

Von Clausewitz

Historic perspectives can still be seen in business perspective today. Clausewitz his perspective seems timeless. He is in the same timeframe as Jomini. French was in a revolution; Eu was ruled by royal houses and the Napoleonic war was going on. When was 12 he joined the army and when he turned 21 he joined the military academy as a scholar. There he met Gerhard von Scharnhorst (lecturer) and Marie von Bruhl (married Clausewitz). The was a grave and was Clausewitz his ticket to the higher circles in Prussia. She played an important role in Clausewitz his career progress and development of perspective in strategy. Von Clausewitz served in an old-fashioned army, Clausewitz was captured by the French and Prussia was conquered. After the release Clausewitz joined the Russian army and fought Napoleon. They defeated Napoleon. Clausewitz tried to finish a book but died of Cholera.

The book has the title ‘on war’. Clausewitz defines strategy as ‘The use of combat, or the threat of combat, for the purpose of the war in which makes it takes place’. Friction (page 87) is a concept of his perspective. Clausewitz states it as that everything in war is simple, but the simplest thing is difficult. The difficulties in war are cumulate and in producing a kind of friction. You can only experience friction unless you experienced a war. He describes friction as countless minor incidents which can lower the general level of performance. An example: You have a plan to attack something, but then you experience friction: little things go wrong and suddenly the roads are of terrible quality, they are worse then expected, or a supply that comes in late so soldiers are out of food and ammunition. Things that cant be foresee. This calls Clausewitz friction. If this is what you believe, what is the role of theory? Clausewitz thought that Theory should never be leading. Practice will always be turned out different, according to Clausewitz friction only occurs in wars.....

Another important aspect in his perspective is the trinity of war. Described on page 87, it consists of 3 parts. War is the interplay of three concepts. 1: Primordial violence, hatred & enmity (emotional part). 2nd: play of chance and probability (chance part. 3th: element of subordination, as an instrument of policy, which makes it subject of reason (reason).

Von Clausewitz tries to describe war as an interplay between those 3 concepts. Through his book all concepts can be fitted in to this trinity, it is the basis of his perspective.

The first relevant strategic perspective is intuition. When you interview business owners you will learn that they do business on intuition. This is linked to Clausewitz since Clausewitz told that theory never should be leading. You don’t have all the information (described as fog of war). Is this all an argument to just use your intuition? Another contemporary topic is chain of command. In some companies we see that there is a lot of hierarchy and everyone has to ask the top manager for decision. But when things don’t go as planned, we see that this communication line gets flooded, and nobody know that to do. When this line gets flooded the information wont reach everyone and things come to a standstill. Some organizations don’t want a structure like this, they are giving all workers more responsibility, they give them more decision power. This can be linked to von Clausewitz. Clausewitz is still a source of inspiration for quite some people, some companies struggle with uncertainty of the environment. What should we do if something goes wrong? Scenario planning? How to deal with uncertainty.

Jomini

Jomini lived in an era of revolution, the French revolution. Other countries were still ruled by royal houses, and they were stressed about the situation in France, will it spill over? Should we help Louis in France to prevent the spill. France launched a pre amative attack against 2 kingdoms in EU (Austria and Prussia (country covering Germany and Poland)). The general that stood out in these wars was Napoleon Bonaparte. He embodied a new way of fighting wars. Napoleon did different: wasn't at the frontline, most generals tried to do things simple, roads were bad. Napoleon took advantage of road improvement and all other improvements, he made use and was successful. Timeframe of revolution, royal houses trying to defend themselves.

Jomini was born in Swiss, family was important in a small town. Michel Ney is important in the army career of Jomini. Jomini made quick progression in the army. He was reorganizing the ministry of war instead of fighting. Jomini thought about doing things efficient. He studied historic battles / operations. He admired was Fredrick the Great, studied his military operations. Michel Ney sponsored Jomini in writing an article of Fredrick. Jomini came to work for Napoleon, Napoleon found his work interesting. Second important person was Louis-Alexandre Berthier. A high ranking officier in the army of Napoleon, he and Jomini were succesfull under Napoleon. Berthier outranked Jomini, and started dictating him and he didn't like that. Russians asked Jomini to work for them, Napoleon wanted to keep Jomini and would even make him a general in the hope that he would stay. Under agreement Jomini was an officer in both countries, this became difficult when the 2 countries got in war and focused on the French side. After some quarrels with Berthier Jomini left the French army and joined the Russian army, he got a high rank. He saved Michel Ney when he was a officer in the Russian army. Jomini in the end wrote his masterpiece: the art of war.

