



Topic
Professional

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Thinking Skills

Strategic Thinking Skills

Course Guidebook

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Table of Contents

INTRODUCTION

Professor Biography	i
Course Scope	1

LECTURE GUIDES

LECTURE 1

The World of Strategic Thinking	4
---------------------------------------	---

LECTURE 2

The Origins and Relevance of Ancient Strategy	11
---	----

LECTURE 3

The Dawn of Modern Strategic Thinking	20
---	----

LECTURE 4

Modern Principles of Strategic Conflict	29
---	----

LECTURE 5

Geography—Know Your Terrain	37
-----------------------------------	----

LECTURE 6

Grand Strategists and Strategic Intent	45
--	----

LECTURE 7

The Core and the Rise of Strategic Planning	54
---	----

LECTURE 8

Which Business Strategy? Fundamental Choices	62
--	----

LECTURE 9

Your Competitive Advantage—Find the Blue Ocean	70
--	----

LECTURE 10

Strengths, Weaknesses, Opportunities, Threats	78
---	----

Table of Contents

LECTURE 11	
Avoid the Pathologies of Execution	85
LECTURE 12	
Tactics of Combat as Problem-Solving Tools	92
LECTURE 13	
Shock of the New—Inflection Points	101
LECTURE 14	
Surprise! Perils and Power of Strategic Deception.....	109
LECTURE 15	
The Sources and Uses of Reliable Intelligence.....	117
LECTURE 16	
Move and Countermove—The Theory of Games.....	124
LECTURE 17	
The Evolution of Cooperation.....	131
LECTURE 18	
When Strategy Breaks Down	138
LECTURE 19	
Leverage Cognitive Psychology for Better Strategy.....	146
LECTURE 20	
Strategic Intuition and Creative Insight.....	155
LECTURE 21	
From Systemic Problems to Systemic Solutions	161
LECTURE 22	
Seize the Future with Scenario Analysis	167
LECTURE 23	
The Correlation of Forces, Luck, and Culture.....	175

Table of Contents

LECTURE 24

Strategic Thinking as a Way of Life	182
---	-----

SUPPLEMENTAL MATERIAL

Timeline	190
Biographical Notes	197
Bibliography.....	203

Strategic Thinking Skills

Scope:

Strategic thinking is about unraveling the mysteries of the chaotic world around us and harnessing powerful forces to our own ends. It means utilizing tools of analysis and tactics to take decisive and prudent action that gives us the best possible chance of achieving our objectives—whether those objectives are personal or professional.

In this course, we learn what the finest strategic minds of history can teach us and how their insights can transform us into decisive, capable strategic thinkers. We learn how to overcome both internal and external obstacles that block the way to achieving our goals. Strategic thinking sharpens your awareness of the world around you so that previously inexplicable events become intelligible. You begin to connect the dots in many areas and at different levels. Causes and effects, sometimes far removed from each other, take on clarity as we begin to understand the funnel of causality. Seemingly isolated events are connected to each other in patterns that we can readily recognize.

The framework for strategic thinking is a series of powerful analytical tools that enables us to make sense of a complex world and can transform the way we think, behave, and interact with others. These are the same tools that inform both corporate strategy staffs and military intelligence units in accomplishing scenario development, strategic choice, and tactical execution.

We begin with lectures on the origins of strategy to discover how the concept of strategic thinking emerged in theorizing about ancient warfare and how principles of strategic action began to crystallize in the minds of the great theorist/practitioners. Strategy has its ancient origins in the military, both in Greece and China, so we start there, with the theorist-practitioners Thucydides and Sun Tzu and the ancient battles of Delium and Cannae.

Military strategic thought flourished during the Enlightenment, culminating in the Napoleonic era of advanced strategic and tactical developments. Modern efforts to name and systematize principles of military strategy really

began with Napoleon. We consider Napoleon's own ideas and actions, as well as the contrasting lessons drawn from Napoleon by the two leading theorists of 19th-century strategy, Jomini and Clausewitz.

Entering the modern era, we examine how strategic dynamism began to suffuse and revolutionize the thinking in other realms of endeavor and slowly evolved into an indispensable tool in the worlds of the military, business, politics, sports, and even entertainment. The military principles of combat can be understood as principles of competition, offering us a variety of tactical options for use in our own strategic endeavors.

In our middle lectures, we turn to the various tools and intellectual perspectives offered by modern strategic thought. Here, it is important to grasp the difference between strategy and the tools of strategy. Strategy is not a ready-made plan we can pull from a shelf, nor is it a tool we can take from a toolbox.

Regardless of the area of endeavor, the key to any successful strategy is an overall sense of mission, what business strategists Hamel and Prahalad called "strategic intent." Far from an empty exercise, crafting a clear and meaningful mission statement shapes the entire strategic planning process. That process as explicated here consists of mission, objective, situation analysis, strategy formulation, strategy implementation, and control. This simple planning process serves as the structure for our thinking and is a constant loop that leads us back to situation analysis. We constantly evaluate the external and internal environments and modify our strategy according to arising needs.

We learn the fundamental competitive choices available to us, their advantages and disadvantages, and how to position ourselves for the most successful strategic outcomes. We also learn the sources of competitive advantage and one superb technique—the blue ocean strategy—whereby we may achieve it and sustain it.

Where many strategies fall short is in the implementation, the crisp and correct execution of tactics. We review tactics and principles—including the frontal assault, the flank attack, the indirect approach, and rear area battle—

that empower us on the field of conflict of our choice, and we explore the special power of surprise and its force-multiplier effect. We also learn of the incredible utility of the intelligence cycle and scenario planning as engines of predictive capability, predictive of both the specific likely actions of competitors and the likely course of macro-factors that can affect our plans.

Key to the success or failure of much strategic action, regardless of the venue, is the mindset of the strategist. Lectures on cognitive psychology, strategic intuition, game theory, systemic problems, and perspectives on “luck” demonstrate that our own self-perception and the perception of the world around us can have a tremendous impact on the effectiveness of our strategy. Likewise, one of our lectures encompasses the well-known obstacles to great strategy and relates how these obstacles can often be circumvented if acknowledged and properly considered.

The course concludes with a final lecture that sketches the lives of four strategic thinkers, vignettes of powerful and focused idea entrepreneurs who harnessed the power of strategic imagination for their own ventures and achieved tremendous success. In this final lecture, we recapitulate the principles of strategic thinking and illustrate the potential rewards awaiting those who cultivate strategic thinking skills as a way of life, those who do not fear the future but harness its potential for their own benefit.

At the end of our course, you may find that your perspective on the world has undergone profound transformation as you begin to see patterns and routines, to identify categories, and to sense the broader macro-shifts in a particular correlation of forces that affect you in unique ways. You gain clarity and you may see the fog of uncertainty begin to clear, replaced by a certitude of purpose and direction as you begin to master the concept of strategic choice—the selection of the correct tools to apply to your unique situation. By adopting various combinations of techniques and tools of analysis, and by seizing a substantial role in developing your circumstances, you improve your chances of achieving your objectives. And this is the great gift of strategic thinking: clarity and efficacy of action in a forever changing and chaotic world. ■

The World of Strategic Thinking

Lecture 1

How can you learn to plan more effectively, outsmart your competitors, and avoid unpleasant surprises? The answer is strategy. This course arms you with the essential tools that allow you to think strategically in business and in life. In these lectures, you'll learn a broad array of skills and techniques for problem solving, critical decision making, competitive intelligence, and long-term planning. As we'll see, strategic thinking is a way of peering into the future with confidence that our actions today will yield the best possible outcome tomorrow.

A Quarterback's Strategic Thinking

- Consider the crucial 10 to 15 seconds in a football game between the call of a play in the offensive huddle and the snap of the ball.
- The offense has made a plan to achieve the intermediate objective of moving the ball to make a first down. This plan takes into account the situation on the field, that is, the distance required to make the first down, the number of downs remaining, and the distance needed to score. The defense looks at the same situation on the field and calls a play to resist the offense.
- What happens next is where truly powerful strategy emerges. In that narrow window of time between the break of the huddle and the snap of the ball, the quarterback collects and processes information on his opponent and may change the play as a reaction to the other team's anticipated course of action.
- This ability to change the play—or the plan—is what distinguishes genuine strategy: the dynamic of action and reaction that yields optimum results.



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Powerful strategy emerges in the game of football, with both offense and defense adjusting their lines of attack almost instantaneously based on the actions of their opponents.

A Cultivated Skill

- We aren't born with a fully developed ability to think strategically. It is a skill that must be cultivated and practiced. In fact, most people are stuck in the mode of cognitive confinement, or static thinking; they consciously reject thinking about tomorrow.
- Albert Einstein once observed that insanity is the propensity to do the same thing over and over again, expecting different results each time. This is the antithesis of strategic thinking, and it occurs in the workplace more often than we'd like to admit.
- Many of our co-workers or employees don't engage in a methodical process of questioning, evaluating assumptions, gathering information, analyzing and planning, and then taking action. Many people simply function in routines they don't question.
- We all think about the future, of course, but there is a difference between strategic thinking and daydreaming about what might be. Strategic

thinking is about setting goals and developing long-range plans to reach those goals, plans based on careful analysis of internal and external environments and on the actions of others.

- Strategic thinking involves thinking logically and deeply about the future. It means embracing the idea that where we want to be five years from now should inform what we do today.

Key Terms, Definitions, and Concepts

- The term “strategic intent” refers to the “big ideas” that strategy aims to advance. It is this intent that compels us to think about the future: the home you’d like to buy, the career you’d like to have.
- The term “strategy” itself refers to more than just a plan. It is a way of perceiving and considering the future with our aims and goals in mind. It is also a way of dealing with a constantly changing environment, both responding to that environment to achieve our goals and attempting, where possible, to change that environment to our benefit.
 - The ancient military strategist Sun Tzu offers us one of the most well-known examples of strategic theory in his opus *The Art of War*. Sun Tzu’s brilliance lies in his recognition of the fluid nature of reality and the fact that any practitioner of strategy must constantly adapt to it.
 - In the Western world, the concept of strategy flowered in the 19th century with the work of the French general Antoine de Jomini, most notably his *Summary of the Art of War*. Jomini’s contribution to strategic thinking lies in his identification of interior lines of communication and his notion of concentration of force.
 - Carl von Clausewitz, a Prussian military officer, disagreed with Jomini in important respects. He viewed uncertainty, chance, and probability as three-fourths of conflict—what he called “friction”—and to overcome this friction, he offered the notion of coup d’oeil, a French expression for a stroke of intuition and genius. This is the concept of the rapid and accurate decision making.

- One of the most influential strategists of the 20th century was Sir Basil Liddell Hart, whose contribution was the “indirect approach”—a form of misdirection. Hart’s idea was that we should never expend our energies with frontal assaults on an entrenched enemy; instead, we should seek interesting alternative routes to achieve our objectives.

Strategy versus Tactics

- We sometimes hear the word “strategy” used in conjunction with “tactics,” but there’s a difference between the two. We tend to think of strategy as part of some higher realm of planning, while tactics are the execution of strategy.
- If your strategy is to become a doctor or lawyer, the courses you take are part of that strategy, but the ways you choose to study and prepare would be tactics.
- Clausewitz distinguished between strategy and tactics by focusing on levels of conflict. In his words, “Just as tactics is the employment of military forces in battle, so strategy is the employment of battles ... to achieve the object of war.”
- Strategy encompasses well-executed tactics and cannot be divorced from tactics. Many a great strategic plan can falter because of a failure to recognize this crucial point.
- Strategic thinking does not end with the crafting and execution of a strategy. Strategic thinking means constant interaction with the environment during the execution of the strategy. Successful strategy is dynamic, adaptive, and opportunistic, and it depends on the swift, bold, and decisive execution of tactics.

Strategic Theory and Thinking

- The realm of business has proven to be a fertile area for the development of strategic theory. Harvard business professor Michael Porter elevated strategic thinking to a new level of respect in the nation’s business

schools, beginning with his pathbreaking work in the 1980s on competitive advantage, competition, and strategic thinking.

- For Porter, “strategy means choosing a different set of activities to deliver a unique mix of value,” in other words, doing things differently. This definition bridges the gap between the military and business and between ancient and modern ideas.
- “Choosing a different set of activities” enabled the ancient general Hannibal to defeat the far more numerous Romans at the Battle of Cannae in 216 B.C. and allowed Apple to play a significant role in the personal computer revolution of the 1980s.
- Strategic thinking is goal-directed, structured, and focused on the future in a precise way. It is analytical and ambitious. It concerns power and trends, as well as uncertainty and the resolution or accommodation of that uncertainty.
- Strategic thinking is also instrumental; we use strategic thinking as an instrument to achieve our goals. It becomes a resource, much like money, or time, or labor. Note, too, that it is useful across a range of activities, from the grand and sweeping to the at-home and everyday.

The Importance of Intelligence

- Intelligence and analysis play a significant role in critical thinking, providing the raw material to build a sound strategic structure. Not only do we want to find out what the other side is doing, but we want to mislead our opponents about our intentions, as the U.S. military did with its feigned invasion of Kuwait from the sea during the first Gulf War in 1991.
- In competitive situations, the “surprise attack” smacks of the not-genteel aspects of conflict, but in sports, business, and politics, we can admire a well-crafted surprise. Again, in football, surprise and deception are integral parts of the game and are crucial to gaining competitive advantage. The “draw play,” for example, attempts to draw defenders into the wrong parts of the field.

- Surprise and stratagem serve us as useful tools to advance our strategic goals. Deception can turn a bad situation into a good one, and it can turn a good situation into victory. The five basic types of surprises at our disposal are those of intention, time, place, strength, and style.
- In a full sense, strategy equips us with tools that help us meet the future with confidence. Tools of analysis can aid our understanding of the powerful forces that shape that future. As we'll see in a future lecture, the SWOT analysis (strengths, weaknesses, opportunities, and threats) is an analytical tool that helps us look at all aspects of a situation to ensure that our strategic intent matches our resources and capabilities.

A Robust Definition

- Strategy is a method or plan that we craft to bring about a desired future, such as achievement of a goal or solution to a problem. It's a plan that assesses, acquires, and allocates necessary resources to the most effective and efficient use. And it's a plan that anticipates and incorporates competitor responses.
- Peter Drucker, the great 20th-century management thinker, observed that there are two types of thinking: thinking about objects and thinking about people. Static thinking involves planning around objects and is quite easy; the variables are few and relatively unchanging. Strategic thinking, however, is much more difficult, because it involves anticipating the actions and reactions of competitors and preparing accordingly.
- Thinking strategically helps us to make sense out of chaos and enables us to use the forces around us to our advantage, rather than allow those forces to pummel us. We learn to quarterback our own lives, both by planning ahead and by adapting our plan in the moments of decision that matter most.
- Strategic thinking skills are most critical in the moments when an outcome is uncertain and additional strategic action is needed. This is the quarterback in the seconds before the snap, the courtroom attorney in a last-minute maneuver, the closing minutes on a stock-exchange trading floor, or the perfect teaching moment with a child.

- In this course, we will cultivate the benefits of strategic thinking, enabling us to enjoy increased productivity and work satisfaction, greater predictability, less stress, greater efficiency, and a better chance of victory.

Suggested Reading

Dixit and Nalebuff, *Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life*.

Harvard Business School Press, *Thinking Strategically*.

Porter, “What Is Strategy?”

Rice, *Three Moves Ahead*.

Sloan, *Learning to Think Strategically*.

Questions to Consider

1. Strategy is one of the most used—and abused—terms in the lexicon of modern business. This is largely because genuine strategy is so difficult to craft, risky to accept, and challenging to implement; as a result, *poseurs*, such as off-the-shelf “efficiency tools,” masquerade as strategy. What are some of the programs and processes you know of that position themselves as “strategy” and how do they differ from genuine strategy?
2. Use the game of football as a learning tool. Watch a football game with an eye toward observing specific players on the field; watch their actions and where they look before each play. Do they attempt to deceive their opponents? Watch the quarterback and consider his actions after he breaks the huddle. What does he do? What are his thoughts? How does he react to what he sees?
3. Ensure that you understand the difference between strategy and a mere off-the-shelf efficiency tool or efficiency process. What is the difference and why do you think that efficiency tools so successfully masquerade as strategy?

The Origins and Relevance of Ancient Strategy

Lecture 2

Philosophers and generals study the great thinkers of the past, and we would do well to emulate them if we wish to deepen our understanding of strategic thinking in the 21st century. The broader our context, the more elaborate our backdrop, the more useful the tools of strategy become. In this lecture, we'll learn strategic lessons from six of the best military commanders and thinkers in history; as we do, try to come up with ways that these lessons can be relevant in your own life and work.

Thucydides

- **Thucydides** was a 5th-century-B.C. aristocrat who served as a general in the Peloponnesian War, the great conflict between the Greek city-states of Athens and Sparta. Thucydides carried the rank of *strategos*, or general, and his *History of the Peloponnesian War* covers the conflict down to the year 411 B.C.
- Nearly 2500 years after it was written, this ancient treatise serves as the starting point for the field of international relations, the foundation for a school of thought called political realism, and our earliest account of strategic thinking in action.
- The work of Thucydides conveys skepticism about such concepts as justice. For example, in the famous Melian dialogue, the Athenians assert their superior armed might as the only arbiter required to exact cooperation from the inhabitants of the island of Melos. The passage sweeps away notions of fairness, justice, reason, and even intervention by the gods.
- The Melian dialogue presents us with an archetype for power politics or realpolitik. Think of a situation in which power remains paramount in your professional life. Is there a market or competitive field where overwhelming force or vicious competition is not only the most

effective strategy but also the only logical one? How can you leverage your organization's advantages to score an overwhelming victory?

Pagondas

- Despite the fact that the generals of Athens were called *strategos*, they didn't use a great deal of actual strategy in the Peloponnesian War. To see strategy at work in this war, we must look at an apparently insignificant battle that featured none of the leading generals from either side.
- On the surface, the Battle of Delium, fought in 424 B.C., looks like just another ancient bloodletting. But at Delium, an obscure Theban general named **Pagondas** exhibited a radically new mode of combat.
- At the start of the battle, the Athenians marched out to the valley near Delium with about 20,000 troops, but they turned back after their supporting troops failed to appear. Rather than allow the Athenians to flee, Pagondas urged the Thebans to pursue and close with them. With this move, he developed the principles of forward defense and preemption—striking an enemy that poses a long-term threat rather than an immediate threat.
- At a crucial moment in the battle, Pagondas ordered fresh companies of Theban cavalry, held in reserve, to attack the Athenians in concert with the infantry. This was the first recorded use of deliberate reserves joining an attack. In response, the Athenians panicked; their ranks shattered; and they fled.
- Among the innovations Pagondas introduced in this battle was his own monitoring of the situation from a distance—rather than positioning himself at the forefront of the fighting—and the modification of troop formation.
- The Battle of Delium counts as the birthplace of a science of Western tactics and gives us our second strategic lesson: Surprise innovations can often turn the tide of an evenly matched struggle. In your life, are you stuck fighting a battle with traditional tactics? If so, can you think of any innovations that will allow you to catch your opponent off guard?

Sun Tzu

- China offers us one of the most well-known examples of strategic theory, *The Art of War*, popularly attributed to **Sun Tzu**, a general who flourished in the 5th century B.C. This work was perhaps expanded by others in subsequent centuries, and it greatly influenced military thinking in Asia and, later, the West.
- Sun Tzu's brilliance lay in his recognition of the fluid nature of reality and the fact that any practitioner of strategy must constantly adapt to that reality. Sun Tzu's principles can be applied to the battlefield, public administration and planning, and diplomacy and international negotiation.
- Key to Sun Tzu's thinking is his realization that all plans are temporary. He knew that a plan can become obsolete as soon as it's crafted. For him, the decision to position one's forces in competition depends on two major factors: (1) objective conditions in the physical environment and (2) the subjective beliefs of competitors in that environment.
- In this, Sun Tzu originates a view shared by elite strategic theorists down to the present: that the most brilliant plans are those that spring into being in the dynamic of action and response. Sun Tzu believed that strategy requires rapid responses to changing conditions based on sound judgment and principles.
- How can you apply Sun Tzu's lessons in your life? Consider situations in which you rely on outdated plans; then think like Sun Tzu: Figure out how and why your plans went awry and how that understanding can help you correct course.

Hannibal Barca

- **Hannibal** was a Carthaginian general who plagued the Roman Republic from the 3rd century into the 2nd century B.C. Outnumbered in the enemy's homeland, he fought the Romans to a great victory in 216 B.C. at the Battle of Cannae, thanks to his revolutionary manipulation of forces.



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At the Battle of Cannae in 216 B.C., the Carthaginian general Hannibal outmaneuvered and outsmarted the Romans with a battle plan that turned their own tactics against them.

- In Hannibal's time, standard tactics dictated that formations of soldiers would line up abreast of each other in a phalanx, march forward, collide, and do battle. Numerical superiority was thought to be the key to victory. Armed with fewer resources than his Roman enemies, however, Hannibal configured his forces differently and achieved a stunning success.
- At Cannae, the Romans marched forward in a narrow and deep phalanx that matched the front of Hannibal's smaller force. This narrow front greatly negated the Roman numerical advantage.
- Roman training dictated that soldiers pursue a fleeing opponent. Thus, when Hannibal's leading troops appeared to break and withdraw, the Romans pressed forward, leaving their flanks to Hannibal's infantry.
- The Romans were also taken unawares by a change in cavalry tactics. Once Hannibal's cavalry had driven off the Roman cavalry, his horsemen did not pursue the Romans. Instead, they fell upon the rear of the masses of Roman

infantry, which became even more tightly packed. The envelopment of the Romans was complete, and their destruction, inevitable.

- Hannibal achieved this great victory not with superior numbers but superior strategy and extraordinary tactical execution. And that's his lesson to us: When faced with superior competitors, use your knowledge of their habits and weaknesses to outsmart them. How can you invert commonplace thinking and outmaneuver your competitors when they're falsely feeling confident?

Vegetius

- **Vegetius** was a Roman administrator who lived in the late 4th century A.D., during a period of Roman decline. At the request of Emperor Valentinian, Vegetius prepared a treatise called *Epitoma rei militaris*, or *A Summary of Military Matters*, which became the most popular military handbook for more than 1000 years after its publication.
- The *Summary* contains a list of seemingly pedestrian topics—the selection of recruits, their training, and so on. The link to high-concept strategy here is that strategy encompasses three elements: intentions, capabilities, and resources. Vegetius's work addresses how the military may develop its capabilities to achieve the aims of strategy.
- Throughout his work, Vegetius hammers home the need for thorough training, strong discipline, hard work, and sound planning. These elements of preparation form the heart of strategic capability.
- Key among his directives was an emphasis on the need for, and uses of, strategic reserves. As an exercise, write out all the areas where you feel your company has uncommonly strong reserves. Where can you hold off deploying all your resources to lure your competitors into a false sense of confidence? How can you spring these resources on the competitor suddenly and with overwhelming effect?

Machiavelli

- In his famous work *The Prince*, **Niccolò Machiavelli**, one of the most important political theorists in history, advocated a coldly reasoned

line of behavior to maintain a monarch in power: a ruthless pursuit of self-interest. In the lesser-known *Art of War*, Machiavelli extended this amoral reasoning to the battlefield.

- Machiavelli offers us two key concepts: *virtu* and *fortuna*, representing the internal and external elements of strategic thinking.
 - The concept of *virtu* for Machiavelli incorporates numerous qualities: flexibility, foresight, individuality, ability, energy, political acumen, prowess, and vital force. It is a skill that one can develop and sharpen.
 - Conventional thinkers of the time treated Fortuna as a mostly benign goddess. In contrast, Machiavelli conceived fortune as a malevolent and uncompromising source of human misery and disaster. Thus, he counseled generals to “beat and maul” fortune into submission. Today, we would call his advice a bias toward action.
 - *Virtu* provides the ability to respond to fortune at any time and in any way necessary. This joining of the actor with the environment is an early formulation of the concept of emergent strategy. Given that we cannot predict what Fortuna will hand to us, we must develop the internal qualities and capabilities that enable us to meet those uncertainties in the best manner possible.
- As a final challenge for this lecture, ask yourself whether you have developed the flexibility, foresight, and energy to outwit unpredictable fortune. Think back to an unexpected situation that overwhelmed you in the past. Have you learned from it, and if not, how can you?

The Lessons of the Past

- Ancient strategists provide us with modes of thinking and practical guidance that we can use in the present.
- First, any area, no matter how dominated by thoughtless effort, can be transformed by the application of tactics. Try to use special forces at special times and in special ways.

- Second, understand that plans must change. Learn to recognize the fluid nature of reality and be aware that any strategy must constantly adapt to that reality. The most brilliant plans are those that spring into being in the action-response dynamic of the moment.
- Third, preparation is the heart of strategic capability. Whether you're running a household or a billion-dollar business, training, discipline, hard work, and sound planning are the foundations of strategic reserves, which are necessary for many kinds of maneuvers. If you have no reserves, you have no strategy.
- Fourth, know your opponents. You can gain astonishing leverage if you know the preparations and capabilities of your opponents. A combination of surprise and superb tactical execution can allow you to defeat an opponent with twice your strength.
- Fifth, be bold; seize your fortune. The greatest challenge in strategic thinking is getting started.

Names to Know

Hannibal (247 B.C.–183–181 B.C.): Son of a famous general and sworn to eternal hostility against Rome from a young age, Hannibal Barca's name will always be associated with one of the greatest victories in all of history: his defeat of the Romans at Cannae.

Machiavelli, Niccolò (1469–1527): A humanely educated man who is most remembered for his tract on political power, Machiavelli also offered his take on conflict in his treatise *The Art of War*. Literally a Renaissance man, Machiavelli collaborated on military projects with both Leonardo da Vinci and Michelangelo.

Pagondas (fl. 5th century B.C.): This obscure Theban general is credited with inventing the science of battlefield tactics, demonstrating a radical new approach to warfare of the time by his innovations at the Battle of Delium (424 B.C.) during the Peloponnesian War.

Sun Tzu (fl. 5th century B.C.): One of a handful of almost universally known strategists, the impact of Sun Tzu on strategy and the way we think about strategy has suffused thinking not only in present-day military circles but in business and political realms, as well. Descriptions of warfare in *The Art of War*, traditionally credited to Sun Tzu, suggest that the work was composed early in the Warring States period (475–221 B.C.). Famous generals who utilized Sun Tzu’s principles were Chinese communist Mao Zedong, Vietnamese general Vo Nguyen Giap, and American generals Norman Schwarzkopf and Colin Powell in the First Gulf War of 1991.

Thucydides (460 B.C. or earlier–after 404 B.C.): This ancient Greek historian is the founding father of the modern political science school of realism, which sees the international system as resulting from configurations of state power. Carrying the rank of *strategos* in the Athenian military, he both fought in the Peloponnesian War and wrote about it.

