

Exemplary Strategy for Corporate Competitiveness and Wealth Creation: Implications for sub-Saharan African Business Leaders and Managers

Ashford C. Chea, PhD

School of Business, Kentucky Wesleyan College, 4721 Covert Avenue
Evansville, IN 47714 USA

Ph: 812-471-9341; Email: achea@ix.netcom.com

Abstract

The paper begins with a brief review of the nature and historical perspective of strategy. This is followed by discussion of industry analysis as an important step in the strategy development process. The paper continues with an analysis of the strategy development process and the role of strategic leadership to sustain strategy. Also presented in the paper is the analysis of how the appropriate management system can be leveraged to support a successful strategy execution and evaluation. The paper ends with an outline of strategic implications and recommendations for sub-Saharan African business leaders and managers.

Keywords: Corporate, Strategy, Sub-Saharan Africa, Competition, Business Industry

Objectives of the Paper

The objectives of the chapter are to analyze and discuss: (1) the nature and historical perspective of strategy; (2) the role of industry analysis in the strategy process; (3) the strategy development process; (4) the role of leadership in the strategy process; and (5) strategic implications for sub-Saharan African business leaders and managers.

Definition and Nature Of Strategy

A company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. Thus a company's strategy is all about how—how management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how each functional piece of the business (research and development, supply chain activities, production, sales and marketing, distribution, finance, and human resources) will be operated, how performance will be boosted. In choosing a strategy, management is in effect saying, "Among all the many different business approaches and ways to compete we could have chosen, we have decided to employ this particular combination of competitive and operating approaches in moving the company in the intended direction, strengthening its market position and competitiveness, and boosting performance." The strategic choices a company makes are

seldom easy decisions, and some of them may turn out to be wrong—but that is not an excuse for not deciding on a concrete course of action (Thompson, Strickland, and Gamble, 2007).

Improving operational effectiveness and efficiency is a necessary part of management, but it is not strategy. In confusing the two, managers have unintentionally locked into a way of thinking about competition that is driving many industries toward competitive convergence, which is in no one's best interest and is not inevitable. Managers must clearly distinguish operational effectiveness from strategy. Both are essential, but the two agenda are different. The operational agenda involves continual improvement everywhere there are no trade-offs. Failure to do this creates vulnerability even for firms with good strategy. The operational agenda is the proper place for constant change, flexibility, and relentless efforts to achieve best practice. In contrast, the strategic agenda is the right place for defining a unique position, making clear trade-offs, and tightening fit. It involves the continual search for ways to reinforce and extend the firm's position. The strategic agenda demands discipline and continuity; its enemies are distraction and compromise. Strategic continuity does not imply a static view of competition. A firm must continually improve its operational effectiveness and actively try to shift the productivity frontier; at the same time, there needs to be ongoing effort to extend its uniqueness while strengthening the fit among its activities. Strategic continuity, in fact, should make an organization's continual improvement more effective. A company may have to change its strategy if there are major structural changes in its industry. In fact, new strategic positions often arise because of industry changes, and new entrants unencumbered by history often can exploit them more easily. However, a company's choice of a new position must be driven by the ability to find new trade-off and leverage a new system of complementary activities into a sustainable advantage (Porter, 1996).

Evaluating a Winning Strategy

Three questions can be used to test the merits of one strategy versus another and distinguish a winning strategy from a so-so or flawed strategy:

How well does the strategy fit the company's situation? To qualify as a winner, a strategy has to be well matched to industry and competitive conditions, a company's best market opportunities, and other aspects of the enterprise's external environment. At the same time, it has to be tailored to the company's resource strengths and weaknesses, competencies, and competitive capabilities. Unless a strategy exhibits tight fit with both the external and internal aspects of a company's overall situation, it is likely to produce less than the best possible business results.

Is the strategy helping the company achieve a sustainable competitive advantage? Winning strategies enable a company to achieve a competitive advantage that is durable. The bigger and more durable the competitive edge that a strategy helps build, the more powerful and appealing it is.

Is the strategy resulting in better company performance? A good strategy boosts company performance. Two kinds of performance improvements tell the most about the caliber of a company's strategy: (a) gains in profitability and financial strength, and (b) gains in the company's competitive strength and market standing (Thompson, Strickland, and Gamble, 2007).

Historical Perspective of strategy

A Brief History of Strategy

The field of strategy has largely been shaped around a framework first conceived by Kenneth R. Andrews in his classic book “The Concept of Corporate Strategy “ Andrews defined strategy as the match between what company can do (organizational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats). Although the power of Andrew’s framework was recognized from the start, managers were given few insights about how to assess either side of the equation systemically. The first important breakthrough came in Michael Porter’s book “Competitive Strategy: Techniques for Analyzing Industries and Competitors .” Porter’s (1980) work built on the structure-conduct-performance paradigm of industrial-organization economics. The essence of the model is that the structure of an industry determines the state of competition within that industry and sets the context for companies’ conduct—that is, their strategy. Most important, structural forces (which Porter called the five forces) determine the average profitability of the industry and have a correspondingly strong impact on the profitability on individual corporate strategies.

This analysis put the spotlight on choosing the “right industries” and, within them, the most attractive competitive positions. Although the model did not ignore the characteristics of individual companies, the emphasis was clearly on phenomena at the industry level. With the appearance of the concepts of core competence and competing on capabilities, the pendulum swung dramatically in the other direction, moving from outside to inside the company. These approaches emphasized the importance both of the skills and collective learning embedded in an organization and of management’s ability to marshal them. This view assumed that the roots of competitive advantage were inside the firm and that the adoption of new strategies was constrained by the current level of the firm’s resources. The external environment received little, if any, attention, and what is known about industries and competitive analysis seemed to disappear from our collective psyche. The emerging resource-based view of the firm helps to bridge these seemingly disparate approaches and to fulfill the promise of Andrew’s framework. Like the capabilities approaches, the resource-based view acknowledges the importance of company-specific resources and competencies, yet it does so in the context of the competitive environment. The resource-based view shares another important characteristic with industry analysis. It, too, relies on economic reasoning. It sees capabilities and resources as the heart of a company competitive position, subject to the interplay of three fundamental market force; demand (does it meet customers’ needs, and is it competitively superior?) scarcity (is it imitable or sustainable, and is it durable?), and appropriability (who owns the profits?) (Collis and Montgomery, 2008).

Similarly, fifty years ago strategy was taught as part of the general management curriculum in business schools. In the academy as well as in practice, it was identified as the most important duty of the chief executive office—the person with overarching responsibility for setting a company’s course and seeing the journey through. This vital role encompassed both formulation and implementation: thinking and doing combined. Although strategy had considerable breath then, it didn’t have much rigor. The ubiquitous SWOT model taught managers to assess a company’s internal strengths and weaknesses and the opportunities and

threats in its external environment, but the tools for doing so were pedestrian by any measure. Advances over the next few decades not only refined the tools but spawned a new industry around strategy. Corporation-planning departments emerged and introduced formal systems and standards for strategic analysis. Consulting firms added their own frameworks, among them the Boston Consulting Group's influential growth-share matrix and McKinsey's 7-S framework. Academics weighed in, unleashing the power of economic analysis on problem of the strategy and competition. It has been a heady period, and the strategy tool kit is far richer because of it. That said, something has been lost along the way. While gaining depth, strategy has lost breath and stature. It has become more about formulation than implementation, and more about getting the idea right at the outset than living with a strategy over time (Montgomery, 2008).

