

What is strategy?



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Introduction

This free course comprises two parts. In the first part, the concept of strategy is defined and the strategy-related vocabulary spanning such terms as mission, vision, aims and objectives, and control is introduced. The second part centres on Henry Mintzberg's five Ps framework, discussing the five different forms of strategy including plan, ploy, pattern, position and perspective. A particular emphasis is made on practitioner views of strategy as well as application of its major theoretical advances in professional life.

This OpenLearn course is an adapted extract from the Open University course [B301 *Making sense of strategy*](#)

Learning Outcomes

After studying this course, you should be able to:

- define the concept of strategy and its meaning to practitioners
- explain the strategy vocabulary including such terms as mission, vision, aims and objectives, and control
- apply Mintzberg's 5 Ps framework to analyses of strategy of an organisation.

1 Definition of strategy

You'll start the course with two activities. The first helps you to generate some ideas about the word strategy.

Activity 2 will get you to look at the term strategy through the lens of organisations.

Activity 1 First thoughts about strategy

Spend approximately 30 minutes on this activity.

People talk about strategy on a daily basis. It is the central term of this course too. How would you define it? Try to explain it by using different synonyms and examples from your life experience.

Provide your answer...

Discussion

How did you get on? Perhaps you wrote about something to do with long-term planning or the overall direction of your activities. Also, it is possible that you explained the word strategy by using such words as mission, vision and path.

Activity 2 Strategy of an organisation

Spend approximately 35 minutes on this activity.

Now try to explain the term strategy in regard to organisations.

Provide your answer...

Discussion

You might have written that strategy is about how an organisation matches its internal strengths with external opportunities (e.g. a small, high-quality bakery producing hand-crafted loaves at a premium price rather than attempting to compete in the mass market). You might have emphasised the way that strategy is about a sense of purpose, even to the point where an organisation will try to change its customers' behaviour. This kind of mission driven strategy is most commonly associated with non-profit-making organisations, such as those in education and the arts. But you can also find it in the commercial world. Think of the retailer IKEA's revolutionary approach to selling furniture and household goods, which depends on its customers' patient cooperation.

Another useful way to understand strategy, which you might have mentioned, is to see it as a consistent pattern of behaviour in order to achieve your objectives.

1.1 Three influential definitions of strategy

Box 1 contains some quotations about strategy from some noted thinkers on the subject.

Box 1 What people say about strategy

The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for those goals.

(Chandler, 1962, p. 13)

The strategic aim of a business is to earn a return on capital, and if in any particular case the return in the long run is not satisfactory, the deficiency should be corrected or the activity abandoned.

(Sloan, 1964, p. 49)

Essentially, developing a competitive strategy is developing a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals.

(Porter, 1980, p. xvi)

Each of the quotations in Box 1 emphasises different aspects of strategy, but there are some common themes:

- Strategies concern the activities of organisations and companies at a fundamental level – phrases like in the long-run, long-term and at a broad level suggest that strategy addresses the really important issues facing organisations.
- Strategy determines goals and objectives.
- It deliberately, and selectively, allocates resources in order to achieve goals and objectives.
- It analyses what options are available to the organisation, and chooses which to pursue.
- It takes place in a competitive environment where some organisations succeed and others fail.

These themes of identifying what is fundamental to an organisation, setting goals and objectives, allocating resources, analysing situations, choosing between options and competing effectively will recur throughout the study of strategy. This section shows that they form the basis of a common understanding of what strategy is.

One way of shedding light on the meaning of a term is to consider its etymology – that is, its history as a word. The modern English word 'strategy' comes from the ancient Greek word *strategos* (itself a combination of the Greek for 'army' and 'to lead'). So, its original meaning derives from military leadership necessary to achieve victory in war. The language people use to talk about strategy can often be identified as having a military ring to it. Generals of armies have always needed to take strategic decisions in conducting

wars. The warfare metaphor likens business leaders to military leaders, strategically guiding those whom they lead towards success in the battle of market competition. In Activity 3 you'll start to interpret the vocabulary of strategy in a personal way.

Activity 3 The vocabulary of strategy

Spend approximately 20 minutes on this activity.

