

A dark, stylized illustration of a savanna landscape with various trees and bushes in shades of grey and black, serving as the background for the text.

**HENRY MINTZBERG
BRUCE AHLSTRAND
JOSEPH LAMPEL**

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Strategy Safari

because they made it themselves. That is not quite the same thing as claiming, as Porter did later, that ‘factors (assets, people) can and must be assembled and accumulated’ (1997: 162).

Concerns about strategies

Finally, *strategy* itself tends to have a narrow focus in the positioning school. It is seen as generic position, not unique perspective. At the limit, the process can reduce to a formula, whereby such a position is selected from a restricted list of conditions. Or else, in the case of strategic groups, the company joins one club or another, which itself dictates the generic portfolio of strategies to be pursued.

The design school promoted strategy as perspective and encouraged its creative design. By focusing on strategies as generic, the effect of the positioning school may have been exactly the opposite. Companies can be drawn toward behaviours that are generic in their detail as well as in their orientation. One need only look at all the copycatting and ‘bench-marking’ going on in business these days (Knuf, 2000; Denrell, 2005). The same problem seems to occur in the academic research, when it favours boxing strategies into particular categories rather than studying their nuanced differences.

The boxes are, of course, based on existing behaviours. And so, managers and researchers alike are tempted to become codifiers of the past rather than inventors of the future. Hence the bias in this school, discussed earlier, toward ‘staying there’ rather than ‘getting there.’ Richard Rumelt has been sympathetic to the positioning approach, at least its deliberate, analytic side. But he has also been articulate in recognizing its problems. We reproduce Box 4.4, one of his favourite transparencies.

Some of the most famous battles in business and war have been won, not by doing things correctly, following the accepted wisdom, but by breaking the established patterns—by *creating* the categories in the first place, as we saw earlier in the case of Napoleon. Burger King might have joined the ‘fast-food hamburger group,’ but it was McDonald’s that created the initial vision and wrote the rules for the group. Some firms stay home and do ‘competitive analysis’; others go out and create their own positions (perhaps leaving them with no

competition to analyze!). The positioning school focuses its attention on strategies that are generic, on industries that are established, on groups that have formed, and on data that has hardened. Studying the established categories discourages the creation of new ones.

box 4.4

But how do you deal with the 'Honda question'?

(used with the permission of Richard Rumelt)

- In 1977 my MBA final exam on the Honda Motorcycle case asked 'Should Honda enter the global automobile business?'
- It was a 'giveaway' question. Anyone who said 'yes' flunked.
 - Markets were saturated
 - Efficient competitors existed in Japan, the US, and Europe
 - Honda had little or no experience in automobiles
 - Honda had no auto distribution system
- In 1985 my wife drove a Honda.

BCG would have had to call Honda a 'dog' when it entered the US motorcycle market in 1959. The market was established—big machines for black-leather tough guys—and Honda was an insignificant player. It should have stayed away. But partly by creating a new market for small motorcycles driven by ordinary Americans, the dog became a star: it took a huge share of a new growth business created by itself. (Ironically, years later a BCG report extolled this as exemplary positioning behaviour. This is the 'case' Rumelt refers to in the box. But, as we shall see in Chapter 7, Honda's success had a great deal more to do with learning than with positioning.)

On its dynamic side, the positioning school may have a category called 'first mover advantage.' But its own orientation to the strategic analysis of hard data in existing categories discourages taking such advantage. By the time a firm is through analyzing, the first movers may be out of sight.

It is another interesting irony that the positioning school, so proactive in tone, is in fact among the most deterministic of all the schools of thought on strategy formation. While proclaiming managerial choice, it delineates boxes into which organizations should fit if they

are to survive. This school's first wave promoted maxims; its second wave, imperatives. Market share was good per se, as was mass production experience; capital intensity was bad. Its third wave offers options and contingencies, but still not full choices. All of these prescriptions are presented in the belief that there is a best generic strategy for a given set of conditions: ignore it at your peril.

Why Porter's 'What is Strategy' may not be

In a 1996 *Harvard Business Review* article entitled 'What is Strategy?,' Michael Porter responded to his critics. He emphasized the importance of strategy, referring in contrast to 'constant improvement in operational effectiveness' as a 'necessary . . . but not usually sufficient' condition for 'superior profitability.'

While such a conclusion can hardly be disputed, Porter went on to list six points for 'sustainable competitive advantage,' the first five of which pertain to strategy and overall organizational issues, while the sixth reads 'operational effectiveness as given' (74). But would any manager who struggles with this last point every day accept such a dismissive role for it?

Moreover, improvements in operating effectiveness can be a kind of strategy (as, perhaps, in the role of innovation at 3M). Indeed, such improvements often produce the breakthroughs that induce key changes in strategy. But in this article, Porter continued to see strategy as necessarily deductive and deliberate, as if strategic learning and emergent strategy do not exist. As he commented in response to letters in the March/April 1997 of the *Harvard Business Review*:

If strategy is stretched to include employees and organizational arrangements, it becomes virtually everything a company does or consists of. Not only does this complicate matters, but it obscures the chain of causality that runs from competitive environment to position to activities to employee skills and organization. (162)

But what is wrong with seeing strategy in 'everything a company does or consists of'? That is simply strategy as perspective (rather than position). And why must there be any such chain of causality at all, let alone having to run in one direction?

