WHAT IS STRATEGY?

WHITEPAPER

The convergence of marketing and strategy

An in-depth analysis of the many misconceptions of strategy and how it has converged with marketing in its truest form

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About the Author

Robert has had a varied career spanning industry, health and fitness, strategy consultancy, and academia. He has a BSc in Sports Science and Management from Brunel University and an MBA from the University of Lincoln. He did his doctoral studies in business at a university in Hong Kong. He is currently the CEO (APAC) and Global Chief Strategy Officer of Watson Gym Equipment, UK.

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He has also published over 50 articles in various newspapers and magazines on the topics of strategy, marketing, and leadership. He has spoken at numerous events as a keynote speaker or panelist around Asia and globally.

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What is Strategy? – the convergence of marketing and strategy!

It was Gary Hamel (co author of The Core Competence of the Corporation and Humanocracy) who stated that the dirty little secret of the strategy industry is that great strategies (or lousy ones) are recognized only after the fact. ‘There is, in fact, no theory of strategy innovation. No formula to guide the strategist unscathed through the uncharted territory of the future’.

In other words, there is no theory of strategy creation and no accepted definition of what strategy is. There are over 90 definitions of strategy in the literature!!!

According to Dye and Sibony (McKinsey Quarterly, 2007), '*in conference rooms everywhere, corporate planners are in the midst of the annual strategic-planning process. For the better part of a year, they collect financial and operational data, make forecasts, and prepare lengthy presentations with the CEO and other senior managers about the future direction of the business. But at the end of this expensive and time-consuming process, many participants say they are frustrated by its lack of impact on either their own actions or the strategic direction of the company.*

This sense of disappointment was captured in a McKinsey Quarterly survey of nearly 800 executives: just 45 percent of the respondents said they were satisfied with the strategic-planning process. Moreover, only 23 percent indicated that major strategic decisions were made within its confines. Given these results, managers might well be tempted to jettison the planning process altogether.'

What is perhaps amusing and sad about the above statement is that it was written nearly 15 years ago and yet little seems to have changed. Read any article about the strategy process today and it will lament about the same issues.

Clearly, strategy has a major impact on the outcomes of a firm, but it seems very few firms have a good grasp on how to create a successful strategy nor perhaps do they have a good understanding of what strategy is. In addition, what is considered strategic thinking (i.e. analysis vs learning, planning vs doing) is often open to debate as organizations continue to apply strategic models more suited to mature stable industries vs the more complex environments that are common today. Strategy processes and workshops essentially end up as planning and budgeting meetings with very little strategy discourse happening. Exercises in ticking a box. That is one thing most organizations are good at!

A meta-analysis by Boyd (1991) of empirical studies covering nearly 2,500 organizations concluded that "the overall effect of planning on performance is very weak".

Now we get to the crux (The Crux is the title of the new book by Richard Rumelt, author of Good Strategy/Bad Strategy, which I will refer to later) of the matter, not only does so called strategic planning seem to have minimal impact on a firm’s performance. We have conflated planning, and many other terms (such as budgeting, goals, initiatives, mission, vision etc) with strategy. They are not. Strategy is divergent, creative and guiding, planning is convergent, analytical and prescriptive.

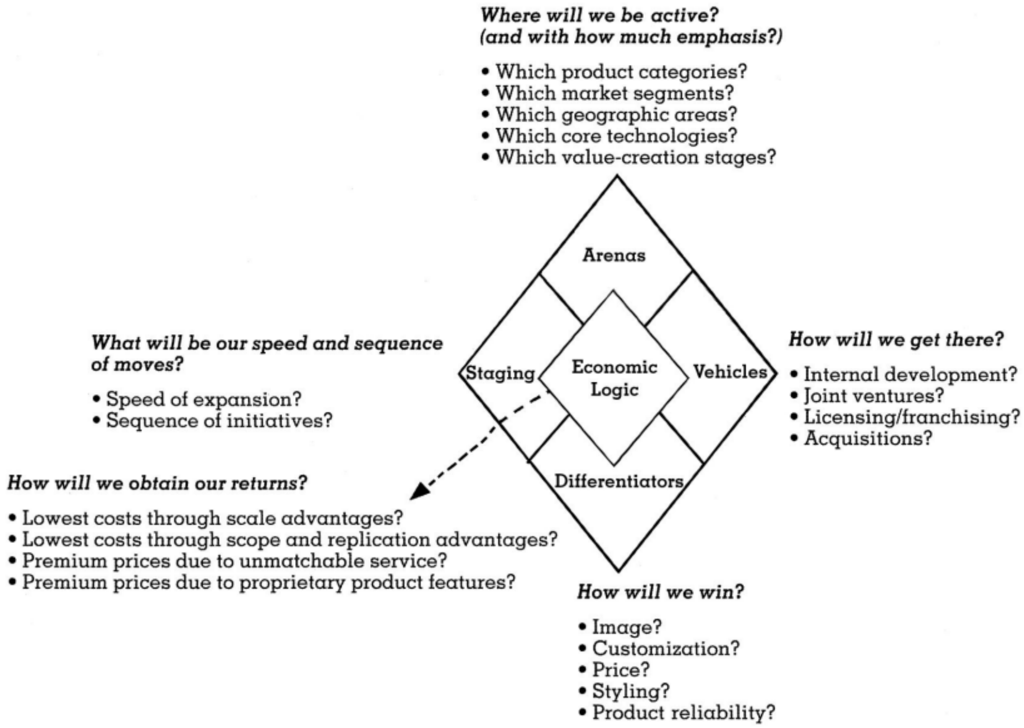
Issue #1 – strategy has become linear and programmatic, it has lost meaning

In probably the two most well known discussions of what strategy is, Michael Porter (What is Strategy, HBR 1996) and Hambrick and Fredrickson (Are You Sure You Have a Strategy, Academy of Management Executive, 2005), the authors lay out somewhat different views of what strategy is although Porter never actually defines what strategy is in his article.

According to Porter, operational effectiveness and strategy work in different ways. He gives the examples of Japanese firms (such as Toyota) which focused on operational effectiveness during the 70s and 80s. As the gap in operational effectiveness has narrowed, these companies which rarely have a strategy according to Porter, have faltered as they don't have unique strategic positions. According to Porter, strategy is about choosing to perform activities differently than rivals do. He uses the examples of South West Airlines and Ikea to demonstrate the concept of strategic positions. Porters approach to strategy is considered to fit into the positioning school of strategy which is essentially analytical in its approach, focusing on industry structure (foundation of industrial economics). It is a top down linear deterministic process that supposes structure follows strategy. Whilst offering a number of useful tools for analysis, many consider this strategy process as overly static and rigid in its approach. Something devised and more suitable for another time. It is also hard to link the analysis that Porter suggests to the actual process of strategy making. It should be noted there are at least 10 schools of strategy according to Henry Mintzberg and colleagues (Strategy Safari, 2005).

Strategy, in the view of Hambrick and Fredrickson, is a centrally, externally oriented concept of how an organization will achieve its objectives. It is not too dissimilar to the view of Porter but diverges in a few important ways. Firstly, it brings in the view of industry as an arena. A much broader view of industry and akin to the concept of what business are we in. Secondly, the authors identify the importance of competences in creating a competitive advantage, and if those competences do not exist, does the organization have a process for constant innovation and opportunity creation. This fits in with the ideas that competitive advantage can no longer be thought of something which is developed and then defended, but rather that all advantages are transient and hence organizations need to be in a constant state of flux and renewal. This is clearly linked to culture and learning and suggests another view of strategy that is more suited to today's dynamic environments. In her new book (Seeing Around Corners), Professor Rita McGrath makes a strong case for different ways of thinking about strategy and gives this compelling example: '*Another great saying from Andy Grove' – "When spring comes, snow melts first at the periphery, because that is where it is most exposed".* According to McGrath, for people running organizations, this has important ramifications – if snow melts from the edges, how do we make sure we see when this is happening?

Hambrick and Fredrickson provide the below framework for defining what a strategy is.



The Five Major Elements of Strategy (Source: Hambrick, D.C., and Fredrickson, J.W. (2005). Are you sure you have a strategy? Academy of Mgt Exec, Vol 19, No. 4).