Table 1 includes definitions of terms derived from warfare, which are commonly used in strategy literature. Consider your current personal circumstances and fill in the last column of the table for yourself with an example from your everyday life. Then click 'Reveal discussion'.

Interactive content is not available in this format.

[Table 1 Relating strategic terms to personal circumstances](#)

Discussion

Whatever you decided to write in the third column will obviously depend on what you want to achieve in some area of your life, but here are some possibilities based around a personal aspiration that many people have had in recent years – to run a marathon:

- Mission – be healthy and fit.
- Vision or strategic intent – raise money for charity.
- Aim – to run a marathon (26.2 miles or 42 kilometres).
- Objectives – raise £3000 for charity and take part in the London Marathon in two years' time.
- Strategies – set up a fundraising page. Join an athletics club. Go training every day. Eat a more sensible diet.
- Control – monitor amount of donations made. Measure the number of kilometres achieved each day. If progress is satisfactory, carry on. If it is not, consider other strategies and actions.

This is, of course, an example pitched at the personal level. But we hope it works in this instance to help clarify the meaning of these terms for you, as they apply to businesses and organisations, and even to larger bodies at a national or international level.

1.2 Explaining vocabulary of strategy

The mission, vision, goals, objectives and strategies of an organisation will depend upon what kind of organisation it is, what sector it is in and the ways in which the people in the organisation make sense of its situation. Much can be learned about the missions, visions, aims, objectives and strategies of individual companies and organisations by accessing their company reports (often available online). Of course, organisations vary in their terminology as well as their aspirations.

Mission

Some will have an explicit mission statement setting out their overall purpose. For others this mission will be implicit. It is difficult to envisage any organisation being successful without a shared sense of purpose, however it is expressed. Effective mission statements often specify what the organisation does, for whom and how, in order to distinguish it from its competitors.

In Activity 4 you'll start to develop a better understanding as to what mission means for a strategist.

Activity 4 What do practitioners say about mission?

Spend approximately 15 minutes on this activity.

Watch this video with Karan Bilimoria. How does he describe the role of a mission in his company?

Video content is not available in this format.

[Mission](#)



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Provide your answer...

Vision

A vision or strategic intent is a desired future state for the organisation (for example, to be the leading supplier in its product or service category). Some organisations use the terms 'mission' and 'vision' practically interchangeably, but it is useful to make a distinction between mission as concerning current purpose, and vision as focusing on the future.

Vision or strategic intent is essential to leadership, as a way of rallying members of an organisation around a common cause (Kouzes and Posner, 2009).

In Activity 5 you'll start to develop a better understanding of the role of vision in strategies.

Activity 5 Compare what two practitioners say about vision and its importance for their strategic success

Spend approximately 30 minutes on this activity.

Watch the two videos below. One is with Peggy Fleming, an Olympic skater, and the other is with Merv Hillier, managing director of Nuvision Consulting Group Inc. Compare what the two practitioners say about vision and its importance to their strategic success. Summarise your thoughts in Table 2.

Video content is not available in this format.

[Peggy Fleming](#)



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Video content is not available in this format.

[Merv Hillier](#)



Interactive content is not available in this format.

[Table 2 Importance of vision](#)

Discussion

How did you get on? Peggy Fleming and Merv Hillier present different views of what vision is. To Peggy Fleming, vision is a desired state in athletics. It played an important role as it gave a strong impetus to her career as a skater. Ability to focus on the vision helped to bring it to reality.

Likewise, Merv Hillier considers vision as a synonym of purpose. It is essential because it helps to set the direction of an organisation. Organisations may realise their vision by means of alignment of strategy, structure and culture.

Aims and objectives

The terms 'aims' and 'objectives' are also sometimes used interchangeably in how organisations talk about themselves. But we can make a useful distinction between a general intention (aim) and the subordinate objectives, which support its achievement. Effective objectives are specific, measurable, agreed, realistic and timed – the famous SMART acronym (though you will probably encounter slightly different versions of what the letters stand for from one business writer to another).

In Activity 6 you'll start to learn how to set strategic objectives.