Napoleon says that Jomini was the foremost interpreter of the Napoleonic method.

Jomini could really capture the Napoleonic methods in his writings. Napoleon said that Jomini betrayed the innermost secrets of strategy.

Jomini describes that there is a political area and a part of actual fighting. He describes strategy as the sphere of activity between those 2 spheres.

An important assumption that at the basis of his perspective was that military units of equal size were also equal in how they were armed, trained, disciplined, supplied ant motivated etc. Jomini says that leadership is important, not the army itself when they have the same size. This has the effect that strategy becomes really important. This assumption is at the basis of Jomini his thinking.

Jomini tried to simplify the complexions of war, and tries to prescribe methods to achieve victory on the battlefield. If you follow my instructions you will achieve victory. When mastered by a military commander this would lead to victory. Making this leader really important, practise!!!!

Today we see the idea of Jomini a lot, were people try to simplify complexity and boil it down to the essence. To prescribe methods to achieve success. Examples are: MBA education (idea to teach leadership etc). Or KIS (Keep It Simple), focus on core.

Karl Marx

Timeframe: royal houses still ruled Europe. There was hunger and war, it was the extent of the common people. The kings ruled EU with capitalism, they were supported by the aristocrats and church. The others were left in extreme poverty.

Marx was born in Prussia, father was successful, as well as mother (Dutch). Marx studied law and philosophy. Later he focuses more on philosophy. After graduation started writing about socialism and went to Paris, center of socialism thought. Marx noticed big difference between upper and lower class, he met Friedrich Engels, his lifelong friend. Marx and Engels made the call for an uprising due to the poverty in lower-class. Royal house that ruled Prussia was not happy with the call for a revolution and exiled Marx from Paris, so he went to Brussels. Engels followed him, then he was expelled from Brussels as well. Then he moved to London where he lived the rest of his life.

Marx had interesting characteristics, he was not a natural leader, he was a lecturer more than an orator. Preferred analysis to emotion. Marx had no charisma and empathy according to Engels.

With strategy Marx means that in order to create a more equal situation there had to be class struggles. The strategy had to be grounded in class struggles. No more appeals to goodwill. Class struggles were the only option, there had to be an uprising. \

Marx found his theory a weapon or strategy on itself. Focused on developing power of the working class. This is read in his book: *das Kapital*. Marx is looking for momentum, the right moment to make use for a revolution (economic downfall).

His theory is not for states or institutions or individuals, his theory is for an entire class, the working class.

When the perspective of Marx and Engels matured, Marx focuses on political economy and Engels on military affairs. Both very different.

Today Marx is still relevant, his empowerment for the working class is still seen today with Holacracy for example, a management system where there is no hierarchy, very democratic and everyone is equal.

Lev (Leo) Tolstoy

Has written 2 brilliant books, considered best books of the entire world. War and Peace & Anna Karenina. Works are considered quite philosophical.

Background of Tolstoy, was born Nobel. Born in an old Russian Nobel family. After drinking and gambling he joined the Russian army. Some lifechanging events:

1st: Crime median war, so much death that he wanted to stop and leave the army. He wanted to go to France and started write.

2nd: Execution in France of a robber and murderer. Tolstoy wrote about it, he wrote that this was very tragic to him, he wrote that it made an enormous impact him. He found the execution worse than war, murdering in cold blood! Developed insomnia after the execution.

30 years later Tolstoy thought about how he and 1000's other could eat all nice foods, while 10000's others in Moscow where starving to death. He found that he should have shared his luxury.

Tolstoy wrote "what is to be done". What to do when the government and upper-class is so corrupt? What is to be done? To explore this, he Went to Moscow to explore underlife, the lives of people that have and the ones who do not (poor people). He said that nothing had to be done, the have nots were as equally as corrupt. This was a depressing conclusion. In his estate. Later he rejected to pump and privilege of the orthodox church. Created his own perspective on Christianity, biased on love for the creation.

