reasonably be expected, strategists must draw on resources that are often hidden from their opponent's sight. Knowledge of their unique skills might allow them to achieve things which their opponent would find difficult. A deep sense of resolve might allow them to endure things which others would find unpalatable. A capacity to develop a deep understanding of their context might allow them to spot opportunities and threats in their environment long before others have had the chance to respond. An acute sense of timing might allow them to act decisively when circumstances confer maximum advantage and not a moment too early or too late. Finally, a creative capacity to weave resources, skills, environmental conditions and timing into a strategy which is inherently cunning can allow good strategists to overwhelm better resourced, longer established and seemingly invincible opponents just as David overcame Goliath.

Why develop strategy?

Given that strategy has helped groups and individuals across the ages to build empires, the topic has been studied in military and political contexts for centuries. Modern studies of strategy substitute corporations for nation states and measures like market share or profitability are the contemporary means of assessing conquest. Strategy itself has become something of an empire supporting a multibillion dollar consulting industry. Academics may debate nuanced points relating to the nature and value of strategy, but its status as a significant social practice is largely taken for granted. Strategies are developed by individuals and organizations on a regular basis and it is worth considering the motivations that may lie behind a desire to develop a new strategy.

There are three poor motives for developing a new strategy. First, strategists may be driven to develop a new strategy simply because the existing strategy covers a time period which is drawing to a close. Most strategy documents cover a defined period. If your organization's strategy covers the period 2013-2018, there will be significant social pressure to replace this strategy as the year 2018 draws nearer. A common distinction between strategy and tactics is that the former relates to the medium to long term, whilst the latter relates to immediate and short term priorities. Five to ten year periods are typical in Western organizational practice though it is also worth noting that the perception of what constitutes long-term is influenced by the pace at which individual industries move. Computer gaming tends to evolve far more quickly than ship building or mining. Regardless of the time frame set by the existing strategy, drawing close to the end of the period in question tends to imply a need to renew or refresh strategy. This, in and of itself, is not a good enough reason for developing a strategy unless significant change has taken place in either the organization, its operating environment or both.

The second poor motivation for developing a strategy is the perceived pressure to mimic other organizations. This process of copying the behaviour of other organizations is sometimes referred to as mimetic isomorphism (Di

Maggio and Powell, 1983). Noticing that other organizations in your peer group appear to have a strategy, a Twitter feed, an international office or any other feature is not a good enough reason for investing the time and energy into these activities. In the specific case of strategy however, it is not uncommon to find that a desire to fit in drives a tendency to produce relatively homogenous strategy documents. As an experiment, pick three or four organizations of the same type (e.g. universities, software firms, financial service providers, etc.) and compare their public domain strategy documents. You will often find striking similarities and a strong sense of "me-too" about such documents, particularly when they are drawn from the same sector. Strategy is of vital importance; it is not a fashion accessory or a way of fitting in with your peers.

The third poor motivation for developing strategy is because you have been coerced. Particularly when organizations grow or move into new markets they can be required to produce a strategy by regulators, accrediting bodies, funders, customers or potential investors. Whilst it is reassuring to note that such groups or individuals value strategy enough that they might reasonably expect that a well run organization should possess one, this is not a compelling enough reason to develop a strategy.

At its heart, strategy defines everything about an organization from its mission, to the products and services offered, target customers and competitors, the basis on which to compete, the kinds of skills required and measures of eventual success. For this reason, strategy is often seen as the capstone topic in business school curricula. Strategy's rightful place at the top of the functional food chain means that marketing, operations, human resources and finances should only be developed once clarity over the broad strategic direction has been set. Developing strategy is therefore not something to be undertaken lightly. Indeed, there is only one justifiable reason for developing a strategy, namely to overcome a difficulty that has been identified. The starting point for strategy development should therefore be the diagnosis of a particular difficulty, challenge or opportunity facing the organization. Strategies should be developed in response to problems rather than habit, fashion or coercion.

Furthermore, we tend to discuss strategy as a singular concept in that organizations are usually seen to have ***a*** strategy. If an organization faces multiple challenges, it may actually require a suite of strategies to overcome these problems. This introduces the potential for conflict between strategies which we will return to later in the chapter. At this stage, it is sufficient to note that the definition of strategy used here relates to the coherence of the alignment of broad intentions, environmental circumstances and available resources but that the process of assessing alignment should be done in relation to a perceived challenge, opportunity or difficulty.

Spotting strategic intent

Having introduced the concept of strategy, it is now possible to develop some criteria by which to assess whether organizations, or individuals, are behaving in a way that is strategic (see Table 2.1). Happily, most of us recognise the hallmarks of focused strategic intent in business. In Europe, the airline Ryanair has established a dominant position from a starting point of relative disadvantage. Starting as a young, small, regional and generally unprofitable airline, Ryanair needed a clear strategy to overcome better resourced, more established competitors. Ask yourself, what is the first thing that comes to mind when you think of Ryanair? The answer for most people is something to do with pricing. Ryanair has worked hard to establish a reputation for low cost travel.

In terms of identifying strategy, this sense of consistency is an important marker. If you ask a selection of people to describe the organization in one word or in one sentence you should get a high degree of consistency if the organization has been pursuing a clear strategy. Persistence tends to flow from a clear and consistent sense of purpose. Where an organization appears confusing to its customers and competitors there is a high likelihood that it is, itself, confused. A second marker for strategic behaviour is that the consistent and persistent behaviour of the organization relates to a relatively well-defined problem. For Ryanair, this was how to achieve the combination of scale and profitability that appeared to have eluded most other airlines.

A further characteristic of strategic behaviour is that the strategy itself is subject to major revision only infrequently. Since strategy relates to the medium to longer term, decisions which are genuinely strategic in nature occur rarely. Day to day pricing decisions, which individual member of staff to recruit or promote as part of a regular process, or which suppliers to use, are examples of operational decisions that are taken frequently. In contrast, genuinely strategic decisions are so rare and so important that they typically have no past-precedent that could be followed. In the absence of asking themselves "what do we normally do?" strategists are forced to engage in higher order thinking that challenges existing assumptions and calls for careful analysis. Once made, strategic decisions typically bear significant consequences for other aspects of an organization's operations. For a firm like Apple, the decision to introduce an iPhone with greater storage capacity or a better camera would be routine and would not qualify as a strategic decision. The decision to allow other manufacturers to develop products that use Apple's operating system would mark a significant shift in that they have not done this before, it would highly consequential for other product and business model decisions within the firm and it would be difficult to put the genie back into the bottle once such a decision was made.