Based on this analysis, the authors breakdown the go to market approach of Ikea which can be summarized as: *offering inexpensive, instant fulfilment furniture to young white collar customers in a new shopping experience format. This is primarily achieved through organic expansion and rapid globalization leveraging and creating economies of scale and efficiencies through replication.*

This paper was written in 2006 and it is obvious that Ikea has continued to iterate on its strategy. It has focused heavily on technology to lead digital transformation in the company. It has also expanded its arena beyond the original furniture industry to thinking of itself as a lifestyle company targeting an immensely broad spectrum of the market. What is probably most well known about Ikea is their constant stream of innovation. For example, in a Forbes article from 2018, When asked to describe IKEA's vision for the future at the recent ThinkX event in Stockholm co-sponsored by SAP and Singularity University, Kristin Grimsdottir responds:

"We are not merely a home furnishing company; we focus on Life at Home and how we can make it better for people. For instance, we're already helping customers generate their own energy with home solar panels and battery storage options and exploring the area of urban organic farming, so you can grow your own food in your kitchen".

Ikea is an interesting choice of subject for many strategy writers as they use Ikea to provide evidence (often in hindsight) that clear strategy is based on analysis, leading to a clear position in the market. That may be the case in hindsight, but the actual story of Ikea is one of much more about learning through trial and error. The same can be said of many organizations such as Dell and Honda.

This highlights an incredibly important point. If strategy is the how, how do Ikea and other successful firms continue to innovate/regenerate whilst others, such as Nokia, could not? I believe that how can be summed up in one word – culture. You can devise the 'best' strategic position in the world but if it cannot be executed then it is not strategy – it is another meaningless vision statement that adorns the boardrooms of most organizations. Of course, you could also devise the 'worst' strategic approach in the eyes of the market (such as Nokia, Kodak, Blockbuster and many others did) and experience the same failure. Culture permeates strategy in numerous ways, from silos to mental models to personal agendas, it is culture that determines the nature of your strategy process plus the outcome of your strategy (intended or emergent, successful, or not).

What happens if I rewrite the Ikea strategy based on the Hambrick and Fredrickson version incorporating the ideas of emergent strategy that come from learning, culture, doing and iterating, including the way their strategy has evolved:

Ikea offers a range of lifestyle choices to sustainability conscious consumers anchored by home furniture as the hub of their experiences. We leverage new technologies and eco systems for instant fulfilment and visualization. This is primarily achieved through a market oriented culture that puts team based structures and innovation at the heart of what we do, creating both market driven and market driving solutions. Economies of scale/scope of learning are now more important than traditional metrics of efficiency.

This definition now shifts the concept of strategy away from unique position to something that is more around unique processes. It also identifies that learning is the centre of competitive advantage since advantage is transient. The vision of Ikea has not been changed but the how of achieving this vison has. It suggests that strategy is not something that comes from yearly strategic planning activities but rather it comes from a continual questioning of assumptions about the beliefs of the organization. Firms need to move from a know it all culture to a learn it all culture in the words of Satya Nadella (Microsoft CEO).

Issue #2 – the role of culture in the strategy process has been obfuscated and devalued

Probably the most well known example of this clash between schools of how strategy happens is the case of Honda entering the US motorcycle market in the late 1950s. It was presented as a classic case of strategic analysis using well known concepts such as cost leadership and the experience curve by the Boston Consulting Group (BCG) in a report submitted to the British Government (who had engaged BCG to analyse the demise of the British motorcycle industry). It turned out, after the original team members sent to the USA by Honda were interviewed at depth by Richard Pascale (when he was a Professor at Stanford University), that their success had little to do with a planned strategy (as that had failed miserably) and had much more to do with learning and serendipity (they had originally planned on entering the market with big bikes but ended up accessing the market with the 50cc super cub).

STRATEGY AS ANALYSIS		STRATEGY AS INNOVATION
Analytical, logical & linear	MINDSET	Creative & disruptive
Logical	AMBITIONS	Offensive
Stable, expect it to be much like the present	THE FUTURE	Unstable, expect it to be different
Rational actor	PEOPLE PERSPECTIVE	Passion
Preserve & tune existing business model	BUSINESS MODEL	Develop & test a portfolio of new business models
SWOT PESTEL Value-Chain Five-Forces	MAIN TOOLS	Disruptive Innovation Business Model Canvas Strategy Innovation Canvas The Innovation Pyramid
Difficult, creates resistance	CHANGE	Love to create it, make change happen
Michael Porter	LEADING PROPONENT	Gary Hamel, Rita McGrath

Two Lenses on Strategy (Source: https://www.strategytools.io/strategy-tools/two-lenses-on-strategy/).

David J Teece (in his book Dynamic Capabilities) identifies dynamic capabilities as sensing, seizing and managing threats/transforming. He also criticizes concepts such as the Porter's five forces as being overly static in nature. His ideas highlight the very real need to consider organizational culture in the role of strategy. How can one become 'capable' at sensing or transforming if the culture of the organization is insulated, siloed and hierarchical? This is barely considered in the positioning school, if at all.

Talking about culture and value creation is often the domain of marketing, yet strategy is also about value creation. I (did) define strategy as (I will redefine strategy at the end of this paper as I am no longer happy with this definition):

'Strategy is the how. A coherent, integrated set of initiatives and concepts that that will move the organization forward in a unified manner to achieve transient advantage. It is fluid in movement but set in direction'.

The idea of competitive advantage has been central to strategy since the concept was popularised back in the 50s and brought to the forefront by Micheal Porter. The logic of competitive advantage is to create value for the organization and organizational value can only be created by the delivery of customer value. Customer value is what marketing is about.

Considered to be the father of modern marketing, Philip Kotler defines marketing as: "the science and art of exploring, creating and delivering value to satisfy the needs of a target market at a profit". This is known as the marketing concept and provides the foundation for competitive advantage. If you are not meeting customer needs, what is it that you are doing?

The implementation of the marketing concept is known as a market orientation. My use of the word market (as opposed to marketing) is very deliberate. There is a substantial difference between the trappings of marketing (such as having a person designated as a marketer or a fancy web site) and the substance of marketing, which is concerned with the value that is created for the customer. What has happened and needs to happen, as implored by Frederick Webster in the Journal of Marketing as far back as 1992 is that the marketing management function, based on the microeconomic maximization paradigm, must be critically examined for its relevance to marketing theory and practice.

Issue #3 – marketing and strategy have been thought of as separate domains as often as functions only

A market orientation can be defined according to the two seminal works in this area by Kohli and Jaworski, and Narver and Slater. These academics have done much to operationalize the implementation of the marketing concept in the form of market orientation.

According to Kohli and Jaworski (1990):

'*market orientation is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it'.*

According to Slater and Narver (1995):

'*a business is market oriented when its culture is systematically and entirely committed to the continuous creation of superior customer value'.*

What this means is that culture has been operationalized, it can be measured and it can be managed. When Regis McKenna said marketing is everything (HBR, 1991), he wasn't joking. Since the days of the ground breaking article 'Marketing Myopia' in the Harvard Business Review (1960) by Theodore Levitt which implored businesses to define themselves by customer need, marketing has been on a topsy turvy ride of increasing and decreasing influence in the business world.

The influence I am talking about is its role in strategy and firm performance. It was Peter Drucker who back in the 1950s said a business has only two functions: marketing and innovation. How prophetic those words were as research now demonstrates that it is indeed marketing (in the form of a marketing culture) that has the most significant impact on firm performance and profitability. It is also marketing which enables the innovative capability of the firm. This is crucial as strategy is about innovation. If marketing (a market orientation) enables innovation then surely marketing and strategy are not only related, they are converging. I could go even further and say they are the same if one considers how both disciplines now actively discuss the customer, competitors, the environment (both macro and micro) and the organization. That was probably not case even 20 years ago.

The preceding discussion highlights some of the reasons I am no longer 'happy' with my definition of strategy. I will now further explore strategy definitions and integrate the concept of marketing as a holistic business process, its foundation being a market orientation. This will lead to a definition of strategy that converges with marketing, or vice versa, the order is not important.