Tolstoy is described as an anti-strategist in the coursebook. The core of his strategy was a part of the bible (resist not him that is evil with force). This idea resulted in uncompromising pacifism, nonviolent resistance.

Tolstoy did not believe in the great man theory (history was shaped by a few great man). Tolstoy says that history was created by more then some commands.

Tolstoy: inspired someone else, Gandhi, nonviolent resistance.

Today we see that Tolstoy is still relevant, Bob Chapman, developed leadership style (truly human leadership) . You never fire someone and treat people all the same like your brother or sister, treat your coworkers as family.

Martin Luther King Junior

The timeframe of King emerged in a period of racism. 1950's / 1960's in the US. We see segregation in public transport, signs, white people were worth more than those who are 'colored'.

Martin Luther King had a dream (I have a dream), that people were not judged by the color of their skin but about content of their character. King was not the one who started with the power of non-violence. Segregation demanded a different approach since violence was the weapon of segregationists. His advisors inspired him to focus on non-violence. Tolstoy, the anti-strategist inspired Gandhi, who inspired his advisors and they inspired King.

King his strategy worked out like this (page 362, 363): non-violent direct action. King his idea was to create crisis to force a community who refused to negotiate now to negotiate. The idea was to put economic pressure on the city centrum. The tactics that King used were decoy marches, to keep the police occupied in the wrong part in the city. He would start marches earlier than expected or planned. Another tactic is to fill the jails, so all the jails are full, so that on the big day all the jails would be full and almost no others could be arrested. His tactic was to distract the police from the real deal.

King his perspective is still relevant today, people still want their work to have meaning which was also important for King.

Max Weber

Born in Germany (1864) and died in 1920. Freedman decided to discuss the perspective of Weber because:

- 1: He sought to make the case for a value-free social science.
- 2: The Protestant Ethic and the Spirit of Capitalism was an alternative to Marx.
- 3: He describes the spread of rationalism of science into all aspects of life.
- 4: A view of politics that accepted it as part of a constant drama.
- 5: Describing strategic choices that demanded attention to consequences as much as yearning for an ideal.

Freedman describes the relation between Weber and Bureaucracy as Capitalism & Marx.

Weber understood the growing strength and irresistibility but was unable to cheer.

Bureaucracy was a central plea in Weber's thinking. Bureaucracy is defined as:

Bureaucratie is een organisatiestructuur die gekenmerkt wordt door aan regels onderhevige procedures, verdeling van verantwoordelijkheid, hiërarchie en onpersoonlijke relaties. It is impersonal and rational, based on rules rather than friendship etc.

Weber was the foremost theorist of bureaucracy. Weber said that bureaucracy could really work against the caste system. Bureaucracy judges you on what you have achieved, it could really help in some systems. Weber also warns about it: if we are not careful we can create an iron cage (302). Where you have a really rational civil service administration where the only value you have is a technical one. Bureaucracy should be somewhere to help organize.

Weber's thinking is still relevant: issues at tax administration in Holland (racism). Also, at computers says no (too technically focused). Or Fred Mearns, he was accidentally declared dead which triggered interesting events after restoring this status. Events like: his passport was declared invalid, bank account was locked and health insurance was automatically stopped and pension was cancelled. Sometimes he still has trouble and the computers say no because it thinks Fred is dead.

Frederick Winslow Taylor

Timeframe:

Second industrial revolution, 1870-1914, rapid standardization etc. It is very chaotic, daysmen using, child labor. It was a timeframe in need of organization.

Taylor was the first that used a scientific management approach (factory fe), Taylorism is called the start of business administration. He was the first managing guru that though well about management. Taylor his perspective on efficiency is focused on business, he didn't care about the worker satisfaction, the only thing that counted were numbers and improving, creating the most efficient circumstances. He did this by science.

He did this by time studies, to set a benchmark time. He would call someone that met the benchmark time a fair day's work. Taylor was also focusing on reducing entire process time.

Frank and Lillian Gilbreth were inspired by the scientific approach of Taylor, they focused on motion instead of time studies. Motion studies focus on reducing the motions involved in a certain task. Making it shorter. An example is a surgeon, who asks the scalpel instead of getting himself. The doctor focuses on the surgery and the assistant must focus on the tools.

Video on canvas about Lillian Gilbreth

The perspective on Taylor was with regards to elemental tasks. He thought there was only 1 right way to do something, you can find out what with using science (observing, measuring etc.)

