

### Short Introduction to Strategic Management

The *Short Introduction to Strategic Management* provides an authoritative yet accessible account of strategic management and its contemporary challenges. It explains the roots and key rationales of the strategy field, discussing common models, tools, and practices, to provide a complete overview of conventional analytical techniques in strategic management. Andersen extends the discussion to consider dynamic strategy making and how it can enable organizations to respond effectively to turbulent and unpredictable global business environments. There is a specific focus on multinational corporate strategy issues relevant to organizations operating across multiple international markets. Written in a clear and direct style, it will appeal to students and practicing managers and executives alike.

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“Til Mette, den sejeste pige jeg kender, og hendes to fantastiske børn, Christine og Christian.”

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## Preface

### Getting started

The aim of this book is to provide a concise presentation of the theory and practice of strategic management, with particular emphasis on effective, responsive strategy-making processes. The scope is comprehensive and research-based and yet presents the content in an accessible manner, ready to be applied in management practice. The book presents conventional and newer tools for practical strategy analysis and considers the associated strategy process expressed in an integrative strategy model, where strategic responsiveness is a necessary precursor for organizational adaptation. These themes are anchored in the core elements of strategic management, together with inputs from current research efforts. Hence, the book can be used as a general strategy textbook in contemporary MBA programs where there is a need for a succinct overview of the field. By adding selected reference articles and related case studies, it can form a solid base for graduate classes in strategic management. It may also serve as a useful foundation for different executive programs where participants want to probe the strategy field, challenge their current thinking, and consider approaches to effective strategy making that can be applied to their own organizations. With a general grounding in the strategy literature including key references, it might even serve as a useful core text for PhD students with a general interest in the strategic management field.

In retrospect all organizations can ascertain the realized strategic outcomes, both positive and negative, and try to ascribe them to particular circumstances and activities pursued over time. However, there can be a great deal of dispute about how things actually came about the way they did in the organization. When things go well and favorable outcomes are observed, there might be a tendency to rationalize executive decisions and

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interventions that led the way and the story might assume slightly heroic undertones, giving undue credit to managerial foresight and leadership skills.<sup>1</sup> Conversely, when things turn out for the worse and go awry, it is not uncommon for executives to blame unfavorable outcomes on unforeseeable circumstances that were beyond their control.<sup>2</sup> It is even argued that the introduction of the “black swan” phenomenon, in some cases, has become a convenient way of excusing shortfalls in the fiduciary obligations of senior executives during periods of extreme events and crisis.<sup>3</sup> The rational perspective on strategy making has been criticized at times for being a somewhat old-fashioned and false way to approach and understand how strategy comes about.<sup>4</sup> As the world becomes increasingly dynamic and complex, the strategic plans conceived in the board room and their underlying assumptions become outdated before it is possible to take the necessary steps to realize the strategy.

Some of the most prominent scholars in the field invested much effort in a heated debate about whether planned strategy or ongoing learning processes constitute the better way to approach effective strategy making.<sup>5</sup> Of course, we now know that this was a futile debate, although useful at the time, where neither side could win (or lose) because they both were right (and wrong). In other words, effective organizations reflect upon their future strategy development in advance, involve key decision makers in these deliberations, and use various analytical techniques to help them in this strategic thinking process. However, these organizations are also aware of ongoing changes in their competitive environment, they communicate widely about these observations, and they allow responsive initiatives to emerge from within the organization to deal with unforeseen developments that represent new risks and opportunities for the firm. Hence, the reality is that firms engaged in rational planning efforts fare better than those that do not and even more so among firms operating in highly turbulent business sectors, such as computer products, information technology, and the like. And those that are able to combine their strategic planning efforts with ongoing responsive initiatives throughout the organization fare better still.<sup>6</sup>