So – What is Strategy Then? – the convergence

As I mentioned previously, there are some 90 plus definitions of strategy in the literature. In a thorough review from Xiu (2021), he identifies the below summary of content from various definitions. These are grouped into long term goals and guidelines.

Element	The vocabulary and terms in literature on strategy definition
Long-term goal	(General term) General goal: long term goal/goal/target/future Specific goals: Find competitive advantage/Change the industrial structure to improve organization result/Create unique position/Choosing to perform activities differently than rivals/Satisfy the expectation of stakeholders/Gain competitive advantage/Maintain or promote performance/Improve productivity/Attract and please customers, successful competition, develop business and realize the target
Guideline	Actions/approaches/choice of programs/guidelines/how/plans/major policies and plans/mean/solutions

Summary of Vocabulary in the Literature on Strategy Definition (Source: Xiu, B. Y. (2021) The Fundamental Elements of Strategy, Springer)

The idea that strategy is about the long term is an enduring concept but is it still relevant? That would depend on how you state it. If the long term goal is to create a more agile and responsive organization and the strategy is then to flatten the hierarchy and move towards market oriented eco systems such as team based structures, then I perhaps it is, but you need to address the strategic challenges and bottlenecks in the short term that continue to maintain the status quo. Hence, strategy must also address the short term. Sticking to the so called plan is not what any intelligent leader would say if the plan is not working. There is no long term without the short term and hence now we question the idea of choice. Almost all writers on strategy seem to agree that strategy is about choice, but what kind of choice? Decisions about where to focus resources on product development or international market expansion are critical but are they strategy per se? What if I make a decision to focus on a specific product category and that decision proves to be incorrect? Wouldn't the essence of strategy then be the capability to manoeuvre and reconfigure resources quickly? In other words, is strategy about choice at the guiding statement level or is it about managing dilemmas and paradoxes? One of the very few authors to discuss strategy as managing dilemmas is Frons Trompenaars who states that strategy is the process of managing dilemmas, it is not a choice if it is dilemma. He goes onto say that reconciling differences is the most discriminating competence that distinguishes successful leaders today. Strategy has different horizons and to state that it is only about the long term clearly lacks face validity. In addition, as Richard Rumelt points out, how can goals be developed ahead of diagnosis? Setting an arbitrary goal of 30% ROCE for example that has no grounding in the challenges the organizations faces is, as Rumelt says, 'like a coach who shouts win the game, instead of giving advice on how to play'.

In their study of Toyota (Strategy as a Way of Life, MIT Sloan Management Review, 2021), Ikujiro Nonaka and Hirotaka Takeuchi state that Japanese firms more readily embrace dynamic duality. They concluded that the company actively embraces and cultivates contradiction, opposites, and paradoxes, making dynamic duality an integral part of its culture. They identified six traits:

- Toyota moves slowly, a little at a time, but takes big leaps once in a while.
- It is frugal on a daily basis but splurges on key events.
- It is efficient on day-to-day operations but redundant in its use of employees' time.
- It grows surely and steadily yet is constantly paranoid.
- It is hierarchical but gives employees freedom to push back.
- It simplifies internal messaging but builds a complex analogue web of human relationships to share knowledge throughout the organization.

Issue #4 – strategy has become too rigid, infiltrated by dogma and a lack of evidence based practice

I am not saying that choice is not necessary, I am saying that at what level of abstraction. If you conflate strategy with planning then yes you probably think strategy is pure choice. If you believe that strategy is more of a guiding policy, then you are more likely to accept dilemmas. If marketing is about holistic business processes then strategy and marketing converge as strategy is not about unique positions (even if such a thing exists) but more about culture and process. Take a look at this eye opening discussion on marketing, differentiation, and positioning by outspoken marketing professor and consultant Mark Riston: https://www.youtube.com/watch?v=Q3r0UjRPiZY.

In his excellent new book, The Emergent Approach to Strategy, Peter Compo summarizes strategy definitions into eight concepts:

- Aspirations
- Long term, big and important
- Plans
- Frameworks
- Making choices
- Defined by requirements
- Patterns and actual outcomes
- Rules and policies

One quick glance at the list highlights an important phenomenon. None of the 8 (except one) says anything about the how. There is a lot of what but little how. For example, if strategy is about choice, what 'how' guides how those choices are made. Patterns and actual outcomes describe strategy (take for example the 5Ps of strategy from Henry Mintzberg) but these are after the fact. Strategy maybe 20/20 but that does not help when an organization is trying to devise one. Compo states that all the above examples suffer from various problems except for rules and policies. In his view, strategy is the central rule of a framework. It is a guiding policy that is not bound by time frames and subject to change as needed once context changes.

So, rather than strategy being about plans, goals, or choices, perhaps strategy is about the guiding policy that allows one to make those plans and choices. The level of abstraction is too low if one follows the traditional paradigm.

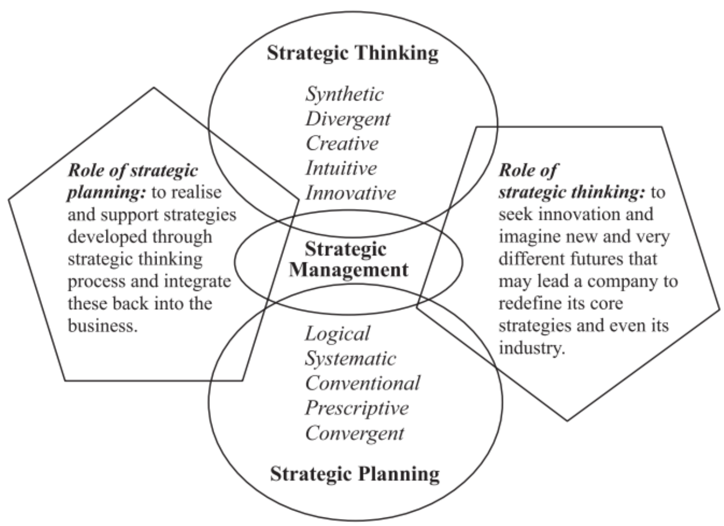
In the HBR classic by Henry Mintzberg (The Rise and Fall of Strategic Planning, 1994), the author describes how typical strategic planning processes have become strategic programming, the articulation and elaboration of strategies that already exist. For him, strategic thinking is about synthesis, which involves creativity and intuition. This comes from messy informal processes of learning that are carried out by people at various levels of the organization. This then comes back to the idea of emergence in strategy creation. In fact, as Arie De Gues (former head of planning at Royal Dutch/Shell) stated in a 1988 HBR article, the real purpose of effective planning is to change the mental models that decision makers carry in their heads. This is perhaps the most vexing challenge in the strategy creation process.

From	To
Annual planning	Strategy as a journey
Getting to “yes”	Debating real alternatives
Spreading like peanut butter	Picking your 1-in-10s
Approving budgets	Making big moves
Budget inertia	Liquid resources
Sandbagging	Open risk portfolios
You are your numbers	Holistic view of performance
Long-range planning	Forcing the first step

Making these 8 shifts can improve your strategy (Source: McKinsey)

Issue #5 – strategy has become ritualistic as opposed to adaptive and ongoing

What perhaps is needed is a clear separation between strategic planning and its intended purpose as well as well strategic thinking and its intended purpose. Based on the work of Fiona Graetz in an article published in Management Decision, strategic thinking and planning have different roles. She stresses the need for the right group composition (mix of right and left brain thinking) as well as both leaders and employees having the right skill sets.



Strategic Thinking and Planning (Source: Graetz, F (2002) Strategic Thinking vs Strategic Planning: towards understanding the complementarities. Mgt Decision, 40, 5, pp. 456-462)

According to Richard Rumelt (in his excellent book, Good Strategy, Bad Strategy), a strategy has three interrelated pieces:

1. Diagnosis – this defines or explains the nature of the challenge. It simplifies often overwhelming complexity of reality by identifying certain aspects of the situation as critical.
2. Guiding policy – an overall approach to cope with or overcome the obstacles identified in the diagnosis.

3. Coherent actions – these are the steps that are coordinated with one another to work together in accomplishing the guiding policy.

