

Discussion Paper

# What *is* Strategy?

Following the Kodak Case Study

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## What is the meaning of Strategy?

'Strategy', 'strategies for success', and 'strategies that create competitive advantages' are all phrases that are used repeatedly in management as well as the everyday context – but what do we mean by strategy, and what issues exist in defining, formulating and implementing strategic approaches? Two similar words - strategy, and stratagem are defined as follows:

**Strategy** (strat-i-ji) n. 1. the planning and directing of the whole operation of a campaign of war.  
2. a plan or policy of this kind or to achieve something, our *economic strategy*.

**Stratagem** (strat-a-jem) n. a cunning method of achieving something, a piece of trickery

- Oxford paperback dictionary, OUP

According to the very first strategists, the word derives from the ancient Athenian position of *stratēgos* and *agein*, in an effort to describe the best military approach by co-ordinating many discrete units to win in battle,<sup>1</sup> and some of the most well known earliest literary works revolved around this, including “*The Art of War*” by Sun Tzu and “*On War*” by von Clausewitz.

In a more commercial form, Porter defined strategy as essentially the choice for businesses in what to focus on – cost leadership or product differentiation, that would result in added value to the product or good offered to the buyer.<sup>2</sup> This is further supported by Kenneth Andrew's comments that strategy “is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals and defines the range of business the company is to pursue [...]”<sup>3</sup> Whilst Porter's work, as well as that of Peter Drucker on this topic has led much of the discussion on what strategy means in business in terms of configuring activities and resources in an organisation's long term planning, Henry Mintzberg has championed a dissimilar viewpoint, that shies away from bringing these classically defined strategic concepts into the boardroom, suggesting that strategy is much more fluid than previously thought explains this through the use of five distinct strategic concepts to define a new and less predicable perspective.<sup>4</sup>

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<sup>1</sup> Wit, de, B. & Meyer, R., 2004 *Strategy Process, Content, Context*, Thompson Learning

<sup>2</sup> Porter, M. E., 1985 *Competitive Strategy: Techniques for Analysing Industries and Competitors*, Free Press

<sup>3</sup> Andrews, K. 1987, *The Concept of Corporate Strategy*, McGraw-Hill Companies Inc.

<sup>4</sup> Strategy as a plan, a ploy, a pattern, a position or a perspective

## Strategy that Works

Arguably, the true test of strategy results from the success or failure of a given strategy's implementation and whether it can bring results, most often in the form of improving the bottom line. Implementing strategy is a complex process in itself, which can spell disaster for even the best-conceived strategy.<sup>5</sup> According to recent observations, companies typically realise only about 60% of their strategies potential value because of defects and breakdowns in planning and execution.<sup>6</sup> Whether or not strategy is *correct* is an entirely different matter, it is not in the diagnostics, or design of strategy per se, but whether themes of realistic implementation are incorporated into the process – or is it? It is often assumed that greatest test of strategy is when it is placed in context and results realised, and whereas these are clearly important factors, it does not address the underlying aspects of successful strategy.

Strategy that works, whilst often dissimilar from strategy that is created from an ivory tower of strategic mastery, typified by abstract theoretical approaches<sup>7</sup> or apparently unorthodox methods that are not rooted in the bottom-line, can bring about benefits of their own. Had Kodak demonstrated a more organic and flexible approach to research and development in the early 1970's, it may have been spared the

corporate upheaval that has found it guilty of corporate failure on at least four counts discussed in this study. Managers and executives need to step back from the challenges of implementation in order to enable them to think outside the frame of strategic thinking to allow their organisations to identify new changes in industry direction such

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*Hungry shareholders and sceptical workers will always question the utility of strategy for strategy's sake. But these cynics may have missed a more subtle effect of ivory tower analyses – they offer leaders perspective and understanding of their businesses' direction that could otherwise not be obvious – before it's too late.*

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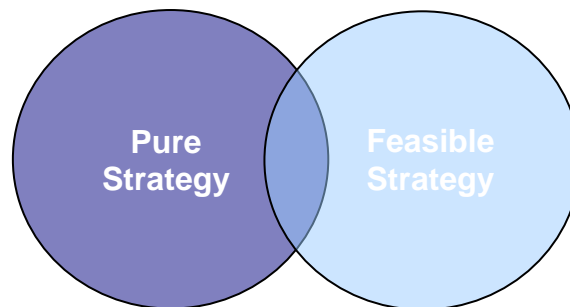
as the digital age for Kodak and the subsequent implication to a 'razor blade' strategy. Hungry shareholders and sceptical workers will always question the utility of strategy for strategy's sake. But these cynics may have missed a more subtle effect of ivory tower

<sup>5</sup> Schoely, C., 2005 vol 26 No.3 pp12-19, *Strategy maps: a step-by-step guide to measuring, managing and communicating the plan*, Journal of Business Strategy, Emerald Group Publishing.

<sup>6</sup> Mankins, M.C. and Steele, R., 2005, *Turning Great Strategy Into Great Performance*, Harvard Business Review

<sup>7</sup> For example, the modern day Scenario Thinking approaches developed by Pierre Wack in the 1980's for Royal Dutch Shell

analyses – they offer leaders perspective and understanding of their businesses' direction that could otherwise not be obvious – before it's too late.



The feasible set paradox of strategic implementation – between ivory towers and cost or innovation constraints

Furthermore, it is still unclear which perspective of strategy implementation works best – strategists are often afforded the luxury of drastically changing an organisation's previous course, or challenging some form of incumbent business approach. This advice is often dispensed through radical revolutionary perspective recommendations that lack the step-by-step improvements that make reinvention of an organisation a constant process, without the trauma of harsh change management. For Kodak, it is clear that whilst the business could have greatly benefited from a steady analysis of market position and adjusted its course correspondingly in the past, it now requires a more forceful approach that breaks free from an ingrained attitude towards innovation and development.

### **The Dangers of Ineffective Strategy & The Future of Strategy**

How valid is strategic thinking today? In an increasingly complex and uncertain geo-political climate, there is reason to believe that strategy is more important than ever – but not just strategic strategy, but dynamic strategic strategy that encompasses the three facets of strategy by addressing their integration and fit between each. Kodak is an example of how we can no longer rest on Ansoff's Gap Analysis<sup>8</sup>, but must integrate new thoughts on the

<sup>8</sup> Ansoff I., 1965, *Corporate Strategy*, McGraw-Hill New York

strategic process such as Hamel and Prahalad's observation of new perspectives on the way in which we work with those within the operating environment, and similarly as with stakeholder analyses.<sup>9</sup>

Strategy that merely addresses where a firm is going and the tactics used to reach an outcome fail in the understanding of what it means to think strategically. McKiernan's triangle of strategy<sup>10</sup> – the interrelation between process, content and context suggests strategists must understand the holistic fit between these pieces and that merely addressing one aspect - although individually correct, could fail on account of another of the two features.

Strategists who encompass the lessons of the past, and balance between the scientifically rigid perspectives and relaxed organic approaches will be able to form strategies in the corporate world that will be internally robust whilst also being flexible in their ability to adjust to the outer contextual environment will allow organisations to most successfully reach their stated visions.

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<sup>9</sup> Hamel, G. & Prahalad, C.K., 1989, *Strategic Intent, The High Performance Organisation*, Harvard Business Review

<sup>10</sup> MacKay, B., Munro, I., Canales-Manns, I., 2005, *MN4203 Dynamic Strategic Management Lectures*, University of St Andrews

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