Vegetius (fl. 4th century A.D.): The avatar of adequate training and preparation of military forces, Vegetius preached the necessity of proper development of superior military capability prior to battle. He wrote his treatise *Epitoma rei militaris* at the request of Emperor Valentinian, divining how the “ancient Romans” organized and utilized their legions so that Rome’s military prowess might be resuscitated.

Suggested Reading

Hanson, *Ripples of Battle*.

Jay, *Management and Machiavelli*.

Koliopoulos and Platias, *Thucydides on Strategy*.

Machiavelli, *The Art of War*.

Thucydides, *The Peloponnesian War*.

Questions to Consider

1. In your own personal or professional life, what is a situation where power remains paramount? Thinking about your own situation, what advice might you give the Athenians or the Melians?
2. Think of a way that you or your associates are stuck using traditional tactics. Recalling how General Pagondas outmaneuvered the Athenians, try to think of a completely new way to behave that might catch a competitor or opponent you face off guard.
3. Considering the action-response dynamic that infuses Sun Tzu's writings, resolve to replace at least one way that you are merely working through an established list or procedure with a more deeply considered response to the circumstances you actually face.
4. Survey competitors or potential competitors in your environment. Do they have quirks or weaknesses that you know about? How might you, like Hannibal, exploit such knowledge to outmaneuver them when they're falsely feeling most confident?
5. Write out all areas where you, your workplace, or another organization you care about has uncommonly strong reserves. Where can you hold off deploying all those resources? How might you spring those resources on a competitor suddenly and with overwhelming effect?
6. Consider your own approach to good and bad fortune. Think back to an unexpected situation that overwhelmed you in the past. What have you learned from it? What personal traits could you cultivate in order to handle similar situations more effectively in the future?

The Dawn of Modern Strategic Thinking

Lecture 3

The study of early-modern military strategy enables us to discover deep lessons of how strategy emerges, how it comes to terms with the environment, and how it can help us achieve our goals. Napoleon himself urged careful study of the great military strategists as the surest way to become a great captain. Thus, in this lecture, we examine the contributions of Napoleon, Clausewitz, Jomini, and the geopoliticians.

The Enlightenment and Strategic Thinking

- Beginning in the 17th century, the Enlightenment mobilized the power of reason to reform society and advance knowledge across numerous fields—science, politics, medicine, education, and war. Inevitably, the Enlightenment emphasis on reason and its exploration of the fundamentals of social life would prompt new thinking about war.
- The 18th-century works of the French general Maurice de Saxe and Frederick the Great began to outline the battle principles that would lay the groundwork for **Napoleon**. Saxe revived and extended the Roman insights transmitted by Vegetius. Frederick the Great's most important achievement came in the ability to drill large numbers of troops effectively.
- The ascension of Napoleon marks the dawn of the modern era of strategic thinking. All of the elements for a military strategic revolution were present: new thinking, new technologies, and increasing populations.

Napoleon

- Studying Napoleon enables us to discover deep lessons in how strategy has developed from its ancient forms, how it has come to terms with an environment that changes constantly, and how it can confer competitive advantage in the goals we pursue. Napoleon himself urged careful study of generals from the past.

- The Napoleonic era stretched roughly from 1790 to 1815. Napoleon declared himself emperor in 1804, and he became, for a time, the master of continental Europe, achieving military victories over a series of European coalitions. Napoleon exemplifies strategic thinking in that he demonstrates the power of ideas over material resources.

- Napoleon’s insights into strategic thinking and other topics are distilled in a volume called *The Military Maxims of Napoleon*. These serve even today as a practical guide to how a great strategic mind approaches tactical problems and weaves their solution into a coherent whole.

- Napoleon recognized that some people view strategy as a checklist of techniques. The unspoken assumption here is that if you learn the techniques, then you, too, can be a great general. This is possibly the greatest danger for us as strategic thinkers today: to think of strategy as a formula. On this point, Napoleon said, “Unhappy the general who comes on the field of battle with a system.”

- He also understood the paradox that the best strategy can be overturned by its very implementation. He said, “In war, theory is all right so far as general principles are concerned; but in reducing general principles to practice there will always be danger.” The key, instead, is to retain flexibility and cultivate the skill of responding to an opponent’s actions.



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In Napoleon, the elements for a revolution in military strategy came together in a “perfect storm.”

The Strategies of Central Position and Indirect Approach

- Napoleon used the strategies of central position and indirect approach throughout his campaigns in the early 19th century. Which strategy he chose depended on such factors as terrain, weather, troop numbers, and overall capabilities as he judged them.
- When Napoleon was outnumbered, he would use the central position strategy, maneuvering his army to a position between the coalition armies facing him and driving a wedge between them. He would then seek battle with one army while leaving a masking force to hold the second in place.
- This maneuver was the expression of Napoleon's almost maniacal devotion to the principle of concentration in time and space. The idea here is that when you attack, you mount a preponderance of force at the point of attack, even if you are outnumbered overall.
- When Napoleon had strength comparable to his opponents and room to maneuver, he would use the strategy of indirect approach. This involved positioning a small force to the front of the enemy to feign a major attack. Simultaneously, the main force would march to the enemy's flanks or rear, placing Napoleon's troops on the enemy's lines of communication and supply and forcing the enemy to fight at a disadvantage or withdraw.

Antoine Jomini

- Napoleon is tightly bound up with the names of the two most influential military theorists of the 19th century, **Antoine Jomini** and **Carl von Clausewitz**. Both offered powerful interpretations of the Napoleonic Wars, and they influence the making and implementation of strategy even today.
- Jomini was a Swiss citizen and an officer in Napoleon's Grand Armée. He rose to prominence by his writing on military matters, and his *Art of War* is the work often credited with being the first to define strategy, tactics, and logistics as three distinct realms. Of these, defining the overall principles of strategy was his primary concern.

- According to Jomini, the fundamental principle of strategy was concentration, specifically, concentration of forces at the decisive point on the battlefield. This concentration consisted of four interrelated elements.
 - The first element involves bringing the majority of forces to bear on the decisive areas of a theater of war and the enemy's communications, without compromising your own. In modern-day business, this might equate to bringing resources to bear on a single critical part of the competitive market.
 - The second element is maneuvering to engage major forces against only parts of the enemy's forces.
 - The third element is using tactical maneuvers to bring major forces to bear on the decisive area of the battlefield that it is important to overwhelm.
 - Finally, the fourth element is to ensure that these forces at the decisive location are put into action quickly. In other words, it isn't enough to concentrate your resources at a critical place and time; your organizational control must be such that you can deploy those resources to achieve your goal.
- In addition to the principle of concentration, Jomini brought geometric precision to strategy and tactics, developing 12 geometric orders of battle, or specific geometric formations to engage an enemy.

Carl von Clausewitz

- Clausewitz was a Prussian officer whose posthumously published *On War* remains an influential treatise on strategy. He positioned war in a larger context, demonstrating the connections between the military and political spheres.
- Clausewitz viewed conflict as a function of three variables: violence, chance, and political aims. It was the job of the strategist to balance these three to achieve victory.

- Of the three, the variable with the most relevance for us as strategic thinkers is the element of chance—the interplay of the military commander’s courage, talent, and skill with the capabilities at his disposal. In the furor of battle, Clausewitz believed that the commander’s insight—what he called *coup d’oeil* (“glance of the eye,” lightning insight)—in the face of chance was the key to victory.
- Military establishments today recognize the importance of intuition in battle, and the latest research suggests that intuitive decision making can be taught.

The Influence of Jomini and Clausewitz

- The impact of Jomini was seen in the latter 19th century, while Clausewitz achieved greater prominence in the 20th century.
- In the American Civil War, Jomini’s influence inspired the tactics of massed frontal infantry assaults on both sides that led to massive casualties. But the fault is not Jomini’s; rather, it is the commanders who thought of strategy in terms of a checklist.
- The Civil War also yielded several practitioners who appeared ahead of their time in their creativity and ability to adapt to fluid and chaotic situations. They recognized the futility of massed infantry assaults against an entrenched enemy armed with long-range rifles and minié balls.
 - The Southern general **Stonewall Jackson** believed in maneuver and surprise as powerful weapons, not just enhancements of the “real business” of making war. His Shenandoah campaign of 1862 was a brilliant demonstration of the power of feint, deception, and speed of maneuver as force multipliers.
 - Nathan Bedford Forrest, another Southern general, summed up his own strategic theory with the aphorism “Get there first with the most.” This short phrase encompasses a core of strategic theory that includes surprise, maneuver, objective, speed, capabilities, and mass. Forrest’s 1864 victory over a Union force at the Battle

of Brice's Crossroads exemplified Jominian principles, particularly that of concentration.

- Much later, in the Second World War, General **Heinz Guderian** led Hitler's panzers across Belgium and France following the same principle as Forrest: applying overwhelming force at a single point and then pursuing an enemy relentlessly.
- World War I was the most horrific cauldron of war and death the world had known to that point. Military strategists of the time attempted to concentrate their forces as prescribed by Jomini, but they failed to recognize that technology had shifted the advantage to the defense.
- The horrors of World War I led to a rethinking of strategy. The prominent military thinker Basil Liddell Hart concluded that the frontal assault had limited utility; instead, he advocated his own theory of indirect approach that took into account the new weapons introduced in World War I, particularly the armored tank.
- In the 1930s, other strategic theories emerged as responses to changing political and technological conditions. One of the most notorious of these was the field of geopolitics and its insight known as geographical determinism: Geography determines the destinies of states and the fate of men.
 - One of the most famous dictums of geopolitics was formulated by **Sir Halford Mackinder** in 1904, and it is ominous in what it portends: "Who rules Eastern Europe, commands the Heartland. Who rules the Heartland, commands the World Island. Who rules the World Island, commands the World."
 - Geopolitics was adopted by Nazi Germany as a pseudoscientific justification for German expansion, but today, the field has made a comeback.

Takeaway Points from Early Military Strategists

- The two tools worth remembering from these early military strategists are the indirect approach and the strategy of the central position. But we must also learn how and when to use such tools. For instance, the frontal assault is used far too often.
- Strategic thinking requires much more than memorization of principles; it requires you to develop a keen and agile mind that is capable of independent and responsive thought.

Names to Know

Bonaparte, Napoleon (1769–1821): Once master of continental Europe, Napoleon is best remembered for a departure from his normally crisp execution of strategy when he failed to mask his flank and rear at the battle whose name is synonymous with defeat—Waterloo. Yet his legacy also extends to this day in the realms of the civil law tradition, modern civil government bureaucracies, and military theory and practice.

Clausewitz, Carl von (1780–1831): The way we think about war and strategy cannot be divorced from this 19th-century officer and theorist, who revolutionized strategy in the same way that Adam Smith revolutionized economics. He fought in the Napoleonic Wars for both the Prussians and the Russians and participated in the battles of Waterloo and Borodino. He died in 1831, and it was left to his widow, Marie, to prepare his manuscript *On War* for posthumous publication.

Guderian, Heinz (1888–1954): A great theorist and practitioner of the art of swift tank warfare, Guderian's *elan* and mastery of the battlefield were rivaled only by the great Erwin Rommel.

Jackson, Thomas (Stonewall) (1824–1863): Ahead of his time with regard to battlefield tactics, General Jackson's motto during the American Civil War was to "mystify, mislead, and surprise" the enemy.

Jomini, Antoine (1779–1869): Theorist and general, Jomini authored the bible of 19th-century military strategy and influenced the world's militaries

of that era more than any other individual theorist. He is distinguished by his effort to apply geometrical concepts to the battlefield.

Mackinder, Sir Halford (1861–1947): A geographer by trade, Mackinder is forever linked to efforts to create a social science of geopolitics by dint of his famous formula for achieving world domination that appeared in a pivotal article in 1904.

Suggested Reading

Buskirk, *Modern Management and Machiavelli*.

Chandler, *The Military Maxims of Napoleon*.

Clausewitz, *On War*.

Gray, *Modern Strategy*.

Jomini, *The Art of War*.

Liddell Hart, *Great Captains Unveiled*.

———, *Strategy*.

Von Ghyczy, Von Oetinger, and Bassbord, *Clausewitz on Strategy*.

Questions to Consider

1. Napoleon's maxims yield surprising insights that transcend the battlefield, and this is doubtless because he was an able administrator and shrewd politician, as well as a superior battlefield general. His preparedness maxim bears consideration and suggests strongly to us that we should assess our strategic position periodically to gauge our readiness to withstand the most likely challenge. Are you prepared for the battlefield?
2. Napoleon's strategy of the central position offers a practical guide to conflict situations in our daily lives that involve two or more allies teaming up against us. The fundamental idea is to concentrate our power in both time and space against only a portion of the opposing strength.

In this way, you can take on opponents who may seem more powerful. Is there a situation in your personal or professional life that is suited to Napoleon's central position strategy?

3. Napoleon's strategy of indirect approach gives us a method to grapple with a foe who is our equal. Rather than attack his or her strength, we approach on an oblique, sometimes feigning a frontal assault with a "demonstration." Companies can do this quite well, just as armies do, approaching opponents from an unlikely direction while leading them to believe that we're approaching exactly where they expect. Identify an oblique approach you might use to challenge one of your competitors.
4. Antoine Jomini attempted to establish "best practices" for the military of his time by demystifying the Napoleonic Wars for his readers. Using best practices is a modern business goal that propels businesses to the frontiers of efficiency. Doing so is not strategy, but it is absolutely essential to success. Do you engage in the best practices of your profession? Are you pursuing best practices in your dealings with others, in the systems that support your daily life?
5. Clausewitz placed great stock in the notion of the general's coup d'oeil, or battlefield intuition. Each of us can develop our judgment and decision-making abilities, but coup d'oeil means going beyond basic analysis and listening to our intuition. Has there been a time in your life when your intuition or a "hunch" provided you with the needed solution to a problem? If so, analyze where that insight came from and cultivate the habit of listening to your intuition rather than suppressing it.

Modern Principles of Strategic Conflict

Lecture 4

The hallmark of a sound principle is its successful application, across time and circumstances. In situations of competition and conflict, the principles of war that we'll look at in this lecture offer us guiding ideas for executing any strategy against a determined opponent. In the effort to learn how to think strategically, the principles of conflict are a valuable tool.

France, Spring 1940

- In the spring of 1940, the French, safely behind their impregnable Maginot Line, believed they were ready for a German attack. But the line left a small portion of the Belgian border unprotected, especially the area covered by the dense Forest of Ardennes. The French thought the Ardennes would deter the Germans from attacking in that region.
- The Germans, however, had no intention of grinding their army against the French Maginot Line. Instead, they attacked through the Ardennes and, in doing so, achieved that rarity in modern warfare: strategic surprise.
- The Germans combined two strategic principles: (1) the assembly of activities in innovative ways and (2) the indirect approach. They launched what became known as blitzkrieg, or lightning war, combining the use of tanks, aircraft, and infantry, and they swung around the French defenses, invading Belgium and, ultimately, cutting the Maginot Line off from the rest of France.
- In delivering the knockout blow to France, the Germans used an assortment of tactical principles of war to realize their strategic intent: offensive, mass, maneuver, economy of force, and surprise.
- The hallmark of a sound principle is its successful application, across time and in situations in which the technology, place, and combatants may change, but the principle holds true. Let's now turn to a set of principles of

war distilled by the British colonel John Frederick Charles Fuller during World War I and adopted (in slightly different form) by the U.S. military.

Principles of War

- Objective: Direct every military operation toward a clearly defined, decisive, and attainable objective.
- Offensive: Seize, retain, and exploit the initiative.
- Mass: Mass the effects of overwhelming combat power at the decisive place and time.
- Economy of force: Employ all combat power available in the most effective way possible; allocate minimum essential combat power to secondary efforts.
- Maneuver: Place the enemy in a position of disadvantage through the flexible application of combat power.
- Unity of command: For every objective, seek unity of command and unity of effort.
- Security: Never permit the enemy to acquire unexpected advantage.
- Surprise: Strike the enemy at a time or place or in a manner for which it is unprepared.
- Simplicity: Prepare clear, uncomplicated plans and concise orders to ensure thorough understanding.

Objective

- The ultimate military purpose of war is the destruction of the enemy's armed forces and will to fight. Of course, the ultimate objectives of operations other than war are considerably less destructive; nevertheless, it's important to have a clear objective or mission.

- This objective must be clear to everyone who has anything to do with the planning and execution of operations. At the personal level, we must be clear in our ultimate objective; it must inform and guide our use of all the principles.
- Too often, we get bogged down in the minutiae of the task, confusing tactics with the goal. History is replete with master tacticians who were unable to connect to the larger strategic picture. Even Robert E. Lee has been faulted as being a master tactician but a mediocre strategist.
- Any operation must have a purpose, and that purpose must be clear from the beginning. Each operation must contribute to the ultimate strategic aim. The attainment of intermediate objectives must directly, quickly, and economically contribute to the operation.
- The army uses an analytical framework of mission, enemy, troops, terrain, and time available (METT-T) to guide it in rapid development of its operations. Commanders designate physical objectives, such as an enemy force, dominating terrain, or other vital areas essential to the mission. These then become the basis for all subordinate plans, and no action is taken that doesn't contribute to achieving the main objective.
- Likewise, in your own strategic planning, the mission or objective must dominate and condition your thinking and actions. To adapt the military framework, think of the "enemy" as a competitor, your "troops" as your employees or your own energy and resources, and the "terrain" as the organizational landscape in which you maneuver.

Offensive

- The second principle of competition tells us that offensive action is the best way to attain an objective. Such action is effective and decisive.
- Offensive action is how we seize and hold the initiative while we maintain our freedom of action. In war, sports, business, and politics, this is fundamentally true across all levels of operations. We "play defense" only as a temporary necessity and only as a respite before we can seize the initiative and continue our offensive actions.

- The reason for this should be clear: The side that retains the initiative through offensive action forces competitors to react rather than allowing them to act.

Mass

- Mass is the synchronization of combat power in concentrated time and space on the enemy. In everyday terms, the idea is to deliver a massive blow to your competitor.
- Applying this principle is not as easy or as intuitive for some people as it may seem. Synchronizing the many moving parts of a large organization is difficult in the best of circumstances. Moreover, in situations other than war, we may seek less of a massive battle and more of an accommodation.
- Nonetheless, when the decision is made to join the battle, this principle suggests that we mass our resources for a decisive engagement. We must also sustain our massed resources and our attack so that the effects have staying power.

Economy of Force

- Because the mass we have is never unlimited, we also need economy of force. We must deploy and distribute our resources so that no part is left without a goal to accomplish.
- In military operations, combat power is finite and must be used judiciously. It is allocated to various tasks in measured degree—limited attacks, defense, delays, deception, or even withdrawal operations. All of these must be carefully measured so that we can achieve mass elsewhere at the decisive point and time on the battlefield.
- In business, we must be likewise judicious and not squander our resources in peripheral ventures.

Maneuver

- The principle of maneuver enables us to go after bigger prizes. In competition, we want to position ourselves for maximum advantage. How this advantage is measured varies according to the enterprise. For instance, you might be maneuvering against other job-seekers, other mid-level executives, or other candidates in a political race.
- Maneuver is the movement of forces in relation to the enemy to gain positional advantage. Effective maneuvering keeps the enemy off balance and is used to exploit successes, to preserve our own freedom of action, and to reduce vulnerability.
- Prudent and vigorous maneuvering continually poses new problems for the enemy. It renders the enemy's actions ineffective and can eventually lead to defeat.
- At all levels of operations, successful application of maneuver requires agility of thought, plans, and organization. It's also necessary for us to apply the previous principles of mass and economy of force.
- Our ability to maneuver is how we can determine where and when to join the fight, by setting the terms of battle, by declining battle, or by acting to seize unexpected tactical advantage.
- By maneuvering with skill, we can make ourselves unpredictable and, thereby, raise uncertainty and hesitation in the minds of our competitors.

Unity of Command

- Responsibility is a totem that many people pay homage to but honor only when absolutely necessary. In fact, diffusion of responsibility and closed-door decision making seem to be characteristic of modern corporate America. But in arenas of conflict, responsibility cannot be abdicated. Unity of command and unity of effort are required if the objective is to be reached.

- In the military, unity of command means that all forces are under one commander who has the authority to direct them in pursuit of a unified purpose. Unity of effort, on the other hand, requires coordination and cooperation among all forces—even though they may not necessarily be part of the same command structure—toward a commonly recognized objective.
- Unity of command is an ideal that shortens response time and leads to rapid decision making and execution, but it is not always attainable; this is why unity of effort becomes paramount.

Security

- Security is a precondition for unity of effort. To protect our position from competitor encroachments, it's necessary to recognize that we can't make plans and execute them without considering our competitors' actions. We have to protect our own resources, market share, goal line, operations, and personnel.
- The security of our plans and capabilities enhances our freedom of action by reducing risk. Active security reduces our vulnerability to hostile acts, influence, or surprise.
- If we know and understand our competitors' strategy, tactics, doctrine, and staff planning, if we can anticipate their likely courses of action, then we can take adequate security measures.

Surprise

- Surprise, if achieved at the strategic level, can bestow such incredible advantage on one side that it settles any outstanding question. In conflict, surprise stands as a force multiplier.
- It follows that you want to surprise your opponents, and you want to do so as often as possible to keep them off balance and interfere with their plans.
- Surprise can be achieved through speed, effective intelligence, deception, application of unexpected force, operations security, and variations in tactics and methods of operation.

Simplicity

- Pulling all these principles together is the principle of simplicity. The simpler the plan, the better the chances of executing it successfully. This is especially true in large organizations or with complex projects.
- In the corporate world, it is the simple and direct strategy with simple execution that best marshals the resources and spirit of the firm. Simple plans and clear, concise orders minimize misunderstanding and confusion.
- Simplicity in plans allows better understanding and leadership at all echelons and permits branches and sequels to be more easily understood and executed.

Summarizing the Principles

- John Fuller, the British officer who first enunciated these nine principles, suggested that they can be remembered by grouping them under three headings: control, pressure, and resistance.
- If we remove these principles from the venue of war and consider them simply as methods for dealing with a pesky adversary or aggressive competitor, their universal applicability becomes more apparent.
- As we'll see in lectures to come, these principles make a valuable contribution to the effort to think strategically—to exert a measure of control over a chaotic and sometimes hostile world.

Suggested Reading

Alger, *The Quest for Victory*.

Buskirk, *Frontal Attack*.

Foch, *Principles of War*.

Ries and Trout, *Marketing Warfare*.

Questions to Consider

1. Consider how, in 1940, the French erred as a result of military thinking rooted in World War I. Are your own ideas the product of older experiences, perhaps no longer relevant to the modern challenges you face today? Do an “idea inventory” to see if your conception of how the world works measures up to 21st-century dynamics.
2. Before considering the principles of conflict in this lecture, honestly assess the principles that guide your thinking now. Are they successful? Do you find yourself constantly outmaneuvered at work, in sports, in your personal life?
3. Choose any three principles of conflict and consider whether they have been used against you recently. You should be able to recognize maneuvers for what they are and, with a bit of preparation, guard against them with the principle of security.
4. Choose any three principles of conflict and apply them to a situation you face in your daily life. Consider whether the application of these principles might improve your chances of success.

Geography—Know Your Terrain

Lecture 5

Many of the finest thinkers in history have, at various times, discovered geography's enduring impact on the fate of peoples and nations. If geography is immutable, then can we uncover modes of behavior that take advantage of geographical verities? In this lecture, we delve into the influence of micro-geography on our own decision making to discover how our interactions with our physical space in conflict situations can aid or detract from our chances of victory.

Geopolitics

- Geopolitics is a body of systematized thinking about the effects of geography on human politics and conflict. Its premise is that the unchanging characteristics of the physical world in which we live condition human behavior and interactions. In this view, geography has a decisive impact on the interests and actions of nations and peoples.
- The field is sometimes derided as “geographic determinism,” meaning that it seeks a single-factor explanation for complex phenomena. Geopolitics also had an unfortunate association with the Nazi aspirations of Adolf Hitler. Today, the core idea of geopolitics is that geography is an important source of political, military, and economic power.
- Geopolitical notions have leavened our way of thinking for years, and some geopolitical truisms have seeped into our discourse. For instance, the development of the American democracy is sometimes explained as a result of the two ocean barriers that shielded the young nation from the depredations of more entrenched European models.
- Geopolitics has even given us “laws” or “maxims” that purport to instruct us on the fundamental effects imposed on humans by geography. According to the geopolitical theorist **Nicholas Spykman**, “Geography is the most fundamental factor in the foreign policy of states because it

is the most permanent. Ministers come and ministers go, even dictators die, but mountain ranges stand unperturbed.”

- Geography not only matters in the grand sweep of politics, but it also affects us in phenomena closer to home. Further, minor geographical features that may seem inconsequential in isolation can take on tremendous importance as events unfold. The sunken road of Ohain, for example, proved to be disastrous for Napoleon’s cavalry at Waterloo.

Inherent Positional Power

- Geography is not important in and of itself. It takes on importance only as human beings and machines use it to a purpose, and its value is usually temporary.
- In competition, the interaction among opponents and the battlefield takes on the character of a three-way dialectic. Opponents maneuver against each other as they interact with the battlefield. Locations on the battlefield take their significance for the moment with respect to the deployment of forces. This is the process of maneuver, or positioning.
- The geography of every battlefield has inherent positional power, whether that battlefield is the field at Waterloo or the office conference room. This inherent positional power arises from the principles of competition that dictate the terms of engagement on the battlefield.
- Of course, the positional power inherent in a battlefield would vary tremendously based on a different rule structure. Strategy would change, as well. For example, changing the geographical position of the goal in a football game would alter both the strategies of the opposing teams and the positional power on the field.
- The football example gives us two notions of power as it springs from geography: potential positional power and realized positional power. Potential power springs from the investment in the battlefield of the technology and tactics available to both sides. Realized power springs from the actual deployment of forces, their condition, their numerical strength, and the skill and timing of maneuver.

Positioning in Chess and Other Forms of Battle

- The game of chess teaches us about deployment of resources, coordination of attack and defense, the necessity of planning and constant evaluation, and the virtue of foresight. It also teaches us much about the critical factor of geography.
- The chessboard consists of 64 squares in an eight-by-eight arrangement, alternately colored black and white. Given the rules of chess and the resources we know will be deployed, the board offers us verities about the inherent positional power of certain areas of its geography.
- From the standpoint of pure potential power, the center four squares are the most important on the board, and the strategy of a winning game is based on seizing early control of those four central squares. But during the course of the game, the value of the squares changes with every change in the position of the pieces.
- Consider what happens when we add the pieces. As we've seen, the three-way interplay of the two combatants and their relationship to the field of battle is a complex dynamic. Pieces, of course, have a certain power inherent to their ability to move. The more versatile the movement of a piece, the more powerful it is.
- But a piece's power can be enhanced or limited by its location on the board. The pieces on the board in combat derive power from the configuration of their various locations. Conversely, the locations on the board fulfill their power potential from the overall configuration of the combatants. A type of synergy is in effect.
- The seating arrangement in a conference room is similar. It takes on significance from the purported rank of those sitting at the table. Assorted power configurations arise from different seating configurations. The shape of the table and the types of chairs also affect the configuration of power.
- In negotiation, the micro-geography and position of the venue can confer advantage, and we find some competitors attempting to alter

the terms of negotiation through physical alterations. For example, at P’anmunjŏm, the demilitarized zone between North and South Korea, such gamesmanship is the norm.