His ideas convey some interesting points, firstly that strategy must be addressing some kind of challenge through diagnosis. If the challenge is immediate then the strategy has a short term horizon and vice versa. The guiding policy describes the how without being overly prescriptive as that is the role of planning. Addressing bottlenecks is also something identified by Peter Compo in his book, Rumelt calls these gnarly problems. These descriptions that seem to take into account complexity and process are perhaps much more suited to describing what strategy should be, a normative view. Strategy cannot be all encompassing because it then becomes nothing. It should also be something that can be explained in a statement or it risks becoming something that lacks clarity and ease of communication.

In his new book, The Crux, (mentioned above), Rumelt goes further. He states that:

'One frequently hears that managers are decision makers…if you conceive of strategy as decision making, then your job would be to examine each alternative and select the best. You don't have to be experienced executive to see that this is nonsense. Where do these alternatives come from? The reality is that creating strategy is not simply pure goal seeking or decision making, unless there are fairly well structured causal connections between actions and results'.

Well structured causal relationships maybe evident in some situations. For example, my product costs are too high because of A, B, C…this can be remedied by D, E and F. Such feedback loops are well suited to applying approaches such as systems thinking, but how often are such simplistic challenges the heart or crux of a strategic issue? There are numerous so called strategy tools available to managers such as Five Forces, BCG Matrix, GE Matrix, Blue Ocean Canvas, SWOT, Porters Generic Strategies, Scenario Planning etc. They can be useful in the analysis stage and if the assumptions are understood but I am not sure how they help in the strategy creation process. I have not seen a viable strategy developed from some kind of analytical technique.

Issue #6 – strategy has become overly reliant on analysis and linear thinking and has not sufficiently embraced complexity thinking

Gaining insight from complex situations requires a different approach to the traditional approaches I have critiqued so far. Strategy is often thought of as the domain of top management whilst execution is left to the rest of the organization. This type of thinking creates many problems. Since research shows that some 50-90% of strategic initiatives fail, execution is not something that can be only an afterthought. Change management theory tells us that getting buy in from employees is much more effective when they are involved in the process and have input, it provides a sense of ownership. In addition, an 'open strategy' approach that leverages the collective wisdom of crowds is much more likely to uncover insights missed by a select few. British cybernetician, Ross Ashby, states that variety must be met with equal variety (The law of requisite variety). Given the nature of variety and complexity organizations face, how is it feasible that the collective knowledge of a few senior leaders can match the collective wisdom of the crowd? That is the collective intelligence of the whole organization – the simple answer is it cannot! This concept is well articulated in the book Open Strategy by Stadler at el (2021). The authors state that, in a direct retort to the views of competitive strategy held by Porter:

'It sounds convincing, but in reality, being different is extremely difficult. Companies create cohesive structures and systems with an aligned culture. They hire employees that fit their core values, socializing them to share basic principles and worldviews…under these circumstances, taking unorthodox perspectives and developing new approaches become nearly impossible…by restricting strategic discussions to a small elite of C suite executives, they seal themselves off from that outside input. Their strategies become unimaginative and boring – like everyone else's in the industry'.

These words may sound harsh but I am sure they ring true to many. Insight is critical to the strategy process and that is why it so hard to create a strategy from analytical deterministic processes. In his fascinating book studying how insights occur (Seeing What Others Don't), Gary Klein identifies the crucial role that collisions, coincidences, and curiosities play. In the equally fascinating book, The Medici Effect, Frans Johansson argues that innovation comes from diverse industries, cultures, and disciplines when they all intersect, bringing ideas from one field into another. He also recommends assembling diverse teams of people to collaborate on innovation. Many examples are also evident in the book by Margaret Heffernan, Uncharted.

Issue #7 – strategy requires change which requires insight and innovation

It might be useful to think of different views of strategy based on the environmental conditions prevalent within an industry, arena or eco system. In their 2015 book (Your Strategy Needs a Strategy), Reeves, Haanaes, and Sinha identify that strategies themselves need a strategy. They identify a strategy palette with 5 approaches: classical, adaptive, visionary, shaping, and renewal. The approach you take will depend upon the environment you are in. According to the authors, analytical approaches such as those espoused by planning or positioning schools are best suited to mature stable industries. Since many industries are now facing levels of dynamism not traditionally seen then shaping and renewal approaches maybe more suitable. In complex adaptive systems there are unknown unknowns.

Dave Snowden (developer of the Cynefin framework) states that in complex situations, cause and effect can only be deduced in retrospect. In this context, managing the unknowable, there are not necessarily right answers as leaders should be safe to fail through experimentation. He calls this probe, sense, respond. More recently, he has been developing the estuarine framework. This framework is concerned with constraint mapping and has 3 key aspects. According to Snowden, constraints are the principal manageable aspects of a complex system so it's a good starting point.

1. Initiating and monitoring micro-nudges, lots of small projects rather than one big project so that success and failure are both (non-ironically) opportunities
2. Understanding where we are, and starting journeys with a sense of direction rather than abstract goals
3. Understanding, and working with propensities and dispositions, managing both so that the things you desire have a lower energy cost than the things you don't

He goes onto say that:

'Another way of thinking about the third of these is that we aim to create an ecosystem in which good things are more likely to happen than bad ones and that also requires balance in the system – the rewilding theme of much of our current work. Rather than take the engineering approach, assuming a green field site and just building it in the hope people will come, you start by understanding where you are. You build some boundaries, create some novel linkages, put somethings into the shade or eradicate them while giving energy to others. The metaphor is that of an ecologist who uses engineering, rather than an engineer who sees the ecosystem as something to conquer'.

Robert Flood (in his thought provoking book, Rethinking the Fifth Discipline) states that learning our way into the future calls for continually revisiting what might be going on. This suggests that the annual strategic planning dogma that is so prevalent is not appropriate. Strategy might not change every other day but strategy is an ongoing process. He goes onto say that interpretation and learning leads to emergent

outcomes rather than long term planning and fixed implementation – the rate of change will be context dependent.
In his recent book (Rethinking Competitive Advantage), Ram Charan argues that the 20th century ways of thinking about competitive advantage are obsolete in the light of digitization, data, AI and eco systems. He lists some 'new' rules of competition:

- A personalized consumer experience is key
- Algorithms and data are essential weapons
- A company does not compete, its ecosystem does
- Money making is geared for huge cash generation, not earnings per share. The new law of increasing returns and funders understand this
- People, culture, and work design form a social engine that drives innovation and execution personalized for each customer
- Leaders continuously learn, imagine, and break through obstacles to create the change that other companies must contend with

His focus on consumers, culture, and learning echo my earlier comments on the convergence of strategy and marketing as marketing in the form of a market orientation is both cultural and a business process seeking to deliver customer value. Eco system thinking has come to the fore in strategy over the last 10 years and adds to the complexity of the strategy process. Companies, in the past, were implored to stick to their core competencies, focus etc, whereas now they are often asked to explore new business models whilst exploiting the business of today – being ambidextrous. This is another example of managing dilemmas or paradoxes. In his book, Zone to Win, Geoffrey Moore explains how different types of innovations (sustaining vs disruptive) require different management approaches. An organization that does not have a flexible culture will struggle to manage the ambiguity of ambidexterity. In an extensive meta analysis of organizational ambidexterity, Mehmet Kula (2023) found that such dexterity had a significant impact on innovative performance. It is critical to note that innovation plays a key mediating role in the link between a market orientation and firm performance as a market orientation is an antecedent to innovation. Kula goes onto say that the tension between old and new, freedom and responsibility etc can be managed through ambidexterity avoiding the risk of strategic blind spots. According to March (1991), the source of innovative tension is the balance paradox between exploitation and exploration. This paradox is directly related to the short-term and long-term innovation capacity along with the firm's ability on obtaining and processing information. As I have mentioned, a market orientation is a sub set of a knowledge orientation and is deeply concerned with knowledge acquisition and dissemination.