Industry Analysis

In a world of Newtonian order, where there is clear relationship between cause and effect, companies can judge what strategies they want to pursue. In a world of complex and shadowy possibilities, enterprises don't know if their strategies are appropriate or what those strategies' consequences might be. They should therefore abandon the convention of thinking through all their options before choosing a single one, and experiment with a number of strategies that are feasible even if they are unsure of the implications (Camillus, 2008).

Moreover, complex strategy issues don't occur according to a timetable. Firms must constantly scan the environment for weak signal rather than conduct periodic analyses of the business landscape. It's increasingly difficult to identify the boundaries of the arenas companies should watch. Changes in one industry or segment often affect companies in others. For instance, who could have imagined that changes brought about by the computer industry and the internet would affect the music industry so radically? Businesses should scan sources of regulatory and technological change in addition to monitoring suppliers, competitors, and potential entrants, and customers all over the world. To forge effective approaches to complex issues, executives must explore and monitor the assumptions behind their strategies. One way of doing that is through discovery-driven planning, where executives list the assumptions underlying the revenues and income they expect and test the validity of each assumption. By sharing those assumptions, executive can better align decision making throughout the organization (Camillus, 2008).

That said, good industry analysis looks rigorously at the structural underpinnings of profitability. A first step is to understand the appropriate time horizon. One of the essential tasks in industry analysis is to distinguish temporary or cyclical changes from structural changes. A good guideline for the appropriate time horizon is the full business cycle for the particular industry. For most industries, a three-to-five-year horizon is appropriate, although in some industries with long lead time, such as mining, the appropriate horizon might be a decade or more. It is average profitability over this period, not profitability in any particular year that should be the focus of analysis.

Hence, the point of industry analysis is not to declare the industry attractive or unattractive but to understand the underpinnings of competition and the root causes of profitability. As much as possible, analysis should look at industry structure quantitatively, rather than be satisfied with lists of qualitative factors. Many elements of the five forces can be

quantified: the percentage of the buyers' total cost accounted for by the industry's product to understand buyer price (to understand buyer price sensitivity); the percentage of industry sales required to fill a plant or operate a logistical network of efficient scale (to help assess barriers to entry); the buyer's switching cost (determining the inducement an entrant or rival must offer customers). Moreover, the strength of the competitive forces affects prices, costs, and the investment required to compete; thus the forces are directly tied to the income statements and balance sheets of industry participants. Industry structure defines the gap between revenues and costs. For example, intense rivalry drives down prices or elevates the costs of marketing, R&D, or customer service, reducing margins. Buyer power lowers prices or elevates the costs of meeting buyers' demands, such as the requirement to hold more inventories or provide financing. Low barriers to entry or close substitutes limit the level of sustainable prices. It is these economic relationships that sharpen the strategist's understanding of industry competition (Kaplan and Norton, 2006).

Finally, good industry analysis does not just list pluses and minuses but sees an industry in overall, systemic terms. Which forces are underpinning (or constraining) today's profitability? How might shifts in one competitive force trigger reactions in others? Answering such questions is often the source of true strategic insights (Porter, 2008). Understanding strategic leverage is also imperative to competitive analysis and positioning. Strategic leverage is a product of the firm's freedom of maneuver and the returns for any maneuvers. Freedom of maneuver in turn depends upon the structure of the industry and the competitive position. The returns for any changes in position depend on the size and manner in which total industry payoffs are divided. These payoffs are defined by the industry's terms of competition, that is, by the structure of the industry and the competitive positions of the various players. A comprehensive knowledge of leverage is essential for determining which tactics and strategies are feasible, which objectives are attainable, what resources and skills are necessary, and how to creatively disrupt and industry for the firm's benefit (Lele, 1992). One of the significant competitive challenges for managers is to accurately define the existing boundaries and structure of the competitive arena—in order to understand, outmaneuver, and react to existing rival—without making dangerous oversimplifications that can blind one to changes that will upset the prevailing rules (Day, Reibstein, and Gunther, 1997).

The Goal Of A Strategist

Competitive advantage is essential to strategy. But it is only part of a bigger story, one frame in a motion picture. The very notion that there is a strategic holy grail—a strategy brilliantly conceived, carefully implemented, and valiantly defended through time—is dangerous. It is akin to the complete-contract view, in which all the thinking is done at the beginning and the key job of the strategist is to get that analysis right. If it were so, the role of the strategist would be limited and easy to separate from the leadership of a firm. If this were so, the strategist wouldn't have to be concerned with how the organization gets from here to there—the execution challenge writ large—or how it will capitalize on the learning it accumulates along the way (Montgomery, 2008).

But whatever their collective strength, the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against competitive forces or can influence them in its favor. The collective strength of the forces may be painfully

apparent to all the antagonists, but to cope with them, the strategist must delve below the surface and analyze the sources of each. For example, what makes the industry vulnerable to entry? What determine the bargaining power of suppliers (Porter, 1996)?

Strategy Development

What goes into a good strategy statement? Michael Porter's seminal article "What is Strategy?" (HBR Nov-Dec, 1996) lays out the characteristics of strategy in conceptual fashion, conveying the essence of strategic choices and distinguishing them from the relentless but competitively fruitless search for operational efficiency. However, (Collis and Rukstad, 2008) have found in their work both with executives and with students that Porter's article does not answer the more basic question of how to describe a particular firm's strategy. It is a dirty little secret that most executives don't actually know what all the elements of a strategy statement are, which makes it impossible for them to develop one. With a clear definition, though two things happen. First, formulation becomes infinitely easier because executives know what they are trying to create. Second, implementation becomes much simpler because the strategy's essence can be readily communicated and easily internalized by everyone in the organization.

Elements Of A Strategy

Mike Rukstad identified three critical components of a good strategy statement—objective, scope, and advantage—and rightly believe that executives should be forced to be crystal clear about them. These elements are a simple yet sufficient list for any strategy that addresses competitive interaction over unbounded terrain. According to Rukstad, any strategy statement must begin with a definition of the ends that the strategy is designed to achieve. "If you don't know where you are going, any road will get you there" is the appropriate maxim here. The definition of the objective should include not only an end point but also a time from for reaching it. Alone, these two aspects of strategy are insufficient. You could go into business tomorrow with the goal of becoming the world's large computer company within 10 years. But will anyone invest in your firm if you have not explain how you are going to reach your objective? Your competitive advantage is the essence of your strategy: What your business will do differently from or better than others defines the all-important means by which you will achieve your stated objective. That advantage has complementary external and internal components: a value proposition that explains why the targeted customer should buy your product above all the alternatives, and a description of how internal activities must be aligned so that only your firm can deliver that value proposition.

