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The Quintessence of Strategic Management

What You Really Need to Know
to Survive in Business



Springer

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Survive in Business

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Introduction: Essential Strategy Know-How and Nothing More

A book on strategy and strategic management must inevitably be called into question. There are so many outstanding and relevant works on the subject, does the executive readership – many of whom were students at one time or another – really need another volume on the bookshelf? The state of knowledge on strategy and strategic management has not changed so dramatically in recent years as to justify another book in itself. Yet there remain two significant, mutually dependent gaps in the forest of books:

- a) Even though the number of Business Administration graduates is countless and even though they and others develop strategies, most practitioners of strategy lack a fundamental understanding of the word itself, of the strategy process, of the mechanics of the key tools and their relationships.
- b) The reasons for this lie in the vast and often excessive amount of information and the sheer number of approaches that exist on the subject of strategy. No one has yet attempted to present the quintessence of strategic management – or what you really need to know to survive in the competitive arena. Naturally with an objective such as this, some knowledge on the subject will fall by the wayside but what it boils down to here is the quintessence, the bottom line – for everything else there are extensive textbooks to refer to.¹

¹ To cite but one example of a book that is truly outstanding and extensive: Pettigrew A./Thomas H./Whittington R. (ed.), *Handbook of Strategy and Management*, London et al. 2002.

The aim of this book was and is, therefore, to fill this gap in a way that covers as few pages and is as accessible as possible, while communicating the fundamental, most important theoretical aspects and facilitating the transfer of this knowledge to real-life decision situations. There can be but few readers whose job description constitutes a knowledge of strategic management alone – and theirs must be a rather academic career at that. The majority will become (or already are) practitioners of strategy, who will need to structure and evaluate strategic situations – it is for these practitioners in particular that this book is intended.

However pragmatic or brief it may be, every book needs a structure: in this case there are three main sections. First we develop a common understanding of the word “strategy” and the process of “strategic management” to ensure that all readers start from the same base point. In the second section we present the frames of reference for strategic thinking, how they interlink and how they fit into strategic management.² Following these two fundamental sections, part three deals with selected management concepts as employed in strategy practice, which have taken up some of the core ideas from the frames of reference and integrated them in a practice-oriented manner. There is a great deal of practical relevance here: numerous fictitious and real examples, some of them disguised, are used throughout to illustrate the frames of reference and management concepts presented.

² The descriptions of the mechanisms are drawn solely from original articles by their developers in a bid to avoid distorted interpretations.

Having read this book:

- You will have a basic understanding of strategy and the process of strategic management.
- You will know the most important strategy tools (incl. the respective original literature) and how they interact.
- You will be aware of the focal areas and considerations of strategy in practice.
- You will be able to analyze and interpret business information with regard to the underlying strategic notions.

There is one thing we should get out of the way right from the start: no one – not even this book – can say for sure what the right or optimal strategy in a given situation is. This has a lot to do with the long-term perspective of strategic decisions, which are (almost) always made in complex and dynamic settings. That is why it is important to obtain a thorough picture of the strategic starting point and then to consider the possibilities from numerous perspectives. In doing so you take away some of the uncertainty of the decision and get an idea of the way forward – this is best achieved in combination with many years of experience in the industry and function concerned. You yourself will need to bring the many years of experience with you; this book will show you, among other things, how to apply processes and tools to reduce the risks you face on the way to making a strategic decision.

1 Strategy and Strategic Management: A First Basic Understanding

Let's start from the beginning. Let's assume you do not know what strategy means, either you've just heard the word for the first time or you've never used it consciously before. This section helps you establish an initial, basic understanding of strategy and the process of strategic management – please take it as a basic understanding and not as a conclusive definition: as you will see, a feel for strategy can only be developed on an individual, case-by-case basis.

1.1 What is Strategy and How is it Developed?

Strategy is not an easy thing to describe. You first need to understand the meaning of the word in all of its facets before you can develop an individual feel for strategy, which you will gradually enhance every time you put it to practical application. You will find, however, that your personal learning curve never flattens out: it will remain on a continuous upward trajectory. The concept of strategy is not restricted to the business world – private life, sports, and politics are also marked by strategies. The examples in this book deal mostly with economic issues but the content is equally applicable to other areas.