- A good example of the use of space in battle comes from the sport of boxing. Boxers in the ring maneuver against each other in space and time, using a repertoire of feints, punches, jabs, and so on. The space in the ring is finite and featureless, yet each square foot takes on significance vis-à-vis the interaction of the combatants.

Intelligence Preparation of the Battlefield

- The military has developed a systematic and sophisticated method for learning about and understanding the ground on which it is to fight. Its tool is called Intelligence Preparation of the Battlefield (IPB), and it’s a process easily adaptable to our own challenges.
- In military scenarios, we know that the “high ground” confers advantages in principle. Conversely, we know that “taking the hill” is a daunting proposition. Rivers, valleys, and mountain ranges offer barriers to an enemy and to our own advance.
- The IPB process systematically assesses the information relevant to friend and foe on a particular battlefield. An intelligence officer collects and evaluates this information continuously and communicates it to the commander, who uses it to support decision making.
- IPB can be easily adapted for use in the business world and in personal decision making. The military’s system formalizes and deepens a process that almost everyone conducts informally already.
- The broad lesson we take from IPB is the importance of geography in our own competitive situations. What potential sources of power are locked in the geography of the likely battlefield? How does geography potentially enhance or degrade strategy? Can you modify your strategy to take advantage of geography or to prevent it from degrading your strategy?

Steps in the IPB Process

- First, define the battlefield environment. Identify characteristics of the battlefield that influence both friendly and competitor operations. Establish the limits of the battlefield and identify elements that are unknown but should be known.
- Second, describe the battlefield's effects on operations. This step always includes an examination of terrain and weather but may also include the characteristics of geography and infrastructure and their effects on friendly and threat operations, as well as such factors as politics, civilian press, local population, and demographics.
- The third step is to evaluate the competitor. If the competitor is known, determine how it normally organizes for combat and conducts operations under similar circumstances. This information can be drawn from historical databases and well-developed threat models. With new or less well-known competitors, intelligence databases and threat courses of action may have to be developed simultaneously.
- Finally, determine the competitor's possible courses of action. The main question to be answered here is: Given what the competitor normally prefers to do and the effects of the specific environment in which it is operating, what are its likely objectives and courses of action?

Defense in Depth

- One of the greatest examples of conducting and acting on IPB occurred during World War II. The major lesson of the example is how to respond if you know when and where you'll be attacked. There are several responses to a scenario like this, but the one chosen in this example was brilliant. We'll call it defense in depth.

- This technique was used by the Russians at the 1943 Battle of Kursk. At the time, the Russians held territory, centered on the town of Kursk, that bulged into the German front over an area 120 miles wide and 90 miles deep. In an attempt to cut off the Russian position, the Germans planned an attack from the north and south in a pincer movement.
- But the Russians knew of the attack well beforehand through their intelligence network. Over several months, they prepared successive defense lines, making use of the geography of the area to channel the German attack in directions to make them vulnerable.
- The Russians planned to slow and wear down the Germans by forcing them to attack through a web of minefields, planned artillery fire zones, and concealed antitank strong points.
- The German attack began to stall almost immediately after it started. The Russian defense was like a meat-grinder that chewed up the entire German strategic tank reserve in a week. The Germans never broke through, and the strategic initiative passed from the Germans to the Russians for the last time.

The Lessons of Geopolitics

- Clearly, the effects of geography play into the outcome of battles both great and small. The effects of geography may not be as decisive as geopoliticians would have us believe, but they may be enough to tip the scales our way, if we plan judiciously.
- Regardless of the stakes, if the battle is worth fighting, then it's worth conducting your own IPB to give yourself the greatest chance for victory.
- Geography—your position on the field of battle—should not be left to chance. Select it beforehand, if possible. Note the inherent strengths of the various options open to you, evaluate the conditions of the conflict to come, and manipulate those conditions to your benefit.

Name to Know

Spykman, Nicholas (1893–1943): Spykman is known in some quarters as the godfather of containment, the strategy that guided the United States in its rivalry with the Soviets for 40 years after World War II. Attacked as America’s geopolitician during the war for daring to envision a postwar world based on raw power considerations, Spykman’s predictions were substantiated in subsequent years after his early passing.

Suggested Reading

Braden and Shelley, *Engaging Geopolitics*.

Brzezinski, *The Grand Chessboard*.

Earle, ed., *Makers of Modern Strategy*.

Hansen, *Foundations of Chess Strategy*.

Hugo, *Les Misérables*.

Landes, *The Wealth and Poverty of Nations*.

Spykman, *America’s Strategy in World Politics*.

Questions to Consider

1. We tend to think of “geography” in grandiose terms but sometimes forget that our own micro-geography can lend us competitive advantage. Taking in the “lay of the land” has always been an activity of the finest generals, and developing a practiced eye for the playing field is essential for successful strategic thought. What are the factors that make for a geographic advantage in your own interactions? Do you consciously structure situations to give yourself the geographic advantage?
2. Do your interactions in daily life have rules, either specified or implied? Unwritten rules or conventions can be as important—even more important—than those that are specified. Make a list of unwritten rules in your interactions and identify their sources, whether from tradition or from power relationships. Compare these rules with what is officially

stated and take note of the gap. Does this gap offer room to maneuver for advantage?

3. Intelligence Preparation of the Battlefield is too important and useful a concept to be restricted to the venue of combat. If you face challenges repeatedly on the same ground, in the same place, in the same metaphorical space, then a thorough preparation of that conflict space might be worthwhile for you. It's even more critical when you move onto uncharted terrain. Develop your own principles for dealing with opponents on territory of your choosing and evaluate the pros and cons of that territory.
4. Although we all like to take the initiative, sometimes it's necessary to play defense, and against a strong opponent, this can be demanding. When defending against a powerful opponent, remember the Russian lesson at Kursk: Once a challenger commits, wear him or her down with constant battle and successive lines of defense on well-prepared terrain. This is especially effective when you can choose the battlefield. Identify the resources you could use in a situation in which you were forced to defend your ground against a strong opponent.

Grand Strategists and Strategic Intent

Lecture 6

Strategic intent—what we sometimes call vision, dreams, or big ideas—is essential to any powerful and effective strategy. For such a strategy to rise above the level of mere technique, it must have an inspirational strategic intent at its core, whether to animate an individual, to inspire a corporation, or to fire the imagination of a nation. In this lecture, we'll look at articulations of strategic intent from the realms of legend, sports, politics, and business.

A Definition of Strategic Intent

- In a classic work from 1989, two influential scholars, **Gary Hamel** and **C. K. Prahalad**, coined and defined the term “strategic intent” in the *Harvard Business Review*.
- These two thinkers recognized the great flaw in much of our thinking about strategy up until the 1990s: the pursuit of imitative techniques as a substitute for strategy.
- In contrast to this “strategy of imitation,” strategic intent inspires a person or a team with an obsession to win. It articulates a long-term vision or aspiration of the group, reaching beyond current capabilities and forcing group members to develop resources to accomplish the goal. The need to be inventive or resourceful is a result of establishing stretch goals.
- Merely tailoring your ambition to current capabilities is a formula for maintaining the status quo, but establishing stretch goals without strategic intent is a recipe for failure.
 - The concept of stretch goals linked to strategic intent is one of the secrets to the Japanese economic renaissance in the aftermath of World War II.

- It entails envisioning a future that seems nearly impossible, then striving to acquire the capabilities and resources to make that future possible. Numerous Japanese companies adopted versions of this philosophy, including Honda, Matsushita, Sony, and Toyota.
- Strategic intent entails identifying an extreme gap between resources and ambitions and developing a strategy to fulfill those ambitions.

Strategic Intent in Myth and in Football

- Expert mythologist Joseph Campbell identified the “hero’s journey” as the archetypal story that has animated all societies throughout history. Every man and woman knows this story and is moved by it. It is the story of Prometheus stealing fire, of Ulysses’s return home after the Trojan War, and the quest for the Holy Grail.
- In this adventure, the hero finds the strength within himself or herself to conquer all obstacles, no matter how seemingly impossible. If this sounds grandiose and far removed from your world, it’s not. Your life is filled with heroes and villains, conflict and conquest, failure and triumph. In establishing your own strategic intent, it’s useful to keep the hero’s journey in mind.
- Another clear example of strategic intent comes from the world of sports. Few men embody the idea of strategic intent as much as **Vince Lombardi**, the legendary coach of the NFL’s Green Bay Packers. Lombardi’s grasp of strategic intent was sure and unambiguous: “Winning isn’t everything, it’s the only thing.”
- As we’ve said, every strategy requires a powerful strategic intent to animate it. Equally, the intent must be translated into achievable midrange goals. For his players, Lombardi translated the overall goal of winning into a clear statement of strategic intent: “You never win a game unless you beat the guy in front of you....”
- If we consider a football team as a value chain, with victory dependent on each player’s individual effort and continuous high performance, it’s clear how the notion of strategic intent fits into strategic planning.

- It's also clear that mere technique can never successfully substitute for strategic intent. An offensive lineman is not motivated to perfect his blocking technique merely to achieve "best practice" in the field. A quarterback does not give a record-breaking performance in some vague "search for excellence."

Competition between Nations and between Good and Evil

- Two more famous examples of strategic intent coupled with appropriate tactics come from two contrasting arenas—the first is competition between nations; the second, competition between good and evil.
- In the 1960s, President **John F. Kennedy** was faced with a Soviet threat that appeared as a powerful and plausible alternative to the democracies of the West. Kennedy responded to this challenge with boldness, issuing a brilliant articulation of strategic intent: "We choose to go to the moon in this decade...." As we know, Kennedy's goal was achieved less than 10 years later.
- **Martin Luther King** gives us an example of the melding of a powerful strategic vision with a perfectly executed strategy. He marshaled the forces of an entire nation with a vision of social justice, and he crafted a strategy that every single person could execute as a significant player—the strategy of nonviolent civil disobedience.
 - The spirit of nonviolence inspired King to move a generation of men and women in a quest for social justice. In front of 200,000 listeners, King articulated his powerful vision in his famous "I Have a Dream" speech.
 - Against King stood a phalanx of opposition animated by its own strategic intent. Alabama Governor George Wallace had articulated that intent in his inaugural address: "Segregation now, segregation tomorrow, segregation forever."
 - But King rode a groundswell of slowly increasing popular support as the evils of segregation were revealed. His movement's successful tactics resulted in the Civil Rights Act of 1964, among

other successes. Against a corrupt and racist system equipped with every advantage, King brought nothing more than his strategic intent and a powerful strategy.

- Let's consider another example from international politics. For 40 years after the end of World War II, the United States was enmeshed in the Cold War, an ideological struggle between democracy and communism. Our nation pursued a single coherent foreign policy for all of those years, inspired by a core strategic intent.
 - That policy had as its touchstone a strategic intent inspired by American diplomat **George Kennan**. In 1946, Kennan sent his famous classified telegram, presenting the idea that Soviet leadership was impervious to reason but highly sensitive to the logic of force.
 - The reasonable extension of this assumption was that the United States ought to meet Soviet power with American power and to “contain” Soviet expansionist schemes. The strategic intent of containment became the foundation of American foreign policy for the next 40 years.
 - As we know, the United States eventually triumphed; Eastern Europe was liberated from communist oppression in 1989, followed by the collapse of the Soviet Union in 1991.

Strategic Intent in Business

- India's largest multinational conglomerate, Tata Group, led by the visionary businessman Ratan Tata, offers us another example of the power of strategic intent.
- In 2003, Tata established a clear strategic intent for his automotive company. He envisioned the People's Car, a four-passenger vehicle meeting minimum safety and emission standards that would cost about \$2000. Although his engineers balked, Tata insisted on both the price and a brutal timetable for production.

- The result was the unveiling of the Tata Nano in early 2010, a tiny, inexpensive, four-passenger automobile designed and built in India.
- The innovative cost-cutting measures used in production of the Nano have since revolutionized the way automobiles are made and sold—in price, size, distribution, and technology. The development of the Nano may have created an entirely new management revolution akin to the Japanese *kanban* system, just-in-time processes, and *kaizen* (continuous improvement).

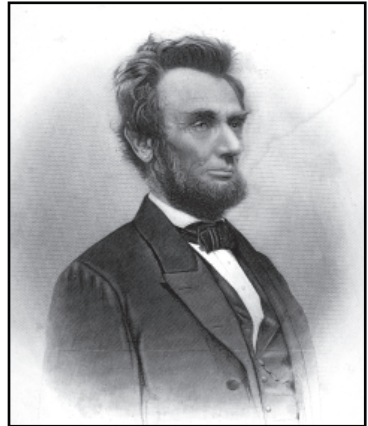
Absent or Misguided Strategic Intent

- Digital Equipment Corporation (DEC) is an example of a company that refused to make the hard choices necessary for coherent strategy and found itself paralyzed, unable to even articulate a strategic intent.
 - In 1992, faced with the necessity of charting its strategic direction in a chaotic electronics industry, the company issued this statement: “DEC is committed to providing high-quality products and services and being a leader in data processing.”
 - The vague language and lack of focus in this statement is an indicator of faltering leadership. It was surely not designed to rally the troops at a time of company crisis. Six years later, DEC was swallowed by Compaq.
- Levi Strauss, the maker of blue jeans, serves as an example of misguided strategic intent. Under CEO Bob Haas, who assumed leadership in 1984, the company adopted a strategic vision that looked inward, ignored the customers, and seemed to have nothing to do with selling jeans. As a result, its market share plummeted from 48 percent to 17 percent between 1990 and 2000.
- Another example on a far greater scale than a single company comes from imperial Japan in the 1930s. At the time, the prime minister of Japan envisioned an Asian economic alliance, free of the Western powers, to be called the Greater East Asia Co-Prosperity Sphere.

- It was purported to be a new international order that sought a euphemistic “co-prosperity” for countries throughout Asia. Of course, it was really a front for Japanese imperialist ambitions and led to the establishment of puppet regimes in every place the Japanese were ascendant.
- As we know now, Japan overreached. It did not have the capabilities to match its ambitions. Although its strategy worked for a time, in the long run, it was not tenable.

Abraham Lincoln

- As a final example of a powerful and successful statement of strategic intent, let’s turn to one of America’s most revered leaders, Abraham Lincoln.
- Lincoln grappled with the greatest trial of any president in American history: He was forced to wage war against his countrymen. But he did not do so simply and reactively or as a mere technical process. Instead, he waged war with the strategic intent of maintaining the Union as a free country.
- Lincoln’s articulation of strategic intent was made in the Gettysburg Address, a eulogy for those who had died in battle in the Civil War: “we here highly resolve that these dead shall not have died in vain—that this nation, under God, shall have a new birth of freedom—and that government of the people, by the people, for the people, shall not perish from the earth.”



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Lincoln faced the possibility of the dissolution of the country by bloody civil war; he met the challenge with a strategy aimed at preserving the Union.

Charting a Bold Course

- From foreign policy, to social policy, to business, sports, and even myth, strategic intent provides a powerful impetus to drive cogent strategy and motivate people to implement the strategy.
- Strategy without strategic vision is merely soulless technique, a great flurry of activity. There is nothing courageous about making a bold pronouncement in vague language. Lack of strategic intent means a loss of focus and the routinization of process.
- We've seen that articulating a strategic intent requires boldness, grounded in a strategic and accurate assessment of reality. It means charting a course and closing off some options because you have elected consciously to pursue one goal with single-minded fervor.

Names to Know

Hamel, Gary (1954–): *Fortune* magazine has called Hamel “the world’s leading expert on business strategy,” and *Forbes* has ranked Hamel as one of the world’s top 10 most influential theorists on business, competition, management, and strategy.

Kennan, George (1904–2005): Few people can claim to have set the foreign policy course for an entire nation for 40 years, but as a young embassy official in the Soviet Union in the 1940s, Kennan did exactly that when he crafted what would become the U.S. policy of containment with regard to the Soviets.

Kennedy, John F. (1917–1963): Few presidents can claim the kind of strategic vision that Kennedy possessed, founding the Peace Corps, laying the groundwork for the U.S. Special Forces, and charting a course for eventually reaching the moon.

King, Martin Luther, Jr. (1929–1968): America’s great civil rights leader carried a passion for justice along with a strategic vision and the proper tactics to see that vision through to completion.

Lombardi, Vince (1913–1970): One of the great motivators and leaders that sports has ever produced, Lombardi's teams won the first two Super Bowls, and his aphorisms on leadership have since entered the lexicon as classics.

Prahalad, C. K. (1941–2010): Prahalad teamed with Gary Hamel in one of the great scholarly collaborations in business history, developing pathbreaking theoretical and practical notions that guide multinational corporate thinking today. Prahalad is most remembered for his last works, focused on market solutions to alleviate poverty at the “bottom of the pyramid.”

Suggested Reading

Campbell, *The Hero with a Thousand Faces*.

Hamel and Prahalad, “Strategic Intent.”

———, *Strategic Intent*.

Questions to Consider

1. Strategic intent is a powerful core for any strategy. We can sometimes lose sight of this core, wrapped in the minutiae of the day and focused on task accomplishment. In the process, our strategy can lose its focus. Select a major goal in your professional life right now and assess whether your strategy is guided by a strong, focused core of strategic intent. Can you narrate this intent in one or two short sentences?
2. Strategic intent means identifying an extreme gap between resources and ambitions and developing a strategy to fulfill those ambitions. Are your own goals ambitious, or have you intentionally set goals that are easily met? If it's the latter, set a major goal today that seems out of reach and then realistically assess what resources must be acquired and what capabilities developed to achieve that goal.
3. We sometimes shortchange ourselves by not thinking grandly enough. John F. Kennedy and Martin Luther King were grand thinkers and visionaries who were able to articulate strategic intent to achieve almost

impossible goals. Do you have grand goals, or have you unintentionally limited yourself by closing off certain options before they are even considered? Spend a few minutes each day thinking “grandly” about ideas that most people would reject, telling themselves, “You can’t do that.”

The Core and the Rise of Strategic Planning

Lecture 7

Every firm must have a core mission—a reason for its existence, a mission for which it alone is suited. From the concise articulation of that mission, strategy emerges in a process, either aimless or thoughtful. In this lecture, we trace the history of strategic planning and look at some of the problems that plagued its early development. We then learn a six-step strategic planning process that serves as a useful framework for any strategy development.

A Founding Myth

- The founding myth of the French Foreign Legion is drawn from the story of the brave Legionnaires who fought at Camerone in Mexico in 1863 and the respect accorded them by their opponents, the Mexican nationalists. The values and mission of the Legion spring from this beginning and are reflected in its motto and its code of honor.
- Every organization should have a founding myth that exemplifies its code or mission, one that is substantial and inspiring and captures the spirit of the organization. Think of Apple Computer's founding myth of two young men in a California garage starting the computer revolution in 1975.

The Mission Statement

- The founding myth should inform the organizational mission statement, which anchors strategy and serves as the basis for strategic intent. This statement should be bold, lofty, and inspiring, like that of the Coca Cola Company: "To refresh the world; to inspire moments of optimism and happiness; to create value and make a difference."
- But mission statements—and the strategies they engender—can often be mundane, uninspiring, or routine. **Henry Mintzberg**, one of the great strategist academics of the past 20 years, has a special place in his heart for the elegant, different, and exciting strategy. He says: "The most



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After World War II, military methods of strategic planning were applied to business on the assumption that valuable lessons might be learned from the titanic logistical operations involved in defeating Germany and Japan.

interesting and most successful companies are not boring. They have novel, creative, inspiring, sometimes even playful strategies.”

- Equal Exchange, a small coffee company based in Massachusetts, has the mission statement: “Fairness to farmers. A closer connection between people and the farmers we all rely on.” From this statement, the company has laid out a series of achievable objectives, a superb example of defining a mission that supports strategic planning.

The History of Strategic Planning

- Strategic planning began in the military. Marshaling resources, training and arming soldiers, planning maneuver on the battlefield—all these activities require forethought and planning.

- Prior to the Napoleonic era, planning was the province of the general or the monarch, with advice from his trusted confidantes. The development of military staff planning began with the Prussian general staff in 1807.
- The idea of formal planning made its way slowly into the business world after World War I. The Harvard policy model, developed in the 1920s, was more of a general call to action than an actual methodology, but it charted a direction in thinking that would be joined with military methods of planning in the post–World War II era.
- In the wake of World War II, financial difficulties and administrative chaos at Ford Motor Company prompted the hiring of 10 former military officers. These men introduced advanced planning, organization, and management control systems, along with fiscal and process discipline, to the world of business and charted the course of American strategic business thought for the next 20 years.
- But American corporations began to base their strategic plans primarily on financial data, collating figures from the previous year, preparing spreadsheets, making forecasts, and setting budgets. Planning became little more than a budgeting exercise conducted once a year. The problems with this kind of planning remained hidden by the dominance of American productive might in the postwar world.
- Robert McNamara, the former leader of the team at Ford, introduced a model of strategic planning as secretary of defense in the Kennedy administration. Throughout the 1960s, the gospel of strategic planning spread and became embedded in American corporations as a standard management tool.
- In the decade of U.S. industrial dominance, the distorted results yielded by early strategic planning didn't matter much. But as the 1970s dawned, the challenge of the Japanese and the power of the Arab oil states revealed the poverty of the current planning model. Among other things, it ignored human irrationality in decision making and the actions of other players in the great games of politics and commerce.

Identifying the Problems of Planning

- Henry Mintzberg identifies three fallacies that have worked against planning since its inception.
 - First is the fallacy of predetermination. We believe that we can know the future, and this leads us to the “predict and prepare” line of thought. But of course, we can’t predict the future, and basing our plans on this single line of thought can be disastrous.
 - Second is the fallacy of detachment. This refers to the tendency of planners to remove themselves from the scene of the action. This is strategic formulation detached from implementation.
 - Third is the fallacy of formalization. This is the ossification of strategy and a “binder” mentality: The strategic plan is in a binder on the shelf. It begins to be detached from reality, and as time passes, it represents less and less of what the company actually does.
- Beginning in the late 1970s, business thinkers began to focus on strategy and how decisions were made, and they began to connect this process of thinking to the real world, where strategy is played out.
- Marking this new thinking was the 1978 publication of “The Evolution of Strategic Management,” an article by McKinsey and Company, a global management consulting firm. In it, McKinsey identified the phases of ineffective planning that had plagued American industry and left it vulnerable to new challenges. The article called for changes in the way we think and the way we conceive of planning.
 - The first phase identified by McKinsey was the financial planning phase of the 1950s. Here, planning was viewed as almost a purely financial problem and was conducted as an annual budgeting exercise.
 - The second phase was forecast-based planning, which recognized that deeper thinking is necessary about resource allocation and development of key issues.

- The third phase was externally oriented planning. This kind of planning was even better because it looked outward to how the firm interacts with the external environment of competitors and other businesses.
- The final and highest phase was strategic management itself. Here, we aim to weld strategic planning and management into a single process in pursuit of that lodestone—the linking of strategy conception with execution. This means diffusing the ability to think strategically throughout the entire organization—a worthy goal.

Strategic Planning Today: A Six-Step Process

- The strategic planning process offers incredible benefits if we pursue it correctly. The following six steps constitute one version of the process: mission, objective, situation analysis, strategy formulation, strategy implementation, and control.
- The first step in the process is to define your mission; as we saw at the beginning of this lecture, this is the core that guides you. Your mission is what you look to in setting your objectives.
- The objectives established in the second step are chosen based on some notion of wanting to fulfill your mission. They should be clear, concise, achievable, and in some sense, measurable.
- The third step, the environmental scan, is pivotal for most firms, and it is the most involved. Look at both the external and internal environments in which your firm functions. On a personal level, evaluate the external factors that impinge on you with respect to your objectives.
- The fourth step is the actual formulation of strategy. Decide what you will actually do to get from where you are to where you want to be. Allocate resources and connect your management decisions with the people who will implement the plan.

- The fifth step is implementation of strategy, and here is where many companies fail because they do not follow the military dictum to “supervise and refine.” This means not to simply issue orders and assume that they’ll be carried out.
- The sixth step, control, involves developing a control mechanism to evaluate whether or not the plan is working. When the control or monitoring system tells you that something is amiss in your strategy, you can then circle back to your environmental scan to discover whether the relevant environmental factors have changed.

Planning Points to Remember

- As you think about your own strategic planning process, it’s essential to remain rooted in your mission and to remember what constitutes a good strategy. You don’t want to do things just like everyone else. As Harvard business professor **Michael Porter** told us, strategy means doing things differently.
- Strategic planning also takes time. In Porter’s view, the proper timeframe for strategic planning may be a decade or more. The timeframe of a single budget or planning cycle is typically not enough for a strategy to be successful.
- Planning far in advance has other advantages, too. As Porter noted, a long-range plan “fosters improvements in individual activities and the fit across activities, allowing an organization to build unique capabilities and skills tailored to its strategy.”
- As you enter into the strategic planning process, this idea of seeking competitive advantage by doing things differently should inform your thinking every step of the way.
- With a core sense of mission, anyone can develop a competent and effective strategy using the basic strategic planning process—whether for business or the accomplishment of personal goals.

Names to Know

Mintzberg, Henry (1939–): Mintzberg is a noted business professor and theorist whose sometimes contrarian notions frustrate his contemporaries through their brilliant insights and counterintuitive propositions. He appeared at number 30 on the 2009 Forbes biennial global ranking of management thinkers.

Porter, Michael (1947–): Possibly the most influential scholar on business strategy in the last 30 years, Porter became one of Harvard University's youngest tenured professors at age 26. His work in the field of corporate competition and strategy formulation transformed business education worldwide, and he commands speaking fees of more than \$70,000 per lecture.

Suggested Reading

Abrahams, *101 Mission Statements*.

Ansoff, *Strategic Management*.

Kiechel, *The Lords of Strategy*.

Mintzberg, *The Rise and Fall of Strategic Planning*.

Porter, *On Competition*.

Questions to Consider

1. The lecture notes that mission statements can be mundane, uninspiring, routine, and forgotten. They can also be nonexistent. Do you have a mission statement, an articulation of your purpose in life? If not, craft one now. If so, ask honestly, as Mintzberg suggests we do, whether it inspires you.
2. Evaluate your company's mission statement and assess whether what your company actually does is aligned with the company's stated mission. Try to understand and measure the difference between slogan and action.

3. The strategic planning process of mission, objective, situation analysis, strategy formulation, implementation, and control provides a clear blueprint for any organization and any individual to assemble a focused, effective strategy. Use the six steps of the process right now to sketch the outlines of your own personal strategy with regard to a long-term goal.

