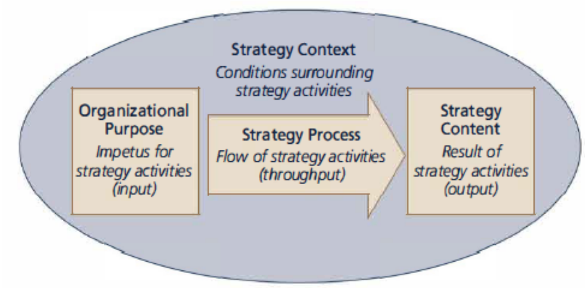
Sammanfattning dugga

Kapitel 1 - introduction

En simpel definition av strategi finns ej, omdiskuterat och omstritt.

Dimensioner av strategi



Tre dimensioner av strategi, **inte** tre delar. De tre dimensionerna påverkar varandra. Strategiresearch är mer atomistic än holistic, alltså fokusera på få variabler samtidigt.

Strategy content

De kombinerade besluten och valen som leder ett företag in i framtiden. Kan definieras som ”what?” i strategin, alltså ”what is the strategy of a firm”

Strategy process

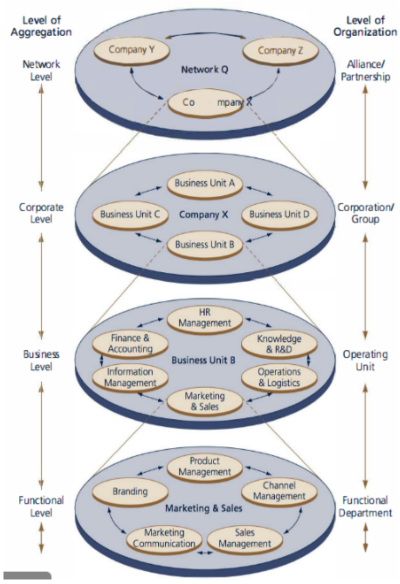
Sättet som strategier sker. Definieras som ”how”, ”who” och ”when” av strategin

Strategy context

Omständigheterna under vilka både strategy content och process är bestämda. Kan definieras som ”where” av strategin.

Strategy content

FIGURE 1.2 Levels of strategy



Det uppstår problem på flera nivåer i ett företag, dessa kan särskiljas som functional(funktionella aspekter av ett företag tex marknadsföringsstrategi), business (integrationen av av functional level strategier) och corporate (integrationen av strategier mellan de olika businesses i ett företag om sådana finns). Kan även finnas network level som är mellan samarbetande organisationer.

Strategy process

Flertalet linjära steg i teorin; analys, formulation och implementation. I verkligheten är det mer komplext och dessa steg sker samtidigt

Strategy context

Varje strategy context är unik. Flera aspekter av context

Strukturera strategi-debatter

Section	Chapter Topic	Strategy Tension
Strategy	Introduction	
	Strategizing	Logic ↔ Intuition
	Missioning and Visioning	Profitability ↔ Responsibility
Strategy Content	Business Level Strategy	Markets ↔ Resources
	Corporate Level Strategy	Responsiveness ↔ Synergy
	Network Level Strategy	Competition ↔ Cooperation
Strategy Process	Strategy Formation	Deliberateness ↔ Emergence
	Strategic Change	Revolution ↔ Evolution
	Strategic Innovation	Exploitation ↔ Exploration
Strategy Context	Industry Context	Compliance ↔ Choice
	Organizational Context	Control ↔ Chaos
	International Context	Globalization ↔ Localization

Strategy Topics	Strategy Paradoxes	Strategy Perspectives
Introduction		
Strategizing	Logic vs. Intuition	Analytic Reasoning vs. Holistic Reasoning
Missioning and Visioning	Profitability vs. Responsibility	Shareholder Value vs. Stakeholder Value
Business Level Strategy	Markets vs. Resources	Outside-in vs. Inside-out
Corporate Level Strategy	Responsiveness vs. Synergy	Portfolio Organization vs. Integrated Organization
Network Level Strategy	Competition vs. Cooperation	Discrete Organization vs. Embedded Organization
Strategy Formation	Deliberateness vs. Emergence	Strategic Planning vs. Strategic Incrementalism
Strategic Change	Revolution vs. Evolution	Discontinuous Renewal vs. Continuous Renewal
Strategic Innovation	Exploitation vs. Exploration	Strategic Improvement vs. Radical Rejuvenation
Industry Context	Compliance vs. Choice	Industry Dynamics vs. Industry Leadership
Organizational Context	Control vs. Chaos	Organizational Leadership vs. Organizational Dynamics
International Context	Globalization vs. Localization	Global Convergence vs. International Diversity

Strategi tensions som både/och problem

- **Puzzle –** ett utmanande problem med en optimal lösning
- **Dilemma –** ett problem med två möjliga lösningar
- **Trade-offs –** ett problem med flera möjliga lösningar där varje lösning ger en egen balans mellan två conflicting pressures.
- **Paradoxes –** en situation med två kontradikterande eller till och med gemensamt exklusivt, faktorer uppträder att vara sanna på samma gång.

Hanterande av paradoxer

Options:	Alternative terminologies:	Discussed in Chapter:
Navigating	Temporal separation; Punctuated equilibrium	2 (Strategizing) 5 (Corporate level strategy) 6 (Network level strategy) 8 (Strategic change) 9 (Strategic innovation) 12 (International context)
Parallel processing	Spatial separation	2 (Strategizing) 4 (Business level strategy) 6 (Network level strategy) 9 (Strategic innovation)
Balancing	Yin Yang Balancing; Blending; Trade-off; Dilemma; Accepting contradictions	5 (Corporate level strategy) 7 (Strategy formation) 9 (Strategic innovation) 11 (Organizational context) 12 (International context)
Juxtaposing	Manage opposites simultaneously	4 (Business level strategy) 6 (Network level strategy) 7 (Strategy formation) 10 (Industry context) 11 (Organizational context)
Resolving	Synthesis; Resolving the paradox; Beyond trade-off; Best-of-both	3 (Missioning and visioning) 5 (Corporate level strategy) 12 (International context)
Embracing	Dialectic; Combining; Exploit the tension	2 (Strategizing) 11 (Organizational context) 12 (International context)

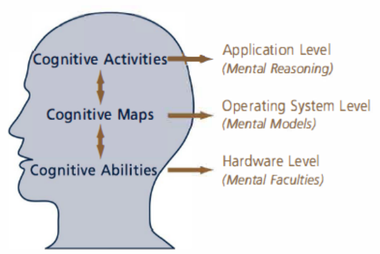
Kapitel 2 – strategizing

Cognition – the human ability to know

Cognitive activities

A general distinction can be made between cognitive activities directed towards defining a strategic problem and cognitive activities directed at solving a strategic problem

FIGURE 2.1 Cognitive activities, maps and abilities



Defining a strategic problem

- **Identifying** (recognizing, sense-making, ”what is a problem”)
- **Diagnosing** (analyzing, reflecting, ”what is the nature of the problem?”)