That said, defining the objective, scope, and advantage require trade-offs, which Porter identified as fundamental to strategy. If a firm chooses to pursue growth or size, it must accept that profitability will take a back seat. If it chooses to serve institutional clients, it may ignore retail customers. If the value proposition is lower price, the company will not be able to compete on, for example, fashion or fit. Finally, if the advantage comes from scale economies, the firm will not be able to accommodate idiosyncratic customer needs. Such trade-offs are what distinguish individual companies strategically (Collis and Rukstad, 2008). Likewise, value and beliefs are the most fundamental of the elements of visions. Founders possess an established set of values at the time they give birth to an enterprise, generally long before they develop even an informal mission statement or set of goals. Values precede mission and goals

in logic and reality. Consequently, primacy in the corporate vision is shifting from corporate mission to corporate values (Quigley, 1993).

The first element of a strategy statement is the one that most companies have in some form or other. Unfortunately the form is usually wrong. Companies tend to confuse their statement of values or their mission with their strategic objective. The strategic objective is the single precise objective that will drive the business over the next five years or so. A firm's scope encompasses three dimensions: customer or offering, geographic location, and vertical integration. Clearly defined boundaries in those areas should make it obvious to managers which activities they should concentrate on and, more important, which they should not do. Giving that a sustainable competitive advantage is the essence of strategy, it should be no surprise that advantage is the most critical aspect of a strategy statement. Clarity about what makes the firm distinctive is what most helps employees understand how they can contribute to successful execution of strategy. The complete definition of a firm's competitive advantage consist of two parts: The first is a statement of the customer value proposition. Any strategy statement that cannot explain why customers should buy your product is doomed to failure. The second part of the statement of advantage captures the unique activities or the complex combination of activities allowing that firm alone to deliver the customer value proposition. This is where the strategy draws from Porter's definition of strategy as making consistent choices about the configuration of the firm's activities. It is also where the activity-system map that Porter describes in "What is Strategy?" comes into play.

How, then, should a firm go about crafting its strategy statement? Obviously, the first step is to create a great strategy, which requires careful evaluation of the industry landscape. This includes developing a detailed understanding of customer needs, segmenting customers, and then identifying unique ways to create value for the ones the firms chooses to serve. It also calls for an analysis of competitors' current strategies and a prediction of how they might change in the future. The process must involve a rigorous, objective assessment of the firm's capabilities and resources and those of competitors. It is not just a feel-good exercise of identifying core competencies. The creative part of developing strategy is finding the sweet spot that aligns the firm's capabilities with customer needs in a way that competitors cannot match given the changing external context—factors such as technology, industry demographics, and regulation (Collis and Rukstad, 2008).

The role of Management in the strategy process

The management cycle then begins with articulating the company's strategy. This usually takes place at an annual offsite meeting during which the management team either incrementally improves an existing strategy or, on occasion, introduces an entirely new one. (Research show that strategies generally have three to five years of useful life). Developing an entirely new strategy may take two sets of meetings, each lasting two to three days. At the first, executives should reexamine the company's fundamental business assumptions and its competitive environment. After some homework and research, the executives will hold the second set of meetings and decide on the new strategy. Typically, the CEO, other corporate officers, heads of business and regional units, and senior functional staff attend these strategy sessions. The agenda should explore the following questions:

What Business are We in and Why? This question focuses managers on high-level strategy planning concepts. Before formulating a strategy, managers need to agree on their company's purpose (mission), its aspiration for future result (vision), and the internal compass that will guide its actions (values). The mission statement is a brief statement, typically one or two sentences, that defines why the firm exists, especially what it offers to its customers and clients. The vision is a concise statement that defines the mid-to-long term (three-to-ten year) goals of the firm. Finally, the values (often called core values) of a company prescribe the attitude, behavior, or character of an organization. Value statements, which are often lengthy, describe the desirable attitude and behavior that the firm wants to promote as well as the forbidden conduct, such as bribery, harassment, and conflicts of interest that employees should definitely avoid.

What Are the Key Issues We Face in Our Business? With mission, vision, and values established, managers undertake a strategic analysis of the company's external and internal situation. The management team studies the industry's economics using frameworks such as Michael Porter's five forces model (bargaining power of buyers; bargaining power of suppliers; availability of substitutes; threat of new entrants; and industry rivalry). The team assesses the external macroeconomic environment of growth, interest rates, currency movements, input prices, regulations, and general expectations of the corporation's role in society. Often this is described as the PESTEL analysis, encompassing political, economic, social, technological, environmental, and legal factors. Managers can then dive into competitiveness data and consider the dynamics of the company's financial, technological, and market performance relative to its industry and competitors.

After the external analysis, managers should assess the company's internal capabilities and performance. One approach is to use Michael Porter's value chain model, categorizing capabilities used in the processes that create markets; develop, produce, and deliver products and services; and sell to customers. Or the internal analysis could identify the distinctive resources and capabilities that give the firm a competitive advantage. Finally, unless managers are introducing an entirely new strategy, they will want to assess the performance of the current strategy. The next step is to summarize the conclusions from the external and internal analyses in a classic SWOT matrix, assessing the ability or internal attributes and external factors to help or hinder the company's achievement of its vision. The aim here is to ensure that the strategy leverages internal strengths to pursue external opportunities, while countering weaknesses and threats (internal and external factors that undermine successful strategy execution). This analysis will reveal a series of issues that the strategy must address: the best role of new products and services; whether new partners need to be acquired; what new market segments the firm might enter; and which customer segments are contracting. These issues will become the focus of the strategy formulation process (Kaplan and Norton, 2008).

Strategy Formulation

Competiveness strategy involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors. It follows that a central aspect of strategy formulation is perceptive competitor analysis. Despite the clear need for sophisticated competitor analysis in strategy formulation, such analysis is sometimes not done explicitly or

comprehensively in practice. Dangerous assumptions can creep into managerial thinking about competitor (Porter, 1980).

How Can We Best Compete? Finally, managers tackle the strategy formulation itself—the statement describing the strategy and how the firm proposes to achieve it. In this step managers decide on a course of action that will create a sustainable competitive advantage by distinguishing the firm’s offering from competitors’ and, ultimately, will lead to superior financial performance. The strategy must respond, in some form, to the following questions: (a) which customers or markets will we target? (b) what is the value proposition that distinguishes us? (c) what key processes give us competitive advantage? (d) what are the human capital capabilities required to excel at these key processes? (e) what are the technology enablers of the strategy? And (f) what are the organizational enablers required for the strategy?

Managers can draw upon abundance of models and frameworks as they formulate the strategy. Michael Porter’s original competitive advantage framework, for example, presented the strategy decision as a choice between whether to provide generic low-cost products and services or more differentiated and customized ones for specific market and customer segments. The Blue Ocean approach, popularized by W. Chan Kim and Renee Mauborgne, helps companies search for new market positions by creating new value propositions for large customer base. Resource-based strategists (including those in the core competencies school) emphasize critical processes—such as innovation and continual cost reduction—that the firm does better than rivals and can leverage into multiple markets and segments. Clay Christensen has identified how new entrants can disrupt established markets by offering an initially less capable product or service at a much lower price to attract a large customer base not targeted by the market leaders (Kaplan and Norton, 2008). All of these models can be leveraged to enhance the strategy formulation process.