4. Do you understand the difference between “mission” and “objective”? The mission is your reason for being, how you conceive of your purpose, whether as an individual or as a firm. The objectives are goals set to fulfill that mission. For instance, if you conceive of your mission on this earth to heal the sick, what might be the objectives you would set for yourself in order to fulfill that perceived mission?

Which Business Strategy? Fundamental Choices

Lecture 8

When we consider strategy, broadly defined, we move freely under one of two umbrellas: differentiation or cost leadership. Within those broad parameters, we can do many different things—apply tactics, adjust our focus, or concentrate resources in special ways. But always we find ourselves traveling in one of these two directions to compete against our rivals. These categories hold true in a variety of disciplines, and if given a choice, we surely want to compete through differentiation.

Strategies of Marketplace Competition

- Differentiation and cost leadership are the two main ways that businesses compete in the marketplace.
- Under these two umbrellas, we can do many different things: apply tactics, focus on different parts of the value chain, focus on a particular market segment, and so on.

Cost Leadership

- The objective of cost leadership, or the low-cost strategy, is to sell products and services at the lowest price the market will bear and make profits on volume. Businesses find ways to cut costs and to attract value-conscious customers, who are motivated primarily by low prices.
- The big-box retailer Walmart gives us an example of the low-cost strategy in action.
 - Walmart has consistently pursued an elegant business model: Make its profit on volume. Stock its shelves in volume and obtain volume discounts. Squeeze its suppliers and pass the savings on to consumers.
 - In 2007, Walmart strayed from this core strategy in an effort to attract middle-income customers with more buying power than its

blue-collar base. It changed its store layout and dropped more than 300 popular low-price items, but in doing so, it alienated customers who had served as the backbone of its success. In 2011, Walmart returned to its original formula.

- Another firm tinkering disastrously with a winning low-price formula was the movie rental company Netflix. With 23 million subscribers in early 2011, Netflix decided to raise its prices and split its services into two separate entities—Internet streaming and mail order. As a result, the company lost more than 1 million subscribers in six months.
- Some products, particularly commodities, virtually demand a low-cost strategy. It's tough to differentiate something like cement, for example. You can't alter its features in meaningful ways to appeal to customers. This means that cement companies must compete on price, which isn't pleasant. Profit margins are low and the competition is fierce.
- Many job seekers unwittingly choose the low-cost strategy when they should be pursuing a differentiation strategy. Instead of doing the hard work of differentiating themselves, they choose the easy path of low cost, effectively advertising themselves as commodities.
- We can see similar thinking at work among professionals. If there is no differentiation among, say, chiropractors, customers will seek out the lowest price in the marketplace. But a chiropractor who has a specialty, such as athletes' low back pain, is able to charge a higher rate; he or she has moved from being a commodity to a premium product.

Low-Cost Strategy in the Military

- In World War I, all armies in the conflict competed with a low-cost strategy, delivering the same product as efficiently as possible. The result was undifferentiated strategy and tactics that yielded unimaginative warfare and pointless bloodletting. This is the military version of price competition: Gains are rare, and losses can be heavy for both sides.
- It was not until almost three years had passed before one side achieved an innovative breakthrough and differentiated itself in a major way: The

invention and use of the tank broke the stalemate of trench warfare and proved to be a technological innovation that turned the tide of war. The differentiation strategy won.

- The choice here is not just about technology; it's also about people. Do you create special elite divisions of your best troops, or do you spread your best troops around, hoping to raise the quality of all of your divisions? In World War II, the Allied and the Axis powers each took different approaches.
 - Germany learned the lessons of World War I and went for differentiation. It built numerous elite divisions and used these troops either as spearheads in offensive operations or as fire brigades in defensive operations.
 - The United States and the Soviet Union took an egalitarian approach and spread their best troops evenly throughout the army. In the end, the Allies defeated Germany by pursuing a high-volume strategy using many units of roughly equal quality.
- World War II provided such a powerful example that many U.S. businesses after the war came to the view that following the low-price, high-volume strategy was the only way to compete successfully.

Differentiation

- World War II in Europe was won on a high-volume strategy, but the war in Asia ended with an extreme example of differentiation: the first use of nuclear weapons. Japan was on the receiving end, and the conclusion spread throughout Japan that differentiation is the way to win.
- In the United States, Michael Porter articulated this principle and began pointing out all the ways a firm can differentiate itself by providing something unique that is valuable to buyers beyond simply offering a low price. This difference can be thought of as a unique selling proposition (USP).

- Many firms make the mistake of unfocusing their proposition, even to the extent that it's no longer unique. They believe, mistakenly, that ambiguity is a good thing because it allows them to “do more things” for different types of people. As a result, the brand is diluted until it eventually becomes meaningless.
- Two good examples of differentiated products are provided by Rolex and Casio. Although both companies sell watches, their products are so well differentiated that they do not compete against each other. Casio offers rugged, high-tech functionality for a reasonable price. Rolex offers luxury and a message of enduring success.
- Two products in the automobile industry, the Tata Nano super compact and the Lexus LS460, offer another example of differentiation. The Nano, priced at under \$3000, is pursuing a low-cost strategy, fulfilling the basic human need for transportation. The Lexus, priced at \$75,000, is pursuing a premium pricing differentiation strategy.
- Differentiation means specializing; it means adding attractive features and functionality, delivering a crucial service superbly. But it also means establishing a reputation, creating an aura. Nike tennis shoes, for example, are differentiated by a carefully crafted reputation and demand a high price as a result.

Differentiation Strategy in the Military

- In military confrontation, differentiation can win the day. In the latter stages of the Cold War, the U.S. military saw a renaissance of its strategic core. This change in strategy was the development (and threatened development) of a new generation of differentiated technology and weaponry that the Soviets could not imitate.
- The Soviets were still competing in the era of intercontinental ballistic missiles, manned bombers, and submarine-launched ballistic missiles—the strategic triad. The United States competed in this way, as well, and both competed mostly on volume.

- Then, in 1983, the Reagan administration announced the Strategic Defense Initiative (SDI). This was a radical departure from the previous Cold War military balance. The United States consciously chose to use its existing advantages in basic scientific research and overall economic output to upend the strategic balance and create new sources of military advantage.
- SDI was a set of advances in stealth technology and miniaturization across an entire spectrum of weapon systems. Together, these advances fundamentally altered the balance of power and accelerated the collapse of the Soviet Union.

Differentiating a Commodity

- Determining how to differentiate a commodity is one of the most difficult tasks in business. Let's consider the commodity product coffee.
- Although different types of coffee can have different product features, Howard Schultz, the CEO of Starbucks, chose to differentiate coffee by the way it is served. Schultz pioneered the notion that he could charge more for coffee by serving it in a European-style coffee house that fed into the notion of "lifestyle." Starbucks, with its unique, low-key ambience, became a destination for many people, not just a stop off.
- Following its 1985 debut, Starbucks succeeded stupendously, but by 2007, it seemed to have lost its way. With Shultz no longer the CEO, Starbucks decided to change the format of its stores to make them more "inviting" to other types of customers. By switching to a less



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Both Starbucks and Equal Exchange exemplify the idea that differentiation means specializing.

differentiated strategy, Starbucks lost its distinctiveness and began to lose customers.

- Schultz returned to Starbucks as CEO in 2008, and under his revitalization initiative, Starbucks began to regain its cachet by going back to its roots and refining its USP.

Focus

- A third path that a business can follow—an offshoot of our two main strategies—is pursuing a highly targeted market and focusing its resources on serving that tight segment, whether through cost leadership or differentiation. This is the focus strategy.
- Focus is a kind of hyper-differentiation. Examples of firms that follow a focus strategy include ethnic grocery stores and producers of ultra-high-end cars. These focused companies target the highly specialized needs of a narrow market and fulfill them better than any other firm.
- Equal Exchange is an example of a company pursuing a focus strategy.
 - The company sells fair trade coffee, which means that it guarantees its coffee is produced by farmers who receive a higher-than-market-price for their coffee beans. The expense is passed on to customers, but those who are motivated by social justice causes will gladly pay the higher price.
 - Equal Exchange has a niche/focus strategy that targets a highly specific market with sharply drawn characteristics. This market is not likely to grow substantially, but the niche has been profitable for the company.
- Another example of a focus strategy can be found in the incredible debut and rise of a soft drink called Jolt Cola. This cola was created as a reaction to the increasing health-consciousness of Americans and the desire to reduce caffeine and sugar intake. Jolt Cola went against this trend, targeting young people with a maverick streak using the slogan: “All the sugar, and twice the caffeine.”

Differentiating Yourself

- Pursuing a differentiation strategy has merit over pursuing a low-cost strategy. Focusing and sharpening your strengths is a major step in developing competitive advantage—the thing that you can do better than anyone else.
- The first step is to take stock of your resources and capabilities and assess whether they match your intentions. Do you have what is called “strategic fit”? Aligning your resources and capabilities with your intentions puts you in the best position for crafting and executing a successful strategy.
- To help you achieve this, develop a personal USP, a one-sentence description of what you offer people that few others can match. Now do the same for a trusted friend and exchange the results. This is sometimes the best way of taking your personal skills inventory.

Suggested Reading

Porter, *Competitive Strategy*.

Trout, *Differentiate or Die*.

Questions to Consider

1. This lecture cites the important distinctions among the competitive strategies and the importance of choosing the right strategy to match your resources and capabilities *or* developing resources and capabilities to match our grand ambitions. Using the framework from the lecture, consider thoughtfully how you compete, personally, in your profession. Do you strive for operational efficiency, doing the same thing as everyone else, only better, faster, more efficiently? If you strive for differentiation, combining your unique skill set, experience, and expertise to offer a service that no one can match, take a moment to disaggregate and list the components of that competitive advantage.

2. Nike can charge a superior premium for its branded merchandise. Examine your first reaction to this information: Do you shake your head and comment, “It’s not worth that!”? Or do you ask, “What is the magic formula that has enabled Nike to charge more for its particular brand?” Ask yourself what factors might be in play that enable your products, your firm, and your persona to increase in value with respect to people’s perceptions.

3. One of the most difficult tasks in business is to convert a generic commodity into a differentiated product with premium value added. Consider coffee for a moment and how Equal Exchange created a sharply defined “persona” linked to fulfilling the desires of a particular customer base. Were you to launch your own brand of coffee tomorrow, consider how you might differentiate this common commodity in such a way that sets you apart from the plethora of other coffees on the market. What combination of attributes, service, brand, packaging, distribution, and benefits might make for a winning coffee launch?

Your Competitive Advantage—Find the Blue Ocean

Lecture 9

At some point, we have to put into action what we've learned; we must craft a strategy that is unlike what everyone else is doing. One idea that can assist in this process is the concept of the "blue ocean," an uncontested area of the market space, in which your product or firm is differentiated in some meaningful way for your target market. In this lecture, we look at a framework to help you find your blue ocean and use it to develop your personal brand.

Madonna

- When you think of strategy, the popular singer Madonna probably doesn't spring to mind, yet Madonna has proven to be one of the shrewdest strategists the entertainment industry has ever seen.
- An unknown when she arrived in New York in 1977, Madonna made a huge and surprising impact with her first album in 1983. She seemed to have come from nowhere. But that first album was the successful result of a superb strategy developed by a superb business strategist.
- Madonna articulated her core mission, established her objectives, adopted a relentless strategic intent, and recognized that she could carve out uncontested market space by developing a USP and personal brand unlike anyone else's.
- For us, Madonna underlines the point that competitive advantage is a concept we can apply in many areas of competition. In fact, Madonna's overall success is directly attributable to precisely the kind of highly differentiated competitive advantage that we will discuss in this lecture.

A Different View of Competition

- Many people think of competition as doing the same thing as everyone else, only better. An entire industry and management mythos has

grown up around this notion, focusing on the use of best practices, benchmarking, and so on.

- However, if we do nothing else but benchmark and copy our competitors, we end up playing a game of mimicry. We offer pale imitations of our competitors' products and others offer imitations of ours. That's hardly what Madonna did to achieve stardom.
- As we said in the last lecture, our goal is to develop a USP, which is a collection of factors assembled in such a way that it constitutes a distinctive core competency and confers unique competitive advantage. This USP can become the basis for a personal brand.
- To create a USP, we start with Michael Porter's ideas about strategy—determining how we want to compete and how we will do things differently. This means choosing a generic strategy and building on it; it means assembling our resources in new and different ways.
- Madonna didn't have a checklist to tell her how to compete and she didn't benchmark herself against the competition to give crowds an improved version of the same old thing; instead, she looked at her competition in a cool and calculating way to discover her blue ocean.
- “Blue ocean” is a strategic term that first appeared in a book called *Blue Ocean Strategy* by W. Chan Kim and Renée Mauborgne, professors at INSEAD, one of the world's greatest business schools. It refers to uncontested market space carved out by shrewd competitors.
- Kim and Mauborgne showed that most companies are driven to compete in what they call “red oceans.” This name evokes a steaming cauldron of competitors fighting over a shrinking profit pool—low margins, high stress, survival in the world of commodities.
- The alternative to carve out uncontested market space, to differentiate yourself, your product, or your firm in some way meaningful to your target market, that is, to find your blue ocean.

The Four Actions Framework

- Kim and Mauborgne offer the Four Actions Framework as a method to get you thinking in fresh ways about what you do each day. This model challenges the value curve, which depicts how a company is doing across an industry's accepted factors of competition. For cars, the accepted factors of competition might be price, prestige, gas mileage, size, comfort, performance, longevity, safety, and service.
- The conventional competitive model says to compete across the full range of factors, but the blue ocean strategy argues for a different approach: Ask basic questions about the industry with the intent of creating new competitive factors that appeal to unexplored market segments.
- For example, with the Nano, the Tata Group consciously chose not to compete on most of the standard features of the industry, instead betting everything on a highly differentiated price strategy that addressed an ignored market segment: consumers at the bottom of the pyramid. This was Tata's USP, which allowed the company to explore a blue ocean.
- The Four Actions Framework consists of four questions that are designed to challenge an industry's established structure and business logic: (1) Which of the factors that the industry takes for granted should be eliminated? (2) Which factors should be reduced well below the industry's standard? (3) Which factors should be raised well above the industry's standard? (4) Which factors should be created that the industry has never offered?
- We might phrase these questions as four steps—eliminate, reduce, raise, and create; these activities will enable you to create a new value curve.

The Framework in Action

- Casella Wines, the producer of [yellow tail], carved out uncontested market space for itself by thinking unconventionally to redefine the value curve for the wine industry.

- The conventional value curve for wine consisted of price, use of intriguing terminology, high-visibility marketing, aging quality, vineyard prestige, wine complexity, and wine range. Both prestige and budget wines competed on these factors.
- But Casella downplayed the traditional competitive factors and created three additional factors that other wines could not match: easy drinking, ease of selection, and fun and adventure. In doing so, the company eliminated the emphasis on wine as complex and characterized by subtleties. It even eliminated different bottle designs for red and white wines and drastically reduced its selection, at first offering just one red and one white wine.



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Casella Wines discovered its blue ocean by developing new factors in the value curve of the wine industry: ease of enjoyment and fun.

- At the same time, Casella raised the level of fun of its [yellow tail] wine, putting a kangaroo in bright orange and yellow on a very simple label. It even created a unique way to present the brand name, using all lowercase letters placed in square brackets.
- [yellow tail] grew quickly, not just by taking market share from established competitors but by actually growing the market, selling to new wine drinkers attracted by Casella's distinctive willingness to highlight a single fresh, fruity wine and cut through the overwhelming number of available choices.
- With [yellow tail], Casella found a blue ocean that allowed it to prosper while other producers were suffering through a dip in the industry. As the industry recovered, Casella responded by adding a small number of additional offerings in a way that continued to reinforce its USP.

Your Personal Blue Ocean Strategy

- Your resume may show that you have lots of experience and a desire to succeed, but that is not the way to carve out uncontested market space. You find your blue ocean by applying unconventional thinking to familiar situations.
- The failed ad campaign for Diet Coke, launched and quickly pulled after six weeks in 1993, lets us imagine how this unconventional thinking might work.
 - The campaign was designed by Lintas Media Group in New York, the longtime ad agency of Coca Cola. But after the ads were pulled, Lintas lost the Coke account.
 - In the wake of that loss, it's likely that personnel at Lintas were hunkered down behind closed doors, updating their resumes and hoping that they wouldn't become scapegoats.
 - But what if the person responsible for losing the account had stepped forward and accepted the blame? Instead of being a nameless, faceless mid-level executive, he or she would have established a bold personal brand: "I'm the manager who lost the Coke account."
 - The magnitude and boldness of the statement, the high stakes involved, and the unusual stance make this selling proposition truly unique. The manager could go on to become an executive who provides insight on corporate advertising. He or she might land a book deal or a gig on CNN as a business analyst.
 - Of course, such a move would be risky, but the lesson here is that you need to untrain yourself from thinking conventionally and unharness yourself from the need for external validation of your ideas. If something is truly new and different in its nascent stages, few people will recognize it as such.
- Another opportunity for unconventional thinking comes to us from BP, the world's third-largest oil company. As we know, BP became the

object of scorn during the summer of 2010 after one of its wells in the Gulf of Mexico malfunctioned and exploded.

- As an exercise at the time, I asked my students to think unconventionally about the situation. I challenged them to ignore the easy chorus of boos and ask themselves what they would do if they were on the BP team. How might they help to turn things around for the company?
 - I also advised the graduating students to submit their resumes to BP. I urged them to consider what might happen if they were to join the company at its lowest point and whether they might then rise quickly in the company when it recovered.
 - The idea might seem farfetched, but by joining BP when it was down, a young executive could build a feisty brand as someone who helped turn the company around.
- The easy, conventional choice is always available to you, but the rewards are commensurately small. Great strategy is about using unconventional thinking to figure out what you have to offer the world and how you can promote what you do best.

Your Personal Brand

- It's a fact that you will always be labeled by others, so it's wise to seize control of that process rather than allowing it to take shape without your input. Crafting your personal brand is one of the most important strategic activities of your life.
- Your brand is your reputation. It's what people first think when they see you or hear your name. And brands mean something: Mercedes means quality; Volvo means safety. What image or tagline does your name evoke?
- You can argue that people ought to accept you as you are and not judge you by appearances or behavior; in other words, you can opt out of

branding. But if you don't take control over how you are perceived, you handicap whatever strategy you choose to pursue.

- Brand yourself consciously. Unleash your creativity in ways that stretch the boundaries of the conventional. Question the assumptions that guide individual or market competition in your industry. All this will help you establish a USP that captures a position unlike any other.

Suggested Reading

Beckwith and Beckwith, *You, Inc.*

Kim and Mauborgne, *Blue Ocean Strategy*.

Questions to Consider

1. When strategy is the topic, Madonna doesn't usually spring to mind, but she exemplifies how strategic thinking can be applied rigorously in almost any professional field to craft successful strategy. Consider other high-profile, successful professionals and identify the characteristics that you believe contributed to their accomplishments. Is the success fleeting or is it sustained? If it's the latter, can you identify the dimensions of competition in the particular field in which the individual excels? How does he or she do it?
2. Blue ocean strategy means creating new ways to compete and offers us a framework to channel our thinking in creative ways. One extremely useful exercise is to assess two competing products, one of which leads the market and the other, an also-ran. How do these products compete? In other words, what are the metrics we use to evaluate the products? Can you discover the secrets of success of one product and of mediocrity for the other?
3. Blue ocean strategy means thinking unconventionally, and most times, we have to force ourselves out of the rut of our thinking habits. It's helpful to train ourselves to look at situations not with our habitual perspective but with a keen eye for the main chance lurking within. Take

any prominent public relations disaster at a big company in the past five years and ask yourself: What opportunities lie within this ostensible wreck? If I were trying to swim in those turbulent waters, how might I make the most of the situation? What would I do if I had no choice but to deal with the situation?

Strengths, Weaknesses, Opportunities, Threats

Lecture 10

Strategic thinking means acting from knowledge, not emotion or preconceptions. In this lecture, we examine four tools to help you acquire and analyze information so that your plan and resulting actions will have the intended effect. We also look at a case study of an independent bookstore that was challenged by a megastore but eventually adapted and outlived its larger competitor.

Copperfield's Books and the Great Wheel of Business

- Copperfield's Books was founded in 1981 in northern California and grew over the next 13 years. But in 1995, stagnation set in; Copperfield's saw its profits begin to decline and was forced to close stores.
- Although Copperfield's still offered the same product in the same venues, the environment in which it was operating—consisting of competitors, customers, and market forces—had changed radically. The “great wheel of business” was turning, heralding the advent of megastore chains, Amazon.com, and e-readers.
- To survive these powerful new external forces, Copperfield's would have to change the way it did business, the product mix it offered, and the selling experience itself. It would need to look beyond whatever strategic planning it might have done previously and engage in a strategic analysis of how to survive and prosper under new conditions.
- Strategic thinking means setting aside our impressionistic view of the world and thinking rationally about causes and effects, actions and reactions. It means imposing order on what we see, filtering out static and letting in information we can use in an orderly, logical fashion.
- The business world has developed numerous tools of analysis that aid businesspeople in making sense of what they do and how and when they should do it. We can use those tools for ourselves in our personal

lives and in achieving our professional goals. In this lecture, we'll learn about four tools of strategic analysis: PEST, five forces, value chain, and SWOT.

PEST

- A PEST (political, economic, social, and technical) analysis is a scan of the external environment. Let's look at each of these factors in turn.
- The political environment affects all of us in ways we may not even suspect. In a macro-sense, that environment includes the national, state, or local government's leadership and bureaucracy. In a personal sense, it describes the web of power relationships we deal with in our lives at work and at home.
 - With your mission and objective in mind, explore the power relationships that affect you. Ask yourself what power relationships hinder or help you and what legal regulations, such as zoning or tax laws, affect you.
 - The political climate is like a powerful tide that shifts first one way and then the other. For example, new medical instruments for surgery may be regulated more or less stringently at different times. It makes sense to ascertain which way the tide is shifting and to figure out ways to swim with the tide instead of against it.
- Business is conducted within an economic environment that either supports or doesn't support what we want to do. In starting a consulting business, you should ask basic questions, such as: Do enough customers exist who are willing to pay your fee? Does the economic environment favor you or your competitors? Such questions may clarify your thinking with a dose of reality.
- In looking at the social and cultural environment, find out what trends and fads are in play. What substantial and rooted long-term cultural factors should you consider? Can you identify tomorrow's trends based on today's indicators?

- Finally, in the technological environment, ask whether technology supports what you want to do or whether it poses a threat.

Five Forces

- Michael Porter's five forces model is a tool that can be used—with minor tweaking—to evaluate the forces impinging on virtually any competitive situation, from the computer industry to personal romantic relationships.
- The five forces of competition are: buyer power, supplier power, intensity of rivalry, threat of substitutes, and threat of new entrants. These forces compel you to answer a series of questions about your industry and your place in that industry.
- How much power do your customers have over you? How much power do your suppliers have over you? How intense is the rivalry with others in your industry? Are you forced into constant battles with them that affect your profit margins? How easily can your buyers switch to substitute products? What is the danger of new entrants in your industry?
- As we saw, Copperfield's Books was faced with the challenge of powerful new forces in the competitive environment. These forces threatened not only Copperfield's but other brick-and-mortar booksellers, as well, even the big ones. How did they contend with the five forces of competition?
 - The power of customers was significant. Buyers could purchase identical books from a wide variety of retailers. Price was a major consideration, and there was not much loyalty to individual stores.
 - The power of suppliers—that is, publishers—exerted a disproportionately negative impact on independent bookstores, such as Copperfield's. Chain bookstores could order in massive volume and receive discounts from publishers that were unavailable to independents.

- The rivalry among players in the retail book industry was intense. Although bookselling is basically a mature industry with low growth rates, there was a surge of megastores and consolidation.
- Booksellers also faced the threat of substitutes. People can get books from libraries, online, and from many stores that don't specialize in books. Increased competition also comes from other forms of entertainment, such as television or computer games.
- For independent booksellers, the threat of new entrants was low. Entering the market requires a good deal of capital, and the industry itself is unattractive, offering low profit margins and growth rates.
- A five forces analysis of the industry would have told Copperfield's that it was time to consider a change in business model to cope with the variables that seemed to be trending in a negative direction.

Value Chain

- Value chain analysis can tell you a great deal about your internal strengths and weaknesses. This method divides your firm into its value-producing activities, with the aim of evaluating what makes the firm strong and what makes it weak.
- This type of analysis can be applied to almost any complex series of activities. We can disassemble a football team, an automobile company, an army platoon, or our own series of activities and evaluate how each part contributes to the whole. Let's take a football team as an example.
 - The overall performance of a football team is captured in its won-loss record and in the final scores of games it plays, but looking at these measures doesn't tell us anything specific. In fact, these measures can hide the contributions of the individual components that actually give the team its strengths and weaknesses.
 - If we analyze the separate activities of the offense and defense, we begin to get a clearer picture of the team's strengths, player by player. We disassemble the team and staff and look at the individual

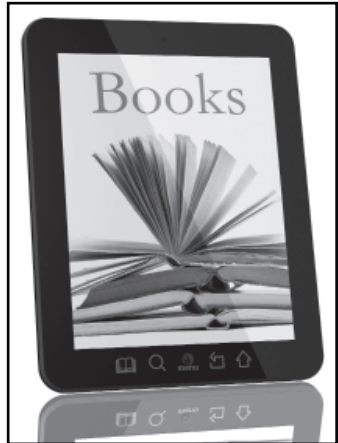
contributions of the players; the leadership, strategy, and tactics of the coaches and quarterback; the personnel decisions; and so on.

- This assessment is conducted with the mission and objectives in mind, that is, winning the championship, scoring points, or preventing the other team from scoring.
- Another example of a value chain is your personal value chain—the things you do to accomplish your self-defined mission. What are these functions and how well do you perform them?
- Both firms and people outsource the functions they cannot do well and retain the functions that constitute core strengths. For instance, Borders contracted with Starbucks to operate the cafes inside its bookstores. Most of us, as individuals, outsource such functions as clothing manufacture so that we can concentrate on our strengths.

SWOT

- The value chain analysis assesses internal strengths and weaknesses, while the five forces and PEST analyses show us external threats and opportunities. The SWOT (strengths, weaknesses, opportunities, threats) analysis brings the internal and external together.
- Let's think of SWOT with respect to Copperfield's Books. The changing external environment meant that an old strength of the brick-and-mortar bookstore—thoughtful selection—had been transformed into a weakness—relative lack of choice.
- In the retail book industry, the external threats loomed large and attacked Copperfield's weaknesses. The opportunities all seemed to be in favor of the big-box bookstore and the almost simultaneous rise of online bookselling. The changing external environment ensured that Copperfield's would fail if it did not alter its business model.
- This example shows us what happens if we focus only on what we do to the exclusion of what others do and to the exclusion of macro-factors that change the very assumptions that support our strategy.