Solving a strategic problem

- **Realizing** (implementing, acting, ”what actions should be taken?”)
- **Conceiving** (formulating, imaging, ”how should the problem be addressed?”)

Strategists do not always reason in step-by-step thinking, often action and implementation is not the last step

Cognitive abilities

The human brain is limited in what it can know. The limitation to human´s cognitive abilities is largely due to three factors:

Limited information sensing ability

- The human senses cannot directly identify the way the world works and the underlying casual relationships
- The mental representations of the world that individuals build up in their minds are necessarily based on circumstantial evidence

Limited information processing capacity

- Humans do not have unlimited data processing abilities
- Humans hardly ever think through a problem with full use of available data
- **Cognitive heuristics –** mental shortcuts that focus a person´s attention on a number of key variables that are believed to be most important.

Limited information storage capacity

- Poor memory
- People must store information very selectively
- Cognitive heuristics and ´rules of thumb´ makes the memorization process manageable in the face of severe capacity limitations

Cognitive maps

A cognitive map of a certain situation reflects a persons belief about the importance of the issues and about the cause and effect relationships between them.

The paradox of logic and creativity

Logical thinking

Logical thinking is a disciplined and rigorous way of thinking, on the basis of formal rules. Then employing logic, each step in an argumentation follows from the previous, based on valid principles.

- The ability to critically reflect on assumptions is needed to check whether they are based on actual fact, or on organizational folklore an industry recipes
- Mental models must be evaluated
- Logical thinking can prevent building a false model of reality and help to avoid emotional interpretations
- Vertical thinking

Creative thinking

In creative thinking a person abandons the rules governing sound argumentation and draws a conclusion that is not justified based on the previous arguments. In this way the thinker generates a new understanding, but without objective proof that the new idea makes sense

- **Lateral thinking**
- Creativity in effect creates a new understanding, with little attention paid to supporting evidence. Logical thinking is often used afterwards to justify an idea.

The demand for logic and creativity is not only contradictory for each individual but also within teams, departments and overall firms. That is why it is spoken of as the "paradox of logic and creativity"

Perspectives on strategic thinking

Two poles: rational reasoning perspective (strategic reasoning should be a predominantly rational process) and generative reasoning perspective (the ability to break through orthodox beliefs and generate new insights and behaviours.

The rational reasoning perspective (analytical)

- First consciously and thoroughly analyse the problem situation
- Step-by-step process but in reality, strategists often have to backtrack and redo some of these steps as new information becomes available or chosen strategies do not work out
- Bounded rationality – people act intentionally rational, but only limitedly so
- The rational reasoning process of the strategist strongly resembles that of the scientist

The generative reasoning perspective (holistic, "wicked", "unstructured")

- Logic is important but is often more a hindrance than help
- Creative thinking should be the driving force and logical thinking a supporting means
- There are no fixed set of solutions – therefore impossible to identify the problem and calculate an optimal solution
- In a generative reasoning process, all strategic thinking activities are oriented towards creating instead of calculating, inventing instead of finding

Rational reasoning vs generative reasoning perspective

TABLE 2.1 Analytic reasoning versus holistic reasoning perspective

	Analytic reasoning perspective	*Holistic reasoning perspective*
Emphasis on	Logic over creativity	Intuition over logic
Dominant cognitive style	Analytic	Holistic
Thinking follows	Formal, fixed rules	Informal, variable rules
Nature of thinking	Deductive and computational	Inductive and imaginative
Mode of thinking	Structured	Unstructured
Direction of thinking	Vertical	Lateral
System at work	Conscious, reflective	Unconscious, reflexive
Problem solving seen as	Analysing activities	Sensemaking activities
Value placed on	Cold cognition	Hot cognition
Assumption about reality	Objective, (partially) knowable	Subjective, (partially) creatable
Thinking hindered by	Incomplete information	Adherence to current cognitive map
Strategizing speed	Slow	Fast
Strategizing based on	Calculation	Judgement
Metaphor	Strategy as science	Strategy as art

Kapitel 3 – Missioning and visioning

Corporate mission – the fundamental principles that mobilize and propel the firm in a particular direction, business principles

Strategic vision – a future state of affairs a company wish to achieve, business ambition

Elements of corporate mission

A corporate mission is the enduring set of fundamental principles that forms the base of a firm´s identity and guides its strategic decision making. Four components can be distinguished:

- **Organizational purpose –** the reason of which an organization exists.
- **Organizational beliefs –** the magnitude of sharing of the beliefs within the organization affects how the decision-making will be
- **Organizational values –** the values within the organisation can have a strong impact on the strategic direction
- **Business definitions –** most businesses have a clear identity, which they derive from being active in a particular part of business

Elements of a strategic vision

A strategic vision is the desired future state of an organization. Also termed ´strategic intent´ and ´envisioned future´ a strategic vision is built on four components.

- **Envisioned contextual environment**
- **Envisioned industry environment**
- **Desired future organizational position**

Functions of corporate mission and strategic vision

Firms can have a vision and a vision even if it has not been explicitly written down, although this increases the chance of divergent interpretations within the organization. Furthermore a corporate mission and strategic vision can provide:

- **Direction**
- **Legitimization**
- **Motivation**

Functions of corporate governance

The subject of corporate governance as opposed to corporate management deals with the issue of governing the strategic choices and actions of top management. Managing top management – building in checks and balances to ensure that the senior executives pursue strategies that are in accordance with the corporate mission. Three important corporate governance functions can be distinguished:

- **Forming function**
- **Performance function**
- **Conformance function**

Forms of corporate governance

There is considerable disagreement on how boards of directors should be organized and run. Currently, each country has its own system of corporate governance and the international differences are large. In designing a corporate gorvernance regime, three characteristics of boards of directors are of particular importance:

- **Board structure**
- **Board memebership**
- **Board tasks**

The paradox of profitability and responsibility (the issue of organizational purpose)

There is a demand for economic profitability, more visible than societal responsibility. Being socially responsible often do not go along with profitability.

Perspectives on missioning and visioning

Shareholder value perspective

Companies should act in accordance with the interest of the owners. Companies purpose is to create economic value. It is never good to completely ignore important external claimants though. The only duty of a company is to maximize shareholder value within the boundaries of what is legally permissible.

Stakeholder values perspective

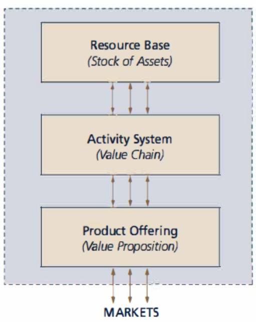
An organisation should be regarded as a joint venture in which the suppliers of equity, loans, labour, management, expertise, parts and service all participate to achieve economic success. It is a company´s purpose to serve the interest of all parties involved.