Management System to Support Successful Strategy Implementation

From time to time managers will discover that some of the assumptions underlying their strategy are flawed or obsolete. When that happens, managers need to rigorously reexamine their strategy and adapt it, deciding whether incremental improvements will suffice or whether they need a new transformational strategy. This process closes the loop of the management system. The strategy testing and adapting process introduces new inputs to the process: an analysis of the current economics of existing products and customers, statistical analyses of correlations among the strategy’s performance measures, and consideration of new strategy options that have emerged since the previous strategy meeting. Once the strategy has been formulated, managers need to translate it into objectives and measures that can be clearly communicated to all units and employees. Kaplan and Norton’s work on developing strategy maps and balanced scorecards has contributed to this translation stage. The strategy maps provide a powerful tool for visualizing the strategy as a chain of cause-and-effect relationships among strategic objectives. The chain starts with the company’s long-term financial objectives and then links down to objectives for customer loyalty and the company’s value propositions. From there, it links to goals related to critical processes and, ultimately, to the people, the technology, and the organizational climate and culture required for successful strategy execution. Typically, a large corporation will create an overall corporate strategy map and then link it to strategy maps for each of its operating and functional units (Kaplan and Norton, 2006).

Similarly, by creating a closed-loop management system, companies can avoid shortfalls. Management system refers to the integrated set of processes and tools that a company uses to develop its strategy, translate it into operational actions, and monitor and improve the effectiveness of both. The failure to balance the tensions between strategy and operations is pervasive: Various studies done in the past 25 years indicate that 60 percent to 80 percent of companies fall short of the success predicted from their new strategy. A closed-loop management system comprises five stages, beginning with strategy development, which involves applying tools, processes, and concepts such as mission, vision, and value statements; SWOT analysis; shareholder value management; competitive positioning; and core competencies to formulate a strategy statement. That statement is then translated into specific objectives and initiatives, using other tools and processes, including strategy maps and balanced scorecards. Strategy implementation, in turn, links strategy to operations with a third set of tools and processes, including quality and process management, reengineering, process dashboard, rolling forecasts, activity-based costing, resource capacity planning and dynamic budgeting. As implementation progresses, managers continually review internal operational data and external data on competitors and the business environment. Finally, managers periodically assess the strategy, updating it when they learn that the assumptions underlying it are obsolete or faulty, which starts another loop around the system. A system such as this must be handled carefully. Often the breakdown occurs right at the beginning, with companies formulating grand strategies that they then fail to translate into goals and targets that their middle and lower managers understand and strive to achieve. Even when companies do formalize their strategic objectives, many still struggle because they do not link these objectives to tools that support the operational improvement processes that ultimately must deliver on the strategy's objective (Kaplan and Norton, 2008).

As mentioned above a management system can be defined as the set of processes and practices used to align and control an organization. Management system include the procedure for planning strategy and operations, for setting capital and operating budgets, for measuring and rewarding performance, and for reporting progress and conducting meeting. Management system based on the balanced scorecard framework is the best way to align strategy and structure. Managers at every level in the corporation, from regional sales managers to group CEOs, can use the tools of the framework to drive their unit's performance. Strategy maps enable managers to define and communicate the cause-and-effect relationships that deliver their unit's value proposition, and the scorecard is a powerful for implementing and monitoring the unit's strategy. The balanced scorecard-based system, therefore, provides both a template and common language for assembling and communicating information about value creation (Kaplan and Norton, 2006).

The corporate scorecard and map identify and measure the sources of corporate value creation at each of four levels, or perspectives—financial, customer, process, and learning and growth.

The financial perspective: Even diversified holding companies can create enterprise-level value by instituting effective processes for resource allocation, for corporate governance, for acquiring and integrating new business units, and for conducting negotiations with external entities such as governments and suppliers. It is precisely by doing these things well that companies create financial synergies.

The customer perspective: Corporate synergies can also be generated by leveraging relationships across multiple business units to offer common customers lower prices, greater convenience, or solutions more complete than specialized competitors can provide.

The Process Perspective: The third balanced scorecard perspective describe corporate synergies gained when multiple business units reap savings by sharing common processes, such as purchasing, marketing, distribution, manufacturing, and research.

The Learning and Growth Perspective: The final perspective enables corporations to exploit their scope to create enterprise-level value from activities related to human capital development (including recruiting, training, and leadership development activities) and to knowledge management (such as IT-based systems for capturing, storing, and communicating knowledge and best practice throughout diverse organizational units) (Thompson, Strickland, and Gamble, 2007). However, implementing a corporate strategy system based on the balanced scorecard is not as simple as just requiring managers in all business and support units to create individual local scorecards and then somehow adding them all together. Nor should a corporate scorecard simply be replicated down the organization without considering the different operating realities of each unit.

The Role Of The Corporate Headquarters in The Strategy Process

The role of the corporate headquarters is to align corporate and business-unit strategies by first articulating its theory of synergy and then encourage the business units to develop strategies that contribute to those enterprise-level objectives while simultaneously addressing their local competitive situation. It is here that the bulk of the companywide systems currently used for measuring performance and allocating responsibilities fail. Most of the systems—take the budgeting system, for example,—emphasize locally controllable measures and actions. But this emphasis encourages business units and functions to become silos that perform well on their local measures but fail to contribute to divisional and corporate synergies. That said, it is one thing to write down a number of themes on paper, another to actually use them as the basis for corporate strategy. To do so, the company follows several implementation steps. First, through the strategic themes on its corporate-level strategy map, top executives articulate the theory of corporate advantage—how the whole is more valuable than the sum of the parts. Second, they assign a senior executive to be responsible for each strategic theme. Typically, this executive also has another line or staff position, since being a theme owner is a part-time job. The theme owner's role is coordination and monitoring; the ultimate responsibility for execution remains with the business units. Theme owners oversee and approve the way the theme's objectives, measures, and targets are applied to the operating units' strategy maps and scorecards. They convene periodic meetings, drawing on individuals from all the affected business units, to review progress and initiatives and revise action plans related to theme objectives. And they oversee data reporting and use the data to hold fact-based discussions with business unit managers about how well they are supporting the theme. In this way, all business units are held accountable not only for their local performance but also for their contribution to corporate-level strategic priorities. Third, the executive team identifies strategic initiative that support each theme and authorizes the resources—money and people—required to implement each initiative. Executive theme owner, along with the top management team, periodically review the performance of the initiative and test each one's

underlying theory. After all, corporate strategies and strategic themes are just hypotheses about value creation. By translating the hypotheses of a strategic theme into linked objectives and measures, executives can test the strategy and determine whether the causal connections really exist. If not, the corporate executive can and should revise the theme intended to create corporate strategy.

Finally, the balanced scorecard-based system for setting strategy and measuring performance linked together by specific strategic themes gives executives at corporate headquarters a way to communicate shared priorities and motivate people to share them in even the most complex businesses. In effect, the themes describe a virtual organization in which decentralized units pursue their local strategies while simultaneously contributing to corporate priorities (Pearce and, Robinson, 2011).

Strategy Execution

A brilliant strategy, blockbuster product, or breakthrough technology can put you on the competitive map, but only solid and effective execution can keep you there. One has to be able to deliver on his intent. Unfortunately, research show that the majority of companies aren't very good at it, by their own admission. Research also show that employees at out of every five companies rated their organization weak at execution—that is, when asked if they agreed with the statement "Important strategic and operational decisions are quickly translated into action," the majority answered no (Neilson, Martin, and Powers, 2008).

