

Strategy

Definitions & Meanings

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STRATEGY: DEFINITIONS AND MEANINGS

INTRODUCTION

This is one of three occasional papers I prepared while head of Strategic Planning & Management Services at Educational Testing Service. This paper examines various definitions and meanings of the term strategy and related terms (e.g., policy, tactics, ends and means). Its aim is to clarify and make those terms more useful.

The concept of strategy has been adopted from the military and adapted for use in business. A review of what noted writers have to say about business strategy suggests that the adoption was easy because the adaptation was modest. In business, as in the military, strategy bridges the gap between policy and tactics. Together, strategy and tactics bridge the gap between ends and means (Figure 1). This paper reviews various definitions of strategy for the purpose of clarifying the concept and placing it in context. My aim is to make the concepts of policy, strategy, tactics, ends and means more useful to those who concern themselves with these matters.



Figure 1 – "Bridging the Gap"

A FEW LANGUAGE BASICS

Strategy is a term that comes from the Greek *strategia*, meaning "generalship." In the military, strategy often refers to maneuvering troops into position before the enemy is actually engaged. In this sense, strate-

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gy refers to the *deployment* of troops. Once the enemy has been engaged, attention shifts to tactics. Here, the *employment* of troops is central. Substitute "resources" for troops and the transfer of the concept to the business world begins to take form.

Strategy also refers to the means by which policy is effected, accounting for Karl von Clausewitz's statement that war is a continuation of political relations via other means. Given the centuries-old military origins of strategy, it seems sensible to begin our examination of strategy with the military view. For that, there is no better source than B. H. Liddell Hart.

STRATEGY ACCORDING TO B. H. LIDDELL HART

In his book, *Strategy* [1], Sir Basil H. Liddell Hart examines wars and battles from the time of the ancient Greeks through World War II. He concludes that Clausewitz's definition of military strategy as "the art of the employment of battles as a means to gain the object of war (p.333)" suffers from two serious flaws; first, this view of military strategy intrudes upon policy and, second, it makes battle the only means of achieving strategic ends. Liddell Hart observes that Clausewitz later acknowledged these flaws and then points to what he views as a wiser definition of strategy set forth by Moltke: "the practical adaptation of the means placed at a general's disposal to the attainment of the object in view (p.334)." In Moltke's formulation, military strategy is clearly a means to political ends.

Concluding his review of wars, policy, strategy and tactics, Liddell Hart arrives at this short definition of military strategy: "the art of distributing and applying military means to fulfil the ends of policy (p.335)." Deleting the word "military" from Liddell Hart's definition makes it easy to export the concept of strategy to the business world. This brings us to a person considered by many to be the father of strategic planning in the business world: George Steiner.

STRATEGY ACCORDING TO GEORGE STEINER

George Steiner, a professor of management and one of the founders of *The California Management Review*, is generally considered a key figure in the origins and development of strategic planning. His book, *Strategic Planning* [2], is close to being a bible on the subject. Yet, Steiner does not bother to define strategy except in the notes at the end of his book.

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There, he notes that strategy entered the management literature as a way of referring to what one did to counter a competitor's actual or predicted moves (p.348). Steiner also points out in his notes that there is very little agreement as to the meaning of strategy in the business world. Some of the definitions then in use to which he pointed include the following:

1. Strategy is that which top management does that is of great importance to the organization.
2. Strategy refers to basic directional decisions, that is, to purposes and missions.
3. Strategy consists of the important actions necessary to realize these directions.
4. Strategy answers the question: What should the organization be doing?
5. Strategy answers the question: What are the ends we seek and how should we achieve them?

Steiner was writing in 1979, at roughly the mid-point of the rise of strategic planning. Perhaps the confusion surrounding strategy contributed to the demise of strategic planning in the late 1980s. The rise and subsequent fall of strategic planning brings us to Henry Mintzberg.

STRATEGY ACCORDING TO HENRY MINTZBERG

Henry Mintzberg, in his 1994 book, *The Rise and Fall of Strategic Planning* [3], points out that people use "strategy" in several different ways, the most common being these four (pp.23-27):

1. Strategy is a *plan*, a "how," a means of getting from here to there.
2. Strategy is a *pattern* in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy.
3. Strategy is *position*; that is, it reflects decisions to offer particular products or services in particular markets.
4. Strategy is *perspective*, that is, vision and direction.

Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a *perspective* and conclude that it calls for a certain *position*, which is to

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be achieved by way of a carefully crafted *plan*, with the eventual outcome and strategy reflected in a *pattern* evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called "realized" or emergent strategy.

Mintzberg's typology has support in the earlier writings of others concerned with strategy in the business world, most notably, Kenneth Andrews, a Harvard Business School professor and for many years the editor of the *Harvard Business Review*.

STRATEGY ACCORDING TO KENNETH ANDREWS

In the 1980 edition of his book, *The Concept of Corporate Strategy* [4], Andrews presents this lengthy definition of strategy:

"Corporate strategy is the *pattern* [italics added] of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities (p.18)."

Andrew's definition obviously anticipates Mintzberg's attention to pattern, plan, and perspective. Andrews also draws a distinction between "corporate strategy," which determines the businesses in which a company will compete, and "business strategy," which defines the basis of competition for a given business. Thus, he also anticipated "position" as a form of strategy. Strategy as the basis for competition brings us to another Harvard Business School professor, Michael Porter, the undisputed guru of competitive strategy.

STRATEGY ACCORDING TO MICHAEL PORTER

In a 1996 *Harvard Business Review* article [5] and in his 1986 book, *Competitive Strategy* [6], Porter argues that competitive strategy is "about being different." He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value (p.64)." In short, Porter argues that strategy is about competitive *position*, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In

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In his earlier book, Porter defines competitive strategy as "a combination of the *ends* (goals) for which the firm is striving and the *means* (policies) by which it is seeking to get there (p.xvi)." Thus, Porter seems to embrace strategy as both plan and position. (It should be noted that Porter writes about competitive strategy, not about strategy in general.)

STRATEGY ACCORDING TO KEPNER-TREGOE

In *Top Management Strategy* [7], Benjamin Tregoe and John Zimmerman, of Kepner-Tregoe, Inc., define strategy as "*the framework which guides those choices that determine the nature and direction of an organization* (p.17)." Ultimately, this boils down to selecting products (or services) to offer and the markets in which to offer them. Tregoe and Zimmerman urge executives to base these decisions on a single "driving force" of the business. Although there are nine possible driving forces, only one can serve as the basis for strategy for a given business. The nine possibilities are listed below (p.43):

Products offered	Market needs	Technology
Production capability	Method of sale	Method of distribution
Natural resources	Size/growth	Return/profit

It seems Tregoe and Zimmerman take the position that strategy is essentially a matter of *perspective*.

STRATEGY ACCORDING TO MICHEL ROBERT

Michel Robert takes a similar view of strategy in, *Strategy Pure & Simple* [8], where he argues that the real issues are "strategic management" and "thinking strategically." For Robert, this boils down to decisions pertaining to four factors (p.34):

1. Products and services
2. Market segments
3. Customers
4. Geographic areas

Like Tregoe and Zimmerman, Robert claims that decisions about which products and services to offer, the customers to be served, the market segments in which to operate, and the geographic areas of operations should be made on the basis of a single "driving force." Again, like Tregoe and Zimmerman, Robert claims that several possible driving forces

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exist but only one can be the basis for strategy. The 10 driving forces cited by Robert are (p.41):

- Product-service
- Sales-marketing method
- User-customer
- Distribution method
- Market type
- Natural resources
- Production capacity-capability
- Size/growth
- Technology
- Return/profit

STRATEGY ACCORDING TO TREACY AND WIERSEMA

The notion of restricting the basis on which strategy might be formulated has been carried one step farther by Michael Treacy and Fred Wiersema, authors of *The Discipline of Market Leaders* [9]. In "Customer Intimacy and Other Value Disciplines," the 1993 *Harvard Business Review* article that presaged their 1994 book [10], Treacy and Wiersema assert that companies achieve leadership positions by narrowing, not broadening their business focus. In their article, Treacy and Wiersema identify three "value-disciplines" that can serve as the basis for strategy: operational excellence, customer intimacy, and product leadership. As with driving forces, only one of these value disciplines can serve as the basis for strategy. Treacy and Wiersema's three value disciplines are briefly defined below:

OPERATIONAL EXCELLENCE

Strategy is predicated on the production and delivery of products and services. The objective is to lead the industry in terms of price and convenience.

CUSTOMER INTIMACY

Strategy is predicated on tailoring and shaping products and services to fit an increasingly fine definition of the customer. The objective is long-term customer loyalty and long-term customer profitability.

