

# Re-thinking Strategic Thinking - 1

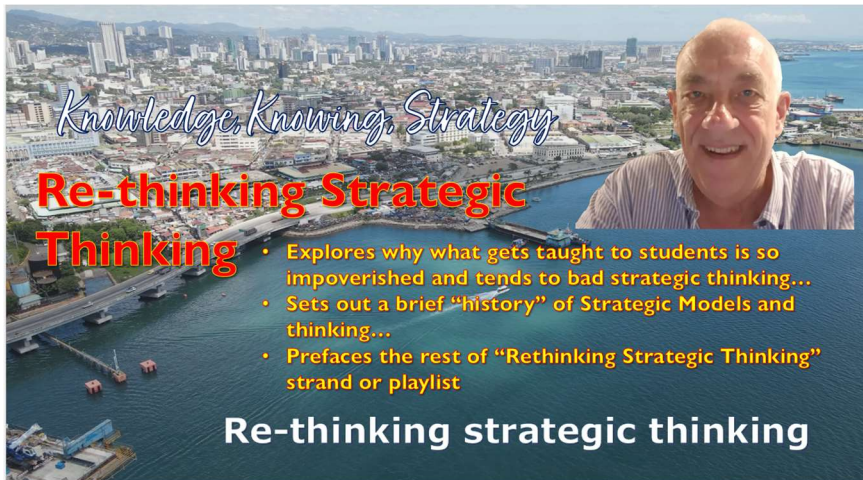
8 April 2024



00:00:00

So welcome! And here we are in Cebu

And talking about **thinking strategically**.



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Now it seems in the literature that thinking strategically is about using tools.

But are you aware of the thinking of the theory of the thinking that is behind those tools?

Because that influences the way that you are thinking when you use them.

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More importantly, what are the limitations of that thinking?

In short, I want to be rethinking strategic thinking.

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Now, it's crazy to attempt to characterise the strategy literature.

The opening paragraphs of almost any treatise will set out arguments about different perspectives,

what their merits are, or otherwise, and what is special about the forthcoming proposals.

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Let's be a little bit crazy.

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There's a long history of economists trying to understand and explain how some businesses outperform others.

I think the one which crops up on business strategy 101 in almost any MBA course is this beast.

00:01:42 [Porter's 5 forces model of industry structure and dynamics]

Derived from classical microeconomic theory, you can have a look at each of the issues, so to speak, that Porter identifies. And see very quickly

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how those emerge from any lecture on microeconomic theory and the theory of the firm.

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The issue for me is, it's incredibly difficult to enable students to operationalise these things.

Even if you can label them, even if you can quantify some of them, do you have an understanding of the significance of that quantity in your industry?

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In 1996, Porter produced an article in Harvard Business Review, What is Strategy? It's a paper about strategic positioning.

It's a paper about strategic positioning in a market space, just the way that he talks about strategic positioning.

He builds on his books, "competitor strategy" and "competitive advantage", but proposes quite a drastic revision, less so on the industry, but much more so on the positioning of the firm *in a network of activity*.

He gives several examples. The one which is most easy to understand in the UK is IKEA, and this is what he produces.

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Now the black parts in the middle are the essential features as he sees it, that give competitive advantage to IKEA through its positioning in a number of activities.

(I might argue later, in another video, as to how he has so got this wrong, and by that what I mean is, IKEA did not deliberately, IKEA did not *intentionally* design this system of activity).

It emerged out of their way of working. It emerged out of their values, which govern the way that everybody in IKEA works.

This is the result of the emergent properties of IKEA as an organization.

It expresses **retrospectively**, which I guess is what Porter wants, how it is IKEA has superior performance, but I don't think that was his intention in saying, "hey, positioning, positioning activities, this is the way to do strategy".

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So two things, particularly problems in this thinking. First of all, it's outside in. It's looking from outside of the organization, outside of the industry.

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What you get as a result is absolutely dependent upon the quality of data and the quality of analysis.

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There is little attention to capability when you're using this kind of analysis.

The elements which are considered here are recognized in economics.

Other elements are not recognized.