	Shareholder value perspective	*Stakeholder values perspective*
Emphasis on	Profitability over responsibility	Responsibility over profitability
Organizations seen as	Instruments	Joint ventures
Organizational purpose	To serve owner	To serve all parties involved
Measure of success	Share price and dividends (shareholder value)	Satisfaction among stakeholders
Major difficulty	Getting agent to pursue principal's interests	Balancing interests of various stakeholders
Corporate governance through	Independent outside directors with shares	Stakeholder representation
Stakeholder management	Means	End
Social responsibility	Individual, not organizational matter	Both individual and organizational
Society best served by	Pursuing self-interest (economic efficiency)	Pursuing joint-interests (economic symbiosis)

Kapitel 4 – business level strategy

The issue of competitive advantage

FIGURE 4.1 Components of a business model



Business model is the configuration of resources (inputs), activities (throughput) and product/service offerings (output). A firm's value chain consists of a firms value-adding activities such as production logistics etc.

Product offering

Companies should often focus on a limited set of product-market combinations or else they run the risk of encountering a number of major problems such as low economies of scale, unclear brand and corporate image etc. Companies should in other words focus on a limited number of businesses and within each business on a limited group of customers and a limited set of products.

Delineating (begränsningsyta) industries – an industry is defined as a group of firms making a similar type of product or employing a similar set of value-adding processes or resources.

Segmenting markets – while economists see the market as a place where supply and demand meet, in the business world a market is usually defined as a group of customers with similar needs.

Defining and selecting businesses: 1. Select a limited number of businesses, 2. Focus within each selected business

Positioning within a business: Price, features, bundling, quality, availability, image, relations. According to porter all those can be reduced to two broad categories, lower cost and differentiation. Treacy and Wiersema argue that there are three generic competitive advantages; operational excellence, product leadership and customer intimacy.

Value chain

Each firm needs to perform a number of activities to successfully satisfy the customers demands.

Porters generic value chain

The generic categories of **primary activities** identified by Porter are: inbound logistics, operations, outbound logistics, marketing and sales and service. The **support activities** are: procurement, technology development, human resource management and firm infrastructure.

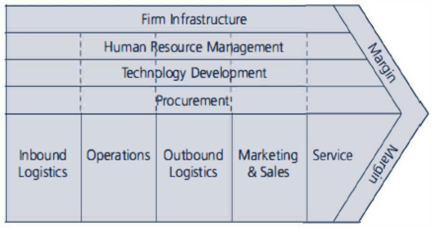


FIGURE 4.6 The generic value chain (Porter, 1985)

Resource base

To carry out activites and produce goods firms need resources.

Tangible resources – can be physically observed easy to price and placed on the balance sheet

Intangible resources – cannot be touched, carried within the organisation, needs to be developed not purchased

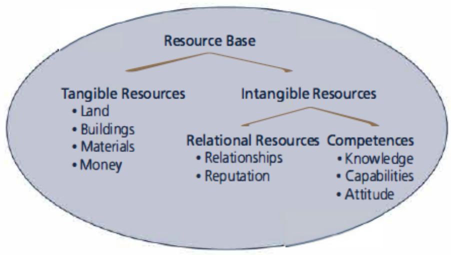


FIGURE 4.7 Types of firm resources

Relational resources – derived from the firm´s interaction with its environment.

Competence – the firm's fitness to perform in a particular field.

Sustaining competitive advantage

Competitive advantage is rooted in an unique business model. A competitive advantage is said to be sustainable if it cannot be copied, substituted or eroded by the actions of rivals, and is not made redundant by developments in the environment. Sustainability iow depends on two main factors, **competitive dependability** and **environmental consonance**.

The paradox of markets and resources

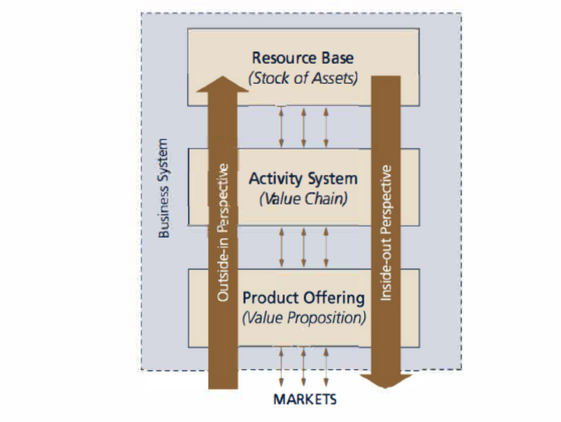
There must be a fit between an organisation and its environment. A firm's strategy should match a firms SWOT. Key to success is alignment of the two sides. But the two sides pulls in different directions. Adapting to the market is a vital requirement for a organizations success. On the other hand a company must leverage its resources, building a new area of competence takes a considerable amount of time, effort and money.

Perspectives on business level strategy

The outside-in perspective

Firms should with this perspective continuously take their environment as the starting point when determining a strategy. Market-driven. Analyse the environment to identify attractive market opportunities.

FIGURE 4.8 Two perspectives on shaping the business model



The inside-out perspective

Strategies should according to this perspective be built around a company´s strengths. Companies should build a strong resource base over an extended period of time.

TABLE 4.1 Outside-in versus inside-out perspective

	Outside-in perspective	*Inside-out perspective*
Emphasis on	Markets over resources	Resources over markets
Orientation	Opportunity-driven (external potential)	Strength-driven (internal potential)
Starting point	Market demand and industry structure	Resource base and value chain
Fit through	Adaptation to environment	Adaptation of environment
Strategic focus	Attaining advantageous position	Attaining distinctive resources
Strategic moves	External positioning	Building resource base
Tactical moves	Acquiring necessary resources	External positioning
Competitive weapons	Bargaining power and mobility barriers	Superior resources and imitation barriers

Kapitel 5 – corporate level strategy

The issue of corporate configuration

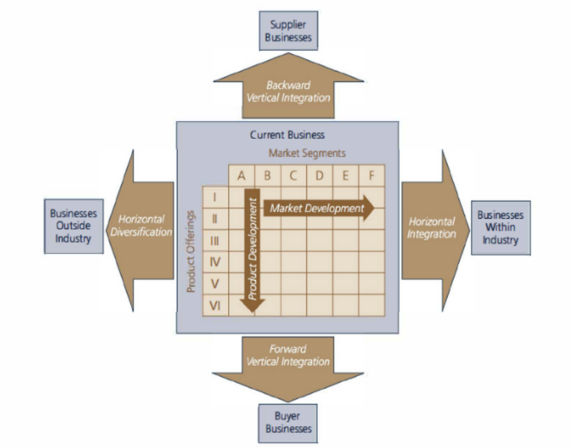
Determining the configuration of a corporation can bi disentangled into two main questions: a) wat businesses should the corporation be active in? (topic of **corporate composition)** b) how should this group of business be managed? (the issue of **corporate management**)

Corporate composition

Upstream – supplier, downstream - buyer

A multi-business firm is composed of two or more businesses. When a corporation enters yet another line of business, its called diversification, there are two categories of diversification, vertical and horizontal. **Vertical diversification**, usually called vertical integration is when a firm enters other businesses upstream or downstream within its own industry column. **Horizontal integration/diversification** is when a company integrates a related business at the same tier in the industry column.

