Academy of Management Review 1980, Vol. 5, No. 2, 219-224

The Historical Development of the Strategic Management Concept

JEFFREY BRACKER
Georgia State University

In this article, I examine how the concept of strategy has evolved into the field of strategic management. A definition of strategic management is developed from commonalities of past definitions and a selected overview of approaches to operationalizing strategic management is presented.

Since its first mention in the Old Testament, the concept of strategy has been largely a semantic issue. Numerous authors have focused their attention on the concept of strategy but have failed to comprehensively investigate its historical evolution. This omission, in favor of an exclusively contemporaneous approach, has led to confusion among professionals and students alike. My objective in this paper is to develop a definition of strategic management from commonalities of past definitions, and to provide a useful departure point for the classroom study of strategic management.

The underlying principles of strategy were discussed by Homer, Euripides, and many other early writers. Our word *strategy* comes from the Greek *strategos*, "a general," which in turn comes from roots meaning "army" and "lead." The Greek verb *stratego* means to "plan the destruction of one's enemies through effective use of resources." The concept of strategy in a military or political context has remained prominent throughout history, and has been discussed by such major writers as Shakespeare, Montesquieu, Kant, Mill, Hegel, Clausewitz, Liddell Hart, and Tolstoy. The strategic concepts developed by these writers have been used by numerous militarists and political theorists, such as Machiavelli, Napoleon, Bismarck, Yamamoto, and Hitler.

One of the first known applications of strategy to business occurred when Socrates consoled Nichomachides, a Greek militarist who lost an election to the position of general to Antisthenes, a Greek businessman. Socrates compared the duties of a general and a businessman and showed Nichomachides that in either case one plans the use of one's resources to meet objectives. This viewpoint was lost, for all practical purposes, with the fall of the Greek city-states and was not to rise again until after the Industrial Revolution.

The need for a concept of strategy related to business became greater after World War II, as business moved from a relatively stable environment into a more rapidly changing and competitive environment. Ansoff has attributed this change in environment to two significant factors: (1) the marked acceleration in the rate of change within firms, and (2) the accelerated application of science and technology to the process of management [1969, p. 7]. The accelerated rate of change put a premium on the ability to anticipate change, to take advantage of new opportunities, and to take timely action in avoiding threats to the firm. New technologies spurred interest in and acceptance of analytic and explicit approaches to decision making that increased management's ability to deal with the increasingly uncertain future.

The first modern writers to relate the concept of strategy to business were Von Neumann and Morgenstern [1947], with their theory of games. Numerous other authors have developed concepts of business strategy in the past 30 years. A comparison of these modern authors' concepts has been presented by Hofer and Schendel [1978]. They found that among the authors, there was major disagreement in three primary areas: (1) the breadth of the concept of business strategy, (2) the