- The obvious move for Copperfield’s was to offer book buyers something attractive in the store that they could not receive elsewhere. Thus, Copperfield’s crafted a persona that was uniquely local in flavor, offering local book buying and socializing experiences to its clientele that were unavailable either online or in the megastores.
- Borders was one of the apparent victors in the competition with the independents, but then, it failed to respond to further changes in the external environment. Instead of recognizing the potential of the Internet, the company outsourced online sales to Amazon; it also missed the growing importance of the e-reader and gave up the opportunity to become a destination when it lost a Starbucks contract to Barnes and Noble.
- Every bookstore at the time faced the same competitive pressures as Borders, but it was the response to those pressures that made the difference between success and failure.



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Changes in the world of bookselling meant that independent bookstores would have to engage in strategic analysis and develop new strategic plans to survive.

- New technologies and new ways of doing business did not mean that traditional bookstores would go out of business, but to sustain themselves into the 21st century, such stores would have to find a new business model. Many independent bookstores, including Copperfield’s, have adapted themselves to provide services to a distinct clientele.
- It’s clear, then, that the tools of strategic analysis can give us the crucial intelligence we need to evaluate strategic direction and to change it if need be. This willingness to adapt to external realities is the key to business success and, in some cases, to survival.

Suggested Reading

Bensoussan and Fleisher, *Analysis without Paralysis*.

Fleisher and Bensoussan, *Business and Competitive Analysis*.

Porter, *Competitive Strategy*.

Questions to Consider

1. Evaluate the external environment that affects you to assess the opportunities and threats you face with regard to your mission and objectives. Then, using value chain analysis, conduct an honest inventory of your personal strengths and weaknesses as they relate to that external environment. What actions do your results suggest?
2. Think of the digital revolution and how it brings such companies as Apple and Amazon into conflict—in this case, in the field of the e-reader and e-tablet. Using the PEST analysis technique, identify what changes in the external environment drove these two companies into competition.
3. Consciously apply the value chain concept to analyze a business or sports situation and then explain the result. What does your analysis suggest as a strategy for the company or team?

Avoid the Pathologies of Execution

Lecture 11

When we craft strategy, we try to impose order on a chaotic reality. Our strategy is, in fact, an attempt to create a system to deal with that reality and channel it in our best interests. But even with a superb strategic vision and the formulation of prudent strategy, the best-laid plans can go awry for many reasons, including those we examine in this lecture: lack of responsibility, overreach, communication and coordination breakdown, poor intelligence, and inertia.

Operation Market Garden

- In September 1944, British Field Marshal Bernard Montgomery conceived of a plan known as Operation Market Garden for the final push of the Allies into Germany that would end World War II. The complex plan called for air and ground forces to seize a series of six bridges behind enemy lines to reach the town of Arnhem.
- But Operation Market Garden was freighted with a built-in disadvantage that dooms even the best of plans: It required everything to go right, and as we know, that usually doesn't happen.
- The Allied high command believed that the German resistance had broken. It seemed that most of the enemy troops were fleeing and they seemed to have no tanks. What the allies didn't know was that two powerful panzer divisions were assigned to the area to rest and refit, one of them at the ultimate objective: the town of Arnhem.
- The complexity of the plan led to multiple blunders, and after nine days of battle, the Allies were forced to withdraw. How could such seasoned veterans bungle the planning so badly?
- The Allies underestimated German capabilities and overestimated their own capabilities. Based on these estimates, they created a plan that was too tightly wound, with too many objectives, too many moving parts,

too much necessary coordination, and a heavy dose of wishful thinking that blinded the planners to red flags.

- Operation Market Garden is an example of overreach, which occurs when capabilities and strategy don't align. Overreach, along with omission of responsibility, breakdown of communication, poor intelligence, and inertia, is one of the pathologies that can interfere with the implementation of our chosen strategy.

Pathologies of Execution

- Let's begin with omission of responsibility. In strategy, and many other areas of life, nothing happens when no one is responsible. This is as much a failure of strategic leadership as it is a disconnect between strategy and implementation. Those responsible for strategy refuse to connect planning to the assignment of specific tasks. The most obvious manifestation of this pathology is the gap we often see between planning and execution.
- Second is the pathology of overreach. As we saw, in Operation Market Garden, the British had ambitious goals and clearly articulated objectives, but they did not have the capabilities to carry them out. And they compounded their problem by not accurately assessing the Germans' capabilities for interfering with the strategic plan. Another example of overreach occurred in what became known as the Battle of the Bulge.
 - In December 1944, the Allies believed that Germany was on the brink of defeat, but Germany was planning a breathtaking offensive in the Ardennes Forest.
 - Like Operation Market Garden, Germany's plan required that everything to go right for it to succeed, but in the end, the Germans were not powerful enough to accomplish their bold objectives within the necessary timetable. The plan underestimated enemy capabilities to interfere with its execution.

- The third pathology that can doom execution of a strategy is the breakdown of communication and coordination. Even with plans that are clearly articulated, constant communication is critical, especially if the plans involve many participants and moving parts.
 - The well-known Charge of the Light Brigade, which took place during the Crimean War in 1854, serves as a stunning example of poor communication in execution.
 - The British were fighting the Russians at the port of Balaklava on the Crimean Peninsula. The overarching strategy of the units involved was to support the siege of Sevastopol and seize Balaklava, a nearby port. The tactics designed to execute this strategy seemed sound.
 - As the British pursued the retreating Russians, however, their commander issued a vague order that the British cavalry should “advance rapidly to the front... to prevent the enemy [from] carrying away the guns.”
 - Unfortunately, the order did not specify which guns the commander had in mind; thus, the Light Brigade charged off in the wrong direction, directly toward a mass of Russian guns in place at the far side of a valley.
- The fourth pathology that hinders execution of strategy is poor intelligence. The British raid on the French port of Dieppe in 1942 is our example here, although it could easily serve as the example for a number of other strategic pathologies. This operation shows much of what is wrong with strategy that is based on an unclear objective, sabotaged by loss of institutional control, and supported by poor intelligence.
 - To this day, the point of the Dieppe raid is still not quite clear. In hindsight, the operation was assigned as a mission, ostensibly to “learn lessons” in how to conduct an amphibious invasion.



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The fiasco at Dieppe during World War II was caused by faulty intelligence; British planners were forced to use holiday snapshots to assess the conditions of the beach for landing.

- Planning for the operation was lengthy and sporadic. At one point, British high command canceled the raid, but Lord Mountbatten, then chief of British Combined Operations, resurrected it and pushed it forward without authorization. He had neither enough resources nor access to intelligence.
- Mountbatten's planners were forced to use unreliable intelligence that was months old. The British knew nothing about hidden German gun positions on the cliffs, and they had assessed whether tanks could navigate the beach by closely examining holiday snapshots.
- During the attack, only 15 tanks made it off the beach, and these were quickly repulsed. Naval support was insufficient, and for political reasons, the British had elected not to bomb the German positions so as not to alienate the French with civilian casualties.

- After the fact, veteran memoirs and other accounts showed that the Germans had known about and been preparing for the anticipated Allied landings for weeks.
- The Dieppe raid deserves detailed study to understand how a plan can spiral out of control and be negatively influenced by a host of factors, many of them controllable.
- The last pathology we will look at in this lecture is inertia. We often think of inertia as resistance to change, the tendency for a body at rest to stay at rest, but it's also the tendency for a body in motion to stay in motion in a particular direction on a fixed course.
 - Strategies are difficult to craft and even more difficult to implement. Given the investment that goes into a major strategy adoption and implementation, the impetus for a firm and the people involved is to stay the course. This is especially true when egos and careers are invested in a course of action, even if the strategy is failing.
 - When lives are at stake, changing course becomes an even more urgent matter, and the pathology can sometimes take on horrific proportions, as it did in 1916 in the Battle of the Somme.
 - The battle began with a British offensive designed to steamroll the Germans and break the stalemate of trench warfare to reach open ground. The plan called first for an artillery barrage to obliterate German positions, destroy barbed wire entanglements, and demolish the German artillery; the British would simply walk in to occupy the newly won territory.
 - But none of that happened. A seven-day artillery barrage gave the enemy adequate notice of what was to happen, and the German defenses proved incredibly durable.
 - It was obvious that the preconditions for the successful execution of British strategy had not been met, yet the commander of the British

Fourth Army, General Sir Henry Rawlinson, let inertia take over and ordered the attack to proceed.

- The British emerged from their trenches and marched over open ground under machine gun and artillery fire; by the end of the day, they had suffered 60,000 casualties.

Control

- It's essential to create a control mechanism in order to massage a strategy to successful completion. For example, Jack Welch, the CEO of General Electric, famously devoted an entire week during each of his 20 years as CEO to reviewing the operating plans of each of his company's units for that year.
- Strategy is not like an aircraft autopilot. We can't publish a strategy, put it on a shelf, and sit back to wait for good things to happen. We must follow through. We must assign responsibility, avoid overreach, maintain clear communication, nurture effective intelligence, and reject inertia in the face of new information. In short, we must remember that strategy is a process, not a single event or decision.
- This means that identifying the specific action steps of a strategy cannot be omitted from the strategic process. A decision will not take effect unless action commitments are built into the decision from the start. If a decision is no one's specific work and responsibility, it's likely that nothing will happen.
- Grand strategy must be translated into the proper action steps at the lower unit level, but this does not happen on its own. It happens with follow-through, checks and balances, and control. Strategic leadership includes execution and should include some informal "management by walking around."
- Execution is ultimately a function of strong and bold leadership, a propensity to take responsibility, and a system of control to bring the strategy to completion. Conversely, strategy even at the very highest levels, is ultimately a function of thoroughgoing execution. We can

move forward with successful strategic execution by recognizing and avoiding the pathologies that plague us every step of the way.

Suggested Reading

Charan and Bossidy, *Execution*.

Drucker, *The Effective Executive*.

Harvard Business School Press, *Executing Strategy for Business Results*.

Questions to Consider

1. Can you think of a time, in either your personal or professional life, when you were too optimistic about the results you expected? Evaluate that experience to discover if part of the reason was that your plan was too tightly wound and had no margin for error.
2. What are some examples in your experience that illustrate the five pathologies that lead to poor execution of strategy: lack of designated responsibility, overreach, communication breakdown, poor intelligence, and inertia? Would recognition of any or all of these have changed what you did and, as a result, changed the outcome?
3. What kind of control mechanism do you employ to mitigate the risk of the five pathologies that hinder strategy?

Tactics of Combat as Problem-Solving Tools

Lecture 12

The language of combat is all around us, in business, sports, politics, and elsewhere. But rather than simply adopting the machismo of war words, we can learn something about strategy from the actual techniques of martial combat. In fact, with judicious thought, we can apply the tactics of war and strategy as problem-solving tools relevant to business and our personal lives.

Definitions Revisited

- Let's begin by revisiting a terminology issue: the difference between strategy and tactics. This difference often seems slippery to many people, and there's a good reason for this confusion.
- In simplest terms, a strategy is an overall plan while tactics are the actions we take to execute the plan. This distinction has a long tradition in strategic planning that goes back to the military but leads to an unfortunate conclusion that strategy refers to the big things and tactics, to the details.
- However, when we embark on a strategy, there is no way to know in advance which details are insignificant and which may loom large as important strategic milestones. Our intended strategy merges imperceptibly into our emergent strategy through the process of strong and crisp execution and responses to what our competitors do.
- Perspective also plays a major role. Strategic theorist **Richard Rumelt** put it this way: "One person's strategy is another's tactics—that is, what is strategic depends on where you sit." For instance, from the overall perspective of corporate strategy, business units are expected to execute tactics. But from the perspective of a single unit within the business, these tactics for the company are likely part of its strategy.

- The important point to remember is that execution is the neglected child of strategy and that follow-through in execution—tactics—is a more important part of strategy than the publication of the strategy in a handsome binder.
- For this lecture, we'll call these techniques strategic maneuvers. As we use them, let's keep our eyes open for opportunities to change direction, to abandon plans gone awry, to follow up victories with more victories, and to allow our realized strategy to emerge from the flurry of actions and responses that play out in the real world.

Strategic Maneuvers

- Many of the strategic maneuvers used on the battlefield have a long history, which suggests both their conceptual durability and the constancy of human nature.
- Principles of maneuver can be applied at the level of the army, with its thousands of armed combatants, down to the level of the individual soldier.
- Maneuvers have their counterparts in other venues, such as business and sports. In fact, the lines between these venues are different only in the level of conflict and degree of violence involved.
- Maneuvers can be faster than the speed of conscious thought. In the sport of fencing, for example, the attacks and defensive maneuvers of the two opponents create a dynamic and fluid combat situation. Each opponent must be ready to abandon the line of attack he or she has created and pursue other advantages that present themselves.
- Fencing, and the speed at which it takes place, helps us understand a broader fact about conflict and competition: What actually occurs in competition is often not the result of a carefully wrought strategic plan but the swift and flexible application of martial principles at the place and time demanded of the situation.

- It's also important to remember that not every maneuver or attack is appropriate in every situation. Maneuvers must make sense in the overall plan and in the context of the ongoing battle, events that have already occurred, and current capabilities.

The Frontal Assault

- Frontal assault is, obviously, an all-out attack on the enemy's front. Usually, the enemy has chosen the location where the battle will take place and is well dug in.
- If you believe that frontal assault is the only option open to you, then you can act to mitigate the disadvantages of this maneuver. Consider, for example, D-Day, the Allied invasion of western Europe, launched on June 6, 1944.
 - The Allied landings in western France were the deadliest kind of frontal assault—against a well-prepared and well-entrenched enemy across unfriendly terrain.
 - The French coast was the Allies' only choice for the point of attack, and the Germans knew it. But the Allies were still able to shroud the exact time and location of the assault from the Germans with an elaborate deception campaign.
- In business, the frontal assault pits one competitor against another; its manifestation is the price war. Often, the only winners in these engagements are the consumers.
- Unless other mitigating factors can be brought to bear, attacking a strong and well-prepared enemy is foolhardy. It goes against every principle of competition we have studied. This is true in professional conflict and on a personal level.

The Indirect Approach

- The indirect approach is a strategic contribution offered by **Sir Basil Liddell Hart**, a British strategist of the early and mid-20th century. In his book *Strategy*, Liddell Hart notes that seven out of eight frontal

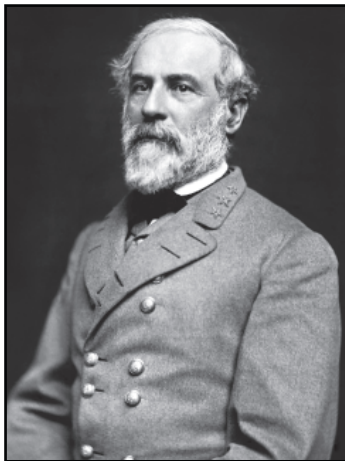
assaults in the American Civil War failed. He also observed that when the art of indirect approach was used, it demonstrated great utility both in achieving objectives and minimizing damage to the attacker.

- In mobile warfare, where maneuver can be used to great effect, a technique of the indirect approach is to keep an opponent guessing about your intermediate objectives as you advance. By keeping two equally attractive objectives in the strategic scheme, you impose indecisiveness on your opponent, compelling a split in forces in a futile attempt to defend everything.
- William Tecumseh Sherman's 1864 Georgia campaign in the Civil War offers an excellent example of keeping the enemy in suspense about successive objectives. The Southern forces, led by General Joseph Johnston, were never able to fix Sherman's objectives along his march.
- In business, Honda Motor Company successfully used the strategy of indirect approach in developing its expertise as the world's leading manufacturer of small internal combustion engines. This technological leadership laid a platform for Honda's horizontal expansion into automobiles and caught American carmakers napping.

Turning the Flank

- Turning the flank is a maneuver that attempts to dislocate the enemy by moving to either of its flanks. The flanking movement requires a response from the enemy, which usually disrupts its operations.
- Napoleon crafted much of his reputation by maneuvering against the flanks and into the rear of the enemy. In the Korean War, General **Douglas MacArthur** used the technique in his amphibious landing at Inch'ŏn.
- In the Civil War, General Sherman maneuvered against the enemy flanks many times in his 1864 campaign against the South in Georgia. Repeatedly, Sherman maneuvered to turn the flank of Joseph Johnston's army, forcing the Southern general out of his prepared defensive positions and into successive retreats.

- On the Southern side, General **Robert E. Lee** achieved his greatest victory in 1863 at Chancellorsville by means of the flank attack, accompanied by the force multiplier of surprise. Lee launched a distracting demonstration attack on the Union front while Thomas Jackson—Stonewall—maneuvered to the unsuspecting Union right flank, surprising and routing the Union troops.
- In business, attacking the flank can take many different forms, depending on the product or service offered and the various alignments of power relationships. Attacking the flank can mean, for instance, carving out market space by specializing in a narrow niche of a major competitor, as we saw in retail bookselling.
- Royal Crown Cola failed in a frontal assault against Coke and Pepsi in the early 1960s, but the company might have been successful had it pursued a flanking course.
 - Royal Crown went nationwide with the first diet soft drink, Diet Rite Cola, in 1962. This flanking move caught the major colas by surprise, and by the end of the decade, Diet Rite was the best-selling soft drink in the United States.
 - By concentrating its resources on market leader Diet Rite, RC could have solidified its position. But the company didn't anticipate its market leadership in diet soda and chose to squander the opportunity.



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Robert E. Lee's flank attack at Chancellorsville caught the Union troops completely by surprise and resulted in the general's greatest victory.

- Rather than show flexibility and follow up on a clear winner, RC decided to compete on both fronts and let the market make the choice, with disastrous results. Increased competition appeared with the introduction of Diet Coke, and without strategic support, Diet Rite faded.

Rear Area Battle

- Rear area battle is a concept of 20th-century warfare, whose operative idea is to sow confusion in the enemy's ranks behind the lines by creating the impression that no ground is safe. This technique forces opponents to expend resources defending ground they thought they had already won.
- In warfare, at the start of hostilities, commandos with various deadly skills infiltrate into the enemy's rear areas, where support and supply bases are maintained. These commandos disrupt communications and supply and even assassinate enemy commanders, sowing confusion and suspicion.
- During World War II, the French Underground worked tirelessly against occupying German forces, and in Russia, partisans took up arms against the invaders, forcing the Germans to divert troops from the front lines to guard supply depots and convoys.
- Just as important as the operational aspects of rear area battle is the psychological impact when your opponent realizes that you have penetrated its lines. In World War II, at the start of the Battle of the Bulge in 1944, the Germans managed to drop commandos wearing American uniforms behind Allied lines in an effort to sow confusion in the American ranks.
- Rear area battle is also used in presidential political campaigns as candidates strike and counterstrike at one another's home bases—with advertising, personal appearances, and surrogate campaigners. This move forces opposing candidates to redirect their resources to areas they thought were already secure.

- This technique has been used throughout history to take pressure off other areas of the front. In 1864, for example, the Confederacy launched a raid on the Northern capital at Washington, territory that was considered secure by the Union, in an effort to relieve the pressure on Southern forces at Cold Harbor.
- Rear area battle is often used in international business operations, as when Fujifilm attacked Kodak in its home market in the United States in the 1980s, slowly winning market share and igniting a price war. Kodak responded with a counterattack in Japan, forcing Fujifilm to reexamine operations in its home base.

Which Maneuver to Use?

- Which strategic maneuver should you use? The answer depends on a variety of factors: your position in relation to your opponent, your resources, your capabilities, your ability to accept risk, your strategic intent, and so on.
- Successful strategic implementation means knitting tactical engagements together into a coherent whole. Tactics without an overarching strategy means aimless conflict. Even if you know you likely would win a given encounter, shrewd strategic decision making means not fighting battles that do not advance your strategy.

Names to Know

Lee, Robert E. (1807–1870): Offered command of the Northern army at the outset of the American Civil War, Lee instead sided with his home state of Virginia and created a legend in the subsequent four years as one of the greatest battlefield generals in American history.

Liddell Hart, Basil (1895–1970): Fighting in the Great War imbued this great military thinker with a revulsion toward static attritional warfare and led to his theorizing on the great potential of the armored tank. Liddell Hart extended his strategic theorizing into other realms and penned a work called *The Lawn Tennis Masters Unveiled*.

MacArthur, Douglas (1880–1964): MacArthur’s personal magnetism, larger-than-life personality, and extravagant ego led him to incredible success in war for a decade and to ultimate political ruin shortly after his masterstroke at Inch’ŏn during the Korean War.

Rumelt, Richard (1942–): Rumelt is a rousing scholar and consultant whose direct and concise writing on strategy is powerful in its simplicity and elegance, cutting through the static that permeates strategic thinking. Beginning his career in the field of electrical engineering, he slowly developed a reputation as a management guru and advocated that there are only two ways for companies to succeed for the long-term: They must either invent their way to it, or they must exploit some change in their environment.

Suggested Reading

Buskirk, *Frontal Attack*.

Johnson, Whitby, and France, *How to Win on the Battlefield*.

Ries and Trout, *Marketing Warfare*.

Questions to Consider

1. Often, many of us respond to challenges or problems in the same way every time they arise, ignoring the various tactical options open to us in favor of habitual and comfortable responses. Do you always respond to problems in the same way, or do you select a tactic from a menu of options? From the options provided in this lecture, consider at least one or two that you have never used and attempt to implement them at the first opportunity.
2. Consider various historical scenarios and evaluate them with an eye to exploring what options were available to the contenders that might have yielded a different outcome. For instance, what were General Robert E. Lee’s options on the third day of the Battle of Gettysburg?
3. Rear area battle might be one of the least used tactics, yet it is very effective in certain situations, especially in business, where office

politics offers fertile ground for exploiting this tactic. Can you think of ways to outmaneuver your opponents by creating new threats in areas they thought previously secure?

Shock of the New—Inflection Points

Lecture 13

We often become so ingrained in our ways of doing things that we forget that change is more common than stability. We accommodate small changes with relative ease, but occasionally, a game changer arrives, a major change that alters the landscape radically and quickly. Such transformations are known as strategic inflection points. In this lecture, we look at the types of changes businesses must make in the face of strategic inflection points.

The Strategic Inflection Point

- The term “strategic inflection point” was introduced by Andy Grove in 1996 in his book *Only the Paranoid Survive*. It refers to a dramatic change in our environment that makes us alter the way we do things or risk extinction. Such major changes compel us to change our strategy.
- Competitive advantage is conferred on those companies and individuals who can be the first to recognize and respond to a major change in the environment that affects their activities. Identifying changes in the overall environment and specific industries goes back to the PEST and five factors analyses we discussed earlier.
- Of course, competitive advantage is temporary. The knowledge diffuses quickly among practitioners, becoming “best practice,” and the brief competitive advantage of one soon becomes the new competitive parity of all.
- Strategic inflection points can occur in business, sports, politics, and the military. Sometimes, an inflection point affects several of these realms. We also face our own strategic inflection points, forcing us to rethink our strategic plans.

Inflection Points in Business

- In the business world, strategic inflection points are usually manifested by technological advances or shifts in the competitive environment so severe that they change the rules of the competitive game.
- Inflection points may also be the result of sharp changes in customer preferences, changes in the regulatory environment, or dramatic increases in the value of certain raw materials.
- Despite the eventually monumental impact of a strategic inflection point, it may not at first be immediately apparent to everyone. In fact, Grove tells us that these changes hit corporations in such a way that those in senior management usually recognize them last.
- The demise of silent films in the early 1930s provides an example of how a strategic inflection point can alter the business landscape. Within a decade of the introduction of talking films, silent film production had ceased.
- A more recent example in business is the tremendous strategic inflection point sustained by the airline industry when the regulatory environment changed in 1978. In fact, the effects of this change are still being felt, both by the industry and by passengers.
 - Deregulation of the airline industry proved a bounty to the American consumer, but the airlines seemed unaware of the implications of this change for their survival. The removal of government control over fares, routes, and market entry of new airlines created a radically new environment that challenged the airlines in ways they had not contemplated.
 - This powerful strategic inflection point should have left the legacy airlines scrambling to develop new business models, but most continued doing business as usual.

- A final example from business is the bittersweet tale of the camera and film companies Kodak and Polaroid, which dominated their industry in the United States until the end of the 1980s.
 - The digital imaging revolution radically changed the film industry within a phenomenally short period of time. Both Kodak and Polaroid were challenged, and neither had the ability to respond correctly to the fact that the era of chemical film was ending.
 - Polaroid went bankrupt in 2001, although it emerged in a new incarnation in the late 2000s. Kodak sought the shelter of bankruptcy at the beginning of 2012 while it reorganized; it has since shown signs of trying to reinvent itself.

What Changes Must Be Made?

- If an inflection point has made the business model inadequate for the future, what fundamentally must change, and how do we change it?
- To answer this question, let's take the case of Richard J. Harrington, who became CEO of Thomson Corporation—a grab bag of publishing ventures—in 1997 and saw the looming reality of major industry changes.
- Although the business he took over was doing quite well, with almost \$9 billion in yearly revenue, Harrington saw the inevitability of change wrought by emerging technology and realized that his firm's business model would generate less and less revenue in a fast-approaching future.
- Harrington determined that Thomson would not be left behind by the looming inflection point. He was willing to take a short-term hit in earnings and assume the costs of tooling up for the future demands of a new business model focused on electronic publishing.
- The firm spent \$7 billion over the next several years to buy more than 200 businesses, and it shed more than 130 of its regional newspapers. In a business culture oriented toward short-term earnings, this was a bold move. Within five years, Thomson had transformed itself and was threatening Elsevier's top position in professional publishing.

Inflection Points in Sports and Games

- In sports, the strategic inflection point emerges most often in the form of rule changes that dictate changes in strategy. Sometimes, the inflection point we identify retrospectively was the result of a series of smaller changes.
- An example of this gradual process comes from chess. Until the 15th century, the queen in chess was a relatively weak piece, but through gradual changes in the game's rules, the queen emerged in the 16th century as the most powerful piece on the board. The changed status of the queen required a transformation of strategy and tactics in the game.
- In professional football, seemingly minor changes in the rules have transformed the game and changed the types of players recruited for certain positions.

Inflection Points in Politics

- Inflection points are difficult to exploit in politics, partly because political operatives play the game constantly, regardless of the stage of the election cycle.
- One minor political inflection point was the change from unlimited successive terms for the president to two consecutive terms. In one sense, the change merely codified what had been a tradition among presidents from Washington down to Franklin Roosevelt. But the change also forced presidents in their second terms into lame duck status.
- Consider also the process by which we nominate candidates from major parties. The power here has shifted from the party conventions to the primaries, where delegates to the convention are won. The states now jockey to schedule their primaries ahead of others so as to garner more influence. Interacting with these factors is the candidate's campaign, which must decide where and how to compete.
- New technologies can present politicians with inflection points, as well. In U.S. presidential politics, think of Franklin Roosevelt's use of radio, Kennedy and Reagan on TV, and perhaps, the Internet in Obama's

campaign for the presidency in 2008. The lesson here is: Even those who aren't in a technology sector may experience an inflection point based on new technology.

