Exercise 1

Submitted to:
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Introduction

Successful strategies do not get developed without a price. The price of strategies is often measured in the amount of risk that they entail. Sometimes the strategies with the greatest risk can pay enormous dividends for the corporations that implement them. Other high-risk strategies can end up being failures due to uncertainties that could not be effectively managed. Despite the possibility of disastrous results, having no strategy creates the most risk, as evidenced by every corporation placing great emphasis on strategy. In the article “What Is Corporate Strategy, Really?” author Michael Raynor defines the reason for the existence of strategy, illustrates the tradeoffs between managing uncertainty and achieving desired results, and presents a case study on Johnson & Johnson to solidify his study of corporate strategy and risk.

Review of the Article

This article presents a perspective of corporate strategy that focuses on uncertainty and reward. In addition, it provides a concrete example of the points made through the Johnson & Johnson case study. First, the article identified various definitions of strategy, ranging from competitive to corporate and even employing some humility. Michael Raynor states that strategy is the means by which corporations compete in particular product markets. Raynor also stresses that it is essential for operational units within corporations to formulate and execute individual strategies.

At the heart of the article is the idea that strategy can be very risky due to uncertainty, but successful strategies can be very lucrative. Managers of operating units require the necessary freedom to create strategy and accept responsibility for it. Requisite uncertainty is a term Raynor uses to describe the separation of risk from strategic commitments. This idea entails managers thinking strategically in terms of three to five years. Uncertainty becomes part of the strategic decision-making rather than something that is simply avoided.

The ideas presented in the article are reflected in the case study of Johnson & Johnson and in particular the Johnson & Johnson Development Corporation (JJDC). As Johnson & Johnson's internal venture capital group, the Johnson & Johnson Development Corporation focuses its efforts on the uncertainties of strategy. This practice allows the operating companies of Johnson & Johnson to concentrate on achieving the desired returns given specific constraints. This method of organization is meant to encourage the operating companies to take on the challenges of higher risk strategies that they might not have pursued otherwise. As well, the operating companies are able to modify their strategies to avoid major damage from failed high-risk strategies.

Personal Views on the Article

The author of article, Michael Raynor, gets his arguments about corporate strategy across to the reader, but he does so at the expense of being somewhat verbose. Raynor makes a solid point about organizational design and how it can be used to effectively manage complex tasks. However, he delves into Sony's strategy about the Betamax more than what is necessary for the purposes of this article when he decides, "Sony's choice was the wrong choice." (Raynor 3). Instead of simply pointing out the mistake and moving on to other points about strategy, the author spends several sentences discussing Sony's failure.

The author is successful in communicating the partnership between Johnson & Johnson Development Corporation and the operating companies of Johnson & Johnson. Raynor points out that JJDC identifies strategic opportunities that the operating companies can then choose from as the ones to pursue. Another idea is shared in that some operating companies, such as Ethicon Endosurgery (EES) have the ability to make strategic decision and pursue product opportunities. It is this dual situation that has given rise to internal venture capital groups that share the burden of responsibility with the operating companies.

How the Article Is Useful to Managers

This article presents information that could prove useful to managers in handling uncertainty and also generating returns. For large corporations, strategy needs to be managed at different levels. The reason for delegation of strategy to different levels of a corporation is that complexity of business needs are greater, which makes uncertainty much more prevalent. This article suggests that the organizational chart is a powerful tool that allows managers to shift decision-making to other managers who can make or contribute to more relevant strategies to combat uncertainty. By utilizing the org chart, managers demonstrate to their subordinates a level of trust and respect as long as those accepting responsibility can deliver. Managers have to determine how risky it is for delegating particular strategic tasks.

Also of value to managers in this article is the idea that they "must make commitments if high achievement is to be even a possibility." (Raynor 4). Requisite uncertainty requires that managers take their commitments seriously. For divisional managers, they possess some autonomy in regard to creating strategy for their operating units. According to authors of the book Strategy Winning in the Marketplace, strategy-making and executing is part of every manager's responsibility in a corporation and not just the job of executives. (Thompson 25) Upper-level management must respect this autonomy as long as divisional managers are competent. The level of uncertainty is much higher at this level, as strategy is broader.

How the Article Should Be Properly Applied

The article should be applied with emphasis placed on the case study of Johnson & Johnson. A company could use the example of Johnson & Johnson to separate strategy-making from strategy execution. By doing so, operational units can concentrate on increasing revenues. In addition, operating companies have the power to tweak strategies if they need to make the strategy fit business needs. The venture capital group within a corporation can make options available for operating companies to exploit. This method can be applied in other corporations to allow their operating companies to focus efforts mainly on executing the chosen strategy.

In properly applying the article, corporations need to place constraints on operating companies in order to determine whether or not the entity is on track with particular strategies. Constraints can be in the form of targeted returns or specific timelines or a combination of both. Additionally, limitations come in the form of resources available to operating companies in their efforts to accomplish strategies. Another constraint could be held in the objectives of a corporation, whether they are short-term or long-term. (Thompson 22) Employing constraints prevents risk from getting too far out of control. By using the Johnson & Johnson example, corporations can set high expectations for operating companies despite considerable amounts of uncertainty, and, in doing so, the operating companies have a purpose and not just an existence (Raynor 6).

Conclusion

Through the Johnson & Johnson case study, Michael Raynor vividly details his arguments about the uncertainties that corporations face in developing profitable strategies and defines his idea of what strategy really is. Strategy involves much guesswork, estimation, and abstraction of past successful and unsuccessful strategies. Indeed, corporations can learn as much or more from strategic failures as they can gain from past strategic successes. These past lessons help strategies continue to evolve as corporate managers strive to make risk less uncertain. Management theory, then, continues to gain different aspects that managers can use to effectively guide their companies into the future.

Reference Section

Raynor, Michael E. What Is Corporate Strategy, Really? *Ivey Business Journal*, 71(8). Retrieved June 25, 2008, from the EBSCO database.

Thompson, A., Gamble J., & Strickland, A. *Strategy Winning in the Marketplace* (2nd ed.). New York: The McGraw-Hill Companies, Inc.

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Paul

This is very well done. Please keep a closer eye on the content. This barely filled 4.5 pages. Also, please number the pages on all assignments.