Issue #8 – strategy must manage the business of today and tomorrow

In an excellent paper from the Journal of Management Studies (2014), Stephanie Dameron and Christophe Torset shed further light on this idea of paradox. Despite a number of voices calling for a renewed understanding of strategy as the capability to manage contradictions, according to the authors, these early admonitions have largely been ignored in terms of what it means to be a strategist. Through an inductive enquiry, they found that four tensions emerged from strategists' discourse: the tension between 'action' and 'thinking' (time tension); the tension between 'endogenous-focus' and 'exogenous-focus' (focus tension); the tension between 'intuition' and 'analysis' (cognitive tension); and the tension between 'solitude' and 'sharing' (social tension). 'These tensions may at times lead to a paradox lens on strategy and strategizing, as one strategist may develop two poles of a singular tension. This conceptualization combines a transcendent perspective on strategy work with an immanent approach to strategizing. While the former defines strategy as a structured process where decision precedes action, the latter considers that strategy is built through speculative activities that are rationalized retrospectively. I have already stated that in complex systems cause and effect are not linear and can only be identified in hindsight. To state that strategy is only about choice, winning, long terms plans etc is evidently incorrect. In the highly popular book Playing to Win (by Roger Martin and A.G Lafley), the authors present a framework focused on where to play and how to win, with winning being the ultimate criterion. It draws heavily on the Porterian school of thinking (positioning). In critiquing some of the assertions of the book, JP Castlin (well known consultant and speaker), says calling winning 'the ultimate criterion' implies that in any given market there will only be one company with a truly successful strategy and that any strategy that fails to win also fails to be a strategy. Not only is this demonstrably false, but too a rather problematic statement. If the merits of a strategy truly are to be defined solely by its outcomes, it would require a controllable linear causality that does not exist in complex markets. Assuming that a good result equals a good strategy, and conversely that a bad result equals a bad strategy, is nothing more than halo affected reasoning. Just because Starbucks are doing very well, it does not mean that their winning aspiration is brilliant. It is not. The competitive set against which companies attempt to win on paper inevitably ends up being significantly wider in reality than they would like it to be – and perpetually in motion.

Castlin's use of the word halo is fascinating and insightful. I am arguing that knowledge of the how comes from action and learning and hence strategy as knowledge and learning (a market orientation) is about the what, how, and execution. As you act you learn, and that knowledge should be codified and institutionalized so that the strategy process can continue to evolve and transform the organization.

To reinforce this point, think about analytical approaches to strategy that use various models to 'devise' strategy and draw on so called examples of excellent company performance to identify the what of strategy. This type of research suffers from a number of fallacies that are well articulated by Phil Rosenzweig in his stand out book, The Halo Effect:

"Much of our thinking about company performance is shaped by the Halo Effect, which is a tendency to make specific evaluations based on a general impression. When a company is growing and profitable, we tend to infer that it has a brilliant strategy, a visionary CEO, motivated people, and a vibrant culture. When performance falters, we're quick to say the strategy was misguided, the CEO became arrogant, the people were complacent, and the culture stodgy. Using examples like Cisco, ABB, IBM, Lego, and more, I show how the Halo Effect is pervasive in the business world. At first, all of this may seem like harmless journalistic hyperbole, but when researchers gather data that are contaminated by the Halo Effect—including not only press accounts but interviews with managers—the findings are suspect. That is the principal flaw in the research of Jim Collins's *Good to Great*, Collins and Porras's *Built to Last*, and many other studies going back to Peters and Waterman's *In Search of Excellence*. They claim to have identified the drivers of company performance, but have mainly shown the way that high performers are described. My book is the first to show why, for all their claims of voluminous data and rigorous analysis, their research is fundamentally flawed—and why their conclusions about the drivers of company performance are unfounded".

In reality, firms have an intended strategy which then seems to divert based on what Henry Mintzberg called emergent strategies into a realized strategy. This learning view of strategy can be leveraged into producing the desired behavior change needed for the successful execution that is the how of strategy. There are no better examples of this type of emergence than Honda's foray into the US motorcycle market or Ikea's transformation into the worlds leading furniture retailer.

Below are some different definitions of strategy that I have unscientifically bucketed into 2 groups.

'Traditional views'	'Guiding and processual views'
"Strategy is the determinant of the basic long-term goals of a firm and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." (Alfred Chandler)	"Strategy is analyzing the present situation and changing it whenever necessary. Incorporated within this is finding out what one's resources are or what they should be." (Peter Drucker)
"Strategy is choosing to perform activities differently than rivals, find competitive advantages or the creation of a unique and valuable position". (Micheal Porter)	"Strategy is the addition of the decisions taken by an organization in all aspects, as much commercial as structural, with the strategy developing in accordance with the learning process of the firm's manager." (Henry Mintzberg)
"Strategy is choice. Strategy is not a long planning document; it is a set of interrelated and powerful choices that positions the organization to win". (Roger Martin)	"Strategy *is* about making series of decisions that drive corporate action under specific coupling with company's environment and context" (Milan Zeleny)
"Strategy is concerned with long-range objectives and ways of pursuing them that affect the system as a whole." (Russell Ackoff)	"A strategy is the central rule of a framework, designed to unify all decisions and actions around busting bottlenecks to achieving aspirations". (Peter Compo)
"Strategy is a set of plans or decisions made in an effort to help organizations achieve their objectives." (Miller and Dess)	"Strategy is the process of actively participating in the conversations around important emerging issues". (Ralph Stacey)
"Strategy is an integrated set of actions designed to create a sustainable advantage over competitors." (early McKinsey definition)	"Strategy is the central, integrated, concept of how you plan to meet your objectives." (Hambrick and Frederickson)

Whilst in many ways this is a false dichotomy (probably more of a continuum), it does highlight the difference between long term deterministic approaches to strategy to those which are more emergent and iterative/agile in nature. The guiding views also stress the importance of addressing critical challenges which are highly contextual. That does not mean that system thinking approaches where cause and effect are more clearly delineated are not useful, it means that you should use the right tool for the job. A strategy must guide but it cannot lock you into an approach which is so rigid as to prevent change. As Dave Snowden eloquently states, complexity allows ontologically incongruent systems to co-exist and that is a major breakthrough. It allows and even encourages coherent heterogeneity resisting the homogenisation of common values and the like that characterises much of systems thinking. My views on strategy in the light of its convergence with marketing (which is both cultural and as set of behaviours) and managing paradox allows for a strategist to hold opposing ideas and still function (to paraphrase F. Scott Fitzgerald). Mental models are central to the strategy process.

The decision processes highlighted by the 'complex' view stand out as being close to the heart of strategy as organizational culture is the final determinant of what those processes will look like. As I stated at the start of this paper, there is no theory of strategy creation. This suggests that strategy, structure, and execution are not linear but more concurrent in nature. It also suggests that culture impacts strategy to such a significant degree that it MUST be considered as central to the strategy process. If your organization is a top down hierarchical bureaucratic dinosaur then your strategy will be dictated by those pre existing conditions. You don't need to be a rocket scientist to figure out that the outcome will not be good!