Execution is the result of thousands of decisions made every day by employees acting according to the information they have and their own self-interest. In their work helping more than 250 companies learn to execute more effectively, Neilson, Martin, and Power (2008) identified four fundamental building blocks executive can use to influence those actions—clarifying decision rights, designing information flows, aligning motivators, and making changes to structure. These are simply referred to as decision rights, information, motivators, and structure. In efforts to improve performance, most organizations naively go right to structural measures because moving lines around the organizational chart seems the most obvious solution and the changes are visible and concrete. Such steps generally reap some short-term efficiency quickly, but in so doing address only the symptoms of dysfunction, not its root causes. Several years later, companies usually end up in the same place they started. Structural change can and should be part of the path to improved execution, but it's best to think of it as the capstone, not the cornerstone, of any organizational transformation. In fact, Neilson et al (2008) shows that actions having to do with decision rights and information are far more important—about twice as effective—as improvements made to the other two building blocks.

When a company fails to execute its strategy, the first thing managers often think to do is restructure. But research by Nelson et al (2008) shows that the fundamentals of good execution start with clarifying decision rights and making sure information flows where it needs to go. If a firm gets this right, the correct structure and motivators often become obvious. Therefore, the four building blocks that managers can use to improve strategy execution—decision rights, information, structure and motivators—are inextricably linked. Unclear decision rights not only paralyze decision making but also impede information flow, divorce performance from rewards, and prompt work-around that subvert formal reporting lines.

Blocking information results in poor decisions, limited career development, and a reinforcement of structural silos.

Steps to Enhance Strategy Execution

Companies can take a host of steps to improve their ability to execute strategy. The fifteen outlined here are only some of the possible examples. These are (1) focus corporate staff on supporting business-unit decision making; (2) clarify and streamline decision making at each operating level; (3) focus headquarters on important strategic questions; (4) create centers of excellence by consolidating similar functions into a single organizational unit; (5) assign process owners to coordinate activities that span organizational functions; (6) establish individual performance measures; (7) improve field-to-headquarters information flow; (8) define and distribute daily operating metrics to the field or line; (9) create cross-functional teams; (10) introduce differentiating performance awards; (11) expand nonmonetary rewards to recognize exceptional performers; (12) increase position tenure; (13) institute lateral moves and rotations; (14) broaden spans of control; and (15) decrease layers of management. Every one of the above actions strengthens one or more of the building blocks executives can use to improve their strategy-execution capability: clarify decision right, improving information, establishing the right motivators, and restructuring the organization (Neilson, Martin, and Powers, 2008).

Unfortunately, most executives believe that relentless execution—the efficient, timely, consistent production and delivery of goods or services—is the surefire path to customer satisfaction and financial results. Manager who let up on execution even briefly, the assumption goes, do so at their peril. In fact, even flawless execution cannot guarantee enduring success in the knowledge economy. The influx of new knowledge in most fields makes it easy to fall behind. Consider General Motors (GM)—the largest, most profitable company in the world in the early 1970s. Confident of the wisdom of its approach, GM remained wedded to a well-developed competency in centralized control and high-volume execution. Despite this, the firm steadily lost ground in subsequent decades and posted a record \$38.7 billion loss in 2007. Like many dominant companies in the industrial era, GM was slow to understand that great execution is difficult to sustain—not because people get tired of working hard, but because the managerial mind-set that enables efficient execution inhibits employees' ability to learn and innovate. A focus on getting things done, and done right, crowds out the experimentation and reflection vital to sustainable success (Edmondson, 2008).

An Alternative Approach to Strategy Execution

Research by Edmondson (2008) identifies a different approach to execution—what she calls execution-as-learning—that promotes success over the long haul. Think of General Electric (GE), another powerhouse born in the industrial era. Since the 1980s, the company has constantly evaluated its activities, found ways to improve, and built the expectation that learning will be ongoing into management practices. As a result, GE has continued to reinvent itself with operations in every field from wind energy to medical diagnostics, and it posted a \$22.5 billion profit in 2007. From a distance, execution-as-learning looks a lot like execution-as-efficiency. There is the same discipline, respect for systems, and attention to detail. Look closer, however, and one finds a radically different organizational mind-set, one that focuses

not so much on making sure a process is carried out as on helping it evolve, building four unique approaches into day-to-day work. First, organizations that focus on execution-as-learning use the best knowledge obtainable to inform the design of specific process guidelines. Second, they enable their employees to collaborate by making information available when and where it is needed. Third, they routinely capture process data to discover how work is really being done. Finally, they study these data in an effort to find ways to improve. These four practices form the basis of a learning infrastructure that runs through the fabric of the organization, making continual learning part of business as usual.

The main attribute of Execution-as-learning are (a) leader set direction and articulate the mission; (b) employees, usually in teams, discover answers; (c) tentative work processes are set up as a starting point; (d) work processes keep developing; small changes—experiments and improvements—are way of life; (e) feedback is always two-way: the boss gives feedback in the form of coaching and advice; team members give feedback about what they're learning from doing the work; (f) problem solving is constantly needed, so valuable information is provided to guide employees' judgment; and (g) the belief that fear cripples the learning process: it inhibits experimentation, lowers awareness of options, and discourages people from sharing and analyzing insights, questions, and problems.

Execution-as-Learning: Four Steps

Organizations that adopt an execution-as-learning model don't focus on getting things done more efficiently than competitors do. Instead, they focus on learning faster. The goal is to find out what works and what doesn't; employees must absorb new knowledge while executing, often sacrificing short-term efficiency to gain insight into and respond to novel problems. Below are four steps for making this happen:

Step 1: Provide process guidelines. Figuring out the best ways to accomplish different kinds of work in a rapidly changing environment starts with seeking out best practice gathered from experts, publications, and even competitors. The path to execution-as-learning is thus similar to the path to efficiency—it starts with establishing standard processes. But the goal of these processes is not so much to produce efficiency as to facilitate learning, because effective knowledge organizations recognize that today's best practices won't be tomorrow's and won't work in every situation.

Step 2: Provide tools that enable employees to collaborate in real time. No matter how much thought goes into advance planning, knowledge work often requires people to make concurrent collaborative decisions in response to unforeseen, novel, or complex problems. Fostering face-to-face collaboration is also critical in the knowledge economy. Research shows that the most effective organizations provide forums to build networks and training in team skills, both of which bring critical areas of expertise and responsibility together.

Step 3: Collect process data. Execution-as-learning focuses on performance data, which capture what happened. Execution-as-learning pays just as much attention to process data, which describe how work unfolds.

Step 4: Institutionalize disciplined reflection. The goal of collecting data is to understand what goes right and what goes wrong, and to prevent failure from recurring. It is not easy for any organization facing cost constraints to do this. Disciplined reflection take productive resources off-line, and conventional management wisdom can't help but sees this as lost productivity.

Nonetheless, the only way to achieve and sustain excellence is for leaders to insist that their organizations invest in the slack time and resources that support this step (Edmondson, 2008).

