



Strategic Management

Lecture 1
Introduction

Learning Objectives

- Get an overview of the history and evolution of strategy
- Understand the basics of a strategist's mindset

Topics

□ First words

- Ancient Athens
- Ancient China
- 1950s onwards

>- Athens

□ The strategist's mindset

- The strategic thinking is such a major success factor
- A few principles to consider
 - ✓ Reacting is as important as planning
 - ✓ Taking risks (jump your uncertainty gaps)
 - ✓ Looking over your shoulder
 - ✓ Knowing where the grass (really) is greener

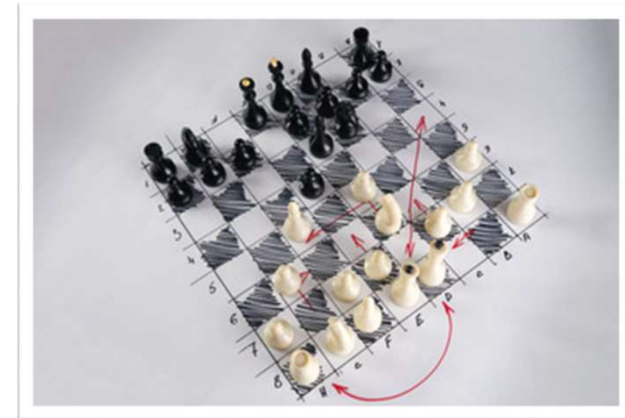
First words

Strategy is:

- about moving from where you are to where you want to be
- as much about deciding what to do, where to go, why, when and how as about choosing what not to do
- aiming at finding the shortest route to desirable ends with available means

"All men can see these tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved."

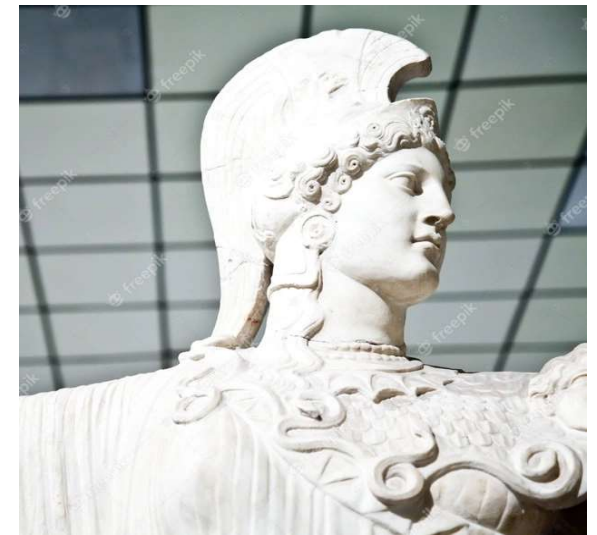
Sun Tzu



A bit of History

Studying history of strategy helps us to discuss strategy **knowledgeably** and to see its limitations – as well as its purpose

- Greek word **strategos** means **general** or someone who has an **army (stratos)** to lead.
- It was first used in Athens (508 bc) to describe the art of leadership used by the ten generals on the war council.
- They developed principles of effective leadership and achieving objectives. This included approaches to war and motivating soldiers.



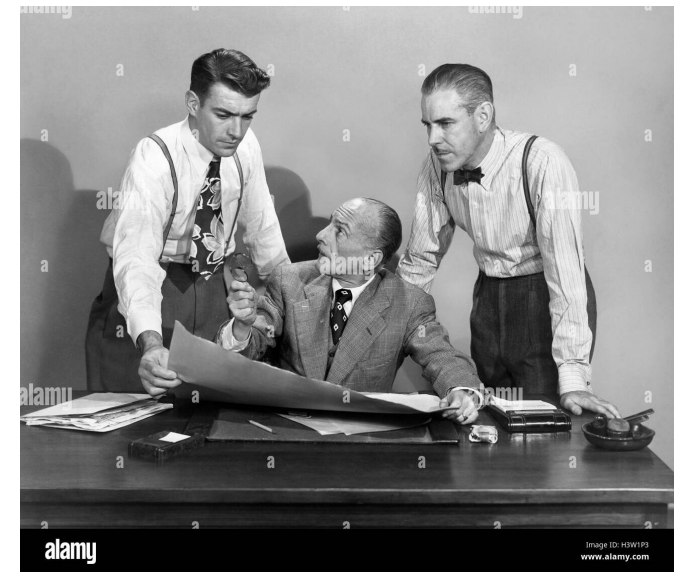
A bit of History ...