Inflection Points in the Military

- In military conflict, technology can yield a temporary competitive advantage to the side that most quickly recognizes and adapts to the changes it brings.
- A famous example is the launch of Western Christendom in the Crusades during the period 1095–1291. Knights and peasants repeatedly marched east to liberate the Holy Land from the domination of Islam. Such a clash of cultures has historically entailed a dramatic change to which people and organizations must adapt or perish.



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In the First Crusade, the Arab armies faced the most effective fighting forces in the Holy Land, armed with superior technology.

- The Crusades represents the dramatic collision of Western and Eastern cultures. In the best of circumstances, cultures have difficulty meshing; suspicion is generally the first response in a culture clash. In this instance, the two great cultures touched in the most heated of circumstances: Holy War.
- The Arabs and Turks of the Middle East first faced this inflection point in 1095. The success of this First Crusade was at least partly the result of the surprise in military tactics and strategy used by the Frankish knights against the Saracens.
- Superior European military technology presented the Arab armies with a strategic inflection point. Suddenly, the Muslim armies faced

an enemy outfitted with armor, crossbows, and powerful horses and possessing effective siege machines. The crossbow alone was an extreme technological game changer.

- In another example, from the 13th century, the Europeans were on the receiving end of the surprise. The Mongols, under Batu Khan (a descendant of **Genghis Khan**), conquered several Hungarian armies in southern Europe in 1241 and were on the verge of sweeping into Austria when they were challenged by an army under King Béla of Hungary.
 - The Mongols annihilated the Hungarians, but the death of the Great Khan Ögödei in December of 1241 broke the tempo of their invasion.
 - The Europeans had slammed into the same kind of inflection point that had given them victory over the Saracens in the Holy Land 150 years earlier. The Mongols evidenced speed and used unique supply techniques, as well as spies and scouts. Unlike the Europeans, they protected their leaders, who observed the battle from a distance and made tactical decisions.
 - In the end, it was fortune, not Europe’s adaptation, that stopped the Mongols from attacking Italy and Germany and, perhaps, conquering all of Europe.

Personal Inflection Points

- According to Grove, one of the biggest problems with the inflection point is distinguishing it from garden variety changes, especially given that our disposition is to resist change. You don’t want to dismantle everything in response to a small change, but you also don’t want to be oblivious to changes that may be significant.
- How do you recognize a strategic inflection point as distinguished from a historical hiccup? Grove gives us some warning signs.
 - If the firm you’re dealing with gives signs of having “shifted,” you may be experiencing an inflection point.

- If your attention is suddenly drawn away from a lifelong competitor or a single company that has held you captive, and you're worried about someone or something new, then a threat may be brewing.
- Grove's final test is the "silver bullet" question: Where would you aim if you had only one bullet? If you have been aiming in one direction, but suddenly you change the direction of your pistol, that's a key signal that you may be dealing with something more than a minor change in the competitive landscape.

Name to Know

Genghis Khan (1162–1227): Genghis Khan forged an empire as great as any in world history and, in the process, revolutionized warfare of the 13th century, conquering all of Asia and part of Europe. Despite his deserved reputation for ruthlessness, somewhat paradoxically, he introduced the notion of religious tolerance throughout his empire.

Suggested Reading

Christensen, *The Innovator's Dilemma*.

Grove, *Only the Paranoid Survive*.

Stark, *God's Battalions*.

Questions to Consider

1. The strategic inflection point is not always obvious, and if it comes when times are flush for a company, it may be ignored. What are some of the ways that a company might overcome blindness to potential strategic inflection points in an industry?
2. It's useful if we conceive of the strategic inflection point as a rule change, perhaps technological, educational, or political. Companies and individuals who spot these rule changes most quickly and offer a bold response can steal a march on more cautious competitors. Evaluate the rules, both written and unwritten, of your competitive interactions,

and assess how those rules affect how you behave. Is your behavior prudent and rational, or can you contrive a new initiative, a newly crafted mode of behavior, within the current rule structure to achieve competitive advantage?

3. It isn't unthinkable that you can find your own temporary inflection point by maneuvering in the space offered by the rules of your game. Few of us do this kind of analysis, which makes it particularly rewarding. What do the rules allow that isn't being done? If you take advantage of this loophole, will it yield you an advantage?

Surprise! Perils and Power of Strategic Deception

Lecture 14

For aficionados of military history, surprise and deception can hardly be separated from strategy and tactics. Deception, in fact, is a routine part of life. If information is power, then disinformation and deception can confer upon us even more power. In sports and politics, business and war, it's a virtue to surprise your adversary.

Surprise and Deception in Conflict

- From the Trojan Horse, to Pearl Harbor, to MacArthur's landings at In'chōn, to General Schwarzkopf's famous "left hook" during the first Gulf War in 1991, surprise and deception have played major roles in conflict.
- The stratagem—a trick for deceiving the enemy—is called upon in wartime not as an end in itself but as a means to achieve that much-sought goal in tactical warfare: the surprise. Probably no other principle of war can multiply combat power as effectively as a well-planned and well-executed surprise.
- The great commanders from Hannibal to Stonewall Jackson all incorporated stratagem into their battle planning, and they did so with the objective of achieving surprise.
- Until the rise of general staffs in the early 19th century, the source of surprise was the intuition and imagination of a great general. Then there came a period of time, from the start of the 20th century until World War II, when stratagem and surprise fell out of favor among leading generals.
- Among the exceptions to this rule was **T. E. Lawrence**, one of history's great strategic theorists and practitioners and a decidedly unconventional leader. He is better known as Lawrence of Arabia from his leadership of the Arab Revolt in 1916–1918.

- Another unconventional leader of the time was Winston Churchill, a deep thinker and aficionado of one of the most powerful techniques in strategy—the deception operation, otherwise known as the stratagem. Churchill was also fascinated by technological advances and their potential for epic turns in the tide of war.

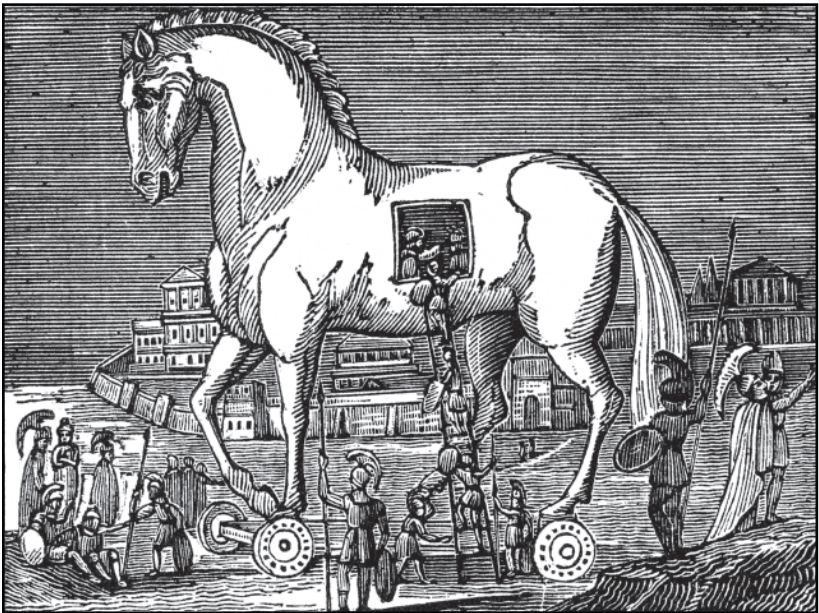
The Distinction between Strategy and Tactics

- Both strategic and tactical surprise contain the same elements, but strategic surprise consists in attacking and successfully disrupting an enemy’s mobilization, deployments, and grand strategy. Achieving surprise at the strategic level is much more difficult than at the tactical level, primarily because of the scale of operations, the multiplicity of variables, the time involved, and the greater chance of discovery.
- A failed strategic surprise can still retain value as a tactical surprise, although with considerably less impact. In fact, the difference in impact can change the course of conflict.
 - In 1916, the British had a superb opportunity to break the trench warfare stalemate on the Western Front with a strategic surprise: the mass introduction of the tank, a game changer that could have altered the outcome of World War I.
 - Lieutenant Colonel Ernest Swinton was the central champion of the tank and the tactics that would maximize its impact. He urged the use of tanks to break through enemy lines and strike quickly at the enemy’s artillery. He also believed that “the fact of their existence should be kept as secret as possible....”
 - But the commanding generals were oblivious to the power of deception and surprise to multiply the force of an attack, and they ignored Swinton.
 - A paltry 32 tanks were used in an attack at the Battle of the Somme, and these were fed into the line across a broad front and piecemeal. The effect was to achieve technological surprise and a bit of local panic—a minor tactical success.

- It's worth remembering that you have only one opportunity to use a powerful and novel weapon for the first time. This example of the tank demonstrates exactly how not to do it.

The Rich Possibilities of Surprise

- Surprise is the gap between what we expect will happen and what actually does happen. Strategic surprise is not merely the unusual or the unexpected. It is the gap in expectations that you or an opponent create and exploit quite deliberately.
- Uncertainty is already one of our greatest worries, whether in business, the military, or politics. How awful, then, to discover that our enemies are doing their best to increase our uncertainty. Worse still, our enemies will use deception to give us false certainty, to raise false expectations, or to divert our attention.



The hollow horse was just one part of the deception carried out at Troy; the Greeks also burned their camp to convince the Trojans that they were admitting defeat.

- The Trojan Horse represents one of history's most famous instances of surprise coupled with deception designed to gain a military advantage. We all know the story of the Greek soldiers hiding inside a magnificent gift to the city of Troy, but their larger deception—pretending to leave the scene of battle to create false expectations in the minds of the Trojans—was just as important as the ruse of the hollow horse.
- For many strategists, the notion of surprise now holds a place of honor as a circumstance to be greatly valued and highly sought. If you can surprise your opponent tactically, you reap rewards out of all proportion to the energy expended. At the strategic level, surprise is much more difficult to secure, but a successful strategic surprise has the potential to result in both short- and long-term wins.
- Each of the five types of surprise—intention, time, place, strength, and style—can be linked to deception that creates mistaken expectations. Other tactics can also help generate surprise, including stealth and ambiguity, but in general, deception is an amplifier of surprise.

Five Types of Surprise

- The first type of surprise involves intention. Does our enemy intend to strike us at all? This is a yes-or-no gateway decision that makes possible all of the following types of surprise.
- The second type of surprise is that of timing—striking when the enemy does not expect us.
 - The Japanese attack on Pearl Harbor stands as the classic example of successful strategic surprise, involving deception at both the strategic and tactical levels. At the very time that Japan's fleet was streaming toward Hawaii, the Japanese ambassador was seeking negotiations with Secretary of State Cordell Hull.
 - In the year 1307 in France, King Philip IV devised a surprise operation that led to the mass slaying of the Knights Templar, to whom Philip was deeply in debt. Philip had the knights arrested in

a comprehensive surprise operation; they were then tortured into giving false confessions and burned at the stake.

- A 20th-century example, just as violent, was the Night of the Long Knives, which took place in 1934 in Nazi Germany. This was Adolf Hitler's surprise purging of the leadership of his SA, which had become too much of a threat to his political power.
- In politics, the term "October surprise" refers to a tactic of releasing news with the capacity to affect the presidential election shortly before it takes place, giving opponents as little time as possible to respond.
- While the timing of a surprise is obviously important, the place of a surprise can be equally so. Place here refers to the point of attack or the direction of attack, striking where the enemy does not expect us.
 - Prior to D-Day in 1944, the Allies carried out a deception campaign known as Operation Bodyguard to convince German intelligence that the expected invasion of France would be launched at the Pas-de-Calais, the shortest route across the English Channel. The result of the deception was to shape German expectations according to Allied designs.
 - More recently, in the first Gulf War in 1991, the threat of amphibious invasion by U.S. Marines pinned Saddam Hussein's forces in place in defensive positions. Meanwhile, General Norman Schwarzkopf conducted his now famous "left hook," a sweeping maneuver through the desert to cut the Iraqi lines of communication and supply.
- In some cases, we may know that an event will occur, but we are surprised by its magnitude or strength. Throughout history, armies have used the technique of masking the size of their forces to confound the enemy.

- In the 13th century, the Mongols used this element of surprise often and effectively, exposing only a part of their forces in formations designed to convince an enemy to attack an apparently smaller opponent.
- The Mongols were also adept at maneuvering enemies into position for the most advantageous attack. They would draw the enemy forward by disappearing into the woods or behind a hill. When the opposing forces advanced, Mongol troops would suddenly appear from the flanks or the rear.
- In addition to making themselves appear fewer in number, Mongol troops also used deception to make themselves appear more numerous. They would light numerous campfires at night or drag foliage behind their horses to create large dust clouds.
- The final type of surprise is one of style, that is, striking in a way that is unexpected. This is a catch-all category that encompasses a broad array of unexpected weapons and tactics.
 - Technological innovations of weaponry and innovations in tactics can yield a decisive advantage when coupled with their surprise use. We saw this in the example of the first use of the tank in World War I, and we've seen how the introduction of new tactics was decisive at the ancient battles of Cannae and Delium.
 - Although we most often think of surprise as connected to offensive operations, it's also possible to achieve a defensive surprise. Britain conducted one such operation in World War I in its withdrawal of troops from the Gallipoli Peninsula.

Surprise in Sports

- Both individual and team sports offer opportunities to gain advantage from surprise. In fact, professional and college sports have reached such a level of sophistication that scouting, reconnaissance, film study, and statistical analysis are just as much a part of the game as practice or weight training.

- Analysts pore over the tendencies of opposing team behavior in every scenario imaginable, searching for weakness and a key to competitive advantage.

Summing Up Surprise

- Surprise and deception go hand-in-hand and can serve as powerful weapons. Surprise multiplies the effectiveness of our capabilities and can yield incredible short-term competitive advantage. Deception multiplies the effectiveness of surprise.
- At the same time, we must remember that surprise is a double-edged sword; it helps to be aware of the types of surprise in case they're used against us.

Name to Know

Lawrence, T. E. (1888–1935): Lawrence was an adventurer who found a battleground for his natural strategic talents in the deserts of the Middle East during World War I, leading the Arab revolt, and wrote an epic of strategic thought and history, *The Seven Pillars of Wisdom*, that set forth timeless principles of small-unit tactics and guerilla warfare.

Suggested Reading

Erfurth, *Surprise*.

Grabo, *Anticipating Surprise*.

Luttwak, *Strategy: The Logic of War and Peace*.

Whaley, *Stratagem*.

Questions to Consider

1. The effectiveness of surprise speaks to the power of controlling information and using it to our benefit at the most propitious moment. Yet we can be oblivious to the power of the information we control and may not even be aware that we control it. What kinds of information do

you control exclusively, what is its quality, and would your results differ if you changed the way you handled it?

2. Whether or not you have previously thought of how to leverage information to your benefit by using timing and location to best advantage, do so now. Consider how the value of your information goes up or down depending on how you use it. Would you gain an advantage from the judicious incorporation of subtle surprise into your handling of information? If so, specifically how?
3. The effectiveness of a planned surprise can be enhanced by including as many of the surprise factors as possible—timing, intention, place, strength, and style. Building on the previous queries, consciously find ways to incorporate the five factors into your repertoire of strategic action. Specifically, how might the timing of an announcement in contravention of opponent expectations enhance your position?
4. You can use surprise defensively, as well as offensively. Power can arise simply from the changing of your routine. This is more than merely acting unpredictably; it means consciously altering your routine so as not to be taken advantage of. Have you become so predictable in the way you deal with others that your reactions are routine and easily countered by opponents? If so, choose a typical situation where your response has been perhaps too habitual and thwart expectations by doing the unexpected.

The Sources and Uses of Reliable Intelligence

Lecture 15

The profession of spy is as old as history, and it is the spy that we most often think of when we consider the topic of intelligence. But information from spies is just one aspect of a complex process that can aid us in our quest to think strategically. This lecture explores the sources and uses of reliable intelligence and how it contributes to the crafting of prudent strategy, including the engine of any successful intelligence apparatus, the intelligence cycle.

A Crucial Mistake of the Death Star Commander

- At the end of the 1977 film *Star Wars*, Luke Skywalker leads the Rebel Alliance in an attack on the Empire's Death Star. In one subtle yet powerful scene, a military intelligence officer, armed with a report analyzing the rebels' attack, advises the Death Star commander to evacuate. But the commander rejects the advice, believing that the Empire is on the verge of triumph.
- In competition, we strive for knowledge, predictability, and the reduction of uncertainty, yet we sometimes reject reliable information if it conflicts with our own internally derived biases.
- In this lecture, we examine the role of intelligence collection and its crucial importance in the crafting of good strategy. We also learn how to harness the power of intelligence principles for both business and personal decision making in areas where we find ourselves in competition.
- Leonard Fuld, a leader in the field of competitive business intelligence and one of the country's top theorists and practitioners of intelligence, gives us this simple directive: "By actively seeking intelligence and learning how to use it, you can turn information into a powerful weapon to give you a competitive advantage."

Intelligence Defined

- Intelligence is not just information but *analyzed* information. The principles of intelligence collection, analysis, and dissemination are useful in the military, sports, politics, and business. They can also be applied in our daily lives.
- When we think of intelligence in its military or espionage contexts, we tend to think of spying, but this type of so-called human intelligence (“humint”) is never more than one aspect of intelligence, which in turn, is only one aspect of strategy.

Intelligence Gathering in Sports and Politics

- Teams in the NFL invest millions of dollars in technology, staff, travel, and refined expertise in what they call scouting. They evaluate opposing players and the plays that are called by opposing coaches in a myriad of game situations. They ask scenario questions and develop tendency charts on other teams’ intentions in certain situations in order to discern their probable courses of action during a game.
 - This type of scouting is perfectly legal as long as it taps into open sources and does not violate league rules. Occasionally, thought, teams can go too far. For instance, intercepting another team’s signals and deciphering them is in violation of the NFL’s regulations.
 - Sophisticated surveillance of an opponent’s resources, capabilities, and intentions continues to play a crucial role in the outcome of football games. Millions of dollars are at stake in a successful season, and most NFL teams believe the investment is worthwhile.
- Both major U.S. political parties maintain departments of what is called “opposition research,” where researchers unearth information on tax liens, divorce records, and lawsuits in the attempt to discredit opposing candidates or develop attack points. They also cull the voting records of targeted incumbents. Use of such intelligence is often timed to have maximum effect on election results.

Types of Intelligence Analysis

- Jan Herring, a former CIA analyst, has identified five types of intelligence analysis, categorized according to their uses: (1) prevention of surprises to the organization by providing early warning, (2) support of the decision-making process, (3) competitor assessment and monitoring, (4) planning and strategy development, and (5) support of the collection and reporting process.
- Intelligence is the final product of a conscious, intentional, targeted process designed to enlighten us about the resources, capabilities, and intentions of our friends and enemies—and ourselves. Those three elements—resources, capabilities, and intentions—are extremely important, especially in competitive situations. It’s always useful to know how our competitors stand with regard to these factors.
- In football, for example, the resources available to an opponent include money, draft picks of future players, and contacts throughout the industry. The opponent’s capabilities consist of developed resources, which appear as strengths and weaknesses in various aspects of the game. The opponent’s intentions answer the question: How will these capabilities be used against us?
- Gathering information about these three elements is designed to reduce uncertainty.

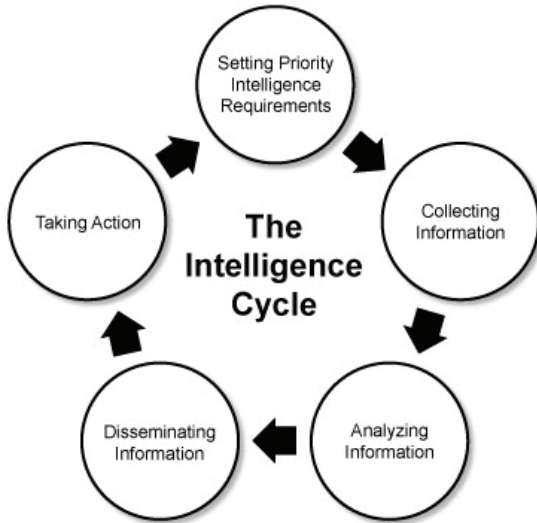
The Intelligence Cycle

- The intelligence cycle consists of five steps: (1) planning and setting of priority intelligence requirements, (2) collection, (3) analysis, (4) dissemination, and (5) action. The cycle is a virtuous one in that the collection and analysis of information helps refine the target, focusing our efforts on the next spin of the cycle. The speed of the cycle depends on the criticality of the issues and the time demands of the situation.
- The first stage in the cycle is setting priority intelligence requirements. This phase determines what information you will collect and what information you will ignore. It gives direction to your efforts so that you

don't collect information aimlessly or conduct never-ending research to put off the necessity of making tough choices.

- The second stage in the cycle is the systematic, three-dimensional process of collecting information. This stage involves tapping into multiple sources, such as databases; trade show materials; press releases; interviews of relevant people, such as a competitor's former employees; and even conversations that you might "overhear." It's important to discipline yourself to pursue comprehensive information collection; don't rely on the techniques or sources with which you feel most comfortable.
- The third stage, analysis, is believed by some to be more an art than a craft. We've already seen some of the tools that are used at this stage, such as PEST, value chain, five forces, and SWOT analyses. But there are many others, including competitor, political risk, and scenario analyses. Each of these tools has strengths and weaknesses; you should never rely on a single technique to inform your strategic decision making.

Figure 15.1



The five-step intelligence cycle is the engine that drives our vision of the future and, ideally, yields useful, actionable information.

- The fourth stage is dissemination, and it is here that many intelligence efforts fail. Some intelligence analysts make the mistake of simply presenting collected facts as intelligence with minimal analysis, minimal links to the current situation, and minimal relevance to what must be done strategically. Beware of the “nice-to-know” syndrome. Intelligence is a perishable product; it is meant to be disseminated and used.
- The fifth stage, action, requires courage. When you consider your findings, you must have the courage to say, “This means that our firm should...” or “This means that I should...”

The Cassandra Curse

- The ancient Greek story of Cassandra perfectly captures a common irrational response to intelligence: the irrationality of desiring to know information yet refusing to accept it when it’s offered if it contradicts what you (or the higher-ups) believe.
- Cassandra was the beautiful daughter of King Priam of Troy. The god Apollo was taken with her beauty and gave her a great gift, the gift of prophecy. Even so, she spurned Apollo’s romantic overtures, and he responded with a curse. He allowed Cassandra to keep her gift of prophecy, but she would never be believed and could never affect the course of events.
- Perhaps no one is better equipped to see into the future than the professional intelligence analyst, but the commander often ignores intelligence in favor of trusting his own instincts. Even we have trouble believing ourselves at times or knowing what to do with intelligence we uncover.
- The obstacle we must overcome here is the paradox of leadership: The very qualities that make for a strong leader at the most senior levels are the same qualities that cause those leaders to reject the informed advice of others. This paradox exists in both business and the military.

Pivot Points in History

- Small pivot points in history often add up to major differences in the eventual course of events, and intelligence is often key to those pivot points—the availability of intelligence and the courage and boldness to act on it.
- The Civil War was surely a major historical turning point for the United States. If the South had won the Civil War, world history would certainly have developed in radically different ways, and in fact, the South came very close to winning.
 - In September 1862, General Robert E. Lee was on the march into Maryland with his Army of Northern Virginia. His intent was to relieve the pressure on Virginia and to carry the war to the North. At the time, the commander of the Army of the Potomac, Major General George McClellan, was unaware of Lee’s capabilities and intentions.
 - As Lee marched north, a Union private found a copy of a Confederate order that gave details about movements of Lee’s army, including the splitting of his forces. When McClellan read the order, he realized that it gave him the opportunity to beat Lee and, perhaps, end the war, but he failed to fully exploit the strategic advantage of the intelligence.
 - Time was critical for McClellan, but he moved too slowly, perhaps overestimating the size and strength of Lee’s forces. The result was the indecisive Battle of Antietam, the bloodiest day in U.S. military history. General Lee retreated to Virginia, and the Civil War lasted another two and a half years.
 - The incredible temporary advantage afforded by critical intelligence was squandered by McClellan in one of history’s great pivot points. The lesson here is that when critical, high-quality intelligence is available, boldness is required to act decisively, correctly, and quickly.

- First-rate intelligence coupled with a strategic plan gives us an amazing ability to see and affect the future. Intelligence sheds new light that we ignore at our peril, and it is the lifeblood of strategic thinking.

Suggested Reading

Gudgin, *Military Intelligence*.

Hall and Citrenbaum, *Intelligence Analysis*.

Johnson, *Secret Agencies*.

Keegan, *Intelligence in War*.

Questions to Consider

1. The difference between being well-informed and being well-educated is similar to the difference between information and intelligence. The first is passive and routine, while the second is active and creative. Can you think of examples similar to those in the lecture that make use of analysis to explain a situation in your own experience?
2. The best way to understand the intelligence process and its value is to put it to use. Using the resources/capabilities/intentions framework outlined in the lecture, prepare a rough assessment of your toughest competitor. Are there differences between your competitor's stated aims and the resources and capabilities to achieve them?
3. The intelligence cycle is the engine of information analysis and prevents our drowning in a sea of white noise. Construct your own intelligence cycle to determine your priority intelligence requirements; then act to collect and analyze information and draw the necessary conclusions. By making this a routine activity, the quality of your intelligence improves over time and with multiple iterations of the cycle.

Move and Countermove—The Theory of Games

Lecture 16

When people interact with each other, they are playing games, whether lovers in a romantic game, drivers maneuvering in a traffic game, or politicians vying for votes in a political game. Game theory offers a mathematical approach to crafting strategy to win games involving two or more players. In this lecture, we look at a range of games to investigate how game theory works.

Let's Meet in New York!

- The game theorist **Thomas Schelling** devised a game in which two people are promised \$1000 each if they can set a time and place to meet in New York City. The two people are unknown to each other, can't communicate, and must give an answer in 30 seconds.
- This game demonstrates the fact that in the absence of information, we are forced to use our powers of reason and logic. The overwhelming majority of people list the meeting place as Times Square, Grand Central Station, or the Empire State Building and the meeting time as noon.
- In a variation of this game, participants are given more time and more information. Interestingly, as the information supply goes up, the clarity of analytical thinking goes down. The range of times and places given in response to this challenge is far greater than in the absence of information.

The Game of Life

- Life is a series of games. When you drive in heavy traffic and jockey for position against anonymous competitors, you are playing a game. When you ask your boss for a raise, you are playing a negotiating game. When people interact in ways designed to achieve a goal, they are playing a game.
- Game theory demonstrates how rational people reason when presented with dilemmas that provide incomplete information. The theory



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Rush hour is one of life's many games: a situation in which several goal-oriented decision makers interact.

contends that it can provide the best, most rational strategy for a host of games we play.