1.1.1 Modern Opinions

“Nobody really knows what strategy is!” – The British news magazine *The Economist* crisply and concisely conveyed the current state of knowledge back in 1993 (in its issue dated March 20, 1993). And to this day we are not a single step closer. Quite the opposite, in fact: the vigorous research conducted in recent years – besides producing a few good practical approaches – has increasingly blurred our view of what strategy is really about. Just as we often can't see

the wood for the trees, so we can no longer make out the true meaning of strategy owing to the multitude of strategic concepts that exist. Even the renowned Harvard Business School complained of the danger of “paralysis through analysis”: faced with a specific need to make strategic decisions, how are we supposed to manage the complexity of the copious analyses and formulate a good strategy? Markides, for his part, advises us against even bothering to integrate the concepts in a planning context. He defines a good strategy on the basis of its result: “... *behind every successful company there is a superior strategy.*”³ So “all” we need to do is understand and copy the strategies of successful companies and the issue of a precise definition becomes irrelevant.

1.1.2 Basic Historical Concepts

The concept of “strategy” comes from the Greek word “strategos,” meaning “leadership” in the military sense: it concerns planning the deployment of resources to achieve certain objectives. It was Carl von Clausewitz (1780–1831), a Prussian general and military theorist, who said, “Strategy is the economy of force,” which is why he is often referred to as the first strategist. A look back at history, however, reveals that many military leaders before him, such as Caesar, Sun Tzu, and Machiavelli, designed and formulated militarily motivated strategies (see Fig. 1). And each of these military strategies, some of which date back to antiquity, holds true for management by analogy.

³ Markides C., “A dynamic view of strategy” in: Sloan Management Review 40/3 (1999), pp. 55–63.

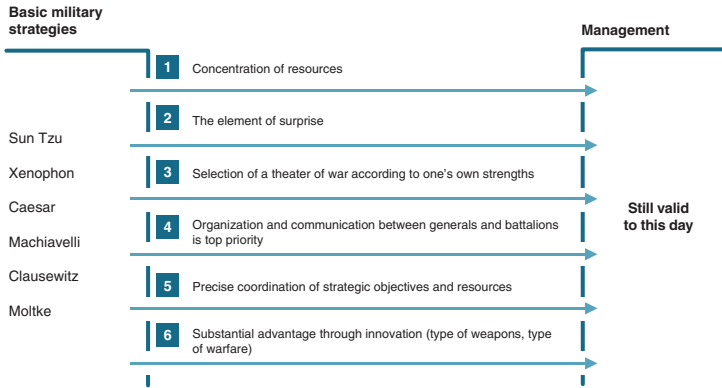


Fig. 1: Basic military strategies that still hold true for management today

After all, resource concentration, surprise, innovation, organization and communication, the coordination of objectives and resources, and the consideration of one's own strengths are watchwords for the decision makers of today in their everyday business in the market, competitive, and corporate arenas. Thus, the understanding of strategy has not changed, only the venue is a different one for managers.

1.1.3 A First Example: The Second Punic War

Sticking with the military leaders of antiquity, who are credited with being the first to apply strategies deliberately, an example can help demonstrate the complexity of strategy and show why even good strategies do not always bring lasting success.

After a lengthy struggle, Carthage had lost the First Punic War (264–241 BC) against Rome. The central Mediterranean Sea was controlled by the Romans, and in this situation Carthage feared another attack from the Roman fleet, whose aim was to achieve the city-state's complete subjugation.

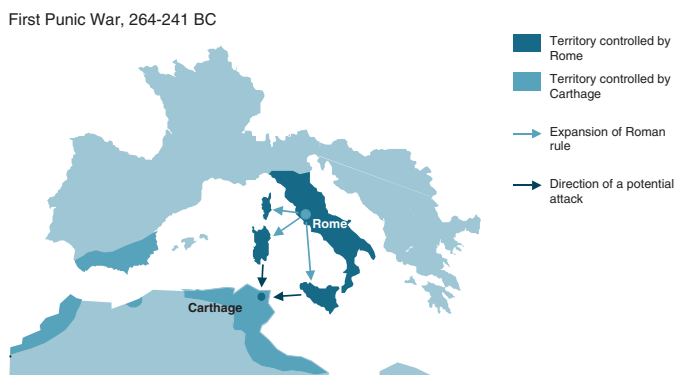


Fig. 2: Initial situation after the First Punic War

Carthage recognized this danger and commissioned one of its commanders, Hannibal, to come up with a strategy.⁴ Hannibal

⁴ The following remarks are of an illustrative nature and do not claim to be historically accurate, but the strategy could certainly have been developed in this or a similar way.