- Similar concepts about strategy emerged in Asia, most famously in Sun Tzu's Art of War (written 200 bc), which is still bought by people today.
- In his book, Sun Tzu lists different principles that leaders may follow to win and achieve their goals.
- It set a pattern for books about strategy that is still followed.
- Experienced executives and consultants share their experience of planning for success.



A bit of History ...

- Corporate strategy started getting a lot of attention from the 1950s after WWII.
- Alfred Chandler was a historian who, in the 1960s, examined the relationship between strategy and **organizational structure**.
- Igor Ansoff was a manager and mathematician often described as the father of strategic management. In his book – Corporate Strategy, published in 1965 – he made a **comprehensive attempt** to explain how managers could plan for a more successful future.



A bit of History ...

- Ansoff's approach to strategy was obsessed with detailed planning. It matched the control culture of the time. It focused on analyzing the past to predict the future.
- Early computers were used to help crunch the numbers and print the plans used to issue orders to real people in middle management and the front lines.



A bit of History ...

- Henry Mintzberg is a Canadian professor and **contrarian** who argued that only some strategic plans ever happened the way they were intended. The big picture – or strategy – was decided by a stream of individual actions. He believed that most strategy emerges from adaptation. Arguments between planning and learning approaches continue today.
- Michael Porter (also a professor) continued the mathematical approach to strategy. For him, **strategy was about detailed analysis with clear models.**



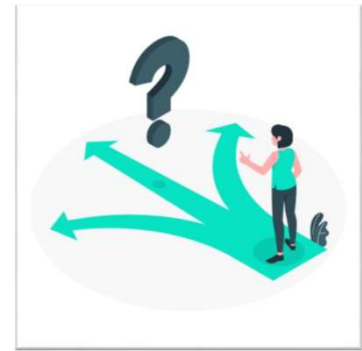
A bit of History ...

- Some strategists argue for the more **creative, human side**, while others argue for the more **analytical** side of strategy. **Both are important**, so a strategist asks what balance of these approaches is most helpful in any particular situation.
 - What are you doing at the moment?
 - How does that compare to your competitors?
 - What do you want to achieve?
 - How can you create something people want?

The Context

A bit of History ...

- If your market is stable and you're happy with your situation then you may choose to keep planning and adapting in a predictable way.
- But if your market is dynamic and you want your situation to change, then you may choose to inject more creativity into improving what you offer and achieve.
- You can also combine the tools from the two schools – as it all depends on the specifics of the situation at hand.



The strategist's mindset

It's about:

- opening your mind to possibilities
- seeing the bigger picture
- understanding the various parts of your business, taking them apart, and then putting them back together again in a more powerful way
- insight, invention, emotion and imagination focused on reshaping some part of the world



The strategist's mindset ...

- It's possible to be a strategic thinker without using any strategy tools, but it's not possible to create brilliant strategy without being a strategic thinker
- There is an important difference between creating strategy documents and creating strategy that gets you where you want to be
- There's also a valuable difference between managerial thinking and strategic thinking



The strategist's mindset ...

A few principles to consider:

- **Reacting** is as important as **planning**
- Taking risks (jump your uncertainty gaps)
- Looking over your shoulder
- Knowing where the grass (really) is greener



The strategist's mindset ...

Reacting is as important as planning

The **essence**:

- Successful strategy is often about reacting to events
- Planning only takes you so far because you don't know what will happen in the future – **you can only guess**
- The smart strategist allows strategy to be shaped by events. Good reactions can make great strategy

Example: IKEA



The strategist's mindset ...

Taking Risks (jump your uncertainty gaps)

The essence:

- All decisions are about the future. Since the future is uncertain, all your decisions will have an uncertain outcome
- You need to **assess** the level of uncertainty and make decisions that can give you the best chance of succeeding despite uncertainty

Example: Lego



The strategist's mindset ...

Looking over your shoulder

The essence:

- Strategies compete with strategies
- Organizations compete with other organizations
- You need to be aware of what the competition is doing. You need to know what customers are doing
- **Paranoid adaptation** is part of the strategy game. Look up, down, back and ahead

Example: Netflix



The strategist's mindset ...

Knowing where the grass (really) is greener

The essence:

- It's a fair bet that at some point what made your company money in the past will stop making money
- New products replace old products. Entirely new services will replace old services. The best places to sell your products will change
- And the customers who mattered so much will stop (or start) buying
- You need to know when (and how) to switch focus

Example: Intel



THANK YOU