- Games can be defined as situations in which several goal-oriented decision makers interact with one another. The outcome of the interaction for a given player depends on the actions of the other players. Moreover, one player's actions are contingent on the others' responses.

The History of Game Theory

- Concentrated development of game theory began in the 1920s with John von Neumann's efforts to analyze the technique of bluffing in poker. Twenty years later, von Neumann and his collaborator claimed that game theory could form the basis for the science of economics.
- Game theorists create mathematical models consisting of variables and equations that represent a variety of games we encounter in the real

world. These equations purport to demonstrate the “best” strategy to pursue in the real-world situations they represent.

- Game theory makes assumptions about how the world works and how people behave. It assumes, for example, that each of us is a “rational actor,” which means that we will behave rationally in interacting with others. In goal-directed interactions, we will seek to maximize utility, that is, to receive the highest payoff or minimize damage to ourselves. This is a cost-benefit analysis applied to the human mind.
- One of the major contributions of game theory to the world of strategy came during the Cold War and the nuclear standoff between the Soviet Union and the United States. Game theorists recognized that the nuclear arms race had all the characteristics of a two-person strategic game, specifically, one known as the Prisoner’s Dilemma.
 - The Prisoner’s Dilemma demonstrated how the nuclear arms race could lead to complete destruction through only a tiny misstep by either side.
 - This game involves two players in a situation where each does not know the move of the other, and they have the options to cooperate or defect from the game. Interviewed separately, each prisoner is given the option of implicating the other in a crime or of remaining silent. If both cooperate to protect each other, they both receive a beneficial payoff (a light sentence). If both defect to implicate the other, they each receive a longer sentence.
 - If one prisoner cooperates while the other defects, the cooperator gets the lighter sentence, but the defector goes free. In this situation, the dominant strategy is to defect because cooperation involves too much risk.
 - In the Cold War, game theory showed that the danger in the nuclear standoff was the dominant strategy of defection. The game gave the advantage to the state that launched a successful nuclear first strike.

Rational Irrationality

- Game theory prompts us to consider not just our own plans but the responses of others who have an interest in the outcome. Anticipating these responses should allow us to identify and select the strategy that maximizes our payoff.
- An opponent's response, however, can sometimes be irrational or unpredictable in our judgment. We can also misjudge the payoff of a game; that is, other people might be playing for higher or lower stakes. Thus, what appears irrational to us could very well be rational to our opponents.
- Opponents might also feign irrationality to achieve strategic results. In other words, a player may act irrationally because he or she believes that it is rational to do so. We must incorporate this concept of rational irrationality in our calculations.
- In a multiplayer game, one player may have the goal of "defeating" another, regardless of the personal cost. This type of rational irrationality is seen in an auction game for a \$20 bill.
 - In this game, the winner must pay the highest bid for the \$20 bill, while the person who comes in second must pay the losing bid. For example, if the winning bid is \$4, the winner pays that amount to receive the \$20 bill, and the person who came in second pays \$3.
 - As the auction progresses, the payoff changes dramatically for the two final bidders. They are no longer bidding to win \$20 but to minimize their losses.
- The assumption of rationality can also lead us to misidentify the payoffs for a particular game for another player. We may assume that everyone in the game is motivated by the same incentive, but in the world of work, for instance, some are motivated by money, some by recognition, some by the ability to exercise authority, and so on.

- One of the most prevalent forms of misperception is the fallacy of “mirror-imaging.” We assume that an opponent or fellow worker shares the same values and incentive system as ours. We may be wrong, but our actions and the responses we anticipate are based on this assumption. We’re then surprised by an “irrational” response.
- Former Defense Secretary Robert McNamara discovered this fallacy for himself during the Vietnam War. McNamara was playing a rational game of carrots and sticks in a limited war, and he assumed that the Vietnamese would recognize they could not win such a war against the United States. The Vietnamese, however, were playing a different game: a total war of national liberation.

The Tragedy of the Commons

- The Tragedy of the Commons is a dilemma that arises when individuals who pursue their own rational self-interest yield a group result that is suboptimal. The name refers to a situation described by ecological scientist Garrett Hardin, in which herders graze their cows on a common parcel of land. With no incentive to restrict grazing, the parcel of land is quickly made useless by overgrazing.
- The key to this dilemma is that the herder receives all the benefits from grazing his or her cows, while the damage is shared by the group. Thus, it’s perfectly rational for each herder to graze as many cows as possible, even as this depletes the shared and limited resource. In fact, the rational herder concludes that the only sensible course to pursue is to keep adding animals to the herd.
- Hardin portrayed our national park system as a modern-day commons. The parks themselves are limited in extent, but our population seems to grow without limit. The values that visitors seek in the parks are, thus, steadily eroded.
- This pursuit of private gain and shared cost is a hidden dynamic that Hardin uncovered in the economic system of private enterprise. Game theory models it as the CC-PP game: commonize costs—privatize profits.

- Hardin claims that CC-PP captures much of the wealth-creation pattern in a free economic system. If, for example, a private industry dumps waste into a river in pursuit of its profit-making venture, this cost is shared by all, while the profits accrue to the business.

The Free Rider Problem

- The Free Rider Problem represents another familiar situation in economics. Here, a common resource is shared, whether individuals pay for it or not.
- College students recognize the phenomenon of the late-night keg run: The party is at its height, and the keg runs dry. The hat is passed for contributions to buy another keg. But the student who is thinking rationally realizes that whether or not he or she contributes, the keg will arrive soon and the benefits will be available to all who are still at the party. This is the free rider.
- In economics, the Free Rider Problem is called a “collective action” problem. How can you get people to work together to achieve a collective goal when individuals may be motivated by different incentives and may not be motivated at all by a group goal? One solution is to create incentives to get people to respond in accordance with your goals.

Lessons Learned from Game Theory

- Game theory offers us insight into how people reason and forces us to consider the notion of a payoff. It compels us to consider the stakes of a game and whether all participants view the stakes and the payoff in the same way.
- We can also recognize the weaknesses of game theory as applied in the world of daily living. The artificial notion of rationality expressed in behavior could cause problems for us if we expect people to act in accordance with it.
- Still, game theory provides a structured way to understand cooperative alternatives to pure conflict, in some cases, allowing outcomes to be maximized for all sides.

Name to Know

Schelling, Thomas (1921–): A political scientist, strategist, game theorist, and arms control advocate, Schelling exerted powerful influence on strategic thinking in the nuclear era and in explaining the dynamics of racial segregation in the United States through the use of relatively simple modeling.

Suggested Reading

Binmore, *Game Theory*.

Schelling, *The Strategy of Conflict*.

Von Neumann and Morgenstern, *Theory of Games and Economic Behavior*.

Questions to Consider

1. One benefit of game theory is that it concentrates our minds on the dynamic of our interactions with others and helps us to quantify the various payoffs available. This is particularly helpful when we play numerous iterations of a particular game. Do you interact in a game-like situation with people at work or with competitors? If so, think about how the concepts in this lecture clarify what is actually going on in the game.
2. Can you quantify the payoffs in the various games you play? After identifying several ongoing games in which you participate, identify the payoff structure and determine whether you are a winner or a loser most of the time.
3. Now that you understand the structure of the game you play, consider actions you can take to either change the payout for different decisions or to structure the game differently so that you can improve your strategic position.

The Evolution of Cooperation

Lecture 17

We often link strategic thinking and strategy to conflict, but strategic thinking can also help us develop cooperative solutions to problems. Empirical evidence demonstrates that order can evolve out of chaos, even with individuals pursuing their own self-interest. In fact, an entire body of theory has emerged that posits collaborative strategies that can be followed to yield fruitful results without the destructive behavior we associate with conflict.

Christmas 1914: A Spontaneous Truce

- World War I presented us with the spectacle of mainly Christian nations fighting each other—Britain, France, and Russia on one side and Germany and Austria-Hungary on the other. On the first Christmas of the war, soldiers on both sides saw no reason not to call their own truce and celebrate Christmas Eve with the enemy.
- The truce began spontaneously, with Germans positioning small Christmas trees on the parapets of their trenches. As the trees were lit, soldiers on both sides of the line offered one another greetings.
- At dawn, the first tentative movements out of the trenches began, ostensibly to bury the dead left in no man's land. The truce quickly spread, and Germans and English met and mingled freely in many places along the line.
- Despite the best efforts of both high commands to maintain hostilities, the truce continued throughout the day and, in some places, for several days beyond Christmas. It broke down inevitably, but additional examples of cooperation during the conflict continued.
- Research has since shown that the unique characteristics of trench warfare—small combat units faced off against each other for extended periods of time—led to this instance of communication and cooperation.

Cooperation Theory

- Robert Axelrod led the way in crafting cooperation theory with an important book in 1984 called *The Evolution of Cooperation*. In it, he sought to identify the conditions necessary for cooperation to emerge and discover what actions could be taken to create those conditions. Axelrod examined not only trench warfare in World War I but also a slightly less contentious forum: the U.S. Senate.
- Axelrod saw that in spite of the self-interest of senators serving their own constituents—and conflicting with other senators—many opportunities presented themselves for these legislators to work with one another and to exhibit reciprocity.
- This principle is nowhere better illustrated than in the relationship between Republican Senator Orrin Hatch and the late Senator Edward Kennedy. Beholden to opposing political parties and ideologically opposed as well, these two powerful senators found ways to cooperate and compromise to mutual benefit.

The Prisoner's Dilemma Revisited

- The decision to cooperate always involves some risk. What if the other side defects? Does the payoff justify the risk? This conundrum returns us to the Prisoner's Dilemma.
- This “game” serves as a model to capture the dynamic in interactions of all kinds, specifically, the tension between decisions for short-term self-interest or long-term cooperative benefit.
- Axelrod notes that the Prisoner's Dilemma allows scholars from many different fields to talk to one another about strategy. It also allows us to understand why it may be difficult to cooperate in our own interactions or to trust others.
- As you recall, each player in the Prisoner's Dilemma has two choices: to cooperate or to defect. Each makes the choice without knowing what the other will do. In this example, the payoff is \$1 for each if both defect,

\$3 for each if both cooperate, and \$5 for the defector and nothing for the cooperator if they choose different options.

- No matter what the other player does, defection yields a higher payoff than cooperation. If you think the other player will cooperate, you should defect, but if you think the other player will defect, it still pays for you to defect. Thus, defection is the dominant strategy, and cooperation seems impossible.
- We can escape this dilemma by playing the game more than once with the same opponent. In this situation, Axelrod's work showed that one very simple strategy, tit for tat, can solve the dilemma. This is a strategy of simple reciprocity, which cooperates on the first move and then does whatever the other player did on the previous move.
- This strategy works best under five conditions: (1) avoid unnecessary conflict by cooperating as long as the other player does, (2) respond quickly in the face of an uncalled-for defection, (3) show forgiveness after responding to a provocation, (4) show clarity of behavior to enable the other player to recognize patterns of action, and (5) expect an indefinite number of interactions.
- By pursuing these conditions, you can create an environment of accepted norms, fertile for cooperation.
- The strategy of reciprocity succeeds by eliciting cooperation from others, not by defeating them. In many situations, mutual cooperation can be better for both sides than mutual defection. This strategy is particularly useful in conducting business abroad, in countries where detailed contracts are not commonly used.
- Armed with the cooperative dynamic, in which the horizon of interaction stretches out, we can craft strategies apropos to the moment to maximize our long-term gains.

Cooperation in the Military

- We've already seen how soldiers on opposing sides cooperated at Christmas during World War I, but cooperation with enemies can be orchestrated from the top of military hierarchies, as well. When the dangers and costs of miscommunication become greater than any benefit derived from no cooperation, the groundwork is laid for mutually recognized and orchestrated cooperation.
- A familiar example is the "hotline" between Washington, DC, and Moscow. This direct, secure communication link between the United States and Russia was established in 1963 as a direct result of the Cuban missile crisis.
- Apart from the hotline, military establishments are concerned with the problems of unintended escalation and nuclear missteps resulting from a miscommunication. Indeed, during the latter stages of the Cold War, the U.S. and Soviet militaries found several ways to cooperate on some of the most dangerous issues threatening both nations.
- Military exercises and weapons testing are sometimes used to communicate strength, resolve, and readiness to a nation's adversaries. The downside to such signaling is that it can be misinterpreted as the real thing.
- Complicating the issue is the fact that military exercises are sometimes used to mask an actual intent to invade. The Soviets used this ruse in August 1968 when they crushed the liberal reforms of the Prague Spring in Czechoslovakia with an invasion.
- To forestall the possibility that military exercises might be interpreted as a prelude to invasion, the United States and the Soviet Union agreed to a regime of confidence and security-building measures that included mutual inspections of military exercises. This form of cooperation between enemies broke new ground.

- Another extreme example of cooperation between enemies is represented by the demilitarized zone between North and South Korea. This is a strip of land more than 150 miles long and 2.5 miles wide, and it's the most fortified border on Earth. A cease-fire, not a peace treaty, is in force here.
 - Cooperation under these conditions is extremely difficult, especially given that more than 50 Americans and 1000 South Koreans have died in policing this border.
 - Still, both sides have found it useful to cooperate with each other in accepted and routinized ways. As we discussed earlier, the combatants established a joint security area in the area of P'anmunjŏm.

The Theory of Spontaneous Order

- According to the second law of thermodynamics, systems of order will tend toward disorder and chaos, but the theory of spontaneous order suggests the exact opposite: that out of chaos, social order can emerge among self-interested individuals who are not intentionally trying to create a system.
- A simple example of this theory at work is a dirt path across a meadow. It's likely that no one person chooses to "build" a path in a particular place and direction. Many people chose to walk that route for their own purposes, and as a result, a structure emerged through the principle of spontaneous order.
- The self-regulating market economy is another example of spontaneous order. The market economy is a system animated by people pursuing their economic self-interest in creating value and conducting commerce. This system of economic exchange regulates itself through prices.

Cooperation in Business

- In business, competing firms sometimes find it necessary to cooperate rather than compete. In fact, cartels and price-fixing would be far more common were they not illegal in many wealthy countries. But even

without explicit collusion, firms often refrain from unilateral action in order to avoid unpleasant responses from competitors.

- Price wars illustrate what can happen when tacit cooperation breaks down. Price wars benefit consumers, of course, but for the firms involved, shrinking profit margins can make the difference between survival and collapse.
- One instance in which businesses cooperate is the strategic alliance, a form of cooperation in which two or more firms align and harmonize their strategic actions. They do this because the benefits of cooperation are greater than those achieved by unfettered competition.
- In such an arrangement, companies seek synergy, a situation in which the whole result is greater than the sum of its parts. At times, strategic cooperation makes sense because other avenues to synergy are closed.
 - This was the case in 2011, when the Justice Department refused to allow the communications giant AT&T to acquire the cellular carrier T-Mobile.
 - Ultimately, AT&T and T-Mobile pursued a cooperative arrangement that allowed AT&T access to T-Mobile's cellular airwaves and enabled T-Mobile to expand its national coverage.

Cooperation Theory in Action

- As the general in charge of the KGB, Alexei Kondaurov once had the responsibility of controlling dissidents, yet he achieved a shaky accommodation with the dissident community during the era of *glasnost* and *perestroika*.
- In an effort to avoid brutalizing demonstrators, Kondaurov managed to communicate that crossing a certain line in a protest would provoke a police response, and the demonstrators attempted to respect that line. In essence, the two opposing sides in the Soviet Union achieved a live-and-let-live rapprochement.

- The problem of cooperation presents us with conundrums that, at first pass, may seem irresolvable. But cooperation theory shows us that where people of goodwill wish to better their lives, they will find ways to exist to one another's mutual benefit.

Suggested Reading

Axelrod, *The Evolution of Cooperation*.

Weintraub, *Silent Night*.

Questions to Consider

1. Think of your most intractable opponent and consider whether the two of you might find ways to achieve cooperation. The cooperation doesn't have to be overt; as mentioned in the lecture, "peaceful coexistence" between the Soviet Union and United States was this form of conflict mitigation. Develop a tit-for-tat exercise based on Axelrod's theory and then try it out.
2. This lecture contends that the longer the shadow of the future, the better the chances of cooperating with a competitor. Thus, the obvious lesson is to extend the shadow of the future with predictable iterations so that cooperation can "evolve." Can you think of a practical way to extend the shadow of the future so that the risks of an opponent's defection become less acute?
3. In your opinion, what were the main factors that enabled enemy soldiers from two different camps during World War I to mingle amiably and freely without being ordered to do so?

When Strategy Breaks Down

Lecture 18

Why do good generals falter at the crucial moment? Why do smart companies do stupid things? Most of us like to believe in the notion of common sense, yet we see numerous examples of suboptimal outcomes in the world of business and elsewhere. In this lecture, we explore some of the systemic obstacles we face when crafting and executing strategy that can lead to these outcomes.

Case Study: Kodak

- Thanks to a strategy of focused research and development, Kodak dominated film manufacturing throughout much of the 20th century. The firm even secured a patent on the first digital camera in 1975 but chose not to develop this technology. Why?

- Part of the explanation lies in the fact that Kodak had spent its entire existence in a relatively slow-moving industry, and it had a set of nondigital core competencies. Shifting itself to compete with consumer electronics firms would have required drastic changes.



With the advent of digital technology, threats to film and camera manufacturers should have been clear.

- Kodak sensed this and began acquiring a variety of firms in digital sectors, though never in a way that contributed to an overall change in strategic focus. Kodak also had a long history of supporting cheap cameras. When disposable, single-use cameras appeared in the late 1980s, they made it hard for Kodak executives to see anything other

than film as the bedrock of their profits. Thus, Kodak continued to rely on chemical film as its cash cow.

- Was there a way for Kodak to use some of its existing competitive advantage yet also profit from the shift to digital photography? Perhaps the company could have moved far more aggressively to a leadership position on the output side of the digital photography industry, in finished prints.
- Kodak faced a strategic inflection point and chose to stay its longstanding course, even in the face of overwhelming evidence that the firm's mainstay product line was on the cusp of extinction.

Strategic Masquerade

- The path to crafting good strategy requires closing off some options when we decide to take action. Kodak, for example, was never going to dominate all aspects of digital photography the way it had dominated chemical photography. The company needed to make a strategic choice about what to pursue and what to forgo.
- A strategic masquerade is the phenomenon of substituting something else, such as slogans or operational techniques, in place of the real-world choices of strategy. Some familiar operational techniques include total quality management, benchmarking, best practices, and so on.
- Strip away these trendy programs and you come to the heart of strategic management: the ability to make tradeoffs, to decide to do some things and not others. Making these decisions is an awesome responsibility, and it paralyzes some leaders who are unready for the rigors of setting strategic direction.
- Benchmarking, best practices, and other operational techniques can move the efficiency frontier of an industry forward, but they do not achieve competitive advantage, and they do not constitute strategy.

- As we've said, strategy is about doing things differently, assembling your firm's activities in ways that other firms cannot copy. It's not about the most popular efficiency or cost-cutting program of the moment.
- In our personal lives, too, we sometimes substitute technique for strategy. We fool ourselves into thinking that we are acting strategically or progressing along some path when we are actually absorbing ourselves in minor tasks. Procrastination and routinization of our lives are common manifestations of the strategic masquerade on a personal level.
- It's easy to become absorbed in addressing the demands of today such that we forget the choices of tomorrow. When tomorrow finally comes, we find ourselves unprepared to meet its challenges or grasp the opportunities it presents. Part of this problem comes with the desire to keep all options open.

Strategic Misalignment

- A second way that strategy can be derailed is through misalignment. In any complex organization that has a mission, the working parts must mesh. In strategy, we sometimes find internal, external, or incremental misalignment.
- Internal misalignment can occur among the working parts that constitute the engine of the firm—resources, capabilities, and intentions—or among the organization's structure, operations, and the strategy itself.
 - In our personal lives, the same principle is at work. We develop a strategy—or we think we do—only to find ourselves thwarted repeatedly by systemic obstacles within ourselves. This internal misalignment means we have not addressed the coordination of our resources, capabilities, and intentions.
 - Strategy is much more than setting worthy goals and then striving mightily to achieve them. It means evaluating our resources in light of our strategy and acquiring more resources if necessary. It means developing capabilities as the instrument by which we achieve

those goals. And it means, of course, being honest with ourselves with regard to our resources and capabilities.

- External misalignment can occur without warning, over time. It can slip up on us because there is no dramatic change or metaphorical explosion. Slow changes in the external environment can sabotage our strategy. As change occurs, we need to examine its impact and alter our strategy accordingly. If we don't, we can find ourselves out of sync with reality.
 - Military examples we've already considered demonstrate how continued pursuit of internal consistency can result in external misalignment.
 - Generals are often accused of "fighting the last war," and there is more than a little truth to this. The periods between wars are usually times of strategic stagnation for military organizations. Strategists tend to look backward, evaluating what has already happened. They rarely incorporate the future into their deliberations, especially with respect to changes in technology.
 - As we've seen, by the time of the Civil War, the rifle had largely replaced the musket, and ammunition had changed, too, with the adoption of the minié ball. These changes in technology rendered the frontal assault almost suicidal, yet armies on both sides continued using this attack.
 - Fifty-five years later, Europeans made the same mistake in World War I, with even more disastrous results.
- External misalignment, also known as strategy creep, strategic dilution, or strategic erosion, can result from attempting to stay abreast of current changes without any strategic focus.
 - Current resources and personnel are gradually given additional assignments until they are stretched too thin, perhaps to the breaking point.

- At the individual level, we may find ourselves given additional and diverse responsibility at work. Such add-ons may be increasingly far afield from the firm's mission; they leech our time and sap our strength. We are swept along in a kind of chaotic current rather than aboard a ship with a distinct destination.

Conspirators against Strategy

- The elements that conspire against sound strategy include groupthink, bureaucratic politics, overconfidence, loss of focus, and “great idea” people with a “can-do” attitude.
- The term “groupthink” refers to a kind of quasi-philosophy that holds to the principle that group values are right, good, and sought after. This can be a powerful force in organizations that compel groups of executives to think alike and not diverge from the party line. Groupthink destroys the leeway to disagree and allows bad ideas to thrive.
- While groupthink is a pathology of excessive agreement within a group, a second conspirator against good strategy is insufficient agreement as a result of bureaucratic politics.
 - Rather than rational, calculated decision making that yields an optimal strategic result, an organization's actions may be the result of politicking and negotiation by its top leaders.
 - Even if leaders share an overall goal, they inevitably differ in how to achieve it. This leads to bargaining for power. The overall direction that results—the company's “output”—is suboptimal.
 - This kind of internal politics helps clarify what happened at Digital Equipment Corporation (DEC) beginning in 1992. At the time, DEC was faced with the strategic decision of where to direct its focus. The CEO required a consensus decision on this issue from his senior leadership, but after hard bargaining, agreement could not be reached. The result was the announcement of a non-strategy and, ultimately, the faltering of the company.

- A third conspirator against good strategy is overconfidence, the tendency to overestimate our own judgment and knowledge about a situation. When we receive new information, we tend to believe that we understand it without much analysis.
- All these causes of strategic erosion lead to a loss of focus, which is simultaneously a cause and a symptom of strategic erosion. Paradoxically, strategic erosion can also occur as a result of success. Proposed changes in direction are framed as “building on our success” and come clothed in the trendy slogans of the day.
 - A warning sign of this kind of pathology is the news that someone has been brought into a company to “shake things up.” This is particularly insidious because it sounds so reasonable, but in fact, its premise is completely false.
 - To borrow a phrase from marketing, “brand equity” cannot be “extended”; it can only be diluted. Coca-Cola has tried numerous times to extend its brand equity, only to find that its brand means “soft drink” and nothing else.
 - Loss of focus may occur when “strategic-sounding” language is used to give a sense of legitimacy to bad ideas or when we fail to learn the lessons of business history.

Strategy Erosion at Walmart

- In April of 2005, Walmart hired a new head of marketing, presumably to “shake things up.” By August, Walmart was buying ad space in *Vogue* at a cost of almost \$1 million per issue. This placement violated everything the Walmart brand stands for.
- On the heels of this blunder, Walmart continued to experiment, creating supercenters, remodeling, decluttering its shelves, going organic—in short, unfocusing its brand to attract more affluent consumers. And as it made these changes to capitalize on a slowing economy, Walmart also raised prices.

- The simple explanation for why an otherwise smart company made these moves is that Walmart succumbed to overconfidence and mission creep. It lost focus on its core strategic value: “saving people money so they can live better.”

Avoiding Strategic Pathologies

- The strategic pathologies we’ve discussed in this lecture—groupthink, politics, overconfidence, and loss of focus—can all give impetus to decisions that, viewed from the outside, are obviously misguided.
- To avoid these pathologies, we must steer a bold course and maintain our focus against the internal and external forces that threaten it, keeping our eyes on our strategic goal.

Suggested Reading

De Bono, *Think! Before It's Too Late*.

Feinberg and Tarrant, *Why Smart People Do Dumb Things*.

Hughes-Wilson, *Military Intelligence Blunders*.

Mintzberg, Ahlstrand, and Lampel, *Strategy Bites Back*.

Rumelt, *Good Strategy, Bad Strategy*.

Questions to Consider

1. You doubtless know people who are tactically and technically proficient, but who, for some reason, never rise above the mundane or routine. One reason for this may be the substitution of task-oriented technique for actual strategic thinking. Examine your own approach to your plans and assess whether you absorb yourself in detailed execution in the absence of genuine strategic thinking; if so, act to correct that now.
2. Total quality management and Six Sigma are identified in the lecture as fine management tools but not actual strategies. Consider whether management tools in your own firm have substituted for actual strategy; distinguish these techniques and then identify your firm’s actual strategy.

3. Real strategy requires tradeoffs and the boldness to assume risk; technique provides a comfortable substitute, in both our personal lives and the world of commerce. Choosing what to do also means choosing what not to do, so that resources are not squandered in trying to be all things to all people. What difficult conscious tradeoffs have you made in your personal strategic plan? If you find that you've made none, then it may be time to reexamine your approach.

Leverage Cognitive Psychology for Better Strategy

Lecture 19

The mind is complex, and understanding how it reaches decisions is the subject of entire fields of science and social science. In this lecture, we explore some of the theories and their practical applications that can help us cultivate the skills to improve our decisions and to avoid some of the pitfalls of irrational decision making.

Thinking about Thinking

- Most of us think of ourselves as rational people when it comes to making decisions. We investigate a bit, strive to be objective, and come to a conclusion, but the fact is that we don't think very much about thinking. We remain unaware of the brain's functions even as it yields results to us.
- How we perceive, what we remember, how we call upon memory, and how we combine it with new information—these functions occur independently of any conscious direction on our part. All we know for certain are the results of our thought processes.