Activity 6 How to set strategic objectives

Spend approximately 20 minutes on this activity.

Watch this video with Russell Yeomans. Explain what he thinks about the role of strategic objectives. What does he recommend to managers setting strategic objectives?

Video content is not available in this format.

Strategic objectives



Provide your answer...

2 Five Ps of strategy

Five Ps framework presents another way of defining strategy. It suggests that a strategy may be viewed as plan, ploy, pattern, position, and perspective. Box 2 contains an extract from Henry Mintzberg's 'Five Ps for strategy' (Mintzberg, 1996).

Box 2 Developing a better understanding of strategy

Strategy as plan

To almost anyone you care to ask, strategy is a plan – some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. A kid has a 'strategy' to get over a fence; a corporation has one to capture a market. By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully. A host of definitions in a variety of fields reinforce this view. For example:

- In the military: Strategy is concerned with 'draft[ing] the plan of war ... shap[ing] the individual campaigns and within these, decid[ing] on the individual engagements' (Von Clausewitz, 1976, p. 177)
- In game theory: Strategy is 'a complete plan: a plan which specifies what choices [the player] will make in every possible situation' (von Newman and Morgenstern, 1944, p. 79)
- In management: 'Strategy is a unified, comprehensive, and integrated plan ... designed to ensure that the basic objectives of the enterprise are achieved' (Glueck, 1980, p. 9).

As plans, strategies may be general or they can be specific.

Strategy as ploy

As plan, a strategy can be a ploy; too, really just a specific 'maneuver' intended to outwit an opponent or competitor. The kid may use the fence as a ploy to draw a bully into his yard, where his Doberman pinscher awaits intruders. Likewise, a corporation may threaten to expand plant capacity to discourage a competitor from building a new plant. Here the real strategy (as plan, that is, the real intention) is the threat, not the expansion itself, and as such is a ploy.

Strategy as pattern

But if strategies can be intended (whether as general plans or specific ploys), surely they can also be realized. In other words, defining strategy as a plan is not sufficient; we also need a definition that encompasses the resulting behaviour. Thus a third definition is proposed: strategy is a pattern – specifically, a pattern in a stream of actions (Mintzberg and Waters, 1985). By this definition, when Picasso painted blue for a time, that was a strategy, just as was the behaviours of the Ford Motor Company

when Henry Ford offered his Model T only in black. In other words, by this definition, strategy is consistency in behaviour, whether or not intended.

This may sound like a strange definition for a word that has been so bound up with free will ('strategos' in Greek, the art of the army general [Evered 1983]). But the fact of the matter is that while hardly anyone defines strategy in this way, many people seem at one time or another to so use it. Consider this quotation from a business executive: 'Gradually the successful approaches merge into a pattern of action that becomes our strategy. We certainly don't have an overall strategy on this' (quoted in Quinn, 1980, p. 35). This comment is inconsistent only if we restrict ourselves to one definition of strategy: what this man seems to be saying is that his firm has strategy as pattern, but not as plan. Or consider this comment in *Business Week* on a joint venture between General Motors and Toyota:

The tentative Toyota deal may be most significant because it is another example of how GM's strategy boils down to doing a little bit of everything until the market decides where it is going.

(Business Week, October 31, 1983)

A journalist has inferred a pattern in the behaviour of a corporation and labelled it strategy.

The point is that every time a journalist imputes a strategy to a corporation or to a government, and every time a manager does the same thing to a competitor or even to the senior management of his own firm, they are implicitly defining strategy as pattern in action— that is, inferring consistency in behaviour and labelling it strategy. They may, of course, go further and impute intention to that consistency – that is, assume there is a plan behind the pattern. But that is an assumption, which may prove false.

Thus the definitions of strategy as plan and pattern can be quite independent of each other: plans may go unrealized, while patterns may appear without preconception. To paraphrase Hume, strategies may result from human actions but not human designs (see Majone, 1976–1977). If we label the first definition intended strategy and the second realized strategy, as shown in Figure 1, then we can distinguish deliberate strategies, where intentions that existed previously were realized, from emergent strategies, where patterns developed in the absence of intentions, or despite them (which went unrealized).