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And the other elements, the bit that really, really upset me when I was teaching strategy is that a fundamental issue here is that strategy cannot be seen as distinct from leading.

You might say, well, there's an assumption that leaders do strategy. It just ain't the same thing.

The process of leading is, like in all analysis choice implementation models, misplaced.

For Porter, leading is part of managing the change, implementing our chosen strategy.

And that is just simply wrong.

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Anyway, what happens if we start inside the business and look outside?

00:07:05

Teece is perhaps the best-known economist who is seeking to understand what capability or what asset explains superior performance. So the emphasis with Teece is on the strengths or the capabilities. In that sense, it's rather like Porter's activity network, how these things come together to deliver a sustainable advantage.

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But once again, it is essential to understand how these capabilities connect to the environment. Are they relevant capabilities? Can that relevance be maintained?

And it's still analytical. It's taking a view as if you are outside of the business looking at it.

00:08:01

So let's explore the idea of dynamic capability. The first assumption here is capability is only temporary.

The capability is a capability, a capacity for advantage in the context of a market space.

There has to be a connection into and feedback from market spaces. And these are there to guide the development of capability.

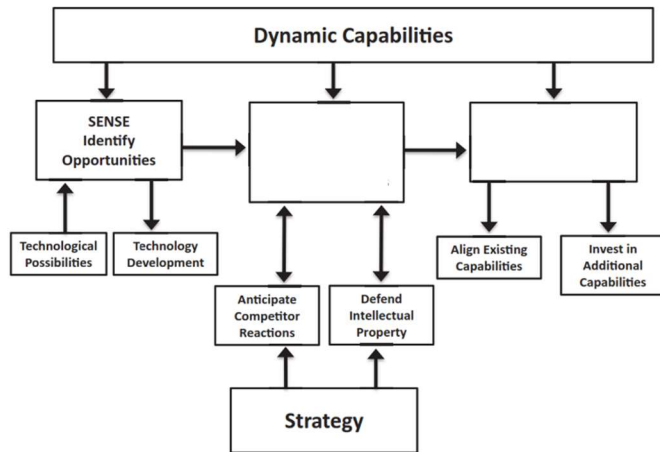
00:08:41 [Dynamic Capability]

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What does that mean? Well, you'll guess I still have some argument with this stuff, but still.



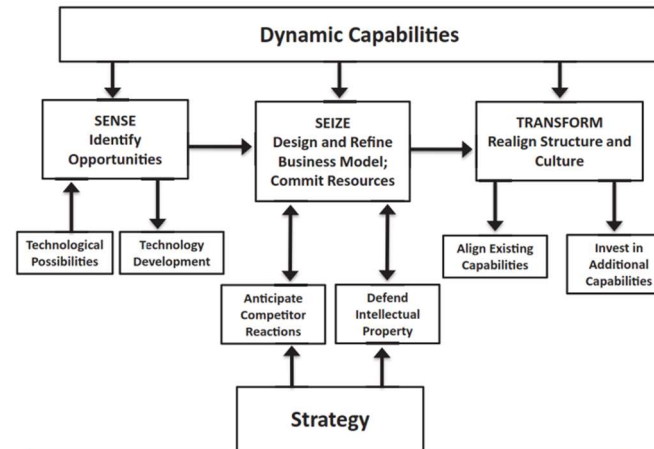
Sensing the identifying opportunities and technological possibilities and the technological development available to the business.

An understanding of competitor reactions so that they can be anticipated.

And a defense on intellectual property, which is being developed as you identify opportunities and exploit your technology.

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Now we start to get difficult.



What concerns or criticisms would you have about this?

Seize, design, refine the business model and commit resources.

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Another horrible, horrible box.

Transform real-life structure and culture.

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It's the wrong way round. It's the wrong way round. And I'm going to explain why.

00:09:56

And so to the next bit, which is:



## Thinking Strategically....

### Competing for the future: Hamel and Prahalad



Hamel and Prahalad shifted the time frame (to the future) and re-framed ideas of (core) competence – the ability to disrupt

It is the second bit of the longer "Part 1" of **Re-thinking strategic thinking..**