PRODUCT LEADERSHIP

Strategy is predicated on producing a continuous stream of state-of-the-art products and services. The objective is the quick commercialization of new ideas.

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Each of the three value disciplines suggests different requirements. Operational Excellence implies world-class marketing, manufacturing, and distribution processes. Customer Intimacy suggests staying close to the customer and entails long-term relationships. Product Leadership clearly hinges on market-focused R&D as well as organizational nimbleness and agility.

WHAT IS STRATEGY?

What, then, is strategy? Is it a plan? Does it refer to how we will obtain the ends we seek? Is it a position taken? Just as military forces might take the high ground prior to engaging the enemy might a business take the position of low-cost provider? Or does strategy refer to perspective, to the view one takes of matters, and to the purposes, directions, decisions and actions stemming from this view? Lastly, does strategy refer to a pattern in our decisions and actions? For example, does repeatedly copying a competitor's new product offerings signal a "me too" strategy? Just what is strategy?

Strategy is all these—it is perspective, position, plan, and pattern. Strategy is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means. In short, strategy is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the trip we actually make. Even when we are embarking on a voyage of discovery, with no particular destination in mind, the voyage has a purpose, an outcome, and an end to be kept in view.

Strategy, then, has no existence apart from the ends sought. It is a general framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary precondition for formulating strategy is a clear understanding of the ends to be obtained. Without these ends in view, action is purely tactical and can quickly degenerate into nothing more than a flailing about.

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When there are no "ends in view" for the organization writ large, strategies still exist and they are still operational, even highly effective, but for an individual or unit, not for the organization as a whole. The risks of not having a set of company-wide ends clearly in view include missed opportunities, fragmented and wasted effort, working at cross purposes and endless internecine warfare. A comment from Lionel Urwick's classic 1956 *Harvard Business Review* article regarding the span of control is applicable here [11]:

"There is nothing which rots morale more quickly and more completely than . . . the feeling that those in authority do not know their own minds (p.43)."

For the leadership of an organization to remain unclear or to vacillate regarding ends, strategy, tactics and means is to not know their own minds. The accompanying loss of morale is enormous.

One possible outcome of such a state of affairs is the emergence of a new dominant coalition within the existing authority structure of the enterprise, one that will augment established authority in articulating the ends toward which the company will strive. Also possible is the weakening of authority and the eventual collapse of the formal organization. No amount of strategizing or strategic planning will compensate for the absence of a clear and widespread understanding of the ends sought.

THE PRACTICAL QUESTION: HOW?

How does one determine, articulate and communicate company-wide ends? How does one ensure understanding and obtain commitment to these ends? Some quick answers are as follows:

The ends to be obtained are determined through discussions and debates regarding the company's future in light of its current situation. Even a future-oriented SWOT analysis (an assessment of Strengths, Weaknesses, Opportunities and Threats) is based on current perceptions.

The ends settled on are articulated in plain language, free from flowery words and political "spin." The risk of misdirection is too great to tolerate unfettered wordsmithing. Moreover, the ends are communicated

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regularly, repeatedly, through a variety of channels and avenues. There is no end to their communication.

Understanding is ensured via discussion, dialog and even debate; in a word, through conversations. These conversations are liberally sprinkled with examples, for instances, and what ifs. Initially, the CEO bears the burden of these conversations with staff. As more people come to understand and commit to the ends being sought, this communications burden can be shared with others. However, the CEO can never completely relinquish it. The CEO is the keeper of the vision and, periodically, must be seen reaffirming it.

Ultimately, the ends sought can be expressed via a scorecard or some other device for measuring and publicly reporting on company performance. Individual effort can then be assessed in light of these same ends. Suppose, for instance, that a company has these ends in mind: improved customer service and satisfaction, reduced costs, increased productivity and increased revenues from new products and services. It is a simple and undeniably relevant matter for managers to periodically ask the following questions of the employees reporting to them:

- What have you done to improve customer service?
- What have you done to improve customer satisfaction?
- What have you done to reduce costs?
- What have you done to increase productivity?
- What have you done to increase revenues from new products and services?

