STRATEGY

AN INTERNATIONAL PERSPECTIVE

BOB DE WIT

SEVENTH EDITION

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The first four editions of *Strategy: Process, Content and Context* were co-authored by Bob de Wit and Ron Meyer. The fifth, sixth and seventh editions were authored by Bob de Wit.

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To Pam and Liz
and
Leen and Anneke
Family Matters

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ACKNOWLEDGEMENTS

The meaning of life is not to be discovered only after death in some hidden, mysterious realm; on the contrary, it can be found by eating the succulent fruit of the Tree of Life and by living in the here and now as fully and creatively as we can.

Paul Winter Kurtz (1925–2012); American sceptic and secular humanist

Only one professor should have been nominated as role model for students; only one colleague as university professor benchmark; only one human as friend exemplar; one man as perfect husband and father. He is the one who understood the meaning of life in full by eating the succulent fruit of the Tree of Life and by living in the here and now. I worked with him in our early university career, and again many years later. This man contributed to the previous edition of this book, with the intention of cooperating in many more editions. Tragically, on 15 June 2015, while cycling up the Col du Galibier in the French Alps, enjoying life to the full, my colleague and friend Gep Eisenloeffel suffered a stroke and passed away in the arms of his wife, Nienke. I miss him dearly still, and my thoughts remain with Nienke and their daughter Katrien.

Life continued of course, and apart from an empty heart I also had an empty diary. During the summer of 2015 I had planned to start work with Gep on the next edition of this book, especially on the international perspective sections. Katrien very kindly donated Gep's library to our brilliant student from Leiden University, Wester Wagenaar, who had also contributed to the previous edition. Wester picked up the work, and although not yet as experienced as Gep, he has done a marvellous job.

As in previous editions, this seventh edition brings together the work of great people in the management field, chiefly from the field of strategy. I thank them for creating new knowledge and insights, for their inspiration and hard work, and for developing the management field to where it is today. Writing this book would not have been possible without the current academic knowledge base and the authors of many phenomenal papers. I also apologize for not being able to include all of the excellent contributions: as the architect of this edition I read many excellent papers, but since there is a limitation to a book's size I could select only a few. It was simply not possible to include all the great papers and, therefore, several tough and (sometimes) personal choices had to be made.

I would like to thank the professors who select the book as the basis of class discussions, to help students develop their strategic mind. As in previous editions, many improvements to this seventh edition are based on the feedback of professors who have used earlier editions in their classrooms. I am grateful for their valuable insights, and for sharing their experiences. Many thanks also to other academic colleagues: the anonymous reviewers of the manuscript and particularly Paul Knott, who has been so kind to update his great Fonterra short case again.

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I would also like to thank the Cengage Learning team I have worked with on this new edition. In particular, I thank Andrew Ashwin for trusting me to develop the new edition, Annabel Ainscow, Virginia Thorp and Hannah Jones. Also I will not forget the man who got us started 25 years ago, our first editor, David Godden. Thank you all.

Finally, and most importantly, I would like to thank my family: my wife Pamela, my daughter Liz, my father Leen and his partner Anneke. Thank you so much. I promise that in the immediate future I will be eating the succulent fruit of the Tree of Life and be living in the here and now as fully and creatively as I can.

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Bob de Wit is Professor of Strategic Leadership at Nyenrode Business University, The Netherlands. He is also founder and director of Strategy Works and Strategy Academy in Rotterdam. Bob is a member of the *Journal of Change Management* Advisory Board, and a reviewer for the Strategic Management Society conference. Bob's research focuses on the future of businesses, industries and countries as the result of digital technologies, on which topic Bob delivers presentations and key note speeches around the globe. His mission is to combine academic rigour and practical relevance.

Bob holds a bachelor's degree in Psychology from Utrecht University, an MBA at the Interdisciplinary Institute Bedrijfskunde in Delft, and a PhD degree in Management Science from Erasmus University, Rotterdam. After graduation he became a professor in Strategic Management at the Rotterdam School of Management, Erasmus University, teaching Strategy in MSc programmes and the international MBA programme. In 1996 he started working at the Maastricht School of Management, a market leader in management education in non-Western countries. Since then, Bob has taught in over 40 countries on all continents. Bob has served as the Chairman of Interest Group 'The Practice of Strategy' of the Strategic Management Society, and the Dutch Society for Strategic Decision Making (VSB), and has been a member of the Academic Council of the *Ecole Nationale des Ponts et Chaussees* in Paris.

Bob passionately loves his wife Pamela and daughter Liz.

PREFACE

*Not only is there an art in knowing a thing,
but also a certain art in teaching it.*

Cicero (106–43 BC); Roman orator and statesman

What is a good strategy for teaching and learning about the topic of strategy? Judging by the similarity of the strategic management textbooks currently available, there seems to be a general consensus among business professors on the best approach to this task. It is not an exaggeration to say that strategic management education is dominated by a strong *industry recipe* (Spender, 1989). Almost all textbooks share the following characteristics:

- *Few differing perspectives.* Only a limited number of perspectives and theories are presented, often as accepted knowledge, from which prescriptions can easily be derived.

- *Step-by-step structure.* A step-by-step strategic planning approach is used as the books' basic structure, to decompose strategy making into a number of simple sequential activities.

