2 What is Strategy?

At this point, it is worth clearing up some undoubted confusion as to what the word strategy means. A recent Kalchas survey showed a wide variety of definitions among chief executives and also among corporate planning VPs:

- 28% defined strategy as being an ‘overarching philosophy’ for the company. An example might be ‘our goal is to build market leading products’;
- 39% defined it as being a ‘mission statement’ e.g.: ‘we are committed to building our business across the globe and having a significant presence in every major market’
- 13% defined it as a ‘more precise statement of competitive advantage’ for the company in its chosen markets; for example, ‘we will carry more passengers than any other airline in North America and Europe and achieve market leadership in those regions by providing the best service at fair prices’;
- some 20% felt it was a mix of all three.

Given this confusion and uncertainty as to what strategy is, then it is less surprising that few chief executives put strategy as their defining role and responsibility and their starting point in driving the success of the business. If they are not sure what it means or feel it is simply some vague and potentially superficial philosophy or broad mission statement they may well struggle to see what value can be derived from spending time thinking and developing it.

What does strategy mean? It comes from a Greek word and literally means ‘Generalship’. Its original connotation was in war, and based on the OED definition strategy means ‘the management of an army in a campaign, moving troops or ships so as to impose upon the enemy the place and time and conditions for fighting preferred by oneself, the detail of which are the tactics or the realisation of the strategy’.

Quite naturally, then, the chief executive – as leader or general of the company – should be given the formal responsibility for the development of strategy and for overseeing its realisation. And it’s a proactive, forcing role and responsibility. The CEO having been elected leader must take
responsibility and be the best placed to orchestrate the battle, balance the resources and lead the campaign to find the winning set of conditions. As leader, the CEO may be out-front sharing the fighting with the troops or may direct from base camp but the army, the organisation, needs both a figurehead and also direction, it requires management as well as orchestration. Inspiring words alone are not enough.

If we translate this classical and traditional definition into business competition in the 1990s, we can say that strategy is about setting the direction for the management of the resources in the business, and about identifying the conditions that will give the best advantage to help win in the marketplace. In other words the guts of strategy in my definition is about ‘future intentions’ and ‘competitive advantage’.

So in the Gulf War, Colin Powell not only clearly established his future intent ‘to prevent the Iraqi dictator from ever again threatening the West’, but critically went on to identify the key source of competitive advantage which was to be ‘airborne supremacy’. So also did Sam Walton set a firm future target, ‘we will double the number of stores and increase the sales volume per square foot by 60 per cent by the year 2000 [set in 1990]’. But he also went on to reconfirm the principle sources of competitive advantage that would underpin that drive for growth: ‘we exist to provide value to our customers through lower prices and better service – all else is secondary’.

While many commentators on business and management differ in their own definitions of strategy, all do acknowledge it is the essence of what the organisation is about:

- ‘It is a combination of the ends for which the firm is striving and the means by which it is seeking to get there.’ (Michael Porter)
- ‘It deals with the most fundamental and basic questions that involve the very existence of the whole organisation and guide the whole company’s future.’ (Kerry Napuk)
- ‘Envisioning the future and mapping out how to get there.’ (Maximum Leadership)

**The elements of strategy**

In this book we will define and refer to strategy as having two essential elements, and treat it as the essence that binds and drives the company (see Figure 2.1).