Strategy Evaluation

The fact that there are potentially an unlimited variety of effective corporate strategies does not mean that most corporate strategies are effective. In fact, research and observation of practice suggest just the opposite—that many corporate strategies have serious flaws and do not serve to enhance firm value. Some corporate strategies fail because of weaknesses in individual elements of the strategy. For example, a firm may lack valuable resources, its portfolio of businesses may be in industries that are fundamentally unattractive, or its organizational design may be too interventionist and bureaucratic, given the task that need to be accomplished. A firm's strategy may also fail because the elements of its corporate strategy are not in alignment, that is, they do not form a coherent whole. For instance, a firm's resources may not make an important contribution to competitive advantage in its businesses, its organizational design may prevent the sharing of valuable resources across businesses, or its goals and objectives may not lead to the fulfillment of the company's vision. Finally, corporate strategies may fail because they do not adapt to the changing external environment. Shifts in consumer demand, technology, or channels of distribution, for example, may invalidate previously secure strategies and require dramatic alteration in corporate scope or organization. Five criteria are particularly helpful when evaluating a strategy failure: (1) vision—is there a clear and well-articulated corporate vision (2) internal consistency—a re the elements of the firm's corporate strategy aligned with one another? Do they form a coherent whole? (3) external consistency—does the strategy fit with the external environment? Is the strategy sustainable against changing environmental and competitor strategies? (4) feasibility—is the organization being ask to do too much in too short a time? Is the strategy too risk? (5) corporate advantage—does the strategy truly produce a corporate advantage? Is value-creation from the advantage ongoing? (Collis and Montgomery, 1998).

A Management System to Support Strategy Evaluation

The Need for a Balanced Scorecard

In using the balanced scorecard, two very distinct types of performance yardsticks are required: those relating to financial performance and those relating to strategic performance—outcomes that indicate a company is strengthening its marketing standing, competitive vitality, and future business prospects. Examples of commonly use financial objectives are an x percentage increase in annual revenues, annual increase in earnings per share, annual dividend increase, larger profit margin, and strong bond and credit rating. Examples of strategic objective include winning x percent of market share, achieving lower overall costs than rivals, strengthening the company brand appeal, achieving technological leadership, and having better product selection than rival.

Achieving acceptable financial results is a must. Without adequate profitability and financial strength, a firm's pursuit of its strategic vision, as well as long term health and ultimate survival, is jeopardized. Furthermore, subpar earnings and a weak balance sheet not only alarm shareholders and creditors but also put the jobs of senior executives at risk. However, good financial performance, by itself, is not enough. Of equal or greater importance is a company's

strategic performance—outcomes that indicate whether a company’s market position and competitiveness are deteriorating, holding steady, or improving. A firm’s financial performance measures are really lagging indicators that reflect the results of past decisions and organizational activities. But a firm’s past or current financial performance is not a reliable indicator of its future prospects—poor financial performers often turn things around and do better, while good performers can fall on hard times. The best and most reliable leading indicator of a firm’s future financial performance and business prospects are strategic outcomes that indicate whether the firm’s competitiveness and market position are stronger or weaker. For instance, if a firm has set aggressive strategic objective and is achieving them—such that its competitive strengths and market position are on the rise, then there is reason to expect that its future financial performance will be better than its current or past performance. If a firm is losing ground to competitors and its market position is slipping—outcomes that reflect weak strategic performance (and very likely, failure to achieve its strategic objectives) then its ability to maintain its present profitability is highly suspect. Hence, the degree to which a company’s managers set, pursue, and achieve stretch strategic objectives tends to be a reliable leading indicator of whether its future financial performance will improve or stall.

Consequently, a balanced scorecard for measuring company’s performance—one that tracks the achievement of both financial objectives and strategic objectives—is optimal. Just tracking a firm’s financial performance overlooks the fact that what ultimately enables a firm to deliver better financial results from its operations is the achievement of strategic objective that improve its competitiveness and market strengths. Indeed, the surest path to boosting company profitability quarter after quarter and year after year is to relentlessly pursue strategic outcomes that strengthen the firm’s market position and produce a growing competitive advantage over rivals (Thompson, Strickland and Gamble, 2007).

Strategic Control

Strategic control is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises, and making necessary adjustments. In contrast to post-action control, strategic control is concerned with guiding an action on behalf of the strategy as that action is taking place and when the end result is still several years off. Manager responsible for the success of a strategy typically are concerned with two sets of questions: (1) Are we moving in the proper direction? Are key things falling into place? Are our assumptions about major trends and changes correct? Are we doing the critical things that need to be done? Should we adjust or abort the strategy? (2) How are we performing? Are objectives and schedules being met? Are costs, revenues and cash flows matching projections? Do we need to make operational changes?

Establishing Strategic Controls

The control of strategy can be characterized as a form of “steering control.” As time elapses between initial implementation of a strategy and achievement of its intended results, investments are made and numerous projects and actions are undertaken to implement the strategy. Also, during that time, changes are taking place in both the environmental situation and the firm’s internal situation. Strategic controls are necessary to steer the firm through these events. They must provide the basis for adapting the firm’s strategic actions and

directions in response to these developments and changes. The four basic types of strategic control are:

Premise Control: Every strategy is based on certain planning premise—assumptions or prediction. Premise control is the systematic recognition and analysis of assumptions upon which a strategic plan is based, to determine if those assumptions remain valid in changing circumstances and in light of new information. If a vital premise is no longer valid, the strategy may have to be changed. The sooner the invalid premise can be recognized and rejected, the better are the chances that an acceptable shift in the strategy can be devised. Planning premise are primarily concerned with environmental and industry factors.

Environmental factors: Although a firm has little or no control over environmental factors, these factors exercise considerable influence over the success of its strategy, and strategies usually are based on key premise about them. Inflation, technology, interest rates, regulations, and demographic/social changes are examples of such factors.

Industry factors: The performance of the firm in a given industry is affected by industry factors. Competitors, suppliers, product substitutes, and barriers to entry are few of the industry factors about which strategic assumptions are made.

Strategies are often based on numerous premises, some major and some minor, about environmental and industry variables. Tracking all of these premises is unnecessarily expensive and time consuming. Hence managers must select premises whose change (1) is likely and (2) would have a major impact on the firm and its strategy. This is done through strategic surveillance and special alert control.

Strategic Surveillance: By their nature, premise controls are focused controls; strategic surveillance, however, is unfocused. It is designed to monitor a broad range of events inside and outside the firm that are likely to affect the course of its strategy. The basic idea behind strategic surveillance is that important yet unanticipated information may be uncovered by a general monitoring of multiple information sources. Strategic surveillance must be kept as unfocused as possible. It should be a loose “environmental scanning” activity. Trade magazines, newspapers, trade conferences, conversations, and intended and unintended observations are all subjects of strategic surveillance. Despite its looseness, strategic surveillance provides an ongoing, broad-based vigilance in all daily operations that may uncover information relevant to the firm’s strategy.