- *No primary material.* The key academic articles and books on strategy are reworked into the textbook authors' own words to create consistent and easily digestible pieces of text.

- *Domestic orientation.* Despite fancy subtitles referring to globalization, the choice of perspectives, theories, examples and cases are heavily biased towards the textbook authors' own domestic context.

It is interesting to speculate on the causes of this isomorphism in the 'strategic management education' industry. Institutionalists would probably point to the need for legitimacy, which leads textbook authors to conform to widely accepted practices and to avoid major innovations (e.g. Abrahamson, 1996; Powell and DiMaggio, 1991). Social psychologists would likely suggest that over the years shared cognitive structures have developed within the strategic management community, which makes the prevailing educational paradigm difficult to challenge (e.g. Smircich and Stubbart, 1985; Walsh, 1995). Theorists taking a new institutional economics perspective would probably interpret the uniformity of strategic management textbooks as a form of lock-in, caused by the large investments already made by publishers and business professors based on a shared educational 'standard' (e.g. Arthur, 1996; David, 1994). Whatever the reason, it is striking that the character of strategic management textbooks has not significantly changed since the founding of the field.

But what would strategy education look like if educational orthodoxy was actively challenged and the industry rules broken? How might strategy be taught if the current constraints were thrown aside and the teaching process was boldly reinvented? In short, what would happen if some strategic thinking was applied to the teaching of strategy?

During the last 20 years, I have constantly asked myself these questions. My conclusion is that all four of the above features of current strategic management textbooks greatly inhibit the development of independent strategic thinkers and therefore urgently need to be changed. It is for this reason that I decided to create a book myself, with the following characteristics:

■ *Multiple strategy perspectives.* A broad range of differing, and often opposite, perspectives and theories are presented, reflecting the richness of current debate among academics and practitioners in the field of strategic management.

■ *Issue-based structure.* An issue-based book structure is used, with each chapter focusing on a key strategic issue, which is discussed from a variety of angles, leaving readers to draw their own conclusions.

■ *Original readings.* A large number of original articles and book chapters are included, to offer readers a first-hand account of the ideas and theories of influential strategy thinkers.

■ *International orientation.* A strong international orientation is at the core of this book, as reflected in the choice of topics, theories, readings, examples and cases.

In the following paragraphs the rationale behind the choice for these characteristics is explained. Following this discussion, the structure of the book and the ways in which it can be employed is further clarified.

USING MULTIPLE STRATEGY PERSPECTIVES

Learning without thought is labour lost; thought without learning is perilous.

Confucius (551–479 BC); Chinese teacher, editor, politician and philosopher

What should students learn on a strategic management or business policy course? It seems an obvious question to start with, especially for professors who teach about objective setting. Yet, in practice, the large majority of strategic management textbooks do not make their teaching objectives explicit. These books implicitly assume that the type of teaching objectives and teaching methods needed for a strategic management course do not radically differ from any other subject. Basically, strategy can be taught in the same way as accounting or baking cookies. Their approach is based on the following teaching objectives:

■ *Knowledge.* To get the student to clearly understand and memorize all of the major 'ingredients'.

■ *Skills.* To develop the student's ability to follow the detailed 'recipes'.

■ *Attitude.* To instil a disciplined frame of mind, whereby the student automatically attempts to approach all issues by following established procedures.

This is an important way of teaching – it is how all of us were taught to read and write, do arithmetic and drive a car. This type of teaching can be referred to as *instructional*, because students are told what to know and do. The instructor is the authority who has all of the necessary knowledge and skills, and it is his/her role to transfer these to the students. Thus, the educational emphasis is on communicating know-how and ensuring that students are able to repeat what they have heard. Students are not encouraged to

question the knowledge they receive – on the contrary, it is the intention of instructional teaching to get students to absorb an accepted body of knowledge and to follow established recipes. The student should *accept*, *absorb* and *apply*.

However, while instructing students on a subject and programming their behaviour that might be useful in such areas as mathematics, cooking and karate, we believe it is not a very good way of teaching strategy. In our opinion, a strategic management professor should have a different set of teaching objectives:

- *Knowledge.* To encourage the understanding of the many, often conflicting, schools of thought and to facilitate developing insight into the assumptions, possibilities and limitations of each set of theories.

- *Skills.* To develop the student's ability to define strategic issues, to critically reflect on existing theories, to creatively combine or develop conceptual models where necessary and to flexibly employ theories where useful.

- *Attitude.* To instil a critical, analytical, flexible and creative mindset that challenges organizational, industry and national paradigms and problem-solving recipes.

In other words, strategy professors should want to achieve the opposite of instructors – not to instil recipes, but rather to encourage students to dissect and challenge recipes. Strategic thinking is in its very essence questioning, challenging, unconventional and innovative. These aspects of strategic thinking cannot be transferred through instruction. A critical, analytical, flexible and creative state of mind must be developed by practising these very qualities. Hence a learning situation must encourage students to be critical, must challenge them to be analytical, must force them to be mentally flexible and must demand creativity and unconventional thinking. Students cannot be instructed to be strategists, but must learn the art of strategy by thinking and acting for themselves – they must *discuss*, *deliberate* and *do*. The role of the professor is to create the circumstances for this learning. We therefore refer to this type of teaching as *facilitative*.