Indeed, Porter's narrow view of the strategy process led him to an astonishing conclusion, namely that Japanese companies 'rarely have strategies,' that they 'will have to learn strategy' (1996: 63). Were this true, and given the performance of so many Japanese companies, not least Toyota's astounding success at this juncture, how could strategy be a necessary condition for corporate success?! In our opinion, however, it is not true at all. Rather than having to learn strategy, the Japanese might better teach Michael Porter about strategic learning.

Porter argued strongly throughout this article for distinctiveness of strategy and for 'creativity and insight' in 'finding' strategic position; he railed against the benchmarking, herding, and imitating he saw as so common in corporations. This was a welcome commentary. But the question must be raised as to how many of these practices have been encouraged by the very procedures Porter so long advocated. (At one point, he criticized activities that become too 'generic' as a result of outsourcing! [64])

Porter used the words 'choice' of strategy and 'choosing' strategy often in this article. At one point he defended his three generic strategies with the comment that this 'framework introduced the need to choose in order to avoid being caught between what I [earlier] described as the inherent contradictions of different strategies' (67). But are 'creativity and insight' promoted by 'finding' and 'choosing' generic strategic positions, as opposed to inducing and inventing novel strategic perspectives?

“ the Japanese don't need to study strategy; Porter needs a lesson in strategic learning ”

Porter's basic model indicates what writers of military strategy call a 'come as you are' approach to strategy: once the strategic confrontation begins, you are stuck with what you've got. You can change only before or after.

But in business, there is usually no before, during, or after. (One exception, those discrete strategic moves in diversification, may explain why Porter has been so fond of analyzing them.) Organization building and people development, which some other people see as intricately tied up with strategy, require ongoing processes rather than distinct moves. This seems to include the Japanese, who tend not to view time as some kind of broken up linear succession of before, during, and after.

In our view, Porter called for many of the right things in this article, but suggested going about them in a number of wrong ways. Or, at least we should say, in overly restricted ways, because what Porter really did in this article was retreat back into the positioning school, dismissing or ignoring other important points of view. Perhaps academics and consultants can grab hold of one part or other of the strategy elephant. Managers, however, must deal with the entire beast.

Bill Andrews, as a doctoral student at the University of Georgia, used an earlier version of this manuscript in a course. He proposed an additional stanza to our opening poem, which serves as an ideal conclusion to this critique.

The Tenth as an economist
 At once the problem saw,
 And having never touched the beast
 Avoided empirical flaw.
 Saith he, 'The elephant with all its strength and verve
 Is best depicted on a graph, and similar to a curve.'

Contribution and context of the positioning school

We conclude that, with its emphasis on analysis and calculation, the positioning school has reduced its role from the formulation of strategy to the conducting of strategic analyses in support of that process (as it proceeds in other ways). Strategy making, as we continue to describe it in this book, is a far richer as well as messier and more dynamic process than the rather orderly and static one depicted in this school. Thus, the role of positioning is to *support* that process, not to *be* it. This school has added content to the planning school—no small achievement—while shifting the role of planner to that of analyst. In practice, of course, the techniques of planning never really worked for creating strategy, while those of analysis have been able to inform the process significantly. For this reason, researchers such as Cynthia Montgomery (2008) believe that the positioning school would do well to bring back the CEO as the chief strategist, in effect going back to the design school (see Box 4.5).

box 4.5**Back to design school?***(Excerpted from Montgomery, 2008: 54-60)*

Strategy is not what it used to be—or what it could be. In the past 25 years it has been presented as an analytical problem to be solved, a left-brain exercise of sorts. This perception has led to an era of specialists eager to help managers analyze their industries or position their firms for strategic advantage.

We now know more than before about the role market forces play in industry profitability and importance of differentiating a firm from its competitors. These gains have come in large part from the infusion of economics into the study of strategy. A host of unintended consequences have developed from what in its own right could be a very good thing.

Most notably, strategy has been narrowed to a competitive game plan, divorcing it from the firm's larger sense of purpose; the CEO's unique role as arbiter and steward of strategy has been eclipsed; and the exaggerated emphasis on sustainable competitive advantage has drawn attention away from the fact that strategy must be a dynamic tool for guiding the development of a company over time.

Fifty years ago strategy was taught as part of the general management curriculum in business schools. Although strategy had considerable breadth then, it didn't have much rigor. Advances over the next few decades not only refined tools but spawned a new industry around strategy.

It has been a heady period, and the strategy tool kit is far richer because of it. That said, something has been lost along the way. While gaining depth, strategy has lost breadth and stature. It has become more about formulation than implementation, and more about getting the idea right at the outset than living with a strategy over time.

What we have lost sight of is that strategy is not just a plan, not just an idea; it is a way of life for a company. Strategy doesn't just position a firm in its external landscape; it defines what a firm will be. As strategy has striven to become a science, we have allowed this fundamental point to slip away. We need to reinstate it.

In the strategy portion of the Owner/President Management executive program at Harvard Business School, the notion of added value is core to everything we do. Early in the module, executives are asked to respond to the following:

- If your company were shuttered, to whom would it matter and why?
- Which of your customers would miss you the most and why?
- How long would it take for another firm to step into that void?