Special Alert Control: Another type of strategic control, really a subset of the other three, is special alert control. A special alert control is a thorough, and often rapid, reconsideration of the firm’s strategy because of a sudden, unexpected event. For example, an outside firm’s sudden acquisition of a leading competitor; and unexpected product difficulty—events of these kinds can drastically alter the firm’s strategy. Such an event should trigger an immediate and intense reassessment of the firm’s strategy and its current strategic situation. In many firms, crisis teams handle the firm’s initial response to unforeseen events that may have an immediate effect on its strategy (Pearce and Robinson, 2011).

Why Do Some Strategies Fail

Unfortunately, most firms seem becalmed in their red oceans. This is existing mature markets. In a study of business launches in 108 companies, Kim and Mauborgne (2004) found 86 percent of those new ventures were line extension—incremental improvements to existing

industry offerings—and a mere 14percent were aimed at creating new markets or industries. While line extensions did account for 62 percent of the total revenues, they delivered on 39 percent of the total profits. By contrast, the 14 percent invested in creating new markets and industries delivered 38 percent of the total revenues and a startling 61 percent of total profits .

So why the dramatic imbalance in favor of red oceans? Part of the explanation is that corporate strategy is heavily influenced by its roots in military strategy. The very language of strategy is deeply imbued with military references—chief executive “officers” in “headquarters,” “troops” on the “frontlines”. Described this way, strategy is all about red ocean competition. It is about confronting an opponent and driving him off a battlefield of limited territory. Blue ocean strategy, by contrast, is about doing business where there is no competitor. It is about creating new land, not dividing up existing land. Focusing on the red ocean therefore means accepting the key constraining factors of war—limited terrain and the need to beat an enemy to succeed. And it means denying the distinctive strength of the business world—the capacity to create new market space that is uncontested. The tendency of corporate strategy to focus on winning against rivals was exacerbated by the meteoric rise of Japanese companies in the 1970s and 1980s. For the first time in corporate history, customers were deserting Western firms in droves. As competition mounted in the global marketplace, a slew of red ocean strategy (one that is focus on the competitors) emerged, all arguing that competition was at the core of corporate success or failure. Today, one hardly talks about strategy without using the language of competition. The term that best symbolizes this is “competitive advantage.” In the competitive-advantage worldview, firms are often driven to outperform rivals and capture greater shares of existing market space. Of course competition matters. But by focusing on competition, scholars, companies, and consultants have ignored two very important aspects of strategy: One is to find and develop markets where there is little or no competition—blue oceans—and the other is to exploit and protect blue oceans. These challenges are very different from those to which strategists have devoted most of their attention (Kim and Mauborgne, 2004).

Perhaps the most important feature of blue ocean strategy is that it rejects the fundamental tenet of conventional strategy: that a trade-off exists between value and cost. According to this thesis, companies can either create value for customers at a higher cost or create reasonable value at a lower cost. In other words, strategy is essentially a choice between differentiation and low cost. But when it comes to creating blue oceans, the evidence shows that successful companies pursue differentiation and low cost simultaneously. Looking forward, it seems clear that blue oceans will remain the engine of growth. Prospects in most established market spaces—red oceans—are shrinking steadily. Technological advances have substantially improved industrial productivity, permitting suppliers to produce an unprecedented array of products and services. And as trade barriers between nations and regions fall and information on products and prices becomes instantly and globally available, niche markets and monopoly havens are continuing to disappear. At the same time, there is little evidence of any increase in demand, at least in the developed markets, where recent United Nations statistics even point to declining population. The result is that in more and more industries, supply is overtaking demand (Kim and Mauborgne, 2004).

Turning Around A Failed Strategy

Reconnecting With Strategy

Most companies owe their initial success to a unique strategic position involving clear trade-offs. Activities once were aligned with that position. The passage of time and the pressures of growth, however, led to compromises that were, at first, almost imperceptible. Through a succession of incremental changes that each seemed sensible at the time, many established companies have compromised their way to homogeneity with their rivals. The issue here is not with the companies whose historical position is no longer viable; their challenge is to start over, just as a new entrant would. At issue is a far more common phenomenon: the established company achieving mediocre returns and lacking a clear strategy. Through incremental additions of product varieties, incremental efforts to serve new customer groups, and emulation of rivals' activities, the existing company loses its clear competitive position. Typically, the company has matched many of its competitors' offerings and practices and attempts to sell to most customer groups.

However, a number of approaches can help a company reconnect with competitive strategy. The first is a careful look at what it already does. Within most well-established companies is a core of uniqueness. It is identified by answering questions such as the following: (1) Which of our product or service varieties are the most distinctive? (2) Which of our product or service varieties are the most profitable? (3) Which of our customers are the most satisfied? (4) Which customer channels, or purchase occasions are the most profitable? (5) Which of the activities in our value chain are the most different and effective?

Around this core of uniqueness are encrustations added incrementally over time. Like bottleneck, they must be removed to reveal the underlying strategic positioning. A small percentage of varieties or customers may well account for most of a company's sales and especially its profits. The challenge, then, is to refocus on the unique core and realign the company's activities with it. Customers and product varieties at the periphery can be sold or allowed through inattention or price increases to fade away. Also, a company's history can also be instructive. What was the vision of the founder? What were the products and customers that made the company? Looking backward, one can reexamine the original strategy to see if it is still valid. Can the historical positioning be implemented in a modern way, one consistent with today's technologies and practice? This sort of thinking may lead to a commitment to renew the strategy and may challenge the organization to recover its distinctiveness. Such a challenge can be galvanizing and can instill the confidence to make the needed trade-offs (Porter, 1996).

Similarly, competitive advantage is at the heart of a firm's performance in competitive markets. After several decades of vigorous expansion and prosperity, however, many firms lost sight of competitive advantage in their scramble for growth and pursuit of diversification. Today the importance of competitive advantage could hardly be greater. Firms throughout the world face slower growth as well as domestic and global competitors that are no longer acting as if the expanding pie were big enough for all (Porter, 1998). This brings into play the need for concept of shaping strategy. Shaping strategy might, at first blush, appear intimidating. But it needs not require massive organizational change. A series of relatively straightforward steps can get firms headed in the right direction and help determine whether a compelling shaping opportunity exists for your enterprise, industry, or marketplace. Your company's executive

team should think FAST (Focus, Accelerate, Strengthen, Tie it all together). These are discussed below.

Focus: Imagine what relevant markets and industries might look like in five to 10 years. Borrowing from scenario planning, consider plausible alternative futures, estimating the likelihood of each scenario and projecting potential implications for the company and other participants. Engage in creative exercise and hold off-site retreats to explore initiatives that will improve the odds of realizing a future more favorable to the company.

Accelerate: Identify the two or three operating initiatives that, if carried out over six to 12 months, would most accelerate the movement toward the preferred future. Specify and agree on the resources essential to these two or three operating initiatives, and on the metrics of success.

Strengthen: Ask what major organizational objectives might prevent the firm from moving even further toward achieving its operational goals. Specifically, identifying the two or three organizational obstacles that, if addressed, would most effectively speed the process.

Tie it all together: Integrate all the preceding activities and refine them based on what managers learn along the way. The FAST approach favors incrementalism, but above all it values an alignment between near-term performance and long-term direction. Without the long view, surefooted small steps won't take the firm far (Hagel, Brown and Davison, 2008).