This teaching philosophy has led to a radical departure from traditional textbooks that focus on knowledge transfer and application skills, and that have often been written from the perspective of just one paradigm. In this book, the fundamental differences of opinion within strategic management are not ignored or smoothed over. On the contrary, an important objective of this book is to expose students to the many, often opposite, perspectives in the field of strategy. It is our experience that the challenge of comparing and reconciling rival strategy perspectives sharpens the mind of the 'apprentice' strategists. Throwing students into the midst of the central strategy debates, while simultaneously demanding that they apply their thinking to practical strategic problems, is the most likely way to enhance the qualities of creativity, flexibility, independence and analytical depth that students will need to become true strategic thinkers.

FOCUSING ON STRATEGY ISSUES

Some people are so good at learning the tricks of the trade that they never get to learn the trade.

Sam Levenson (1911–1980); American teacher and comedian

While it is the objective of this book to increase students' strategic thinking abilities by exposing them to a wide range of theories and perspectives, it is not the intention to confuse and disorient. Yet in a subject area like strategic management, in which there is a broad spectrum of different views, there is a realistic threat that students might go deaf listening to the cacophony of different opinions. The variety of ideas can easily become overwhelming and difficult to integrate.

For this reason, the many theories, models, approaches and perspectives have been clustered around 11 central strategy issues, each of which is discussed in a separate chapter. These 11 strategy issues represent the key questions with which strategists must deal in practice. Only the theorists whose ideas have a direct bearing on the issue at hand are discussed in each chapter.

The advantage of this issue-based book structure is that it is *decision-oriented* – each chapter is about a key type of strategic decision that needs to be made. Students are challenged to look at a strategic issue holistically, taking various aspects and perspectives into account, and to arrive at a proposed course of action. This type of decision-focus closely reflects what strategizing managers need to do in practice. Step-by-step books are much more *tool-oriented*, teaching students how to go through each phase of a strategic planning process and how to use each analysis framework – useful, especially for junior analysts, but unlikely to stimulate real strategic thinking and to provide insight into difficult strategic choices.

Within each chapter, the opposing perspectives on how the strategic issue should be approached are contrasted with one another by staging a virtual 'debate'. Two opposite perspectives are presented to kick off the debate and highlight areas of disagreement, after which the students (and their professors) are invited to further debate the issue and decide on the value and limitations of each point of view.

The advantage of this debate-based chapter structure is that it encourages the students' engagement and also provokes critical thinking. As students need to determine the strengths and weaknesses of each strategy perspective, they also become more adept at combining different 'lenses' to gain a fuller understanding of a problem, while becoming more skilled at balancing and mixing prescriptions to find innovative solutions to these problems. Some students will feel ill at ease at not being presented with the 'right approach' or the 'best practice', as they are used to getting in many other books. This is all the more reason to avoid giving them one – as strategizing managers the security of one truth won't get them far, so it is preferable to learn to deal with (and benefit from) a variety of opinions as soon as possible.

While the intention is not to present the 'right answer' or provide a 'grand unifying theory', the chapter offers a third view on the issue that combines elements of both perspectives. Not only leaders take elements of both perspectives into account to manage the issue at hand, increasingly also strategy theorists do. Recent works of thought leaders in the strategy field address a third way of dealing with the issue, not by choosing one of the opposite perspectives, but by providing possible routes on how to deal with opposites. This third view is meant to stimulate students' strategic thinking to find innovative and creative resolutions to the problem, but still students must make up their own minds, depending on the context and based on the arguments placed before them.

TAKING AN INTERNATIONAL PERSPECTIVE

Be bent, and you will remain straight.
Be vacant, and you will remain full.
Be worn, and you will remain new.

Lao Tzu (6th century BC); philosopher of ancient China

This book has been explicitly developed with an international audience in mind. For students, the international orientation of this book has a number of distinct advantages:

- *Cross-cultural differences.* Although there has been relatively little cross-cultural research in the field of strategy, results so far indicate that there are significant differences in strategy styles between companies from different countries. This calls

into question the habit among strategy researchers of presenting universal theories, without indicating the cultural assumptions on which their ideas have been based. It is not unlikely that strategy theories have a strong cultural bias and therefore cannot be simply transferred from one national setting to another. Much of the debate going on between strategy theorists might actually be based on such divergent cultural assumptions. In this book the issue of cross-cultural differences in strategy style is raised in each chapter, to discuss whether strategists need to adapt their theories, perspectives and approaches to the country in which they are operating.

- *International context.* Besides adapting to a specific country, many companies are operating in a variety of countries at the same time. In this international arena they are confronted with a distinct set of issues, ranging from global integration and coordination, to localization and transnationalization. This set of issues presented by the international context is debated in depth in Chapter 12.

- *International cases and illustrations.* To explore how the various strategy perspectives can be applied to different national contexts, it is imperative to have cases and illustrations from a wide variety of countries, spread around the world. In this book the 24 cases (12 long and 12 short cases) cover more than 20 countries and most of the cases have an international orientation. The 22 main illustrations have also been drawn from around the world. It must be noted, however, that we have had a bias towards well-known firms, as these examples are more recognizable to most global audiences.