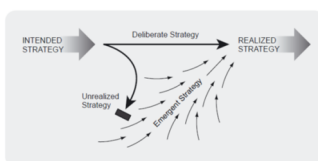


Figure 1 Deliberate and emergent strategies

For a strategy to be truly deliberate – that is, for a pattern to have been intended exactly as realized – would seem to be a tall order. Precise intentions would have had to be stated in advance by the leadership of the organization; these would have had to be accepted as is by everyone else, and then realized with no interference by market, technological, or political forces and so on. Likewise, a truly emergent strategy is again a tall order, requiring consistency in action without any hint of intention. (No consistency means no strategy, or at least unrealized strategy.)

Strategy as position

The fourth definition is that strategy is a position – specifically, a means of locating an organization in what organization theorists like to call an ‘environment.’ By this definition, strategy becomes the mediating force – or ‘match,’ according to Hofer and Schendel (1978, p. 4) – between organization and environment, that is, between the internal and the external context. In ecological terms, strategy becomes a ‘niche’; in economic terms, a place that generates ‘rent’ (that is ‘returns to [being] in a “unique” place’ (Bowman, 1974, p. 47)); in management terms, formally, a product-market ‘domain’ (Thompson, 1967), the place in the environment where resources are concentrated.

Note that this definition of strategy can be compatible with either (or all) of the preceding ones; a position can be preselected and aspired to through a plan (or ploy) and/or it can be reached, perhaps even found, through a pattern of behaviour.

In military and game theory views of strategy, it is generally used in the context of what is called a ‘two-person game,’ better known in business as head-on competition (where ploys are especially common). The definition of strategy as position, however, implicitly allows us to open up the concept, to so-called n-person games (that is, many players), and beyond. In other words, while position can always be defined with respect to a single competitor (literally so in the military, where position becomes the site of battle), it can also be considered in the context of a number of competitors or simply with respect to markets or an environment at large. But strategy as position can extend beyond competition too, economic and otherwise.

Indeed, what is the meaning of the word ‘niche’ but a position that is occupied to avoid competition? Thus, we can move from the definition employed by General Ulysses Grant in the 1860s, ‘Strategy [is] the deployment of one’s resources in a manner which is most likely to defeat the enemy,’ to that of Professor Richard Rumelt in the 1980s, ‘Strategy is creating situations for economic rents and finding ways to sustain them,’ (Rumelt, 1982) that is, any viable position, whether or not directly competitive.

Astley and Fombrun (1983), in fact, take the next logical step by introducing the notion of ‘collective’ strategy, that is, strategy pursued to promote cooperation between organizations, even would-be competitors (equivalent in biology to animals herding together for protection). Such strategies can range ‘from informal arrangements and discussions to formal devices such as interlocking directorates, joint ventures, and mergers’ (p. 577). In fact, considered from a slightly different angle, these can sometimes be described as political strategies, that is strategies to subvert the legitimate forces of competition.

Strategy as perspective

While the fourth definition of strategy looks out, seeking to locate the organization in the external environment, and down to concrete positions, the fifth looks inside the organization, indeed inside the heads of the collective strategist, but up to a broader view. Here, strategy is a perspective, its content consisting not just of a chosen position, but of an ingrained way of perceiving the world. There are organizations that favour marketing and build a whole ideology around that (an IBM); Hewlett-Packard has developed the ‘H-P way,’ based on its engineering culture, while McDonald’s has become famous for its emphasis on quality, service, and cleanliness.

Strategy in this respect is to the organization what personality is to the individual. Indeed, one of the earliest and most influential writers on strategy (at least as his ideas have been reflected in more popular writings) was Philip Selznick (1957, p. 47), who wrote about the 'character' of an organization – distinct and integrated 'commitments to ways of acting and responding' that are built right into it. A variety of concepts from other field also capture this notion; anthropologists refer to the 'culture' of a society and sociologists to its 'ideology'; military theorists write of the 'grand strategy' of armies; while management theorists have used terms such as the 'theory of the business' and its 'driving force' (Drucker, 1974; Tregoe and Zimmerman, 1980); and Germans perhaps capture its best with their word 'Weltanschauung,' literally 'world view,' meaning collective intuition about how the world works.