FIGURE 5.1 Corporate growth directions



The issue of corporate composition deals with the question of where the firm wants to have which level of involvement. Corporate level strategists must decide where to allocate resources, build up activities and try to achieve market sales. The issue of corporate composition can be further subdivided into two parts:

- **Corporate scope –** the composition of the corporation depends on the business areas selected. The more business components chosen the broader the scope of the corporation.

Need to decide on how broad a scope to have and either shut down some business areas or expand to new ones.

- **Corporate distribution –** the composition of the corporation also depends on the relative size of the activities in each business area covered. The distribution within the corporation is determined by the relative weight of each business component. Decide on which activities will be the focus for further growth and increased weight within the firm.

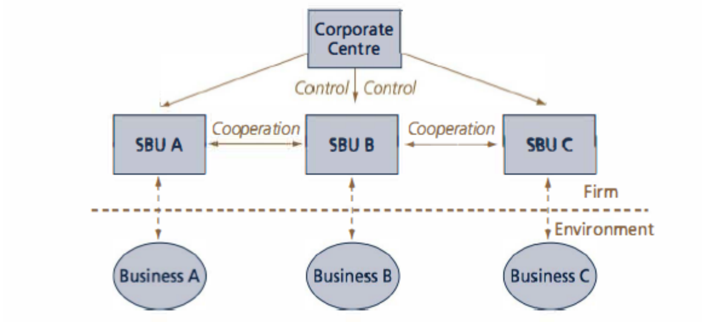
Portfolio matrix – the set of business activities carried out by the corporation. Each business activity is represented as a bubble where the size represents the revenue.

Corporate management

It has become a widespread policy to organize multi-business firms into strategic business units (SBU:s), this organizational structure is often referred to as the M-form. Each strategic business unit is given the responsibility to serve the particular demands of one business area. The business units are labelled "strategic" because each is driven by its own business level strategy. This approach leads to an issue on how to bring together the separate parts into a cohesive corporate whole. Three key integration mechanisms can be distinguished in this:

- **Centralisation**
- **Coordination**
- **Standardization**

FIGURE 5.3 Corporate integration through control and cooperation



Two organizational means are available to secure the effective deployment of the integration mechanisms, these are **Control** and **cooperation**. Goold and Campbell distinguish three general corporate control styles, each emphasizing different levels of centralization, coordination and standardization. These are **financial control style**(highly autonomous from the corporate centre, few centralized and standardized activities, little between business units), **strategic control style**(closer relationship with corporate centre, some central services exists some systems standardized, corporate centre does not attempt to coordinate between SBU:s) and **strategic planning style**(little autonomy from corporate centre, many activities standardized or centralized, much cross business coordination).

The paradox of responsiveness and synergy

Strategists constantly struggle with the the balance between realizing synergies and defending business unit responsiveness. To achieve synergies, a firm must to some extent integrate the activities carried out in its various business units. The autonomy of the business units must be partially limited, in the interest of concerted action. This integration comes with a pricetag, an extra level of management is often required, more meetings, extra complexity, potential conflicts of interest, additional bureaucracy. Harmonization of operations costs money and diminishes a busines unit´s ability to precisely tailor its strategy to its specific business environment. Hence the challenge is to realize more **value creation** through multi-business synergies than **value destruction** through the loss of business responsiveness.

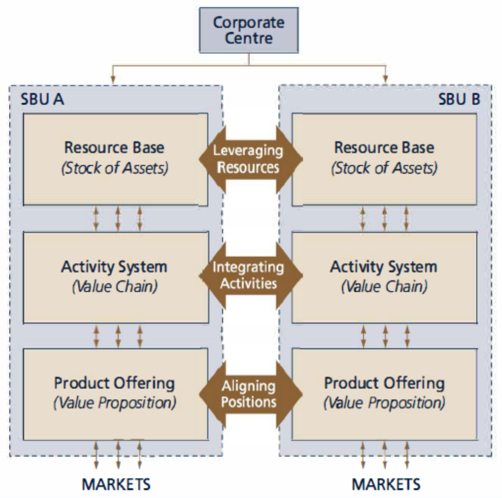
The demand for multi-business synergy

Diversification into new business areas can only be economically justified if it leads to value creation. Porter says that entering into another business can only result in increased shareholder value if three essential tests are passed: **The attractiveness test, The cost-of-entry test and the better-of test.**

Multi business level firms need to be more than the sum of their parts. They need to create more added value than the extra costs of managing a more complex organisation.

- **Synergy by leveraging resources –** Two or more businesses are related if their resources can be shared, both tangible and intangible.
- **Synergy by aligning positions –** two or more businesses are related if they can help eachother by aligning their positioning in the market
- **Synergy by integrating value chain activities –** two or more businesses are related if an integration of their value chains is more efficient and/or more effective than if they were totally separated.

FIGURE 5.4 Forms of multi-business synergy



The demand for business responsiveness.

Responsiveness is defined as the ability to respond to the competitive demands of a specific business area in a timely and adequate manner. A business unit is responsive if it has the capability to tightly match its strategic behaviour to the competitive dynamics in its business. If a business unit does not focus its strategy on the conditions in its direct environment and does not organize its value-adding activities and management systems to fit with the business characteristics, it will soon be at a competitive disadvantage compared to more responsive rivals. Business responsiveness is therefore a key demand for successful corporate level strategy. Yet in multi-business firms the responsiveness of the business units is constantly under pressure. Various scope disadvantages limit the ability of the corporation to ensure business responsiveness. Together the threats that multi business firms stand ahead of limits the business unit´s drive to be responsive. These threats make clear that multi-business firms must determine their composition and management systems in a way that enables business units to be responsive, yet simultaneously corporate strategists need to strive towards the realization of synergies.

Perspectives on corporate level strategy

Corporations need to capture multi-business synergies and they need to ensure each business unit´s responsiveness to its competitive environment. In other words, corporations need to be integrated and differentiated at the same time – emphasizing the whole and respecting the part. Synergy – centripetal force, responsive centrifugal force. The main question dividing strategists is whether a corporation should primarily be a collection of parts or an integrated whole.

The portfolio organization perspective

Responsiveness is strongly emphasized over synergy. Each business has its own unique characteristics and demands. Develop a specific strategy for each business. Requires freedom from corporate centre interference and freedom from cross-business coordination. High level of business unit autonomy is required. The only synergies emphasized are financial synergies.

The integrated organization perspective

A multi-business firm should be more than a loose federation of business held together by a common investor and should be tightly knit team of business units grouped around a common core. The multi-business synergies generated at the core of the organization should enable the corporation to beat its competitors in a variety of business areas.