USING ORIGINAL READINGS

Education is not filling a bucket but lighting a fire.

William Butler Yeats (1865–1939); Irish poet and dramatist

There are no better and livelier debates than when rivals put forward their own ideas as forcefully as they can. For this reason, we have chosen to structure the strategy debates by letting influential theorists speak for themselves. Instead of translating the important ideas of key writers into our own words, each chapter contains three original readings in which the theorists state their own case. These three readings can be viewed as the discussants in the debate, while our role is that of chairperson – we set the stage for the debate and introduce the various perspectives and 'speakers', but as a conscientious chairperson we avoid taking a position in the debate ourselves.

The three readings in each chapter have been selected with a number of criteria in mind. As a starting point, we were looking for the articles or books that are widely judged to be classics in the field of strategy. However, to ensure the broad representation of different perspectives, we occasionally looked beyond established classics to find a challenging minority point of view. Finally, discussants are only as good as their ability to communicate to the non-initiated, and therefore we have sometimes excluded certain classics as too technical.

To keep the size of the book within acceptable limits, most readings have had to be reduced in length, while extensive footnotes and references have been dropped. At all times this editing has been guided by the principle that the author's key ideas and arguments must be preserved intact. To compensate for the loss of references in each article, a combined list of the most important references has been added to the end of each chapter.

CONTACT US

A stand can be made against invasion by an army; no stand can be made against invasion by an idea.

Victor Hugo (1802–1885); French poet, novelist and playwright

Books are old-fashioned, but based on a proven technology that is still the most appropriate under most circumstances. One drawback, however, is that a book is unidirectional, allowing us to send a message to you, but not capable of transmitting your comments, questions and suggestions back to us. This is unfortunate, as we are keen on communicating with our audience and enjoy hearing what works and doesn't work 'in the field'.

Therefore, we would like to encourage both students and professors to establish contact with us. You can do this by visiting our online support resources to check out the extra features we have for you and to leave your comments and suggestions. But you can also contact us directly by email at **b.dewit@nyenrode.nl.**

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STRATEGY

INTRODUCTION

As conflict – difference – is here in the world, as we cannot avoid it, we should, I think, use it.

Mary Parker Follett (1868–1933); American social worker, management consultant and pioneer in organizational theory and organizational behaviour

THE NATURE OF STRATEGY

In a book entitled *Strategy*, it seems reasonable to expect Chapter 1 to begin with a clear definition of strategy that would be employed with consistency in all subsequent chapters. An early and precise definition would help to avoid conflicting interpretations of what should be considered strategy and, by extension, what should be understood by the term 'strategic management'. However, any such sharp definition of strategy here would actually be misleading. It would suggest that there is widespread agreement among practitioners, researchers and theorists as to what strategy is. The impression would be given that the fundamental concepts in the area of strategy are generally accepted and hardly questioned. Yet, even a quick glance through current strategy literature indicates otherwise. There are strongly differing opinions on most of the key issues, and the disagreements run so deep that even a common definition of the term 'strategy' is illusive.

This is bad news for those who prefer simplicity and certainty. It means that the topic of strategy cannot be explained as a set of straightforward definitions and rules to be memorized and applied. The strongly conflicting views mean that strategy cannot be summarized into broadly agreed-on definitions, rules, matrices and flow diagrams that one must simply absorb and learn to use. If the fundamental differences of opinion are not swept aside, the consequence is that a book on strategy cannot be like an instruction manual that takes you through the steps of how something should be done. On the contrary, a strategy book should acknowledge the disagreements and encourage thinking about the value of each of the different points of view. That is the intention of this book.

The philosophy embraced here is that an understanding of the topic of strategy can only be gained by grappling with the diversity of insights presented by so many prominent thinkers and by coming to terms with the fact that there is no simple answer to the question of what strategy is. Readers who prefer the certainty of reading only one opinion, as opposed to the intellectual stimulation of being confronted with a wide variety, should read no further – there are plenty of alternatives available. Those who wish to proceed should lay aside their 'opinions of habit', and open their minds to the many other opinions presented, for in these pages there is 'knowledge in the making'.

IDENTIFYING THE STRATEGY ISSUES

If the only tool you have is a hammer, you treat everything like a nail.
Abraham Maslow (1908–1970); American psychologist

The approach taken in this book is in line with the moral of Maslow's remark. To avoid hammering strategy issues with only one theory, a variety of ways of viewing strategic questions will be presented. But there are two different ways of presenting a broad spectrum of theoretical lenses. This point can be made clear by extending Maslow's hammer-and-nail analogy. To become a good carpenter, who wisely uses a variety of tools depending on what is being crafted, an apprentice carpenter will need to learn about these different instruments. One way is for the apprentice to study the characteristics and functioning of all tools individually and only then to apply each where appropriate. However, another possibility is for the apprentice to first learn about what must be crafted, getting a feel for the materials and the problems that must be solved, and only then to turn to the study of the necessary tools. The first approach to learning can be called 'tools-driven' – understanding each tool comes first, while combining them to solve real problems comes later. The second approach to learning can be termed 'problem-driven' – understanding problems comes first, while searching for the appropriate tools is based on the type of problem.