Because of this discovery a new type of employee was created, blue- and white-collar employees. Blue was worn by the workers (worked in fabric), Taylorism created white collars (would look for the efficient way of doing something, would manage the blue workers).

The perspective of Taylor had u huge influence in the world of business, about organizing and efficiency. From an art to a scientific approach. Taylor is still relevant, to use science and measurement to make process

Mary Parker Follett

Background, time where scientific management focused on efficiency, more people wanted better worker circumstances, a more human treatment. There was a request for a business strategy that also focused on the worker, the human part.

Follett had a more philosophical approach; she did not like to choose between 2 options. She wanted to bring everyone together, to create one big community. Instead of power over she wanted to create group forming that would lead to power with. Unity although everyone is an individual, this is what Follett calls a social individual. Decisions should be made together, Follett was against negotiation agreements between unions and managements, this was group against group and not 1 big group. Bottom up strategy is a clear decision form top management to involve the people on the bottom of the pyramid. To involve everyone on the work floor and make decisions together to get a better outcome. Off course there was criticism, there is also a risk of groupthink, that people agree to something in a group just because they like that person, even so the idea maybe not a smart idea.

Her ideas are still relevant in business today, like the balance score card to be forced to focus on more than numbers. The idea of bottom up strategy is still live today.

Rockefeller

John D. Rockefeller bought an oil refinery in 1865, was the time period after the civil war, this period brought economic growth and the demand for refined oil grew, Rockefeller profited from this situation. It was easy to start an oil refinery, this resulted in heavy competition. Profits declined, something had to be done to keep it profitable. Rockefeller didn't want to be caught short with market failures; he would always have cash. Rockefeller made sure to have a reserve just in case. The perspective is that you want to deal with a situation with a lot of competition is by horizontal integration, this is a way to lower your cost (alliance without distributors and suppliers etc). Aim is to lower cost.

Strategy: strategic cooperation was a sensible alternative to wasteful and distrustful competition. He tried to create a lot of strategic cooperation. Didn't you want this? Then Rockefeller would underprice you and push you out of the business. So, a fair price, or the option that you will be pushed out of the market. The cash made Rockefeller underprice others, he made a virtual monopoly in the oil refinery business. With this strategy he went in 10 year from 10 to 90% of all oil refinery capacity. He did not actually have the production of oil. Rockefeller became so big that the US government started fighting back, law suits were started to restrain trades. Government wanted a freer market, Rockefeller lost and 34 new companies were started. Freedman calls him a master strategist, because Rockefeller could see the whole picture, not just his company, he could look at the entire system as a whole, he understood how the market worked. He was able to take valuable strategic decisions by this.

Today his strategy/perspective is still relevant, still a lot of focus on having strategic alliance (Rockefeller). Horizontal integration is still used to deal with complex market circumstances. We also see that the discussion on the power of companies is still relevant, today the EU union is fining big companies because of these companies using their power to create more market share. Fines can cost up to billions

Ford & Sloan

Ford

Late 19th century, suddenly instead of horses there would be horseless carriages with petrol engines, no one liked it because they smelled terrible and were dangerous. Someone had the idea to make them safe (General Motors), they bought other manufacturers as well. Result was a lot of factories and brands.

Alfred Sloan would later become CEO of GM, Henry Ford experimented with petrol engines and made a working prototype. He founded Ford Motor company, and launched the most successful car ever made, the Model T.

There was at this moment no mass market for cars, too expensive. He saw that there was a need for a universal car, one car for the masses, built with good quality. Ford focused on faster and efficient production, they used the conveyor belt, one of the first to use it on a big scale, reduces production time of 1 chassis from 12 to 2 hours. Ford decided to only sell black cars because the paint dried the fastest so lower cost since less production time. Ford would spy on private lives of enriched workers, Fordism rejected individual ideas, just do as you are told. Downside of the belt was also that if 1 thing goes slow the whole belt will be delayed. Ford was considered to have a cold personality, but when there were problems on the work floor, he raised loans, he shared his success with his employees. GM started catching up and Ford and got back market share his reputation became tarnished. Ford started to push everything to much and this led to, he was a great innovator but a terrible strategist because he would not listen. He lost himself in everything and focuses on the wrong things. He wasn't watching the demand that was adjusting, the new trend he forgot etc.