This fifth definition suggests above all that strategy is a concept. This has one important implication, namely, that all strategies are abstractions which exist only in the minds of interested parties. It is important to remember that no one has ever seen a strategy or touched one; every strategy is an invention, a figment of someone's imagination, whether conceived of as intentions to regulate behaviour before it takes place or inferred as patterns to describe behaviour that has already occurred.

What is of key importance about this fifth definition, however, is that the perspective is shared. As implied in the words Weltanschauung, culture, and ideology (with respect to a society), but not the word personality, strategy is a perspective shared by the members of an organization, through their intentions and/or by their actions. In effect, when we are talking of strategy in this context, we are entering the realm of the collective mind – individuals united by common thinking and/or behaviour. A major issue in the study of strategy formation becomes, therefore, how to read that collective mind – to understand how intentions diffuse through the system called organization to become shared and how actions come to be exercised on a collective yet consistent basis.

(Mintzberg, 1996)

In Activity 7 you'll start to develop a better understanding of five facets of strategy.

Activity 7 Five Ps in practice

Spend approximately 35 minutes on this activity.

Think of the strategy of your past or future career path. Explain when, how and why you referred or intend to refer to strategy as plan, ploy, pattern, position and perspective. Show the interrelation among five Ps of your strategy.

Provide your answer...

2.1 Applying the five Ps to an example organisation

If you have studied in higher education before, you might be familiar with how course assignments often invite you to make use of your experience and reading to illustrate, test or apply ideas. This not only helps you to get hold of an idea, but can also throw up

interesting questions, which challenge that idea and demonstrate its limitations – inspiring us to think critically. In Box 3, The Open University (the OU) is used as an example organisation to which Mintzberg's five Ps can be related. As you read the material, see if you can apply the arguments to any other organisation you know.

Box 3 Using the OU as an example

Plan

As a large organisation, the OU has plenty of plans. These are often expressed in documents, briefings and presentations, which are circulated and updated regularly to ensure adequate consultation and 'ownership' (i.e. to check that a wide range of people in the organisation know about and feel responsible for the plans). Different parts of the organisation periodically use these plans to assess their progress by comparing what they have actually achieved in comparison to what they planned to achieve. For example, in areas like 'inclusion', meaning the social and cultural diversity of the student population; or 'retention', meaning keeping students on track to finish a course or qualification.

Ploy

It's important for any university to have a good reputation. The deceptive ploys, mentioned in Mintzberg's article, are not available to the OU. But it can still manage its image by carefully selecting what it wants to say about itself to its various publics. For example, in order to maximise its attractiveness to funders the OU emphasises achievements, notably in high profile areas such as space science. Other areas, while no less important to the university's mission, will receive less public relations effort as they are less newsworthy. This could be seen as a misrepresentation of the university's total activities (for example, if you are a researcher doing internationally important work in a less glamorous area, you might well feel the amount of attention some of your other colleagues receive is unfair, or at least unbalanced). On the other hand, it makes sense to put your media relations resources behind stories with the best chance of gaining media coverage.

Pattern

An example of what Mintzberg called 'consistency in behavior' would be the OU's policy of collaborating with local partners in many international markets, rather than always going direct to students (though this is also an option in a number of countries). This is partly deliberate (in order to benefit from the local knowledge of the partner institution, and to support the development of distance learning in a local context) and partly emergent (in some countries, political and/or cultural factors would make a direct route to students unfeasible). This strategy thus shares characteristics from both ends of the continuum, which Mintzberg presents in his Figure 1; it can be both an 'intended' (or planned) strategy, centrally endorsed by the university, and an 'emergent' (or imposed) strategy, forced by political circumstances.

Position

Since its foundation in the 1960s, the OU has positioned itself as an exclusively distance-learning establishment. As has already been noted, the idea of 'position' is connected to military strategy. In a battle, troops attack or defend a position. In a market, competitors attack the market share of others and defend their market share. While the appropriateness of talking about education in terms of customers and markets may be debated, it might be agreed that the OU's viability cannot be separated from its ability to attract students. As the number of distance-learning providers increases, it is increasingly important for the OU to adopt positions that are compatible with its changing circumstances.