THE DECISIONS ARE THE SAME

No matter which definition of strategy one uses, the decisions called for are the same. These decisions pertain to choices between and among products and services, customers and markets, distribution channels, technologies, pricing and geographic operations, to name a few. What is required is a structured, disciplined, systematic way of making these decisions. Using the "driving forces" approach is one option. Choosing on the basis of "value disciplines" is another. Committing on the basis of "value-chain analysis" is yet a third. Using all three as a system of cross-checks is also a possibility.

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SOME FUNDAMENTAL QUESTIONS

Regardless of the definition of strategy, or the many factors affecting the choice of corporate or competitive strategy, there are some fundamental questions to be asked and answered, including the following:

RELATED TO MISSION & VISION

- Who are we?
- What do we do?
- Why are we here?
- What kind of company are we?
- What kind of company do we want to become?
- What kind of company must we become?

RELATED TO CORPORATE STRATEGY

- What is the current strategy, implicit or explicit?
- What assumptions have to hold for the current strategy to be viable?
- What is happening in the larger, social and educational environments?
- What are our growth, size, and profitability goals?
- In which markets will we compete?
- In which businesses?
- In which geographic areas?

RELATED TO COMPETITIVE STRATEGY

- What is the current strategy, implicit or explicit?
- What assumptions have to hold for the current strategy to be viable?
- What is happening in the industry, with our competitors, and in general?
- What are our growth, size, and profitability goals?
- What products and services will we offer?
- To what customers or users?
- How will the selling/buying decisions be made?
- How will we distribute our products and services?
- What technologies will we employ?
- What capabilities and capacities will we require?
- Which ones are core?

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- What will we make, what will we buy, and what will we acquire through alliance?
- What are our options?
- On what basis will we compete?

SOME CONCLUDING REMARKS

Strategy has been borrowed from the military and adapted for business use. In truth, very little adaptation is required.

Strategy is about means. It is about the attainment of ends, not their specification. The specification of ends is a matter of stating those future conditions and circumstances toward which effort is to be devoted until such time as those ends are obtained.

Strategy is concerned with *how* you will achieve your aims, not with what those aims are or ought to be, or how they are established. If strategy has any meaning at all, it is only in relation to some aim or end in view.

Strategy is one element in a four-part structure. First are the ends to be obtained. Second are the strategies for obtaining them, the ways in which resources will be deployed. Third are tactics, the ways in which resources that have been deployed are actually used or employed. Fourth and last are the resources themselves, the means at our disposal. Thus it is that strategy and tactics bridge the gap between ends and means.

Establishing the aims or ends of an enterprise is a matter of policy and the root words there are both Greek: *politeia* and *polites*—the state and the people. Determining the ends of an enterprise is mainly a matter of governance not management and, conversely, achieving them is mostly a matter of management not governance.

Those who govern are responsible for seeing to it that the ends of the enterprise are clear to the people who people that enterprise and that these ends are legitimate, ethical and that they benefit the enterprise and its members.

Strategy is the joint province of those who govern and those who manage. Tactics belong to those who manage. Means or resources are jointly controlled. Those who govern and manage are jointly responsible for

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the deployment of resources. Those who manage are responsible for the employment of those resources—but always in the context of the ends sought and the strategy for their achievement.

Over time, the employment of resources yields actual results and these, in light of intended results, shape the future deployment of resources. Thus it is that "realized" strategy emerges from the pattern of actions and decisions. And thus it is that strategy is an adaptive, evolving view of what is required to obtain the ends in view.

This paper has taken a broad, multi-faceted look at the subject of strategy. Some readers might go away disappointed that no final, unambiguous definition of strategy has been provided. The quick response is that there is none, that strategy is a broad, ambiguous topic. We must all come to our own understanding, definition and meaning of strategy. Helping the reader do so is the chief aim of this paper.

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11. "The Span of Control." Lionel Urwick. *Harvard Business Review* (May-Jun 1956).

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RELATED READING

There are other strategy-related articles on my web site. The links are provided below. The links in red are to .pdf versions.

- [Sir Basil H. Liddell-Hart's Eight Maxims of Strategy .htm](#)
- [Competitive Strategy & Industry Analysis: The Basics A LA Michael Porter .htm](#)
- [The Goals Grid: A New Tool for Strategic Planning](#)
- [A Strategic and Business Planning Bibliography](#)
- [Strategic Decision Making](#)
- [Strategy Is Execution .htm](#)
- [Strategy, Strategic Management, Strategic Planning and Strategic Thinking](#)
- [Three Forms of Strategy: General, Corporate & Competitive .htm](#)

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