TABLE 5.1 Portfolio organization versus integrated organization perspective

	Portfolio organization perspective	*Integrated organization perspective*
Emphasis on	Responsiveness over synergy	Synergy over responsiveness
Conception of corporation	Collection of business shareholdings	Common core with business applications
Corporate composition	Potentially unrelated (diverse)	Tightly related (focused)
Key success factor	Business unit responsiveness	Multi-business synergy
Focal type of synergy	Cash flow optimization and risk balance	Integrating resources, activities and positions
Corporate management style	Exerting financial control	Joint strategy development
Primary task corporate centre	Capital allocation and performance control	Setting direction and managing synergies
Position of business units	Highly autonomous (independent)	Highly integrated (interdependent)
Coordination between BUs	Low, incidental	High, structural
Growth through acquisitions	Simple to accommodate	Difficult to integrate

Kapitel 6 – network level strategy

When firms works jointly towards a common goal and dorm an alliance, partnership or network their shared strategy is referred to as **network level strategy.**

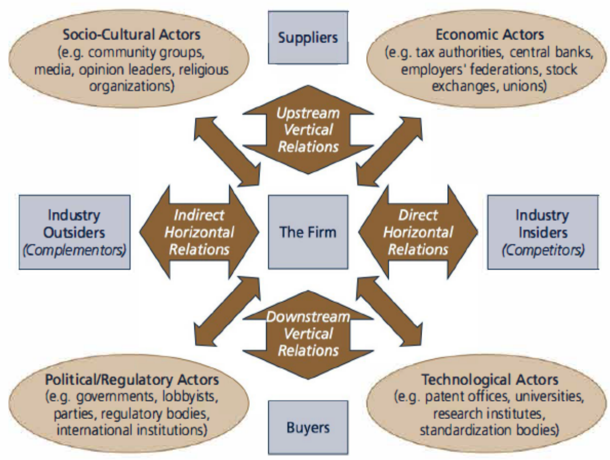
The issue of inter-organizational relationships

All firms must necessarily interact with other organizations and individuals in their environment and therefore they have inter-organizational relationships. These relationships can evolve without any clear strategic intent or tactical calculation, but most managers agree that actively determining the nature of their external relations is a significant part of what strategizing is about. Even avoiding relations with some external parties can be an important strategic choice. For aspects are of particular importance when understanding the interaction between firms; **who (relational actors), why (relational objectives), what (relational factors) and how (relational arrangements).**

Relational actors

There are eight major groups of external parties with whom the firm can or must interact. A distinction has been made between **industry** (perform value adding activities) and **contextual actors** (sets the conditions under which the industry must operate).

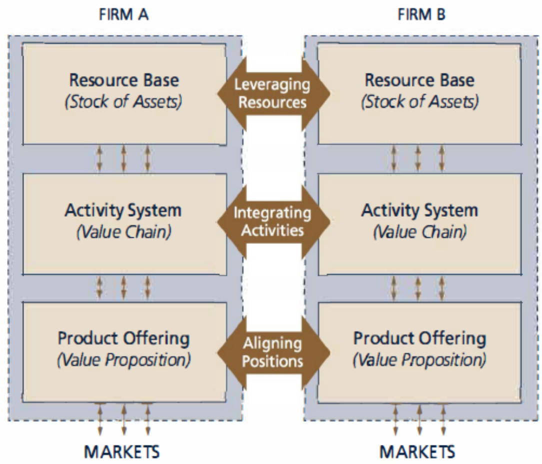
FIGURE 6.2 The firm and its web of relational actors



Relational objectives

How organizations deal with one another is strongly influenced by what they hope to achieve. Both parties may have open and mutually beneficial objectives, but it is also possible that one or both actors have poorly defined intentions, hidden agendas and/or mutually exclusive goals. Companies can cooperate to gain synergies the same way as SBU:s cooperate.

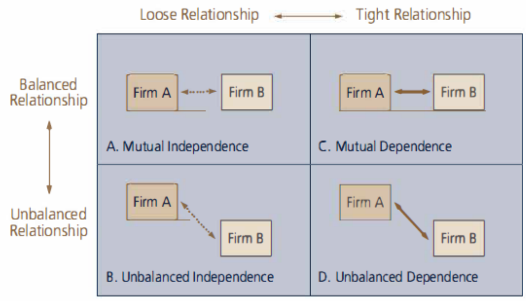
FIGURE 6.3 Inter-organizational cooperation objectives



Relational factors

How inter-organizational relationships develop is strongly influenced by the objectives pursued by the parties involved. However, a number of other factors also have an impact on how relationships unfold. These relational factors can be grouped into four general categories; **legitimacy, urgency, frequency** and **power.**

FIGURE 6.4 Relative power positions in inter-organizational relationships



Relational arrangements

In thee classic dichotomy, the firm and its environment are presented as rather distinct entities. Integration of activities into the firm is only necessary where "markets do not function properly" – where doing it yourself is cheaper or better. The organizations involved in networks can employ different sorts of collaborative arrangements to structure their ties with one another. Two major distinctions in these arrangements, the first is between **bilateral** that only involve two parties and **multilateral** arrangements that involve 3 or more. The second is between **non-contractual** that are not binding by law, **contractual** arrangements that have a legal enforceability and **equity-based** arrangement that unlike the two earlier involve taking a financial stake.

FIGURE 6.5 Examples of collaborative arrangements

	Non-Contractual Arrangements	Contractual Arrangements	Equity-based Arrangements
Multilateral Arrangements	• **Lobbying coalition** (e.g. European Roundtable of Industrialists) • **Joint standard setting** (e.g. Linux coalition) • **Learning communities** (e.g. Strategic Management Society)	• **Research consortium** (e.g. Symbian in PDAs) • **International marketing alliance** (e.g. Star Alliance in airlines) • **Export partnership** (e.g. Netherlands Export Combination)	• **Shared payment system** (e.g. Visa) • **Construction consortium** (e.g. Eurotunnel) • **Joint reservation system** (e.g. Galileo)
Bilateral Arrangements	• **Cross-selling deal** (e.g. between pharmaceutical firms) • **R&D staff exchange** (e.g. between IT firms) • **Market information sharing agreement** (e.g. between hardware and software makers)	• **Licensing agreement** (e.g. Disney and Coca-Cola) • **Co-development contract** (e.g. Disney and Pixar in movies) • **Co-branding alliance** (e.g. Coca-Cola and McDonald's)	• **New product joint venture** (e.g. Sony and Ericsson in cellphones) • **Cross-border joint venture** (e.g. Daimler-Benz and Beijing Automotive) • **Local joint venture** (e.g. CNN Turk in Turkey)

The paradox of competition and cooperation

Tension created by the need to work together with others, while simultaneously needing to pursue your own interest. Firms cannot isolate themselves from their environments, but must actively engage in relationships with suppliers and buyers, while selectively teaming up with other firms inside and outside their industry to attain mutual benefit. But while they are collaborating to create joint value, firms are also each other´s rivals when it comes to dividing the benefits. These opposite demands placed on organizations are widely referred to as the pressures of competition and cooperation.

The demand for inter-organizational competition

Competition can be defined as the act of working against others, where two or more organizations goals are mutually exclusive. In other words, competition is the rivalry behaviour exhibited by organisations or individuals where one´s win is the other´s loss. Organisations need to be competitive in their relationships with others. Without the will to engage in competitive interaction, the organization will be at the mercy of more aggressive counterparts. In general, calculation, bargaining, manoeuvring, building coalitions and outright conflict are all characteristic of the competitive interaction between organizations.