Both options can also be used for the apprentice strategist. In a tools-driven approach to learning about strategy, all major theories would first be understood separately, to be compared or combined later when using them in practice. A logical structure for a book aiming at this mode of learning would be to allot one chapter to each of the major theories or schools of thought. The advantage of such a theory-based book structure would be that each chapter would focus on giving the reader a clear and cohesive overview of one major theory within the field of strategy. For readers with an interest in grasping the essence of each theory individually, this would probably be the ideal book format. However, the principal disadvantage of a theory-by-theory summary of the field of strategy would be that the reader would not have a clear picture of how the various theories relate to one another. The apprentice strategist would be left with important questions such as: where do the theories agree and where do they differ? Which strategy phenomena does each theory claim to explain and which phenomena are left unaccounted for? Can various theories be successfully combined or are they based on mutually exclusive assumptions? And which strategy is right, or at least most appropriate under particular circumstances? Not knowing the answers to these questions, how could the apprentice strategist try to apply these new theoretical tools to practice?

This book is based on the assumption that the reader wants to learn to actively resolve strategic problems. Understanding the broad spectrum of theories is not an end in itself, but a means for more effective strategizing. Therefore, the problem-driven approach to learning about strategy has been adopted. In this approach, key strategy issues are first identified and then each is looked at from the perspective of the most appropriate theories. This has resulted in an issue-based book structure, in which each chapter deals with a particular set of strategy issues. In each chapter, only the theories that shed some light on the issues under discussion are brought forward and compared to one another. Of course, some theories are relevant to more than one set of issues and therefore appear in various chapters.

In total, 11 sets of strategy issues have been identified that together largely cover the field of strategic management. These 11 will be the subjects of the remaining 11 chapters of this book. How the various strategy issues have been divided into these 11 sets is explained in the following paragraphs.

Strategizing, missioning and visioning

Section I of this book addresses two important inputs for strategy: the cognitive processes of individual strategists (strategizing) and purpose as the impetus for strategy activities (missioning and visioning).

It is widely presumed that strategists are rational actors who identify, determine, evaluate, choose, translate and carry out, based on rigorous logic and extensive knowledge of all important factors. This belief has been challenged, however. Many authors have criticized the strong emphasis on rationality in these traditional views of the strategizing process. Some writers have even argued that the true nature of strategic thinking is more intuitive and creative than rational. In their opinion, strategizing is about *perceiving* strengths and weaknesses, *envisioning* opportunities and threats, and *creating* the future, for which imagination and judgement are more important than analysis and logic. This constitutes quite a fundamental disagreement about the cognitive processes of the strategizing leader. These issues surrounding the nature of strategic thinking will be discussed in Chapter 2 on strategizing.

Making strategy is not an end in itself, but a means for reaching particular objectives. Organizations exist to fulfil a purpose and strategies are employed to ensure that the organizational mission and vision are realized. Oddly enough, most authors write about missions and visions without any reference to the organizational purpose being pursued. It is generally assumed that all organizations exist for the same basic reasons and that this purpose is self-evident. However, in reality, there is extensive disagreement about what the current purposes of organizations are, and especially about what their purposes should be. Some people argue that it is the business of business to make money. In their view, firms are owned by shareholders and therefore should pursue shareholders' interests. And it is the primary interest of shareholders to see the value of their stock increase. On the other hand, others believe that companies exist to serve the interests of multiple stakeholders. In their opinion, having a financial stake in a firm should not give shareholders a dominant position vis-à-vis other groups that also have an interest in what the organization does. Other stakeholders usually include employees, customers, suppliers and bankers, but could also include the local community, the broader industry and even the natural environment. These issues on the organizational purpose will be discussed in Chapter 3 on missioning and visioning.

Strategy dimensions: Content, process and context

The most fundamental distinction made in this book is between strategy content, strategy process and strategy context (see Figure 1.1). These are the three dimensions of strategy that can be recognized in every real-life strategic problem situation. They can be generally defined as follows:

- Strategy content. The combined decisions and choices that lead a company into the future are referred to as the strategy content. Stated in terms of a question, strategy content is concerned with the *what* of strategy: what is, and should be, the strategy for the company and each of its constituent units?

- Strategy process. The manner in which strategies come about is referred to as the strategy process. Stated in terms of a number of questions, strategy process is concerned with the *how, who* and *when* of strategy: how is, and should, strategy be made, analysed, dreamt-up, formulated, implemented, changed and controlled; who is involved; and when do the necessary activities take place?

- Strategy context. The set of circumstances under which both the strategy content and the strategy process are determined is referred to as the strategy context. Stated in terms of a question, strategy context is concerned with the *where* of strategy: where (that is in which firm and which environment) are the strategy process and strategy content embedded?