Sloan

When Sloan became GM CEO, 60% all cars were Ford. GM had a lot of different cars for different price ranges, this was inconvenient. DuPont family had biggest share in GM. Sloan reshaped modern cooperation's, he divided GM in divisions with each their chief executive and director. He also created one corporate headquarter, so all divisions headed to the same goal and had the same strategy. This idea of having a corporate HQ reshaped modern corporations, this is still relevant. What to do about Ford? He started a taskforce that needed to deal with the situation. By doing 3 things, a line of cars in each price area, difference in price should not be too big, no duplication in price fields. This was a completely new way of looking at the market. Sloan did it different than Ford, he reshaped the market instead of just using it. GM could compete with the T Ford because of Chevrolet because it was competing with price and this made the Ford T vanish. Chevrolet took the upper part of the low-price segment, this strategy worked really well. Chevrolet was gaining market share, and with GM having a car for every price segment they concurred the market.

Today we see that Ford was inline with Taylorism, so if you can say Taylorism is relevant so is Ford

Sloan is relevant because his type of organization, that he reshaped the market and this is still inspiring, Sloan was able to understand the position of Gm in the car business very well and used this information well

Wrap-up

The timeframe we see that there is more scientific management perspective (efficiency) and also a more social perspective (cultural). Group working is important and outperforms everything. The effect of innovators and people that can adapt to changes. We still see the the perspective of the strategists today, in an adapted form but they are still relevant and present today.

Igor Ansoff

Born in Vladivostok, famous expert in strategic management, even while his profession is in physics and math's. He became an expert in strategic management with his book and he was one of the founding fathers of strategic management.

Ansoff has a famous article: The changing shape of strategic problem (1977)

Ansoff shows how strategic problems have change over different topics. Problems become more different and through the years your previous knowledge can't be applied to new problems. Also, the rapidity of change is changing from slower than firm's response to shorter than firm's response. Things change now faster than that firms can respond. Previous events were recurring, now you can partially predict them, it becomes more unpredictable.

Conclusion is that strategic problems become more complex, visibility of the future decreases what makes it even more complex.

Ansoff shows the effect on strategy:

Increased complexity, simple strategy is not sufficient anymore, now we need so many more aspects to create a working strategy

Game theory

Prisoner's dilemma famous dilemma:

Core assumption for game theory that there is no role for instinct, only rational choices, it is relevant where competitors are interdependent. Interdependency exist where the outcome of choices made by 1 competitor is dependent on the choices made by other competitors.

Get in the mind of the competitors, understand their game plan to plan your own. Thinks forward and reason backwards. Strategists should choose their move on the likeliness of competitors their choices.

Aspect of cooperation: Robert Axelrod studied cooperation in game theory, he saw that computers could experiment with game theory. Axelrod invited experts to send computers programs for a game of prisoner's dilemma that could be done 200 times. The winner was a simple tit for tat game, which started with the command cooperate. This could be a sign that cooperation could be a rational choices.

4 Rules of Axelrod after study:

- 1: don't be envious at your cooperating company
- 2: Do not be the first to defect, don't be the first to break the partner rules
- 3: If another player defects you must strike back. Other future compnies will think you are an easy target

4: don't be too clever. Don't do things to much that your cooperation partner doesn't know about this will raise suspicion.

These 4 rules are also relevant for a group assignment (for example our group assignments).

Game theory is still very relevant some companies still rely on it. In case of an oligopoly. When there are not many competitors and limited competition. Every strategic move you make forces the others to do the same. Put yourself in the head of the competitor, think what will happen and how you would respond.

Agency Theory

In the 70s there was no specific theory on organizations yet.

Organizational science in his infancy

Only a philosophical approach

Economist saw a firm as a Blackbox that because in a profit maximizing way, a black box because they didn't know what happened inside the company

Deviating from this theory would create a revolution in organizational theory: Agency Theory. It started with Adam Smith, wrote about management who wasn't the owner of the company. There is a problem, if a director is a non-owner agent then we can expect will not do their utmost if the owners would be in charge.