The demand for inter-organizational cooperation

Cooperation can be defined as the act of working together with others, where two or more organizations hoals are mutually beneficial. In other words, cooperation is the collaborative behaviour exhibited by organizations or individuals where both sides need each other to succeed. Organizations need to be cooperative in their relationships with others. Without cooperation the organization will miss the opportunity to reap the advantages of joint efforts.

Perspectives on network level strategy

Firms need to be able to engage in competition and cooperation simultaneously, even though these demands are each other´s opposites. Firms need to exhibit a strongly cooperative posture to reap the benefits of collaboration, and they need to take a strongly competitive stance to ensure that others do not hamper their interests. Some theorists conclude what is required is **"co-opetition".** Firms must both become part of a broader team and at the same time remain free to manoeuvre, securing their own interests. In other words they must be embedded and independent at the same time. The question dividing strategizing managers is whether the firms should be more embedded or more independent.

The discrete organization perspective

Managers taking the discrete organization perspective view companies as independent entities competing with other organizations in a hostile market environment. In this hostile environment it is a strategic necessity for companies to strengthen their competitive position in relation to external forces. The label **"discrete organisation"** given to this perspective refers to the fact that each organization is seen as being detached from its environment, with sharp boundaries demarcating where the outside world begins. Interactions with others is considered to be of **zero-sum** nature, that is, a fight for who gets how much of the pie. Keeping other organizations at arm´s-length also facilitates clear and business-like interactions. Short lived "competitive" collaboration can sometimes appear.

The embedded organization perspective

Strategists taking the embedded organization perspective are fundamentally at odds with the assumption that competition is the predominant factor determining the interaction between organizations. It is argued that business is about value creation, which is a **positive-sum** activity. Creating value brings together organizations towards a common goal, as they can achieve more by working together than by behaving autonomously. Companies are necessarily cogs in the larger industrial machine and the can achieve little without working in unison with the other parts of the system. In the **embedded organization perspective** atomistic competition is a neoclassical theoretical abstraction that seriously mischaracterizes the nature of relationships between organizations. In reality cooperation is the predominant factor determining the inter-organizational relations.

TABLE 6.1 Discrete organization versus embedded organization perspective

	Discrete organization perspective	*Embedded organization perspective*
Emphasis on	Competition over cooperation	Cooperation over competition
Preferred position	Independence	Interdependence
Environment structure	Discrete organizations (atomistic)	Embedded organizations (networked)
Firm boundaries	Distinct and defended	Fuzzy and open
Inter-organizational relations	Arm's-length and transactional	Close and structural
Interaction outcomes	Mainly zero-sum (win/lose)	Mainly positive-sum (win/win)
Interaction based on	Bargaining power and calculation	Trust and reciprocity
Network level strategy	No	Yes
Use of collaboration	Temporary coalitions (tactical alliance)	Durable partnerships (strategic alliance)
Collaborative arrangements	Limited, well-defined, contract-based	Broad, open, relationship-based

Kapitel 7 – strategy formation

The two distinctions that strategy is a intended course of action and realized course of action are not contradictory but complementary. Formation compasses both formulation and action.

The issue of realized strategy

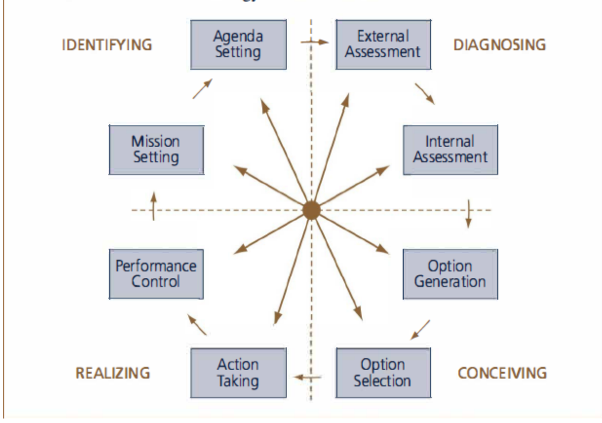
Getting an organization to exhibit strategic behaviour is what all strategists aim to achieve. Preparing detailed analyses, drawing up plans, making extensive slide presentations and holding long meetings might all be necessary means to achieve this end, but ultimately it is the organization´s actions directed at the marketplace that count. They key issue facing the managers is, therefore, how this strategic behaviour can be attained. How can a successful course of action be realized in practise?

Strategy formation activities

It is argued that the process of strategic reasoning can be divided to identifying, diagnosing, conceiving and realizing. These strategic problem-solving activities, taking place in the mind of the strategist, are in essence the same as those encountered in organizations at large but with different requirements for structuring the process. Getting people within an organization to exhibit strategic behaviour necessitates the exchange of information and ideas, decision making procedures, communication channels, the allocation of resources and the coordination of actions.

When translated to an organizational environment the four elements can be further divided into eight basic building blocks.

FIGURE 7.1 The main strategy formation activities



Strategy formation roles

In all strategy formation processes the activities discussed above need to be carried out. Significant differences in who carries out which activities. This can be divided into top vs middle vs bottom roles, Where activities are pushed down. Line vs staff roles where line managers are responsible for realization of strategic options whereas staff members are sometimes involved in strategy formation process. Internal vs external roles where some activities can be outsourced. It is uncommon for firms to hire external agencies for diagnostic activities or to facilitate strategy formation though.

In organizing the strategy formation process a key question is how formalized the assignment of activities to the various potential process participants should be.

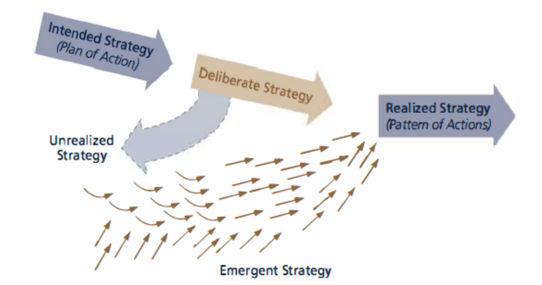
The paradox of deliberateness and emergence

Strategy has to do with the future. And the future is unknown. This makes strategy a fascinating, yet frustrating topic. Fascinating because the future can still be shaped and strategy can be used to achieve this aim. Frustrating because the future is unpredictable, undermining the best of intentions, thus demanding flexibility and adaptability. To managers the idea of creating the future is highly appealing, yet the prospect of sailing for terra incognita without a compass is unsettling at best. This duality of wanting to design the future intentionally while needing to gradually explore, learn and adapt to an unfolding reality is the tension central for the topic of strategy formation. It is the conflicting need to figure things out in advance, versus the need to find things out along the way.

The demand for deliberate strategizing

Deliberateness refers to the quality of acting intentionally. When people act deliberately the think before they do. They make a plan and implement it. All organizations need to plan, when it comes to strategy there are also a number of advantages that strongly pressure organizations to engage in deliberate strategizing.