FIGURE 1.1   Dimensions of strategy and the organizational purpose
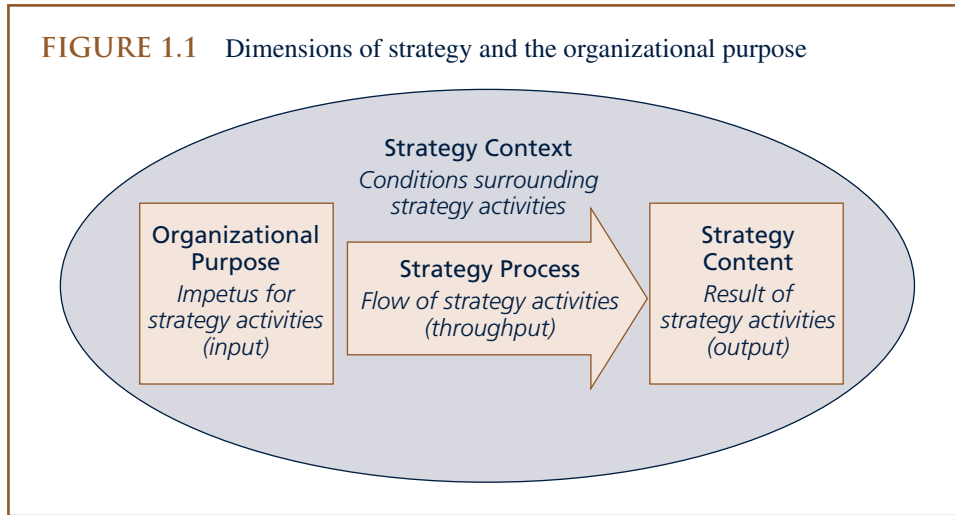
It cannot be emphasized enough that strategy content, process and context are not different parts of strategy, but are distinguishable dimensions. Just as it is silly to speak of the length, width and height parts of a box, one cannot speak of the three parts of strategy either. Each strategic problem situation is by its nature three-dimensional, possessing process, content and context characteristics, and only the understanding of all three dimensions will give the strategist real depth of comprehension. In particular, it must be acknowledged that the three dimensions interact (Ketchen, Thomas and McDaniel, 1996; Pettigrew and Whipp, 1991). For instance, the manner in which the strategy process is organized will have a significant impact on the resulting strategy content, while likewise, the content of the current strategy will strongly influence the way in which the strategy process will be conducted in future. If these linkages are ignored, the strategist will have a flat view instead of a three-dimensional view of strategy. A useful analytical distinction for temporarily unravelling a strategic problem situation will have turned into a permanent means for fragmenting reality.

However, it is possible to concentrate on one of the strategy dimensions if the other two are kept in mind. In fact, to have a focused discussion it is even necessary to look at one dimension at a time. The alternative is a debate in which all topics on all three dimensions would be discussed simultaneously: such a cacophony of opinions would be lively, but most likely less than fruitful. Therefore, the content–process–context distinction is cautiously used as the main structuring principle of this book, splitting the text into three major sections.

Most strategy research, by its very nature, is more atomistic than holistic, focusing on just a few variables at once. Consequently, most writings on strategy, including most of the theories discussed in this book, tend to favour just one, or at most two, strategy dimensions, which is usually complex enough given the need to remain comprehensible. In particular, the divide between strategy content and strategy process has been quite pronounced, to the extent of worrying some scholars about whether the connections between the two are being sufficiently recognized (Pettigrew, 1992). Although sharing this concern, use of the content–process–context–purpose distinction here reflects the reality of the current state of debate within the field of strategic management.

Strategy content: Business, corporate and network levels

Section II of this book will deal with the strategy content. Strategies come in all shapes and sizes, and almost all strategy writers, researchers and practitioners agree that each strategy is essentially unique. There is widespread disagreement, however, about the principles to

which strategies should adhere. The debates are numerous, but there are three fundamental sets of issues around which most conflicts generally centre. These three topics can be clarified by distinguishing the level of strategy at which each is most relevant.

Strategies can be made for different groups of people or activities within an organization. The lowest level of aggregation is one person or task, while the highest level of aggregation encompasses all people or activities within an organization. The most common distinction between levels of aggregation made in the strategic management literature is between the functional, business and corporate levels (see Figure 1.2). Strategy issues at the *functional level* refer to questions regarding specific functional aspects of a company (operations strategy, marketing strategy, financial strategy, etc.). Strategy at the *business level* requires the integration of functional level strategies for a distinct set of products and/or services intended for a specific group of customers. Often companies only operate in one such business, so that this is the highest level of aggregation within the firm. However, there are also many companies that are in two or more businesses. In such companies, a multi-business or *corporate level* strategy is required which aligns the various business level strategies.

A logical extension of the functional–business–corporate distinction is to explicitly recognize the level of aggregation higher than the individual organization. Firms often cluster together into groups of two or more collaborating organizations. This level is referred to as the multi-company or *network level*. Most multi-company groups consist of only a few parties, as is the case in strategic alliances, joint ventures and value-adding partnerships. However, networks can also have dozens, even hundreds, of participants. In some circumstances, the corporation as a whole might be a member of a group, while in other situations only a part of the firm joins forces with other organizations. In all cases, when a strategy is developed for a group of firms, this is called a network level strategy.

In line with the generally accepted boundaries of the strategic management field, this book focuses on the business, corporate and network levels of strategy, although this will often demand consideration of strategy issues at the functional level as well. In Section II, on the strategy content, the different strategy issues encountered at the different levels of strategy will be explored. And at each level of strategy, the focus will be on the fundamental differences of opinion that divide strategy theorists.