The Role Of Strategic Leadership in the Strategy Process

The challenge of developing or reestablishing a clear strategy is often primarily an organizational one and depends on leadership. With so many forces at work against making choices and trade-offs in organizations, a clear intellectual framework to guide strategy is a necessary counterweight. Moreover, strong leaders willing to make choices are essential. In many companies, leadership has degenerated into orchestrating operational improvements and making deals. But the leader's role is broader and far more important. General management is more than the stewardship of individual functions. Its core is strategy: defining and communicating the company's unique position, making trade-offs, and forging fit among activities. The leader must provide the discipline to decide which industry changes and customer the firm needs will respond to, while avoiding organizational distraction and maintaining the company's distinctiveness. Managers at lower levels lack the perspective and the confidence to maintain a strategy. There will be constant pressures to compromise, relax trade-offs, and emulate rivals. One of the leader's jobs is to teach others in the organization about strategy—and to say no. Strategy renders choices about what not to do as important as choices about what to do. Indeed, setting limits is another function of leadership. Deciding which target group of customers or needs the firm should serve is fundamental to developing a strategy. But so is deciding not to serve other customers or needs and not to offer certain features and services. Thus strategy requires constant discipline and clear communication. Indeed, one of the most important functions of an explicit, communicated strategy is to guide employees in making choice that arise because of trade-offs in their individual activities and in day-to-day decisions (Porter, 1996). This is one important role of a strategic leadership.

Strategic Implications and Recommendations for SSA Business Leaders and Managers

Competitive advantage, whatever its source, ultimately can be attributed to the ownership of a valuable resource that enables the company to perform activities better or more cheaply than competitors. This is true both at the single-business level and at the corporate level, where the valuable resources might reside in a particular function, such as corporate research and development, or in an asset, such as corporate brand identity. Superior performance will therefore be based on developing a competitively distinct set of resources and deploying them in a well-conceived strategy. Resources cannot be evaluated in isolation, because their value is determined in the interplay with market forces. A resource that is valuable in a particular industry or at a particular time might fail to have the same value in a different industry or chronological context. A brand name was once very important in the personal computer industry, but it no longer is, as IBM has discovered at great cost. Thus the resource-based view of strategy (RBV) inextricably links a company's internal capabilities (what it does well) and its external industry environment (what the market demands and what competitors offer). Described this way, competing on resources sounds simple. In practice, however, managers often have a hard time identifying and evaluating their companies' resources objectively. The RBV can help by bringing discipline to the often fuzzy and subjective process of assessing valuable resources. For a resource to qualify as the basis for an effective strategy, it must pass a number of external market tests of its value. Some are so straightforward that most managers grasp them intuitively or even unconsciously. For instance, a valuable resource must contribute to the production of something customers want at a price they are willing to pay. Other tests are more subtle and, as a result, are commonly misunderstood or misapplied. These often turn out to cause strategies to misfire. A resource is strategically valuable if: (a) it is hard to copy; (b) it depreciates slowly; (c) Management—not employees, suppliers, or customers—controls its value; (d) it cannot be easily substituted; (e) it is better than competitors' similar resources; and (f) it can be upgraded continually. Because all resources depreciate, an effective corporate strategy requires continual investment in order to maintain and build valuable resources (Collis and Montgomery, 2008).

The above analysis has implications for SSA business leaders and managers. SSA business leaders and managers should build their strategies on resources that meet the six tests outlined above. The best of these resources are often intangible, not physical, hence the emphasis in recent approaches on the softer aspects of corporate assets—the culture, the people, the technology, and the transformational leader. These tests capture how market forces determine the value of resources. They force managements to look inward and outward at the same time. However, most companies are not ideally positioned with competitively valuable resources. More likely, they have a mixed bag of resources—some good, some mediocre, and some outright liabilities. The harsh truth is that most company's resources do not pass the objective application of the market tests. Even those companies that are fortunate enough to have unusual assets or capabilities are not home free. Valuable resources must still be joined with other resources and embedded in a set of functional policies and activities that distinguish the company's position in the market—after all, competitors can have core competencies, too. Strategy requires managers to look forward as well. SSA Companies fortunate enough to have a truly distinctive competence must also be wise enough to realize that its value is eroded by time and competition. This means that in a world of continuous change, companies need to maintain pressure constantly at the frontiers—building for the next

round of competition. SSA managers must therefore continually invest in and upgrade their resources, however good those resources are today, and leverage them with effective strategies into attractive industries in which they can contribute to a competitive advantage (Collis and Rukstad, 2008).

References

- Camillus, J. C. (2008). Strategy as a wicked problem. *Harvard Business Review* (May), pp. 99-106.
- Collis, D. J. and Montgomery, C. A. (2008). Competing on resources. *Harvard Business Review* (July-August), pp. 140-150.
- Collis, D. J. and Rukstad, M. G. (2008). Can you say what your strategy is? *Harvard Business Review* (April) pp. 82-90.
- Collis, D. J. and Montgomery, C. A. (1998). *Corporate strategy: A resource-based approach* (Boston: Irwin McGraw-Hill).
- Day, G.S., Reibstein, D. J., and Gunther, R. (1997). *Wharton on dynamic competitive strategy* (New York: John Wiley and Sons).
- Edmondson, A. C. (2008). The competitive imperative of learning. *Harvard Business Review* (July-August), pp. 60-67.
- Hagel, J., Brown, J. S., and Davison, L. (2008). Shaping strategy in a world of constant disruption. *Harvard Business Review* (October), pp. 81-89.
- Kaplan, R. S. and Norton, D. P. (2008). Mastering the management system. *Harvard Business Review* (January), pp. 63-77.
- Kaplan, R. S. and Norton, D. P. (2006). How to implement a new strategy without disrupting your organization. *Harvard Business Review*, (March) pp. 100-109.
- Kim, C. and Mauborgne, R. (2004). Blue ocean strategy. *Harvard Business Review* (October), pp. 76-84.
- Lele, M. M. (1992). *Creating strategic leverage: Matching company strengths with market opportunities* (New York: John Wiley and Sons).
- Montgomery, C. A. (2008). Putting leadership back into strategy. *Harvard Business Review* (January), pp. 54-60.
- Neilson, G. L., Martin, K. L., and Powers, E. (2008). The secrets to successful strategy execution. *Harvard Business Review* (June), pp. 61-70.
- Pearce, J. A. and Robinson, R. (2011). *Strategic management: Formulation, implementation, and control 12th ed.* (New York: McGraw-Hill).
- Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review* (January), pp. 79-93.
- Porter, M. E. (1998). *On competition* (Boston: Harvard Business School Press).
- Porter, M. E. (1998) *Competitive strategy: Techniques for analyzing industries and competitors* (New York: The Free Press).
- Porter, M. E. (1996). What is strategy? *Harvard Business Review* (Nov-Dec), pp. 61-78.
- Porter, M. E. (1996). *Competitive advantage: Creating and sustaining superior performance* (New York: The Free Press).
- Quigley, J. V. (1994). *Vision: How leaders develop it, share it, and sustain it* (New York: McGraw-Hill).

Thompson, A. A., Strickland, A. J., and Gamble, J. E. (2007). *Crafting and executing strategy: The quest for competitive advantage 15th ed.* (New York: McGraw-Hill).