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Editorial

Strategy and organization in the modern firm*

Strategy as a field of study has changed almost beyond recognition since its early appearance on Business School curricula. That managers need to embrace strategic thinking to secure and preserve competitive advantage is, for the modern firm, an accepted fact. It is hard to imagine a business conversation today that does not include the term *strategy*. Managers and executives refer to Microsoft's strategy in software, Coca-Cola's strategy in China, McDonald's strategies in human resourcing, IBM's marketing strategies, Intel's technology strategy and the market-entry strategies of Ryanair and Easyjet. The list is a long one and getting longer. Its frequent use would suggest that the term *strategy* is unambiguous and its meaning well understood. Unfortunately it is not, and much of what is labelled strategy in fact has little to do with it. While numerous attempts have been made at providing a simple descriptive definition of strategy by scores of academics and consultants, its inherent complexity and subtlety preclude a succinct description (see, for example, Coyne and Subramaniam, 1996; Beaver, 2000; Klein, 2002; Franklin and Fredericks, 2003).

However, there is substantial agreement about its principal dimensions, ingredients and objectives. Strategy is about positioning an organization for long-term competitive advantage. It requires that managers and owners make choices about what markets and segments to participate in and which to avoid. The choice of products and services to deliver and the acquisition and allocation of resources to ensure that this is done in a professional, timely and profitable fashion are essential components of good strategy. There is common agreement that the primary goal of strategy is to create value for shareholders and other stakeholders by providing customer value. Furthermore, strategy is important because of recent evidence suggesting that there is a relationship between strategy business performance and good governance (Ackelsberg and Arlow, 1985; Aram and Cowan, 1990; Coyne and Subramaniam, 1996; Felton *et al.*, 1996; Beaver, 1999).

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Successful firms are careful to ensure that their strategies are related to their structures and processes and to the demands and peculiarities of the environment and operating context. They will leverage their core competences and particular skills and abilities to maintain their competitive vitality. Crafting an effective strategy is hard work. It requires both analysis and synthesis and therefore is as much an analytic as a creative act. Sound strategy is rooted in a deep, almost encyclopaedic understanding of what current and potential customers value, how much they are prepared to pay, the profile and posture of the competition and how such elements are likely to change. It should also reflect a clear strategic intent and competitive innovation driven by sound and effective leadership.

However, strategy is moving from an era when it reflected static notions of the competitive position of the firm to one where innovation assumes centre stage and drives future revenue streams. Innovation is now the principal competitive instrument, differentiating the successful growth firms of tomorrow from the bureaucratic and inflexible ones. In this new era, the old dictum that strategy drives structure has been superseded by a new emphasis on the relationship between strategy and organization (Beaver and Prince, 2001; Joyce and Woods, 2001; Johnson and Scholes, 2002). The modern firm recognizes that strategy and organization form an inseparable duality. Organization still includes the structure of the firm but goes further to include the relationships with systems, processes and organizational boundaries. This more inclusive perspective places strategy and organization on an equal footing. This view was echoed by John Browne at BP when he stated that '*our strategy is our organization*' (Day, 2001). There are many firms that are not prepared to go this far, but there is certainly a wider recognition than ever before that strategy and organization should be considered together.

There is new and persuasive research evidence to suggest that many firms, in seeking novel and innovative processes and methods of organizing, are challenging some of the old orthodoxies of what strategy is and how it should be formulated and implemented (Pettigrew and Fenton, 2000; Pettigrew *et al.*, 2002). A convergence of factors such as rapid technological change, heightened international competition and drives for efficiency are compelling many firms to consider new ways of organizing. These changes in organizing have often achieved their objective of creating greater organizational flexibility and creativity, resulting in a strategy process that is more in tune with managerial requirements. The findings from the work of Pettigrew and his colleagues make it clear that static nouns no longer capture the realities of how many of the firms in their study are attempting to make and implement strategy. Instead, they prefer to use the more active verbs of *strategizing* and *organizing* to capture and reflect the more dynamic processes of formulating and executing corporate direction. Strategizing and organizing are better characterized as continuous processes rather than the more mechanistic emphasis captured by corporate planning and strategic control.

The modern firm also appears to be experimenting with different views and approaches to what strategy is and how best to organize for it. They seem to be learning by doing as they experiment with alternative approaches and different mechanisms to formulate strategy on a continuous basis. This will undoubtedly promote different views on what issues should command management attention, resourcing and prioritization. The resolution of these issues then becomes a focal point for effective strategic leadership.

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