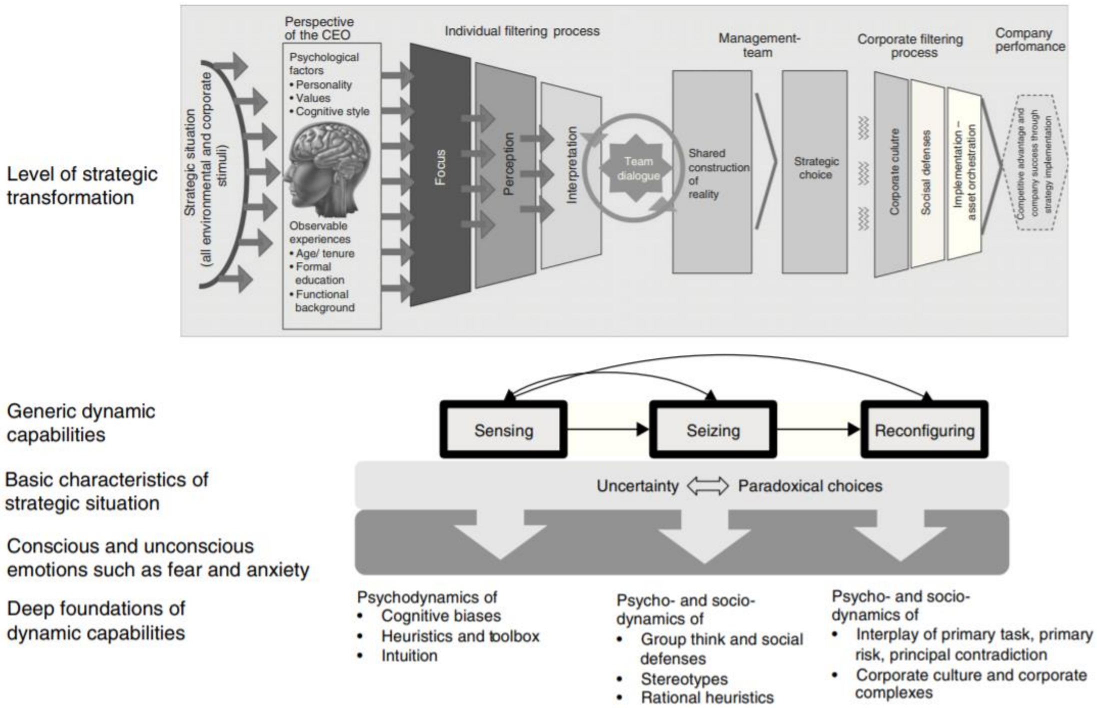
The danger of seeking a unique position in the market based on traditional analytical approaches is well encapsulated in the thoughts of Milan Zeleny. This trade off, he suggests, originates from the ideas of Pareto optimality. He goes on to say: 'this is not efficiency…but a marginalization of the customer". The danger of pursuing some competences at the expense of others is those neglected competences atrophy and all advantages are temporary. Competences are bought and reconfigured all the time.

PORTER STRATEGY	ANTI-PORTER STRATEGY
Competition strategy	Competition/Cooperation strategy
Firm unit of competitiveness	Network of firms unit of competitiveness
Producer driven	Customer shaped
Hierarchical top-down company	Fast-moving team-based company
Static strategy	Dynamic strategy
Fixed competencies	Adaptable competencies
Complementary to existing advantage	Transforming of existing advantage
Based on tradeoffs	Eliminates tradeoffs
Strategy as declaration	Strategy as action
Strategy as unique position	Strategy as unique process
Problems of acceptance & implementation	Natural acceptance & implementation
Mechanical "Lego" of components	Organic growth of holistic strategy
Definition of industries	Industries as such do not exist
Multinational conglomerates	Networks of small companies
Sustainable strategy	Strategy for self-sustainable business

Source: (Zeleny, M. (2010). Strategy as Action: from Porter to anti Porter. International Journal of Strategic Decision Sciences, Vol 1, No, 1).

Whilst the idea of anti Porter maybe a little severe, Zeleny's views around process, arenas, and adaptation are more suited to complex environments and more fully aligned with the ideas of a market orientation. Networks are also more aligned with competition today that often revolves around eco systems. Not only in terms of firms such as Apple building eco systems as part of their value proposition but in terms of arenas rather than industries. For example, a doctor does not just compete with doctors but also other players in the health ecosystem. Karl Weick, an American organizational theorist, points out that in uncertain and confusing circumstances, the goal of strategy is often directional, not predictive.

In a rare and insightful piece about behavioral strategy, using the concepts of psychodynamics, Claudia Nagel (Global Economics and Mgt Review, 2016) discusses the psychology of strategic transformation processes. In the figure below, she highlights how the dynamic capabilities identified by David Teece (sensing, seizing and transforming/reconfiguring), are impacted by various psychodynamic and socio dynamic variables. The author also shows how the perspective of the CEO influences the organizations construction of shared reality and hence strategic choices. In other words, every leader and organization will sense the environment differently which in turns plays a major role in how leaders choose to move forward. They are often painfully unaware of these biases.



Overview of Behavioral Strategy Based Influencing Factors of Dynamic Capabilities (Source: Nagel, C (2016), Behavioral Strategy and Deep Foundations of Dynamic Capabilities – using psychodynamic concepts to better deal with uncertainty and paradoxical choices in strategic management. Global Economics and Mgt Rev, 21, pp. 46-64)

The author goes on to state that, " *In summary, the psychodynamics of anxiety and fear influence individual strategic thinking as they result from cognitive and emotional uncertainty due to unforeseeable future and the nature of paradoxical choices. Through cognitive biases, heuristics, and intuitive reasoning, they invade our thinking and decision-making – mostly in a limiting inability to see the whole strategic situation. Therefore, it is essential for the manager to be capable of knowing about and assessing these influences".*

The discussion so far has made it clear that rather than some top down, rational process contingent upon a senior leadership team who has all the answers, strategy needs a new view. One that recognizes the often messy and iterative nature of true strategy making and the need to consider culture and mental models as central to either inhibiting or facilitating positive behaviors and processes.

Issue #9 – the role of culture, mind sets and biases have been largely ignored in strategy

This draws heavily on the following work:
Vision Deployment Matrix (Source: Daniel Kim, https://thesystemsthinker.com/from-event-thinking-to-systems-thinking/)
Overview of Behavioral Strategy Based Influencing Factors of Dynamic Capabilities (Source: Nagel, C (2016), Behavioral Strategy and Deep Foundations of Dynamic Capabilities – using psychodynamic concepts to better deal with uncertainty and paradoxical choices in strategic management. Global Economics and Mgt Rev, 21, pp. 46-64)

The Link Between Mental Models, Culture, Cognitive Biases, Dynamic Capabilities, Systemic Structures, and the Strategy Process (Source: authors own analysis)

Strategy has its origins in military thinking and I am sure many readers will be familiar with the classic works of Carl von Clausewitz and Sun Tzu. Von Clausewitz identified the concept of friction which he meant to identify those circumstances which are unpredictable and require flexibility (everyone has a plan until they get punched in the face according to Mike Tyson). For Sun Tzu, strategy was a specific method for choosing the right action from among a group of potential tactics. He defined the concepts in the context of each other. A strategy that cannot be executed is not a strategy but also it suggests that strategy can be organic, coming from the bottom, based on tactical decisions but perhaps preceded by an initial strategic view. As mentioned above, strategy is often only visible in hindsight and the stories of emergent strategy at Honda and Ikea are instructive. The highly entertaining book by Al Ries and Jack Trout (Bottom Up Marketing) also provides a similar perspective.

According to Helmuth Karl Bernhard Graf von Moltke (he was a Prussian field marshal):

'Strategy is a system of heuristics. It is more than science. It is the application of knowledge to practical life, the evolution of an original idea under constantly changing circumstances, the art of taking action under the pressure of the most difficult conditions.' (1871)

His idea of knowledge application is central, in my opinion, to the convergence of marketing and strategy. A market orientation is a sub set of a knowledge orientation. In addition, Von Moltke's thinking about evolution fits with the arguments above that strategy can be guiding but it cannot be overly prescriptive. For example, if strategy is about achieving long terms plans but the short term challenges are more critical then expecting long terms changes to be casually link to short term changes seems naive at best.

There are dozens of well known companies that have been disrupted by new entrants that didn't even come from within their standard definition of industry analysis. Uber, Amazon, Apple, Airbnb, and Netflix are well known examples. Even firms that were sitting on disruptive innovations such as Kodak (digital film) and Xerox (GUI) were unable to let go of legacy business models and mind sets to exploit these opportunities.

A Guide for Practicing Strategy in an Uncertain World (Source*: http://strategy-business.com/practicingstrategy*)

So how do we start changing the mind set of a senior leadership team as suggested in the figure above? How can we make strategy discussions more about strategic thinking and real discourse rather than innovation theatre and programmatic analysis? I believe that marketing as strategy convergence can he get us there.

Research by McKinsey on over 1000 companies found that cultural lock in and the inability to change was the key reason why organizations do not adapt to market changes. Empirical research consistently demonstrates that culture (in the form of a market, learning and knowledge orientation) has the most significant impact on firm performance. In turning around IBM, Lou Gerstner stated that culture is everything. In transforming Microsoft, Satya Nadella said that the ability of the company to change its culture was the leading indicator of its future success. Even though Lou Gerstner stated the issues facing IBM were not a failure of strategy but of a culture which was no longer suitable for the challenges being faced, I believe Gerstner may have missed an opportunity to affect general business lexicon by clearly placing the cultural school of strategy at the heart of strategy discourse. Instead of saying that strategy failure was not the issue, he should have said that it was IBMs view of strategy that was the problem.