Table 1
A Chronology of Recent Definitions of Strategy

Date	Contributor and Source	Definition
1947	Von Neumann & Morgenstern, *Theory of Games and Economic Behavior* [pp. 79-84]	Strategy is a series of *actions* by a firm that are decided on according to the particular *situation*.
1954	Drucker, *The Practice of Management* [p. 17]	Strategy is analyzing the present *situation* and changing it if necessary. Incorporated in this is finding out what one's *resources* are or what they should be.
1962	Chandler, *Strategy and Structure: Chapters in the History of American Industrial Enterprise* [p. 13]	Strategy is the determinator of the basic long-term *goals* of an enterprise, and the adoption of courses of *action* and the allocation of *resources* necessary for carrying out these *goals*.
1965	Ansoff, *Corporate Strategy: An Analytic Approach to Growth and Expansion* [pp. 118-121]	Strategy is a rule for making *decisions* determined by product/market scope, growth vector, competitive advantage, and synergy.
1968	Cannon, *Business Strategy and Policy* [p. 9]	Strategies are the *directional action decisions* which are required competitively to achieve the company's *purpose*.
1969	Learned, Christenson, Andrews, & Guth, *Business Policy: Text and Cases* [p. 15]	Strategy is the pattern of *objectives, purposes,* or *goals* and major policies and plans for achieving these *goals*, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.
1971	Newman & Logan, *Strategy, Policy, and Central Management* [p. 70]	Strategies are *forward-looking plans* that anticipate change and initiate action to take advantage of *opportunities* that are integrated into the concepts or *mission* of the company.
1972	Schendel & Hatten, Business policy or strategic management, *Academy of Management Proceedings* [p. 4]	Strategy is defined as the basic *goals and objectives* of the organization, the major *programs of action chosen* to reach these goals and objectives, and the *major pattern of resource allocation* used to relate the organization to its environment.
1973	Uyterhoeven, Ackerman, & Rosenblum, *Strategy and Organization: Text and cases in General Management* [pp. 9-10]	Strategy provides both *direction* and cohesion to the enterprise and is composed of several steps: ***strategic profile, strategic forecast, resource audit, strategic alternatives explored, tests for consistency*** and, finally, ***strategic choice.***
1974	Ackoff, *Redesigning the Future* [p. 29]	Strategy is concerned with long-range *objectives* and ways of pursuing them that affect the system as a whole.
1975	Paine & Naumes, *Strategy and Policy Formation: An Integrative Approach* [p. 7]	Strategies are specific major *actions* or *patterns of actions* for the attainment of the firm's *objectives*.
1975	McCarthy, Minichiello, & Curran, *Business Policy and Strategy: Concepts and Readings* [p. 19]	Strategy is an analysis of the *environment* and selection of economic alternatives that will match the corporate *resources* and *objectives* at a risk commensurate with the profit and viability which the alternatives offer.
1976	Glueck, *Business Policy: Strategy Formation and Management Action*, 2nd ed. [p. 3]	Strategy is a unified, comprehensive, and integrated *plan* designed to assure that the basic *objectives* of the enterprise are achieved.
1977	McNichols, *Policy Making and Executive Action*, 5th ed. [p. 9]	Strategy is embedded in policy formulation: it comprises a series of decisions reflecting the determination of basic business *objectives* and the utilization of *skills* and *resources* to attain these *goals*.

Table 1 (Continued)

1977	Steiner & Miner, *Management Policy and Strategy: Text, Readings, and Cases* [p. 19]	Strategy is the forging of company *missions*, setting *objectives* for the organization in light of *external* and *internal forces*, formulating specific policies and strategies to achieve *objectives*, and ensuring their proper implementation so that the basic *purposes* and *objectives* of the organization will be achieved.
1979	Mintzberg, *The Structuring of Organizations* [p. 25]	Strategy is a mediating force between the organization and its *environment*: consistent patterns in streams of organizational decisions to deal with the *environment*.
1979	Schendel & Hofer, *Strategic Management: A New View of Business Policy and Planning* [p. 516]	Strategy provides directional cues to the organization that permit it to achieve its *objectives*, while responding to the opportunities and threats in its *environment*.

components, if any, of strategy, and (3) the inclusiveness of the strategy-formulation process. Hofer and Schendel's comparison failed to discuss the commonalities in the concept of business strategy, however. I have therefore presented a summary of modern major writers' definitions of business strategy in Table 1, indicating in italics key terms that identify common threads in these definitions.

Table 1 shows that business strategy has the following characteristics: an *environmental* or *situational* analysis is used to determine a firm's posture in its field, and then the firm's *resources* are utilized in an appropriate manner to attain its major *goals*.

Strategic management is the direct organizational application of the concepts of business strategy that have been developed in the academic realm. That is, strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of *resources* in relation to *objectives*. This statement can be considered as a macro definition of the concept of business strategy, or strategic management

The major importance of strategic management is that it gives organizations a framework for developing abilities for anticipating and coping with change. It also helps to develop the ability to deal with uncertain futures by defining a procedure for accomplishing goals.

Only recently has the literature addressed the operationalization of strategic management. Table 2 provides a brief overview of approaches to operationalizing strategic management; a more extensive overview of the literature can be found in Hofer [1976] and Schendel and Hofer [1979].

