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*Redesigning the Future*

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## Strategy

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It may perhaps seem superfluous at the present time to emphasize the distinction between strategy and tactics. Moreover definitions are rarely quite satisfactory, for they can seldom be perfectly clear and at the same time perfectly comprehensive. Yet, since it is necessary that the parties to any discussion should have some common starting point, it will be as well to begin by stating exactly what is meant to be included. (*The Encyclopaedia Britannica*, 11th ed., Vol, 26, p. 347).

Most of the formulations of business strategy shown to me by corporate executives, managers, and planners seem to me more like motherhood statements or, at best, tactical statements. It seems only fair, however, that to earn the right to be critical of their statements I must provide them with a clear operational definition of strategy. Since I did not have one at hand, I went off to find one in the library. After several hours spent exploring the relevant literature, I can sympathize with the disinclination reflected in the opening quotation to face this definitional problem. Most authors who discuss strategy do not define it; most of the definitions are in disagreement, and most of the definers do not acknowledge the existence of such disagreement. As a result, one can come away from the literature with one of two completely false impressions: that those writing on the subject know what they are talking about, or that they don't.

“. . . The word 'strategy' was originally introduced into European military literature about the opening of the 18th century . . ." (*The Encyclopaedia Britannica*, 11th ed. Vol. 25, p. 986). The word, derived from the Greek, literally means "the art of the leader or general." However, even in this context, its meaning was enriched. Moltke defined it as "the practical adaptation of the means placed at a general's disposal to the attainment of the

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object in view” (*The Encyclopaedia Britannica*, 11th ed. Vol. 25, p. 986). It also came to be contrasted with tactics as planning is from action.

Tactics . . . refers to the localized hostilities that occur where adversaries are in contact; strategy, to the basic disposition of strength that constitutes the entire conduct of a campaign or of a war. Or one can say that tactics is fighting and strategy is planning where and how to fight, with the “how” construed so as to exclude the details. (Sills, 1968, p. 281).

Strategy was also thought to be the art of bringing the enemy to battle on terms disadvantageous to him (*The Encyclopaedia Britannica*, 11th ed. Vol. 26, p. 347).

Since World War II, use of the concept has become commonplace in discussions of business management. Unfortunately, the meanings attributed to it in this context are no less varied than in the military. To cite but a few:

The everyday usage of the word strategy implies some sort of over-all plan which an army commander, a football team, or a corporation might employ in carrying out a program. Implicit in the meaning of strategy is a method of dealing with contingencies. (Shubik, 1959, pp. 6–7).

To oversimplify, there are two types of management. That which is done at the top of an organized structure is strategic management. Everything else is operational management. (Steiner, 1979, p. 4).

The mission provides the framework, the goals define targets within the mission, which, when achieved, should move the organization toward the performance of that mission, and the strategies are basis for action plans aimed at achieving the goals. (Sawyer, 1986, p. 5).

Strategies are basic approaches a management selects for designing the action to solve a problem or accomplish a goal. (Sawyer, 1986, p. 12).

The concept of a contingency plan has much in common with the concept of strategy as it is commonly used . . . which relates to situations in which a decision-maker wishes to anticipate a range of alternative actions either by some readily identifiable “opponent” or by other less clear-cut groups of forces operating within his environment, and to select his present and future responses accordingly. (Friend and Jessop, 1969, p. 112).

Igor Ansoff is considered by many to have written the definitive book on corporate strategy. “Here,” he wrote, “we use the term strategic to mean ‘pertaining to the relation between the firm and its environment.’” He amplified as follows:

Strategic decisions are primarily concerned with external, rather than internal, problems of the firm and specifically with selection of the product-mix which the firm will produce and the markets to which it will sell. To use an engineering term, the strategic problem is concerned with establishing an “impedance match” between the firm and its environment or, in more usual terms, it is a problem of deciding what business the firm is in and what kinds of businesses it will seek to enter.

Specific questions addressed in the strategic problem are: what are the firm's objectives and goals; should the firm seek to diversify, in what areas, how vigorously; and how should the firm develop and exploit its present product-market position. (Ansoff, 1965, pp. 5-6).

I have also contributed to this nonrequisite variety of definition.

. . . Strategic planning (selection of ends) tends to flow from the top-down, and tactical planning (selection of means) tends to flow from the bottom up . . . Strategy is concerned with long-range objectives and ways of pursuing them that affect the system as a whole; tactics are concerned with shorter-run goals and means for reaching them that generally affect only a part of the organization. (Ackoff, 1974).

Although this was written a long time (14 years) ago, I find it essentially correct, but missing some of the elements contained in some of the definitions quoted. Working these elements into my earlier definition, it seems to me that strategy can be characterized, if not defined, as follows.

1. *An organization's strategy consists of those decisions that are made by its highest level of management and that affect the organization as a whole.*

Therefore, decisions not made at the top or that do not affect the whole organization are tactical. It follows, then, that a decision that is strategic from an organizational component's point of view will be tactical from the organization's point of view. Therefore "strategy" and "tactics" are relative concepts depending on the organizational level at which the defining is done.

2. *Strategic decisions set objectives for the organization as a whole, relatively long-range objectives, and formulate policies and principles intended to govern selection of means by which the objectives specified are to be pursued.*

Strategic decisions, it seems to me, are based on a longer view into the future than operational or tactical decisions. Operational decisions are concerned with the immediate future, tomorrow, and the next day or week and focus on *survival*. Tactical decisions are concerned with the fiscal year, the period within which the performance of the organization is evaluated by external evaluators. This is normally tied to the taxing period. The focus of tactical decisions is *efficiency*. Strategic decisions are concerned with a period long enough to cover development of new products (as distinct from modifying old ones), development of new sources of product (e.g., a new source of oil or a mineral), or entry into a new business. The focus of strategic decisions is *growth*. Finally, there are *normative* decisions which have an infinite perspective because they focus on ideals, ends that can never be obtained but that can be approached without limit. The focus of normative decisions is *effectiveness* (which, in contrast to efficiency, is a value-loaded concept) and *development* (which, in contrast to growth, has nothing to do with size or

number, but with an increase in one's ability and desire to satisfy one's own needs and desires and those of others).

*Policies* are rules that govern the selection of means and instruments, and *principles* are formulations of values to be preserved in such selections. The actual selection of means and instruments is a tactical decision.

3. *Strategic decisions focus on prior (anticipatory) and posterior (after-the-fact) responses to such potential and actual changes in an organization's environment as can affect its performance significantly.*

This makes explicit the relationship referred to in several of the definitions quoted above between strategic decision making and contingency planning. It covers strategic preoccupation with potential and actual competitive behavior, governmental actions (e.g., new taxes), and economic conditions (e.g., inflation and exchange rates).

Finally, I think it essential that strategic decisions be so formulated that their implementation and expected effects can be monitored. This requires that their expected effects be stated in observable terms and that they be accompanied by a specification of the times by which the effects are expected. This requirement can lift strategic thinking from motherhood to matterhood.

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