FIGURE 7.2 Deliberate and emergent strategy



The demand for strategy emergence

Emergence is the process of becoming apparent. A strategy emerges when it comes into being along the way. Where there are no plans, or people divert from their plans but their behaviour is still strategic, it can be said that the strategy is emergent, gradually shaped during an iterative process of "thinking" and "doing". More flexible.

Perspectives on strategy formation

How should strategizing managers strike a balance between deliberateness and emergence?

The strategic planning perspective

Advocates of the strategic planning perspective argue that strategies should be deliberately planned and executed. Managers must put time and effort into consciously formulating an explicit plan, making use of all available information and weighing all of the strategic alternatives. Tough decisions need to be made and priorities need to be set, before action is taken. "think before you act". This approach allows for formalization and differentiation of strategy tasks.

The strategic incrementalism perspective

To advocates of the strategic incrementalism perspective, the planners fate in deliberateness is misplaced and counter-productive. In reality, incrementalists argue, new strategies largely emerge over time, as managers proactively piece together a viable course of action or reactively adapt to unfolding circumstances. It is flexibly shaping the course of action by gradually blending together initiatives into a coherent pattern of actions. Planning is not suitable for innovation.

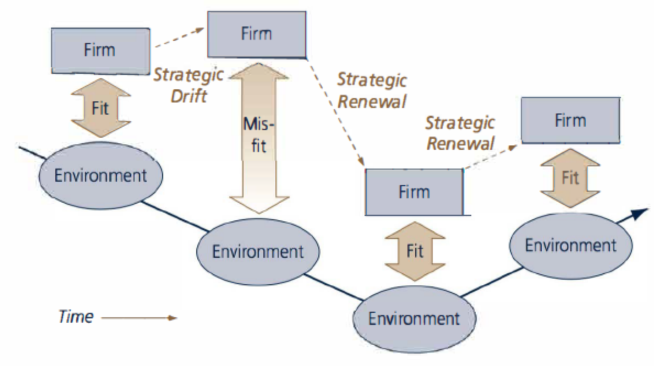
	Strategic planning perspective	*Strategic incrementalism perspective*
Emphasis on	Deliberateness over emergence	Emergence over deliberateness
Nature of strategy	Intentionally designed	Gradually shaped
Nature of formation	Figuring out	Finding out
View of future	Forecast and anticipate	Partially unknown and unpredictable
Posture towards the future	Make commitments, prepare	Postpone commitments, remain flexible
Formation process	Formally structured and comprehensive	Unstructured and fragmented
Formation process steps	First think, then act	Thinking and acting intertwined
Decision-making	Hierarchical	Dispersed
Decision-making focus	Optimal resource allocation and coordination	Experimentation and parallel initiatives
Implementation focused on	Programming (organizational efficiency)	Learning (organizational development)
Strategic change	Implemented top-down	Requires broad cultural and cognitive shifts

Kapitel 8 – strategic change

The issue of strategic alignment

There are many actions that constitute a strategic change – a reorganization, a diversification move, a shift in core technology, a business process redesign and a product portfolio reshuffle to name a few. Each one of these changes is fascinating in itself. But the discussion will be broader than just a single strategic change, looking instead at the process of how a series of strategic changes can be used to keep the firm in sync with its surroundings. How can ´a path of strategic changes´ be followed to constantly align the firm and avoid a situation whereby the firm ´drifts´ too far away from the demands of the environment.

FIGURE 8.1 Example of an ongoing strategic renewal process

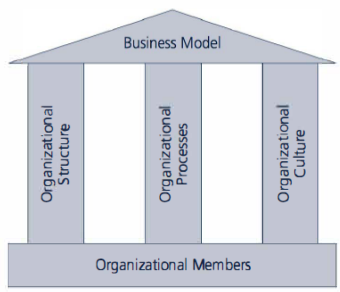


To come to a deeper understanding of the issue of strategic alignment, the first step that must be taken is to examine what is actually being aligned during a process of strategic change. The areas of strategic alignment have been explored in the previous section.

Areas of strategic alignment

Firms are complex systems, consisting of many different elements, each of which can be changed. Therefore, to gain more insight into the various areas of potential change, firms need to be analytically disassembled into a number of component parts. The most fundamental distinction that can be made within a firm is between the **business model** (the way a firm conducts its business) and the **organizational system** (the way a firm gets people to work together).

FIGURE 8.2 General view of the business model and the organizational system



The magnitude of change

Strategic alignment is often more far-reaching, as a number of strategic changes are executed in a variety of areas to keep the firm aligned with market demands. The change might consist of a few large steps or numerous small ones. The issue of change magnitude can be divided into **scope of change** and **amplitude of organizational changes**.

The pace of change

Strategic change measures can be evenly spread out over an extended period allowing a steady pace of strategic alignment but it is also possible to cluster all changes into a few short irregular bursts, giving an unsteady alignment process. The pace of organizational changes can be decomposed into **timing of change** and **speed of change**.

The paradox of revolution and evolution

In selecting an approach to strategic change, most managers struggle with the question of how bold they should be. On the one hand, they usually realize that to fundamentally transform the organization, a break with the past is needed. On the other hand, they also recognize the value of continuity, building on past experiences, investments and loyalties. To achieve lasting strategic alignment, people in the organization will need time to learn, adapt and grow into a new organizational reality. Its widely accepted among researchers that firms need to balance revolutionary and evolutionary change process. While the two are at least partly contradictory they are both needed in a firm.

The demand for revolutionary change process

Revolution is a process whereby an abrupt and radical change takes place within a short period of time. Revolutionary change processes are those that do not build on the status quo, but overthrow it. Such a "big bang" approach to strategic change is generally needed when organizational rigidity is so deeply rooted that smaller pushes do not bring the firm into movement.

The demand for evolutionary change process

Evolution is a process whereby a constant stream of moderate changes gradually accumulates over a longer period of time. Each change is in itself small, but the cumulative result can be large. Evolutionary change processes take the current firm as a starting point, constantly modifying aspects through extension and adaption. Metamorphosis approach to strategic change. This change process is suitable for learning as it is a slow process.

Perspectives on strategic change

Although the demand for both revolutionary and evolutionary change is clear, this does place managers in the difficult position of having to determine how both must be combined and balanced in a process of ongoing strategic alignment.

The discontinuous alignment perspective

According to this perspective, it is a common misconception that firms develop gradually. Strategic change is arduous and encounters significant resistance. Movement is not steady and constant, but abrupt and dramatic. In general, the more significant a change is the more intense the shock will be.

The continuous alignment perspective

According to this perspective the problem with revolution is that it commonly leads to the need for further revolution at a later time. Revolutionary change is short term while continuous alignment is more long-term. Development is gradual, piecemeal and undramatic, but as it is constantly maintained over a longer period of time, the aggregate level of change can still be significant.