While this might appear comforting to some, it begs the question as to how organizations can combine a strategic planning

approach with ongoing learning in responsive activities to achieve this idealized state. Here we are short of precise answers. The contemporary views on effective strategy making pay tribute to the firms' so-called *dynamic capabilities* broadly understood as their ability to observe environmental changes and adapt to accommodate these changes – in other words, how the organization is able to sense emerging risks and opportunities and respond effectively to them. This ability hinges upon the observations of many organizational members engaged in different and often specialized activities, where the information somehow is channeled through a central function that interprets what is going on and uses these insights to deploy initiatives that enable the organization to adapt over time.<sup>7</sup> However, the discussion of possible ways in which this might be carried out remains somewhat illusive and is typically explicated through a variety of corporate anecdotes and case-based illustrations.<sup>8</sup> In short, we are on the right track, but continue the search for more concrete proposals regarding effective approaches to responsive strategy making. In this book, we try to frame this challenge in the context of what is known about strategic planning as a rational analytical approach to strategy making and combine this with current insights about emergent strategy processes. Our intention is to outline the contours of such an integrative strategy-making process and thereby hopefully create a better understanding of what it takes to combine planning and emergence in effective strategy development.

The book is organized around six distinct chapters. The first chapter introduces *the strategy concept* and traces the origins of various perspectives from past scholars and learned practitioners that have shaped the strategy field. The second chapter describes *strategy formulation* as a rational analytical process to determine a future strategic path based on prescriptive use of tools for environmental analyses and strategy evaluation. This pretty much outlines what may be referred to as conventional planning, or strategic management, including key theories and model frameworks. Chapter 3 is focused on *strategy execution* and takes a closer look at how corporate entrepreneurship, business venturing, innovation, autonomous initiatives, and power dispersion may help furnish strategic responsiveness that drives

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strategic emergence as an updating complement to the central planning activities. Chapter 4 outlines *integrative strategy* as a combination of formal planning, ongoing responsive business execution, and interactive strategic control processes. The model is specified across different hierarchical management levels as a set of processes with different clock speeds that interact over time. It explains how short-term lower-level experiential learning processes are convoluted within longer-term tactical and strategic learning processes and how these processes interact with each other. It also introduces regular war-room meetings and strategic issue management as potentially effective interfaces between the long-cycled planning process and short-term responsive strategy initiatives. Chapter 5 focuses on *multinational corporate strategy* where the complex strategic issues associated with diversity of geographical scope and corporate business activities are discussed. Here, the integrative strategy model is extended to consider the challenges associated with headquarter planning and dispersed strategic initiatives in local business entities. Chapter 6 is devoted to *strategic leadership* and considers the executive role in the integrative strategy-making process. The executive influence on corporate values and organizational structure is recognized, as is the responsibility to create a moral impetus that guides corporate activities.

The writing of this book has been inspired by my interest in the strategy field over the past decades and is undeniably influenced by my managerial and executive experiences. Much of the academic heritage is owed to a string of fantastic mentors, scholars of the highest caliber and great human beings, at UNC – Chapel Hill (my alma mater). Many ideas have evolved further through my scholarly engagements at a number of great institutions, and more recently I have been blessed by my association with the productive research environment at the Copenhagen Business School – one of the most dynamic university settings in Europe. Here, I have benefitted from discussions with inspiring colleagues and received valuable feedback from smart students at the acclaimed MSc Programs, the CEMS International Management Program, and the prestigious MBA Program. Many of the underlying themes in the book have been discussed with scholars and executives around the world at various encounters



over the years. I truly appreciate all these inspiring conversations and the invaluable feedback derived from them. However, any flaws and errors are all of my own doing.

### Notes

- 1 See, for example, R. M. Pascale, Perspectives on strategy: The true story behind Honda's success, *California Management Review* 26(3): 47–72, 1984, for an account of what really took place as Honda entered the US market in contrast to a report drafted by the Boston Consulting Group (BCG) for the UK government. R. M. Pascale, *Managing on the Edge*, Simon & Schuster: New York, 1990. R. M. Pascale, Reflections on Honda, *California Management Review*, 38(4): 112–117, 1996.
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