Since the time of the early Greeks, the concept of business strategy has changed from a macro to a micro and back to a macro viewpoint (see Table 3). Now business researchers and practitioners need to move from a concern with definitions of the concept to a consolidation of terminology. Such a consolidation would facilitate the empirical testing of hypotheses as part of an attempt to validate or reject traditional constructs and to develop useful applications to organizational environments.

Table 2
Approaches to Operationalizing Strategic Management

Date	Author	Explanation of Work
1967	Mueller	A 2SLS regression model of strategic resource allocation to investigate the funds-allocation process in a number of firms.
1968	Boston Consulting Group	A process model dealing with cost/volume relationships of a variety of products. A number of strategic conclusions regarding cost, volume, market share, and profitability are developed.
1972	Elliott	A strategic analysis using a simultaneous equation model of the major elements of corporate performance.
1973	MacIntosh, Tsurumi, and Tsurumi	A 2SLS regression model linking the largest Canadian meat packer to a model of the Canadian economy for the purpose of environmental perception, analysis, and determining optimal strategic action.
1974	Schoeffler, Buzzell, and Heany	A study of the strategic relationship between market share and other factors and profitability (PIMS).
1975	Buzzell, Gale, and Sultan	A study of the strategic relationship between market share and other factors and profitability (PIMS).
1975	Kirchhoff	An analysis of internal factors contributing to return on investment; uses an SPSS stepwise regression model.
1976	Schendel, Patton, and Riggs	A strategic OLS regression model of corporate turnaround strategies.
1976	Schendel and Patton	A 3SLS regression model of corporate strategy to overcome the multiple-goal problem and to capture complex patterns of the strategic, operating, and environmental variables that influence goal attainment.
1978	Bass	A strategic model formulated for consumer durables specifying the price level for each period of a product's life that will maximize the firm's discounted cash flow. Merges an earlier Bass demand model with the Boston Consulting Group's experience curve.
1978	Hatten, Schendel, and Cooper	An OLS regression model of the U.S. brewing industry relating strategic (controllable) and environmental (noncontrollable) variables to a firm's return on equity.

Table 3
History of the Scope of Strategic Management

	Macro	Micro	Macro
Time	3000 B.C. — Fall of Greek City-States	Roman Empire — Industrial Revolution	Post World War II — Future
Rationale	National markets Large, complex interrelated organizations	Oligopolistic environment Unlimited resource availability Lack of national markets Lack of ability to anticipate change Stable environment	Dynamic environment New technology Ability to anticipate change National markets Ability to deal with uncertain future
Strategy Definition	Effective use of resources to meet objectives	Effective use of resources to meet objectives	Analysis of internal and external environments of the firm in order to maximize utilization of resources in relation to objectives
Major Contributors	Early Greek writers such as Homer, Euripides, and Socrates	Shakespeare, Montesquieu, Kant, Mill, Hegel, Clausewitz, Tolstoy	Von Neumann & Morgenstern, Drucker, Chandler, Ansoff, Glueck, McNichols, Steiner, Miner, Mintzberg, Hofer, Schendel
Application of Strategy	Business, Military, and Government	Military and Government	Business, Military, and Government

REFERENCES

Ackoff, R. *Redesigning the future*. New York: Wiley, 1974.

Ansoff, H. I. *Corporate strategy: An analytic approach to business policy for growth and expansion*. New York: McGraw-Hill, 1965.

Ansoff, H. I. (Ed.). *Business strategy: Selected readings*. Baltimore, Md.: Penguin Books, 1969.

Bass, F. M. *The relationship between diffusion rater, experience curves, and demand elasticities for consumer durable technological innovations*. Paper No. 660, Institute for Research in the Behavioral, Economic, and Management Sciences, Krannert Graduate School of Management, March 1978.

Boston Consulting Group. *Perspectives on experience*. Boston: Boston Consulting Group, 1968.

Buzzell, R. D.; Gale, B. T.; & Sultan, R. G. M. Market share: A key to profitability. *Harvard Business Review*, 1975, *53*(1), 97-106.