	Discontinuous alignment perspective	*Continuous alignment perspective*
Emphasis on	Revolution over evolution	Evolution over revolution
Strategic alignment as	Disruptive turnaround	Uninterrupted improvement
Magnitude of change	Radical, comprehensive and dramatic	Moderate, piecemeal and undramatic
Pace of change	Abrupt, unsteady and intermittent	Gradual, steady and constant
Lasting alignment requires	Sudden break with status quo	Permanent learning and flexibility
Reaction to external jolts	Shock therapy	Continuous adjustment
View of organizational crises	Under pressure things become fluid	In the cold everything freezes
Long-term alignment dynamics	Stable and unstable states alternate	Persistent transient state
Long-term alignment pattern	Punctuated equilibrium	Gradual development

Kapitel 9 – strategic innovation

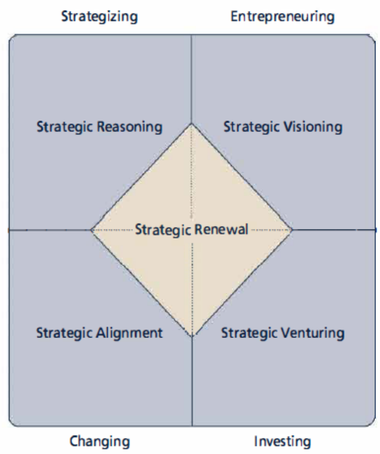
The issue of strategic renewal

Firms can potentially become older than humans but yet the average age of companies turns out to be much lower. Why is it so difficult to renew the company?

Characteristics of strategic innovation

Strategic renewal processes are the most complex processes to bring to a successful ending, the main reason being that they contain 4 different processes already challenging on their own.

FIGURE 9.1 Strategic innovation



The paradox of exploitation and exploration

The question being raised in this paradox is whether the company should renew itself by improving the current organization (exploitation) or by radically rejuvenating the organisation through disrupting technologies and processes (exploration). Researchers agree that companies need both exploitative end explorative processes. The problem is however, that these renewal processes are each other´s opposites and are at least partially contradictory.

The demand for sustained renewal

Sustained renewal refers to the process of permanently improving products and services to strengthen the company´s competitive position. Each time a higher standard has been reached, the bar is raised to the next level.

The demand for disrupting renewal

Disrupting renewal refers to a process in which current competitive positions are challenged by introducing new technologies and business models. When searching for an innovation that will disrupt the industry, a strategist needs to take leaps of imagination. Disruptive innovations do not follow from the facts, but need to be invented. Creative thinking is the essence.

Perspectives on strategic innovation

The demand for both sustained and disruptive renewal puts strategizing managers in the difficult position of having to determine how these two must be combined and balanced in a process of ongoing renewal. Sustained renewal is necessary for current business model improvement and disruptive necessary to create new business models.

The strategic improvement perspective

Proponents on this perspective advocate that companies should focus on improving their business model. The point of departure is the permanent battle between rivalling companies that fight for the same customer group.

The radical rejuvenation perspective

According to proponents of this perspective, companies should focus on breakthrough innovations that change the rules of the competitive game rather than becoming better at playing by the current rules. Game-changing innovations provide innovators wit a significant competitive advantage, forcing rivals to follow and play by their rules.

	Strategic improvement perspective	*Radical rejuvenation perspective*
Emphasis on	Exploitation over exploration	Exploration over exploitation
Strategic innovation as	Sustained improvements	Disruptive rejuvenation
Innovation effects	Undramatic and long-lasting	Dramatic and short-term
Innovation ideas come from	All internal and external company stakeholders	Entrepreneurial company leaders
Innovation investments are	Low-risk, small returns	High-risk, high returns
Main reinforcement mechanism	Success trap	Failure trap
Strategic renewal process	Organic adaptation	Creative destruction
View on the future	Building the future	Shaping the future
Lasting renewal requires	Continuous learning	Radical breakthrough series
Long-term renewal dynamics	Persistent transient state	Stable and unstable states alternate

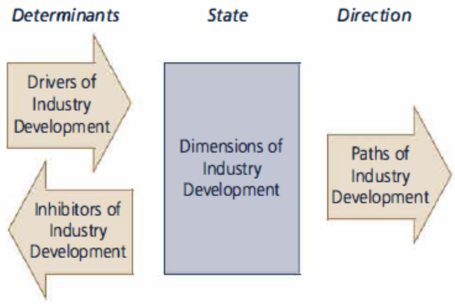
Kapitel 10 – the industry context

If strategic management is concerned with relating a firm to its environment, then it is essential to know this environment well. Strategists need to recognize in which direction the industry is developing to be able to maintain a healthy fit. For strategizing managers, the most important question linked to the issue of industry development is how a firm can move beyond adapting to shaping.

The issue of industry development

As industries develop, the rules for competition change – vertical integration becomes necessary, certain competencies become vital or having a global presence becomes a basic requirement. To be able to play the competitive game well, strategizing managers need to identify which characteristics in the industry structure and which aspects of competitive interaction are changing.

FIGURE 10.1 The issue of industry development



The paradox of compliance and choice

The question is whether firms should attempt to shape their industries at all, given the required effort and apparent risk of failure. Where firms cannot influence the structure of their industry, compliance with the rules of the game is the strategic imperative. Where firms do have the ability to manipulate the industry structure, they should exercise their freedom of choice to break the industry rules.

The demand for firm compliance

Organisations must to a large extent adapt themselves to their environments. To be successful, all organizations need to understand the context in which they operate and need to play by most of the rules of the game. Probably the most common cause of corporate death is misalignment between the organization and its environment. Firms must react to the pull of the market instead of pushing their standard approach.

The demand for strategic choice

While compliance with the industry rules can be very beneficial, contradicting them can also be strategically valuable. If firms only play by the current rules, it is generally very difficult to gain a significant competitive advantage over their rivals. To be unique and develop a competitive advantage, firms need to do something different, something that does not fit within the current rules of the game.

Perspectives on the industry context

The pressures for both compliance and choice are clear, but as opposites they are at least partially incompatible. How should managers deal with the issue of industry development, should they lead or follow?`

The industry dynamics perspective

To those taking an industry dynamics perspective, the popular notion that individual firms have the power to shape their industry is an understandable, but quite misplaced belief. According to this perspective, industries are complex systems with a large number of forces interacting simultaneously, none of which can significantly direct the long-term development of the whole. Firms are relatively small players in a very large game and their behaviours may have some impact on industry development, but none can fundamentally shape the direction of changes.

The industry leadership perspective

Of course, some rules are immutable. Certain economic, technological, social and political factors have to be accepted as hardly interchangeable. But the remaining environmental factors can be manipulated leave strategists with an enormous scope for moulding the industry of the future. It is up to the strategist to identify which rules must be respected and which can be ignored in the search for new strategic options.

	Industry dynamics perspective	*Industry leadership perspective*
Emphasis on	Compliance over choice	Choice over compliance
Industry development	Uncontrollable evolutionary process	Controllable creation process
Change dynamics	Environment selects fit firms	Firm creates fitting environment
Firm success due to	Fitness to industry demands	Manipulation of industry demands
Ability to shape industry	Low, slow	High, fast
Normative implication	Play by the rules (adapt)	Change the rules (innovate)
Development path	Convergence towards dominant design	Divergence, create new design
Firm profitability	Largely industry-dependent	Largely firm-dependent