Perspective

People who are new to the OU, either as staff or as students, often take a while to get used to its way of doing things. It seems vastly bureaucratic at times, and obsessed with set processes and procedures. But this can be seen as the practical consequence of its 'ingrained way of perceiving the world', in Mintzberg's phrase. Its mission to be 'open to people, places, methods and ideas' (The Open University, 2009), which means that it has to deal with very large numbers of students and courses. While its critics may claim that 'the OU way' is overly bureaucratic, supporters might counter that the OU is committed to openness, which implies a necessary degree of formality in its systems and speed of operation.

The five definitions on which Mintzberg draws thus act as a set of themes around which perceptions of an organisation can be shared, in order to understand it more clearly, and to evaluate its strategies. Doing this might even allow the opportunity to envisage and recommend better strategies. So the five Ps are a useful checklist, based on what Mintzberg took to be the most influential ways of defining strategy when he wrote his article. But, like any organisation, the OU is bigger and more complex than any checklist – even a comprehensive one like the five Ps.

2.2 Interrelating the Ps

The five Ps may be related. Their connection is discussed in Box 4.

Box 4 Connecting the five Ps

Strategy as both position and perspective can be compatible with strategy as plan and/or pattern. In fact, the relationships between these different definitions can be more involved than that. For example, while some consider perspective to be a plan (Lapierre, 1980, writes of strategies as 'dreams in search of reality'), others describe it as giving rise to plans (for example, as positions and/or patterns in some kind of implicit hierarchy). But the concept of emergent strategy is that a pattern can emerge and be recognized so that it gives rise to a formal plan, perhaps within an overall perspective.

We may ask how perspective arises in the first place. Probably through earlier experiences: the organization tried various things in its formative years and gradually consolidated a perspective around what worked. In other words, organizations would appear to develop

'character' much as people develop personality – by interacting with the world as they find it through the use of their innate skills and natural propensities. Thus pattern can give rise to perspective too. And so can position. Witness Perrow's (1970, p. 161) discussion of the 'wool men' and 'silk men' of the textile trade, people who developed an almost religious dedication to the fibres they produced.

No matter how they appear, however, there is reason to believe that while plans and positions may be dispensable, perspectives are immutable (Brunsson, 1982). In other words, once they are established, perspectives become difficult to change. Indeed, a perspective may become so deeply ingrained in the behaviour of an organization that the associated beliefs can become subconscious in the minds of its members. When that happens, perspective can come to look more like pattern than like plan – in other words, it can be found more in the consistency of behaviours than in the articulation of intentions.

Of course, if perspective is immutable, then change in plan and position within perspective is easy compared to change of perspective. In this regard, it is interesting to take up the case of Egg McMuffin. Was this product when new – the American breakfast in a bun – a strategic change for the McDonald's fast-food chain? Posed in MBA classes, this earth-shattering (or at least stomach-shattering) question inevitably evokes heated debate. Proponents (usually people sympathetic to fast food) argue that of course it was: it brought McDonald's into a new market, the breakfast one, extending the use of existing facilities. Opponents retort that this is nonsense; nothing changed but a few ingredients: this was the same old pap in a new package.

(Mintzberg, 1996)

Conclusion

In this course, the term strategy has been defined as well as major terms in its vocabulary: mission, vision, aims and objectives. Drawing on Mintzberg (1996), it showed that strategy may be conceived of as a composite of five interrelated facets, namely, plan, ploy, pattern, position and perspective.

Thinking about strategy is clearly a lot more complicated and challenging than merely mastering a set of formulae or analytical tools, which can be applied in order to guarantee success. Instead, one of the interesting things about strategy is that it generates so many controversial questions, which require us to synthesise our other areas of knowledge and expertise, and acknowledge our particular standpoints and situations. What academics and practitioners argue as being appropriate strategy has a lot to do with their convictions about how the world works and what they see as important.

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