Cannon, J. T. *Business strategy and policy*. New York: Harcourt, Brace & World, 1968.

Chandler, A. *Strategy and structure: Chapters in the history of American industrial enterprise*. Cambridge, Mass.: MIT Press, 1962.

Drucker, P. *The practice of management*. New York: Harper & Brothers, 1954.

Elliott, J. W. Forecasting and analysis of corporate financial performance with an econometric model of the firm. *Journal of Financial and Quantitative Analysis*, 1972, *7*(2), 1499-1526.

Glueck, W. *Business policy, strategy formation, and management action* (2nd ed.). New York: McGraw-Hill, 1976.

Hatten, K. J.; Schendel, D. E.; & Cooper, A. C. A strategic model of the U.S. brewing industry: 1952-1971. *Academy of Management Journal*, 1978, *21*(4), 597-610.

Hofer, C. W. Research on strategic planning: A survey of past studies and suggestions for future efforts. *Journal of Economics and Business*, 1976, *28*(3), 261-286.

Hofer, C. W.; & Schendel, D. *Strategy formulation: Analytical concepts*. St. Paul, Minn.: West Publishing, 1978.

Kirchhoff, B. A. *Empirical analysis of the strategic factors contributing to return on investment.* Unpublished paper, University of Nebraska at Omaha, 1975.

Learned, E. P.; Christensen, R. C.; Andrews, K. R.; & Guth, W. D. *Business policy: Text and cases*. Homewood, Ill.: Irwin, 1969.

MacIntosh, N. R.; Tsurumi, H.; & Tsurumi, Y. Economics for strategic planning. *Journal of Business Policy*, 1973, 3(3), 49-60.

McCarthy, D. J.; Minichiello, R. J.; & Curran, J. R. *Business policy and strategy: Concepts and readings*. Homewood, Ill.: Irwin, 1975.

McNichols, T. J. *Policy making and executive action* (5th edition). New York: McGraw-Hill, 1977.

Mintzberg, H. *The structuring of organizations*. Englewood Cliffs, N.J.: Prentice-Hall, 1979.

Mueller, D. C. The firm decision process: An economic investigation. *Quarterly Journal of Economics*, 1967, *81*(1), 58-81.

Newman, W. H.; & Logan, J. P. *Strategy, policy, and central management*. Cincinnati: South-Western Publishing, 1971.

Paine, F.; & Naumes, W. *Strategy and policy formation: An integrative approach*. Philadelphia: Saunders, 1974.

Schendel, D. E.; & Hatten, K. J. Business policy or strategic management: A view for an emerging discipline. In V. F. Mitchell, R. T. Barth, & F. H. Mitchell (Eds.), *Academy of Management Proceedings*, 1972.

Schendel, D. E.; & Hofer, C. *Strategic management*. Boston: Little, Brown, 1979.

Schendel, D.; & Patton, G. R. *A simultaneous equation model of corporate strategy*. Paper No. 582, Institute for Research in the Behavioral, Economic, and Management Sciences, Krannert Graduate School of Management, December 1976.

Schendel, D.; Patton, G. R.; & Riggs, J. Corporate turnaround strategies: A study of profit decline and recovery. *Journal of General Management*, 1976, *3*(3), 3-11.

Schoeffler, S.; Buzzell, R. D.; & Heany, D. F. Impact of strategic planning on profit performance. *Harvard Business Review*, 1974, *52*(2), 137-145.

Steiner, G. A.; & Miner, J. B. *Management policy and strategy: Text, readings, and cases*. New York: Macmillan, 1977.

Uyterhoeven, H.; Ackerman, R.; & Rosenblum, J. W. *Strategy and organization: Text and cases in general management*. Homewood, Ill.: Irwin, 1973.

Von Neumann, J.; & Morgenstern, O. *Theory of games and economic behavior* (2nd ed.). Princeton: Princeton University Press, 1947.

Jeffrey Bracker is an Instructor of Management at Georgia State University, Atlanta.

Received 3/30/79