Chapter 4 deals with strategy issues at the business level. Here the fundamental debate surrounds whether firms are, and should be, primarily market-driven or resource-driven. Some authors argue that firms should be strongly externally oriented, engaged in a game of positioning vis-à-vis customers, competitors, suppliers and other parties in the environment, and should adapt the firm to the demands of the game. In other words, companies should think 'outside-in'. Yet, other authors strongly disagree, stressing the need for companies to exploit and expand their strengths. They recommend a more 'inside-out' view, whereby companies search for environments and positions that best fit with their resource base.

Chapter 5 is concerned with strategy issues at the corporate level. The fundamental debate in this chapter is whether corporations are, and should be, run as federations of autonomous business units or as highly integrated organizations. Some authors argue that corporate strategists should view themselves as investors, with financial stakes in a portfolio of business units. As a shrewd investor, the corporate centre should buy up cheap companies, divest underperforming business units, and invest its business units with the highest profit potential, independent of what industry they are in. Each business unit should be judged on its merits and given a large measure of autonomy, to be optimally responsive to the specific conditions in its industry. However, other authors are at odds with this view, pointing to the enormous potential for synergy that is left untapped. They argue that corporations should be tightly-knit groupings of closely related business units that share resources and align their strategies with one another. The ensuing synergies, it is expected, will provide an important source of competitive advantage.

FIGURE 1.2 Levels of strategy
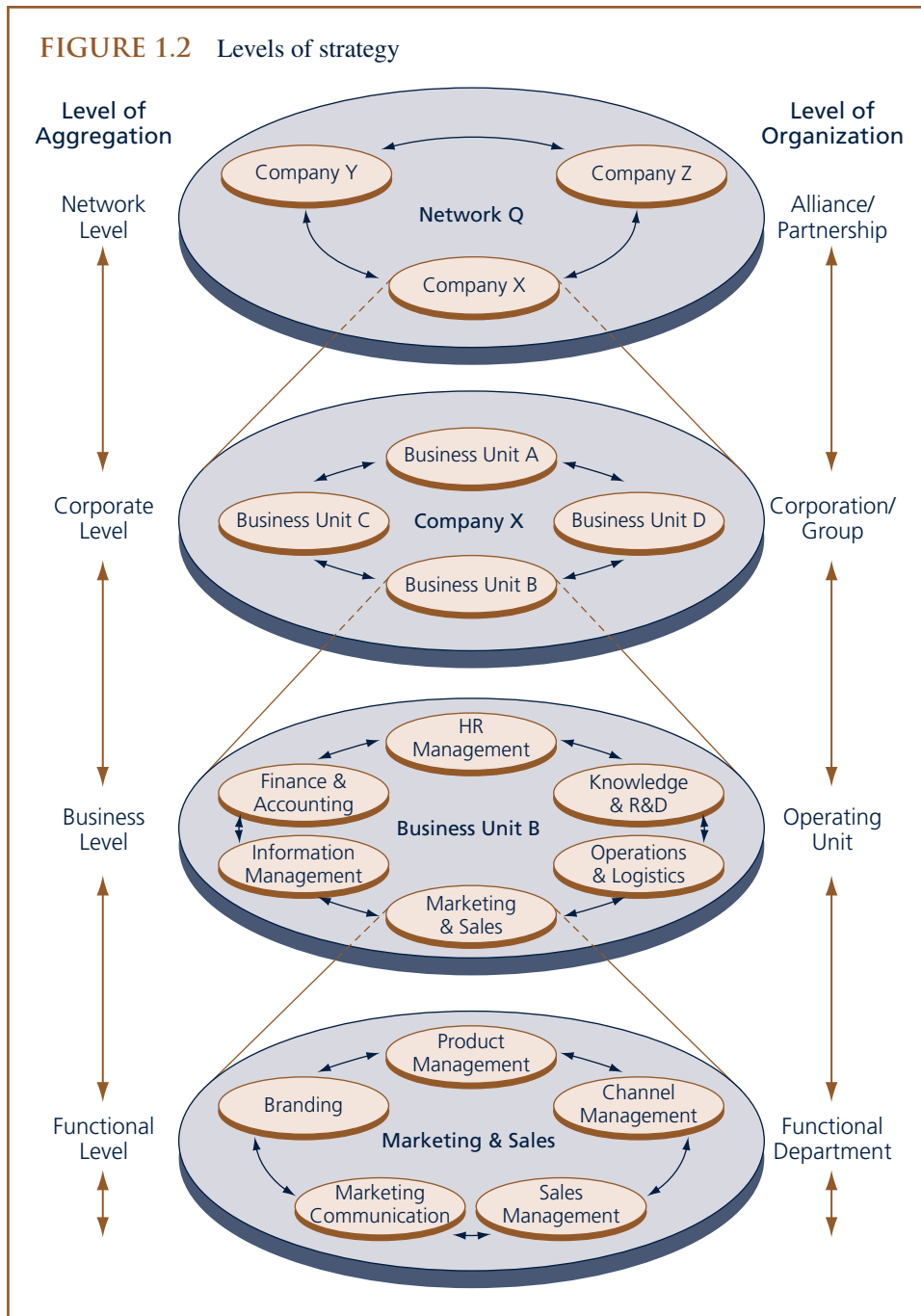
Chapter 6 focuses on the strategy issues at the network level. The fundamental debate in this chapter revolves around the question of whether firms should develop long-term collaborative relationships with other firms or should remain essentially independent. Some authors believe that competition between organizations is sometimes more destructive than beneficial, and argue that building up durable partnerships with other organizations can often be mutually advantageous. Participation in joint ventures, alliances and broader networks requires a higher level of inter-organizational trust and

interdependence, but can pay off handsomely. It is therefore recommended to selectively engage in joint – that is, multi-company – strategy development. Other authors, however, are thoroughly sceptical about the virtues of interdependence. They prefer independence, pointing to the dangers of opportunistic partners and creeping dependence on the other. Therefore, it is recommended to avoid multi-company level strategy development and only to use alliances as a temporary measure.