John Kotter (a leading researcher of change and a Harvard Professor), studied whether those organizations with strong cultures outperform those with weak cultures. He found no relationship. Upon further analysis he found that cultures which were strategically aligned (with market changes) and adaptive did show a strong association with firm performance. This is an interesting finding as organizations often tout their strong cultures as a source of competitive advantage but it is in fact these very cultures that become core rigidities in times of change.

In a Sloan Management Review article from 2003 (The Real Value of Strategic Planning, Sarah Kaplan and Eric D. Beinhocker), the authors suggest that strategic planning is one of the most important tasks for senior corporate and business-unit executives. Companies whose processes look more like tribal rituals waste valuable executive time at a minimum; more seriously, they may leave corporate leaders unprepared to respond properly when the inevitable moments of truth arise. When repositioned as a learning process, formal strategic planning can help managers make solidly grounded strategic decisions in a world of turbulence and uncertainty.

One of the key areas they highlight is how strategic conversations should be conducted. This is central to the success of strategy processes because communication and conversation determine what is actually discussed and what is 'acceptable' in terms of surfacing assumptions and challenging mental models. There is a growing body of evidence that decision processes have a major impact on the outcomes of strategy making. In the case for behavioural strategy, Dan Lovallo and Olivier Sibony (McKinsey Quarterly, 2010) discuss ways that organizations can de-bias decision making. They highlight some very insightful biases and ways these can be addressed to minimize their impact such as pattern recognition biases (where an execs previous experience boosts the odds they rely on analogy that is misleading) and action oriented biases that can be addressed by distinguishing between decision meetings and implementation meetings. The authors go on to describe 4 steps to implementing behavioural strategy:

1. Decide which decisions warrant the effort in surfacing and managing biases
2. Identify the biases most likely to affect crucial decisions
3. Select practices and tools to counter the most relevant biases such as using data to combat pattern recognition bias
4. Embed practices in formal processes such as capital investment approval processes or R&D reviews

Issue #10 – the ground work for strategy dialogue is insufficient and unarticulated

These ideas are discussions are part of broader movement in strategy known as strategy as practice which is concerned with the micro level social interactions and processes that characterize strategizing. Research by Garbuio and colleagues published in Long Range Planning (2015) identifies the importance of something they term 'disinterested' dialogue. They define disinterested dialogue as individuals' engagement in a fact-based transparent discussion that addresses a strategic decision as part of the company's existing portfolio of decisions. More specifically, disinterested dialogue should consider the decision at hand in light of a broader set of decisions, past and present, rather than in isolation. Disinterested dialogue should also be fact-based, open and based on transparent criteria. Decision makers' participation should be based on their relevant skills or experience, and they should be able to voice conflicting opinions. Their research suggests that much more weight should be given to constructing stronger approaches to discussing the decisions at hand. They state that during disinterested dialogue, individuals have the opportunity to place their knowledge into a broader context and are less likely to overvalue their prior experience; they are also more likely to engage in critical thinking by questioning assumptions, evaluating evidence, and testing the logic of ideas, proposals and suggested courses of actions that are part of strategic decisions.

Flood (ibid) presents the idea of prismatic thought (a metaphor for creative and transformational thinking) which leads to 2 kinds of learning – idea generation and image generation. Idea generation comes up with ideas about the complex of issues and dilemmas which my seed new thoughts that lead to image generation. Image generation helps us move from a list of ideas to whole pictures of the action area. Learning is central to strategy and is often seen as an adjacent orientation to market orientation and firm performance.

So finally – What is Strategy? Marketing as Strategy/Strategy as Marketing!

So, what is strategy and what does my change in definition look like?

It is important to understand that in all of the preceding discussion, I have not talked about functions at any stage. I recognise most organizations have marketing functions and strategy departments. I am talking about marketing and strategy as processes. Take a look at the below graphic developed by Dr Gordon Perchthold.

Era	Theme	Key Strategic Message	Strategic Frameworks
B.S. Before Strategy	Budgeting & Control; Corp Planning	Monolithic corporations serving the mass market must control investment risk, resource allocation, and productivity	Management Principles of Sloan and Drucker promoting efficient, centralised oversight
1960s	Product within Industry (outside-in strategy)	Produce products within industries that have strong economic drivers (teaching through HBS Casebooks)	Product-Market Matrix; Strategy & Structure; SWOT; Product Life Cycle; Experience Curve
1970s	Product/SBU Portfolios	Firms allocate and configure resources across a portfolio of product businesses defined by growth-share of market	BCG Growth-Share Matrix; McKinsey 9-box Matrix; Scenario Planning; Ansoff 3s; McKinsey 7s
1980s	Broad Industry Positioning	Shape firm's positioning within industry structure (rivals are not the only competition)	5-Forces; Generic Strategies; VBM; Directed-Emergent Strategy
1990s	Firm Core Competencies (inside-out strategy)	Firm's compete on the long-term development of unique set of skills and capabilities that have value to customers	Value chain; Resource-Based-View; core competencies; 5th Discipline; Reengineering; Unbundling the Corporation; Disruption
2000s	Customer Centricity (finally, buyer matters)	Firms build their business model around what the customer wants to achieve increasingly understood through Big Data	CRM; Net Promoter Score; Blue Ocean Strategy; Design Thinking (Business Models); BSC
2010s	Ecosystem (consumer as a participant in process)	Given ever greater componentisation, firms configure and orchestrate network communities of customers and suppliers	Platforms; Behavioural Strategy (managers are not rational actors)

Eras in Strategic Thought (Source: Gordon Perchthold)

According to him, customer centricity only became a focus of strategic thought in the 2000s. Strategy was often more concerned with industry and competition. The importance of the customer has been central to marketing thought since the conceptualization of the marketing concept in the 1950s. According to Roger Martin, the core job of marketers and strategists have become the same and some very large organizations (such as P&G) do not have strategy departments. Of course, designing organizations around functions is one of many ways to structure. There are many examples of organizations (such as Buurtzorg) that organise around principles such as self managing teams. More broadly, this seems to fall under what Dave Ulrich and Arthur Yeung call market oriented eco systems.

In the book Reinventing the Organization (2019), Yeung and Ulrich provide some fascinating insight into market oriented eco systems (MOE) built by firms such as Facebook, Tencent, Alibaba, Google etc. A market oriented eco system, in the view of the authors, is an emerging organizational logic that instead of a firm being organized by traditional divisions (command and control), it is organized along team based structures supported by a platform of resources, knowledge, and skills. The approach integrates a number of theories such as holocracy, boundaryless, agile etc. In my opinion, these types of organizational forms are becoming crucial to deal with the complexity of dynamic environments and rely heavily on the ability to leverage market, learning and knowledge cultures. They also help build these cultures because team based forms are critical to realizing the value of capability driven cultures. Hence structure does not just follow strategy but rather structure influences strategy and culture.

In their latest book, Humanocracy, Gary Hamel and Michele Zanini paint a compelling picture of the end of bureaucracy and the need for more humanistic approaches to management. I believe that adhocracy and other self emergent systems are much better suited to the job than typical structures. In fact, toxic ‘strategy’ mechanisms such as yearly budgeting can be eliminated almost entirely by beyond budgeting approaches which involve the concepts of sociocracy which is very similar to the ideas of the MOE proposed by Yeung and Ulrich. The point is, you don’t necessarily need a marketing or strategy function but you do you need a process that integrates the two. Customer value should be everyone’s job and as Tim Ambler from the London Business School rightly points out, trying to measure the ROI on marketing as a whole is like trying to measure the ROI on eating, if you don’t do it you die! You have a strategy whether it is articulated or not.