Agency Theory I:

- Focuses on working people and on how they behave in their work environment
- Focuses on the conflict between objectives
- Firms are: complex systems, maximizing agents with diverse objectives, together they will create a equilibrium, bundles of assets

Agency Theory II:

Agent= who works at the company

Principal= owner of the company (multiple/shareholders)

Agency relationship with the principal, a contract by which 11 or more persons (principal) hire the agent to make decisions for them. This is where we see the principal agent problem, the agent isn't always, the principal and the personal agent interest are diverted. All employees have their own interest, this leads to an equilibrium. Principals can aim the focus of agents.

The effect of the agency theory on strategic thinking, strategy is much more focused inwards, on reducing costs and maximize shareholder value.

To make sure the interest of the agent is the same as the principal you have to make your interest his or her interest. If I profit, you can profit as well. This is a stock option.

System 1 and 2 thinking

Insights of social sciences have influenced the field of strategy: example invention of the MRI scanner, resulted in unexpected findings. When looking at the brain activity you can see what part of the brain is used with an action.

The classic view on strategic thinking is that emotion is a separate thing (intuition), for simple problems emotion (intuition) can be used but for strategic problems require reason. Intellectual thinking without emotion is needed for strategic problems.

Surprising result from people performing simple task under MRI, it turned out that simple things were done by reasoning, and complex by emotion and intuition. This was an eye opener.

Mundane (math) problems of daily life are best suited to the conscious brain, simple decisions won't overwhelm the prefrontal cortex. For the simple decisions if we rely on intuition, avoidable mistakes will be made. With complex problems are all handled by emotion, it requires the processing power of the emotional brain, the super computer of the brain.

According to this, 2 systems rose: system 1 and system 2 thinking, they rely on each other:

Intuitive system 1:

- Largely unconscious and implicit
- Operate quickly and automatically when need
- Manages cognitive parts of great complexity and evaluating situations and options before they reach consciousness
- Interpreting cues and signals from the environment, suggesting appropriate and effective behavior.
- Outcome = feeling

This means that when you are forced to take a really important decision, that you will see in the MRI is a brain that lights up completely. It searches for information everywhere and it creates a feeling (gut feeling). You are not aware of this happening.

System 2 processes:

- Conscious, explicit, analytical, deliberate and more intellectual
- Sequential
- Classic view in strategic reasoning
- Slower
- Excessive complexity
- Depleting and unpleasant

When applying this to difficult problems, it is very tough and complex

Freedman describes that humans are not natural strategists, we do not approach complex problems as strategic problems, our system 2 does not automatically kick in when we have a strategic issue. If we do not know if something is a strategic issue, we won't handle it like one.

You need system 2 to check system 1 findings.

System 1 thinking tries your brain to find information to make an intuitive decision, the more you know about a topic the better your brain can come up with an answer/decision.

So the more information you have the better system 1 can perform to create a better intuitive answer. If you put someone in a situation where you know nothing about, the brain will still try to find information available but there is none, but still it does try to find something usable. And it will be translated in a gut feeling, the gut feeling will still work in a case of almost no information. Hopefully the system 2 kicks in and tells you that you don't know shit about it.

So training and experience are very important to enhance the system 1 decision making.

Henry Mintzberg

10 Schools of thought.

Mintzberg describes that there are 2 school types.

The prescriptive school: consisting of the design school, planning school and positioning school. This school dictates what to do, preference towards managed growth

Descriptive school: the other 7. These school try to describe to describe the perspective, of how strategy is achieved. They have a tendency towards natural growth.

Mintzberg raises a question: if these schools are part of 1 process or if they are all different processes. If they are part of 1 process, that if you want to create a strategy for a company that obviously you got different stages in such a process. First for example environment analysis.

If they are part of 1 process you use the environmental school to try to understand the environment, then you use the cultural school to look inwards into the organization etc. Next process can be learning school to see what the learning capacity of the organization is.

So in this setting all the schools are part of 1 process, using the school sequentially.

Mintzberg doesn't know if this is the case, if the schools are the same of all different processes.

1 Thing is not clear: if these schools are used all at the same time in 1 company in sequential steps or if your company has 1 perspective and 1 process fits in this entire perspective. This is still unclear. Companies can also maybe have just 3 schools in a company.

Really successful companies often combine 2 schools which might seem opposites of each other but successful companies can manage this and make something beautiful from this.

So know the difference between descriptive and prescriptive schools and have an understanding of the discussion (are the schools part of the process, or are they all different processes?)