Again, it must be emphasized that the analytical distinction employed here should not be interpreted as an absolute means for isolating issues. In reality, these three levels of strategy do not exist as tidy categories, but are strongly interrelated and partially overlapping. As a consequence, the three sets of strategy issues identified above are also linked to one another. In Section III it will become clear that taking a stand in one debate will affect the position that one can take in others.

Strategy process: Forming, changing and innovating

Section III of this book will deal with the strategy process. Traditionally, most text books have portrayed the strategy process as a basically linear progression through a number of distinct steps. Usually a split is made between the strategy analysis stage, the strategy formulation stage and the strategy implementation stage. In the analysis stage, strategists identify the opportunities and threats in the environment, as well as the strengths and weaknesses of the organization. Next, in the formulation stage, strategists determine which strategic options are available to them, evaluate each and choose one. Finally, in the implementation stage, the selected strategic option is translated into a number of concrete activities, which are then carried out.

The division of the strategy process into a number of sequential phases has drawn heavy criticism from authors who believe that in reality, no such identifiable stages exist. They dismiss the linear analysis–formulation–implementation distinction as an unwarranted simplification, arguing that the strategy process is messier, with analysis, formulation and implementation activities going on all the time, thoroughly intertwined with one another. In their view, organizations do not first make strategic plans and then execute them as intended. Rather, strategies are usually formed incrementally, as organizations think and act in small iterative steps, letting strategies emerge as they go along. This represents quite a difference of opinion on how strategies are formed within organizations. These issues surrounding the nature of strategy formation are discussed in Chapter 7.

Another major assumption of the traditional view, that strategy is made for the entire organization and everything can be radically changed all at once, has also been challenged. Many authors have pointed out that it is unrealistic to suppose that a company can be boldly redesigned. They argue that it is terribly difficult to orchestrate an overarching strategy for the entire organization that is a significant departure from the current course of action. It is virtually impossible to get various aspects of an organization all lined up to go through a change at the same time, certainly if a radical change is intended. In practice, different aspects of an organization will be under different pressures, on different timetables and have different abilities to change, leading to a differentiated approach to change. Moreover, the rate and direction of change will be seriously limited by the cultural, political and cognitive inheritance of the firm. Hence, it is argued, strategic change is usually more gradual and fragmented than radical and coordinated. The issues surrounding this difference of opinion on the nature of strategic change will be discussed in Chapter 8.

The traditional focus on improving efficiency of current products, services and business models has also been challenged. Many authors argue that companies need constant renewal by developing new products, services and business models. Although improved efficiency of the present is important in organizational processes, enhancing effectiveness of innovation processes to secure the future is what managers should be focusing on. Exploring uncharted waters may be costly and results are not guaranteed, but in order to

be able to be efficient in the future, managers need to ensure the company has a future. The issues surrounding this difference of opinion on the nature of strategic innovation are discussed in Chapter 9.

These three chapter topics – strategy formation, strategic change and strategic innovation – do not constitute entirely separate subjects. Let it be clear that they are not phases, stages or elements of the strategy process that can be understood in isolation. Strategy formation, strategic change and strategic innovation are different aspects of the strategy process, which are strongly linked and partially overlapping (see Figure 1.3). They have been selected because they are sets of issues on which there is significant debate within the field of strategy. As will become clear, having a particular opinion on one of these aspects will have a consequence for views held on all other aspects as well.

FIGURE 1.3   Aspects of the strategy process

Strategy context: Industry, organizational and international

Section IV of this book is devoted to the strategy context. Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for managers to strive for a fit between the strategy process, strategy content and the specific circumstances prevalent in the strategy context. However, disagreement arises as soon as discussion turns to the details of the alignments. Does the context determine what the strategizing manager must do, or can the manager actually shape the context? Some people argue or assume that the strategy context has a dynamic all on its own, which strategists can hardly influence, and therefore that the strategy context sets strict confines on the freedom to manoeuvre. The context is not malleable and hence the motto for the strategist is 'adapt or die'. Others believe that strategists should not be driven by the context, but have a large measure of freedom to set their own course of action. Frequently it is argued that strategizing managers can, and should, create their own circumstances, instead of being enslaved by the circumstances they find. In short, the strategy context can be determined, instead of letting it determine.

In Section IV, the difference of opinion hinges on the power of the context to determine strategy surfaces when discussing the various aspects of the strategy context. The Section has been split into three chapters, each focusing on a different aspect of the strategy context. Two distinctions have been used to arrive at the division into three chapters (see Figure 1.4).