Below are some of the behaviors of a market orientation which are usually measured on some type of Likert scale:

- Our people regularly share information within our business concerning competitors' strategies.
- Our business objectives are driven primarily by client satisfaction.
- We rapidly respond to competitive actions that threaten us.
- We constantly monitor our level of commitment and orientation to serving client needs.
- Our top managers from every function regularly visit our current and prospective clients.
- We freely communicate information about our successful and unsuccessful client experiences across all business functions.
- Our strategy for competitive advantage is based on our understanding of client needs.
- All of our business functions and practices are integrated in serving the needs of our target markets.
- Our business strategies are driven by our beliefs about how we can create greater value for our clients.
- We measure client satisfaction systematically and frequently.
- We give close attention to after-sales service.
- Top management regularly discusses competitors' strengths and strategies.
- All of our managers understand how everyone in our business can contribute to creating client value.
- We target clients where we have an opportunity for competitive advantage.
- We share resources with other business units, offices and practices

It is evident that a market orientation is concerned with collecting and disseminating information, customer value, and transparency.

Below are the ten issues with strategy that I identified above:

1. Issue #1 – strategy has become linear and programmatic
2. Issue #2 – the role of culture in the strategy process has been obfuscated and devalued
3. Issue #3 – marketing and strategy have been thought of as separate domains as often as functions only
4. Issue #4 – strategy has become too rigid, infiltrated by dogma and a lack of evidence based practice
5. Issue #5 – strategy has become ritualistic as opposed to adaptive and ongoing
6. Issue #6 – strategy has become overly reliant on analysis and linear thinking and has not sufficiently embraced complexity thinking
7. Issue #7 – strategy requires change which requires insight and innovation
8. Issue #8 – strategy must manage the business of today and tomorrow
9. Issue #9 – the role of culture, mind sets and biases have been largely ignored in strategy
10. Issue #10 – the ground work for strategy dialogue is insufficient and unarticulated

Overall, strategy has become more of a planning process, rigid, prescriptive, and one which seems separated from the realities the organization faces, both internally and externally. In my view, strategy 'needs' the convergence with marketing as a market orientation is not only concerned with the value logic for the customer, it is also concerned with enhancing the company's innovation capability as a market orientation is thought to be an antecedent to innovation.

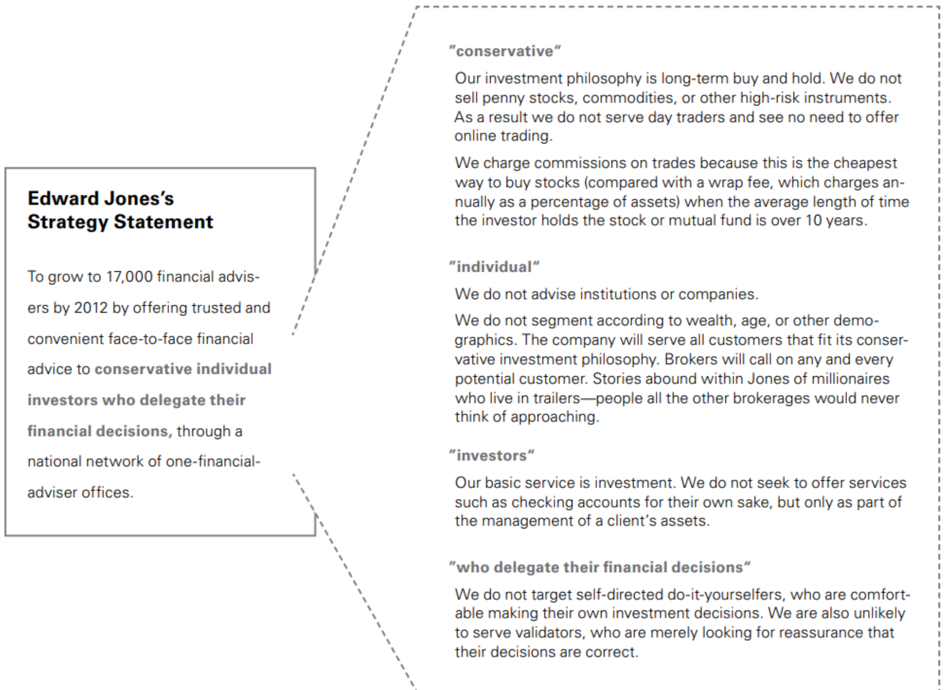
According to Rumelt, organization and culture are strategic issues. When they support the basic competitive position of the firm, they are a source of advantage. When they impede efficiency, change and innovation, they become strategic issues. Grand statements about 'our vision' and the 'strategy for growth' that ignore the festering organizational problems are part of the problem. Good strategic leadership should confront internal issues with the same vigour it uses to advance its external purposes. I see them as inextricably linked.

This is now how I define strategy in the light of challenges identified here and its convergence with marketing as a culture and business process.

(Source: authors own analysis)

“Strategy is a market oriented process that describes the what and the how. A coherent, integrated set of concepts and dialogue that offer a guiding principle in addressing the organizations most pressing contextual challenges. It is dynamic, open, iterative, and accepts paradox in moving the organization towards its ambitions”.

Let’s put this definition to the test with some strategy statements. One of the most influential articles on the structure and need for strategy statements is that of Collins and Rukstad (HBR, 2008 – Can You Say What Your Strategy Is?). The authors state that such statements can be a powerful tool in communicating strategy across the organization and that it should be no more than 35 words. The example they focus on is that of Edward Jones, the brokerage firm. Below is the strategy statement and further explanation.



(Source: Collis, D. J., and Rukstad, M. G (2008) Can You Say What Your Strategy Is? Harvard Business Review, April)

The strategy is a fairly robust one when viewed in terms of my definition. The ambition is clear (grow to 17000 advisors) and it is rooted in customer value and who/how they will serve them. It gives clear guidance for people in their day to day actions. The segmentation is an interesting one, instead of focusing on demographics they focus on conservative investors which is more attitude based and aligns with concepts such as jobs to be done. It does not detail the process but that could be part of supplementary information in a strategy document. What I do not like about it is there is no mention of the challenges. If reaching 17000 advisors is the strategic intent then how will that happen? What is currently the bottleneck that needs to be addressed? The other part I find too rigid is the face to face aspect. Initially the firm was very reluctant to offer online services but has done so in recent years. Perhaps this aspect could be expanded on in supplementary information that states the firm’s intent to deliver services via face to face due to the customer needs for a personal service (think jobs to be done) but the value proposition is most important, not the actual delivery mechanism. What ‘job’ does the face to face service offer and what could support that.

Another example is described by Rita McGrath (author of Seeing Around Corners and Discovery Driven Planning) in her work with Kone Corporation. The statement and initiatives they come up with were:

"Kone is going to triple its profits by 2010 by providing innovative products and services that improve the lifetime value of a building to its owners."

They defined five strategic initiatives that would be the pillars of the transformation effort:

1. Deploy insightful behavioral segmentation of customers to match the service to customer jobs to be done;
2. To create a modularized technology platform that would facilitate the introduction of innovative products and services;
3. Become operationally excellent by investing in creating global processes for quality management, end-to-end logistics, sourcing and a global IT infrastructure;
4. Explore adjacency growth opportunities, for instance, in facilitating facility management;
5. Undertake regional initiatives to expand operations in fast-growth markets and turn around some that were problematic.

The statement itself is quite short and addresses the major goal plus the foundation of the customer VP – namely improving life time value. From the perspective of day to day actions of employees, I am not sure it provides guidance enough that they know what to do aside from be innovative and deliver value, which seems vague. The five initiatives do expand on some of the issues a little further but still seem to miss the issue of challenges to be overcome. What is the reason that the firm had not shifted business models before and how will they overcome this? What is evident in her description of this case is that the discussions leading to the strategy were heated. Dialogue approach is critical in effective strategy processes and lie at the heart of developing strategy.

I am going to assume culture had inhibited prior change and try to rewrite the strategy statement that fills some of the gaps I mentioned in relation to my definition:

"Kone will triple its profits by 2010 by providing innovative products/services that improve the lifetime value of a building to owners. We will revise our business model leveraging technology to deliver these outcomes led by a team based structure that values exploration".

It is a little wordy and does not guide day to day actions as much I would like but it states the challenge to overcome and is more specific without being prescriptive.

Strategy is not easy, but it is worthwhile. Strategy and marketing have converged whether your firm recognises it or not. It is time to take on strategy as marketing!

Robert Sawhney
March 2024