A Model of Thinking

- An early model of how we think posited that we are rational beings who seek to maximize our utility. We consider a range of likely options and make the best choice. The social scientist Herbert Simon modified this assumption with his notion of “bounded rationality.”
- Simon's fundamental insight was that the world is too complex to allow us to consider all the information at our disposal. Instead, we decide in an environment of bounded rationality, meaning rationality with limits—limits of information, cognition, and time.
- Research confirms that before our minds ever begin to grapple with rational decision making, the brain automatically filters incoming information to make it more manageable. It reduces the choices for us on the basis of experience, education, cultural values, and so on.

- For this reason, our mental models don't always match up well with reality, particularly in high-stress, high-stakes situations. The mind simply can't cope with the vast sea of incoming information, so it constructs a simplified mental model of reality, and that's what we work with. Within the boundaries of this model, we act rationally.

Groupthink

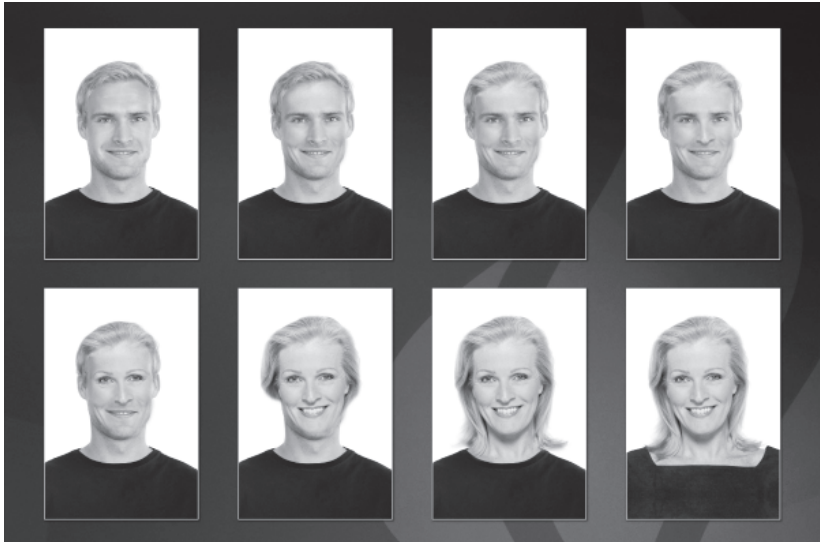
- CIA veteran Richards Heuer writes, "An experienced specialist may be among the last to see what is really happening when events take a new and unexpected turn. When faced with a major paradigm shift, analysts who know the most about a subject have the most to unlearn."
- In 1989–1990, CIA specialists were slow to see and understand the implications of the Soviet withdrawal from Eastern Europe on East and West Germany or realize how quickly the reunification of Germany would take place. In this case, generalists in the agency could see and accept what the specialists were missing.
- A mindset is a collection of assumptions or methods held and used by one or more people or groups of people. It can become so ingrained that it creates and perpetuates a powerful conformity of approaches, tools, and assumptions. We speak of "groupthink" whenever the mindset of a group of people becomes especially entrenched.
- One of the most well-known examples of groupthink is the Cold War mindset that led to myopia on the part of the U.S. foreign policy establishment. Our nation allied itself with unsavory regimes in the 1950s–1970s to counter what was perceived as Soviet aggression in the Middle East, Africa, and elsewhere.

Barriers to Clear Perception

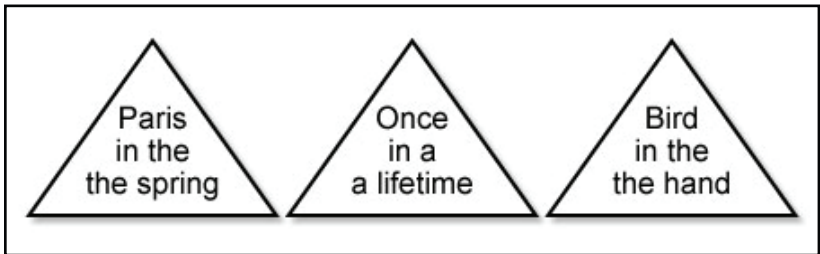
- Accurate analysis is made difficult by a number of strong barriers to perception, including these three: (1) Mindsets tend to be quick to form but resistant to change; (2) we tend to perceive what we expect to perceive; and (3) new information is assimilated to existing images.

- We form mindsets quickly, but they are resistant to change. Once we achieve a certain mindset or accept a certain paradigm, we become locked in to it analytically.
 - A common experiment that illustrates a mind rut involves a graphic with several figures in a row, each more distorted from the original than the last. The gradual transitions can make it difficult to notice that the final image is actually a different subject than the original, not just a distorted version of it.
 - The mind rut suggests what makes sense and ought to be there, but it also suggests what we should ignore. Our earliest experiences have already and mistakenly determined that these new developments are just distortions of a pattern we already know, preventing us from noticing new patterns.
- As our analytical mindsets become rooted, we begin to take shortcuts in our decision making, which means that we tend to perceive what we expect to perceive. Our thinking is based on what we already “know” about a situation, and as a result, we have trouble processing truly new information. Our expectations influence our perceptions.
 - This barrier to perception was evident in World War II, when the head of the Luftwaffe refused to believe that the Allies had developed a long-range fighter plane even after the Germans had shot one down.
 - When Germany attacked the Soviet Union in June of 1941, Stalin’s belief in the paradigm of Soviet-German nonaggression was so strong that he refused to believe reports of the attacks from his own units.
 - The errors in the phrases shown in the box illustrate the idea that we have been conditioned to see what we expect to see and to overlook what we don’t expect.

Figure 19.1



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The business of perception is more complicated than most of us realize.

- As we receive information and begin to process it, we also tend to assimilate new information to existing images. In other words, new information is not treated independently but in relation to thought processes already underway.
 - This incremental receipt of information can lead to false conclusions, as occurred before the 1973 Arab-Israeli war, a potential conflict that U.S. intelligence had not anticipated.

- Analysts were proceeding on the basis of each day's intelligence, assimilating it with the narrative already constructed from the previous day. This gave rise to an ongoing "assembly line" narrative, rather than a coherent understanding of the big picture.

Pathologies in Group Decision Making

- In group decision making and problem solving, the variables multiply with every additional person, complicating what is already a complex process.
- Political considerations enter into the deliberations, along with tendencies of groups to take on dynamics of their own. As we know, people behave differently in groups and in group decision making. They reinforce one another's inclinations, and those who disagree tend to be forced out.
- In his investigation, psychologist **Irving Janis** found that concern for group solidarity and consensus seeking could degrade the quality of strategic decision making. Janis offered as examples the Bay of Pigs invasion decision by Kennedy's team and, later, the cover-up of the Watergate burglary by Nixon and his circle of advisors.
- Eight symptoms of groupthink cluster around three categories: (1) overestimations of the group's power and morality, (2) a tendency toward close-mindedness, and (3) pressures to conform and achieve consensus. When these factors are in play in group dynamics, suboptimal decisions result.
- These suboptimal decisions may be based on an incomplete survey of alternatives or objectives, failure to examine risks of the preferred choice, failure to reevaluate previously rejected alternatives, poor information search, selection bias in collecting information, and failure to work out contingency plans.

Symptoms of Groupthink

- Illusions of invulnerability that create excessive optimism and encourage risk taking
- Unquestioned belief in the morality of the group that causes members to ignore the consequences of their actions
- Rationalization of warnings that might challenge the group's assumptions
- Stereotyping of those who are opposed to the group as weak, evil, biased, spiteful, impotent, or stupid
- Self-censorship of ideas that deviate from the apparent group consensus
- Illusions of unanimity among group members
- Direct pressure to conform placed on any member who questions the group, couched in terms of “disloyalty”
- The existence of “mind guards”—self-appointed members who shield the group from dissenting information

An Analytical Process Model

- Several techniques can be linked together to form an analytical method that helps us think strategically and develop greater insight into any issue that challenges us. These techniques include situational logic, the application of theory, comparison with historical situations, and data immersion.
- The first step in the analytical process model is to define the problem. Here, it's important to articulate the problem in such a way that the answers yielded will make a difference.

- Next, we suspend judgment and identify all the plausible hypotheses that should be considered; then, we trim the list to a workable number of hypotheses for more detailed analysis.
- The next step is to collect information to evaluate all the reasonable hypotheses. Exploring information that supports alternatives you have not yet seriously considered can generate creative thought and new possibilities.
- Next, argue against the hypotheses. You may find that much of the evidence supports your expectation of the most likely hypotheses, but that same evidence may also be consistent with different hypotheses. Proceed by trying to reject hypotheses rather than confirm them.
- Finally, it's important to monitor your analysis for surprises. Our world changes rapidly, and our analytical conclusions are always tentative. Specify critical nodes to monitor for changes that might significantly alter the probabilities.
- When we generate hypotheses, we find ourselves susceptible to coming up with explanations that comport with our store of information, dictated in a fashion by our mindset. Use these techniques to break out of the mind rut:
 - The use of situational logic is an inductive approach that begins with consideration of concrete elements of the current situation rather than generalizations involving similar cases. We regard the situation as unique rather than as a class of events.
 - Application of theory is a deductive approach that reasons from the general to the specific case. It suggests that when a given set of conditions arises, certain other results ought to follow with some degree of probability.
 - Comparison with historical situations is, essentially, the case study method. Historical cases are dissected to understand events and how actors arrived at their decisions, whether good or bad.

- Finally, data immersion involves immersing yourself in data while consciously suppressing any preconceptions. The idea here is that patterns that emerge from the data can then be tested.

Cognitive Psychology Applied to Strategy

- The field of cognitive psychology is always pursuing new research into how the mind works. For strategy, it's especially important to understand both outside distortions that can interfere with analytical clarity and ways that our internal cognitive processes can also distort our perceptions of the outside world.
- Refining our practical understanding of the perplexing world of human behavior takes time, but on that basis, we can learn to craft strategy—and behave strategically—in ways that have a greater chance of success.

Name to Know

Janis, Irving (1918–1990): Few group dynamic theorists can match the impact of Janis in his recognition and study of groupthink as a powerful negative influence on competent decision making. Janis highlighted the dangers of consensus building as a substitute for rational analysis.

Suggested Reading

Allison, *Essence of Decision*.

Halperin, *Bureaucratic Politics and Foreign Policy*.

Heuer, *Psychology of Intelligence Analysis*.

Janis, *Groupthink*.

Jervis, *Perception and Misperception in International Politics*.

Schafer and Crichlow, *Groupthink versus High-Quality Decision Making in International Relations*.

Questions to Consider

1. Groupthink can plague any level of an organization and often does in the form of a faux consensus about the “facts.” One difficult public policy question concerns the American view of Russian President Vladimir Putin. In your view, is there a consensus groupthink at work with respect to views of the Russian president that lingers from the time of Cold War?
2. Does groupthink affect you in any way in your team interactions, and do you feel pressure to conform to groupthink ideas? If so, from where does this pressure arise, and who decides the central notions around which groupthink clusters?
3. Correct analysis is impossible when the original problem is defined incorrectly, and this misspecification is at the heart of much incorrect analysis. From the start, we must ask, “What’s going on here?” with a rational, open mind that ensures we do not define the problem so that the answers we search for are what we intend to find beforehand. How do you select and define your main challenges in your group interactions, and is the problem definition usually aligned with your group’s mission?
4. The pathologies that inhibit good decision making are many, and it is the rare person who is not affected by at least one or two. After watching the lecture, you probably have a good idea of which are problems for you and which are not. In an honest self-assessment, consider which of the cognitive problems discussed here affect you most and identify how to guard against these tendencies.

Strategic Intuition and Creative Insight

Lecture 20

The flash of brilliance that inspires great triumphs always startles us by how obvious it is—in hindsight. This moment of insight comes to great leaders in business, the military, sports, science, and politics. It is what separates the merely good strategists from the great. And in this lecture, you'll learn how you can cultivate your own strategic intuition as an adjunct to analysis.

***Coup d'oeil*, the Flash of Insight**

- Carl von Clausewitz called the flash of insight behind a great strategic idea *coup d'oeil*, “stroke of the eye.” As we’ve seen, such insights operate in the business world, in the military, in science, and elsewhere.
- Whether this strategic glance can be cultivated or trained is a question that has long been debated. We used to think of analysis and intuition as two distinctly different processes, but now scientists believe that there is a single mode of thought that combines the two. This new model is called “intelligent memory.”
- The latest research suggests that we can cultivate our own abilities to achieve insight in certain circumstances. We can certainly evaluate the circumstances that lead to the flash of insight and strive to create those conditions for ourselves.

Decision-Making Models

- Most decision-making models focus on a four-step process: (1) analyze the problem, (2) list available options, (3) evaluate the options against common criteria and weight the criteria according to importance, and (4) add up the results to reach a decision.
- This process permeates decision making in business, but according to strategic theorist William Duggan, “Decision-makers only use this four-

step method if they have to—if official procedures make them do it. When left to their own devices, they use strategic intuition.”

- Researchers in military strategy have divided decision making into two separate modes, analytical and intuitive. The analytical approach serves well when time is available to examine all facets of the problem and its solution. Intuitive decision making is appropriate when time is short, but it doesn't work well when the situation includes inexperienced leaders, complex situations, or competing courses of action.
- According to research psychologist Gary Klein, expert decision makers do not generate multiple options and then pick one. Instead, they study a situation, and the problem and solution come to them at the same time. They think through the implications to arrive at a course of action and they commit to it, or they reject it if they think it will not work.
- Duggan tells us that strategic intuition consists in the “selective projection of past elements into the future in a new combination as a course of action that might or might not fit your previous goals, with the personal commitment to follow through and work out the details along the way.” This definition fits closely with Porter's definition of strategy as “doing things differently.”

Strategy as Best Practice?

- Let's consider the principles of strategy as the equivalent of acquiring best practices in business. If everyone observes best practices, then the efficiency frontier is pushed out, and no one achieves sustained competitive advantage.
- If everyone has read the book of strategy, how, then, do you obtain even fleeting competitive advantage? The answer comes down to which leaders apply strategic intuition. The Civil War comes very close to being a controlled experiment to test this notion of strategic intuition versus strategy as a checklist.
 - The two sides in this war were staffed with officers who were classmates at the same military academy, were taught the same

theories by the same instructors, and had served with one another in a previous major conflict.

- Under these circumstances, we might expect that objective factors would win the day. For instance, the North possessed overwhelming superiority in almost every category used to measure military power: population, territory, armories, industrial production, and so on.
- The reasonable conclusion is that a war with the South would end quickly, in the North's favor, but the war lasted four years, and for much of that time, the outcome was in doubt. Strategy and strategic thinking, specifically the factor of strategic insight, can help explain this counterintuitive result.
- In May of 1863, near Chancellorsville, Virginia, Robert E. Lee's Army of Northern Virginia faced a Union army twice its size, commanded by Major General Joseph Hooker. Both Lee and Hooker had attended West Point and served in the Mexican-American War.
- Hooker commanded the superior force, was entrenched on superb terrain, and was better supplied. In this situation, surely the superior force would easily defeat the inferior opponent. Yet in the most lopsided contest of the entire Civil War, Lee won by violating a bedrock of conventional wisdom: Never divide your army in the face of a superior foe.
- Lee held Hooker's army in check all day with just two divisions of troops. Meanwhile, Stonewall Jackson marched around the Union right flank and caught the Northerners completely by surprise.

Intuitive Decision Making

- In his studies of firefighters, Gary Klein has learned that experienced first responders don't consider two options or even one before they take action; they simply act. For Klein, this discovery was the equivalent of stumbling onto "the phenomenon of intuition."

- In the world of first responders, Klein views intuition as the gradual amalgamation of large repertoires of patterns that are acquired over many years of practice—actions and responses that train the mind to understand a multitude of experiences and quickly yield the correct answer in similar situations in the future.
- Without these patterns, without this experience base, decision makers would be paralyzed. Formal analyses can be valuable to supplement intuition, but they can't substitute for intuition in many areas of decision making.
- Klein has successfully moved our perception of intuition from the extremes of the inexplicable and the skeptical to a reasonable recognition of its value. He suggests that we combine intuition and analysis, allowing intuition to help us recognize situations and decide our actions, while using analysis to verify our intuitions.

Developing Intuitive Insight

- A seven-step process will help you begin to develop and use your intuitive insights to tackle problems.
- First, recognize that the first option you think of is probably the best. Record this option and hold it for consideration. Evaluate your first impulse in the context of your experience, by imagining how your decision would be carried out and what could go wrong.
- Next, make sure you understand the problem. You can deliberate all day, but if you don't understand what's going on, your choice of action will likely be wrong.
- Third, override your intuitions when they mislead you. Intuition without reflection can lead to fixation. To break free of inaccurate beliefs, ask yourself whether there is any evidence that would make you change your mind. If not, then you've built a cocoon around your beliefs.
- Use your intuition to think ahead of the curve. The world is too complex to think ahead using careful analysis of situations; rely on your intuition

to help you connect the dots, flag inconsistencies, and warn you of potential problems.

- Accept a degree of uncertainty. You will never have perfect information. The key is knowing when you have enough information, then having the courage to act.
- Use the right decision-making strategy. If the issues are complicated and no one has good intuitions about the overall situation, analysis makes more sense than relying on gut feelings.
- Finally, watch out for the naysayers—managers who don't value the experience of key employees, who expect employees to follow directions without clarification, who are intolerant of uncertainty, and so on.
- The good news to take from this lecture is that brilliant insights are not necessarily the stuff of genius, and creativity is not a mysterious force. The ability to assemble and reassemble data in new and innovative ways is not limited to people like Napoleon or Steve Jobs; all of us can access it and develop it.

Suggested Reading

Duggan, *Napoleon's Glance*.

———, *Strategic Intuition*.

Klein, *The Power of Intuition*.

Kuhn, *The Structure of Scientific Revolutions*.

Questions to Consider

1. Do you dismiss intuition as somehow unworthy of consideration in the process of sober analytical decision making? If so, think how you might begin to listen to your voice of experience rather than to attack a problem with the same habitual set of tools.

2. First responders don't weigh and analyze alternatives; they react to the situation based on a vast trove of experience stored up from similar situations that informs their conscious actions instantaneously. Are there situations in which you simply "know" the answer to complex challenges that fall within the range of your particular skills and experience? How might the concepts in the lecture, especially the notion of *coup d'oeil*, aid you in listening to your professional intuition and making decisions that spring from your own flashes of insight?
3. Understanding the strengths and limitations of the two types of decision making can aid in choosing wisely at crucial moments, as Lee did at Chancellorsville. Compare and contrast the advantages and disadvantages of the two types of decision making: analytical and intuitive.

From Systemic Problems to Systemic Solutions

Lecture 21

A problem that crops up repeatedly, in your work or personal life, is likely a systemic problem. Strategic thinking enables us to recognize the symptoms of what Peter Drucker called the “recurring crisis,” to unwind the problem, and to tackle the underlying systemic issue. In this way, we can often construct our own conscious systems to solve the pathology of systemic problems.

Systems and Systemic Problems

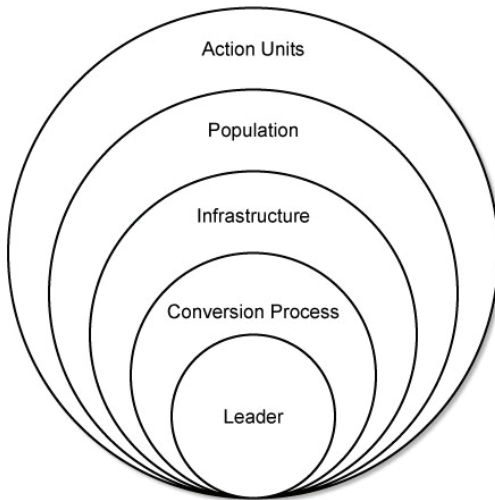
- John Foster Dulles, President Eisenhower’s secretary of state, offers us a succinct formulation of the plague of the systemic problem: “The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year.”
- The notion of systems can be quite flexible, but for our purposes, a good definition of a system is a collection of people, processes, and things that interact with one another and form an integrated whole. Systems have structure, behavior, and interdependence, and most of them generate results or output.
- Systems interconnect and depend on one another to function. Consider the systems that support us: garbage collection, food distribution, public transportation, fuel for automobiles, electrical grids, police protection, manufacturing assembly lines, the legal system, cell phones, water recycling and purification, and so on.
- Everything in our world happens in the context of a system. One action in one part of a system cascades throughout the system. We create systems, either consciously or unconsciously. We tap into existing systems. We link our systems together, and we often use them without even seeing them.

- In fact, too often, we don't see systems; we simply have expectations. We expect the bus to be on time; we expect water to flow from the tap every time we turn the handle. This is fine most of the time, but it pays to think about our systems, to consider our most important systems and how they might be hurting us.

Essential Components of Systems

- **John A. Warden III**, a former general and one of the U.S. military's premier strategic thinkers, gives us a systems approach that recognizes the essential sameness of all systems.
- In Warden's view, every system has five essential components, and he suggests thinking of these as concentric circles. Moving outward from the center, these components are: (1) a leader; (2) a conversion process that provides food or energy to keep the system going; (3) infrastructure, such as blood vessels, roads, or transmission lines; (4) the entire population; and (5) the action units, which could be anything from antibodies, to police officers, to maintenance workers.

Figure 21.1



Warden's essential components are present in diverse systems—a living body, an industrialized state, even a drug cartel.

- This approach gives us a great way to categorize information and compare seemingly disparate systems. What is the purpose of the system? What is the desired end result? Does the system deliver that result?

Case Study: IBM

- Systemic problems can afflict even the biggest, smartest companies; the case of IBM provides us with an example.
- In 1999, the chairman of IBM, Lou Gerstner, was confronted with a perplexing situation. The company was strong, but its growth was slowing, and it seemed to be missing business opportunities. This was odd because from 1993 to 1999, IBM won more patents than any other American company. For some reason, IBM wasn't leveraging those patents into new businesses.
- Gerstner suspected that the wrong incentives might be in place, and he directed a task force to investigate the problem. The findings of the task force were painful: IBM's sharp focus on achieving short-term profitability had engendered strategic myopia throughout the firm. Managers simply weren't incentivized to spot emerging growth opportunities.
- Further, top management had created a climate of fear with its demands for "fact-based analysis and detailed financial forecasts." All but the most reckless managers would shun the uncertainty and risk of investing in a new business.
- Top management wanted investment in new businesses, but the system it fed was not equipped to deliver that output. The system was designed to deliver something else: stability and sobriety. This was an archetypal systemic problem.
- If an executive finally did launch a new business, the start-up was burdened with the same expectations for near-term earnings as IBM's billion-dollar legacy businesses. New business programs had to promise impossibly ambitious financial returns. The targets, of course, were never met, and the start-ups budget would be quickly slashed.

- Gerstner recognized that the system would have to change for the problem to be solved. Over the course of five years, IBM developed a new management program called Emerging Business Opportunities to change the incentive structure. In the first five years of the program, IBM launched 22 successful new businesses.
- The case of IBM gives us a powerful lesson: To tackle a systemic problem, you must understand its deep roots. Without understanding the systemic nature of the problem, any solution will be misdirected.

Case Study: Best Buy

- As a vice president in advertising at Best Buy, Jeff Severts recognized that his reputation was linked to an internal system of monthly sales performance measured against the firm's financial forecasting. Sometimes the forecast was met and sometimes not; to Severts, the results seemed capricious.
- Severts looked hard at the forecast system and saw that the forecasts weren't very good. Further analysis revealed that Best Buy's forecasting was entwined with many key management systems, including budgeting, performance measurement, compensation, and purchasing—each with an agenda that yielded forecasts wide of the mark.
- Severts experimented with an idea he had learned from business columnist James Surowiecki: When it comes to predicting events that are driven by confusing variables, a diverse group of nominally informed individuals often has an advantage over a few "experts." Severts saw that a group of Best Buy employees would be immune to the systematic biases that skewed the company's internal forecasts.
- Severts initially solicited forecast estimates from 190 employees across his business, and he found that their estimate was off by less than 0.5 percent. A later test with more employees yielded results that were 99.9 percent accurate.
- In this case, Severts identified the systemic problem as the method of forecasting, which yielded bad results. He discovered that incentives

within the system guaranteed that the forecasts would be skewed in ways having nothing to do with actual sales performance.

Case Studies from India

- Examples from India shows how imagination and business acumen can solve systemic problems in ways that not only earn a company profits but can save lives and improve the standard of living for hundreds of thousands of people.
- In Sujala, a small village in India, the Byrraju Foundation targeted disease control not by staffing the small dispensary with doctors or outfitting it with medicines but by focusing on a systemic problem: impure drinking water. Byrraju installed a simple and effective water purification system for the village, and disease among the villagers plummeted.
- Hindustan Unilever, a subsidiary of the world's second-largest household products company, has leveraged soap and salt to build market share and help solve endemic social problems in its home country.
 - Unilever's decision to market a lower-priced soap resulted in a campaign to teach rural populations about the importance of hand washing to reduce the spread of germs.
 - Unilever also discovered a more resilient type of iodine that could be used to enrich salt, to counter the iodine deficiency in the diets of most Indians.

Sources of Systemic Problems

- In the Indian case studies, the systemic problem affected health. In the case of Best Buy, the systemic problem involved information, and at IBM, the problem was with incentives. Another possible source of systemic problems is morale.
- A good test for determining whether you've identified a truly systemic problem is to ask yourself "Why?" at least five times. Such a series of questions forces you to keep going until you reach the truly systemic

cause. Once you've identified the problem, the next task is to look for creative ways to solve it or avoid it.

Name to Know

Warden, John A., III (1943–): Controversial, impatient, and contrarian, Warden is the quintessential strategic thinker and visionary who revolutionized American thinking about air power in the late 20th century. One biography notes, “to this day his name inspires both warm affection and cold contempt in the defense establishment.”

Suggested Reading

Burlton, *Business Process Management*.

Hamel and Breen, *The Future of Management*.

Questions to Consider

1. To avoid systemic problems before they surface, it pays to evaluate the systems in our lives and ask whether they actually produce the results that we think that they do. Do you have systems in place, such as the nail by the door to hold your keys, that yield optimal outcomes... or not?
2. List the systems you depend upon simply to survive.
3. Does your company have a recurring crisis, euphemistically called “crunch time” or “all hands on deck”? If so, consider whether this might actually be a systemic problem that can be remedied by implementing a new system.

Seize the Future with Scenario Analysis

Lecture 22

The future presents us with a paradox in our decision making: to make sound decisions, we must know the future, yet the future is unknowable. One powerful tool that can help us resolve this conundrum is scenario analysis, the process of repeatedly asking “What if?” and assembling our answers into plausible stories about the future.

The President’s Daily Brief

- A crucial part of U.S. foreign policy is the President’s Daily Brief (PDB), which contains the intelligence community’s best estimate of what will happen in the world in the next 24 hours. The objective of the PDB is to reduce uncertainty so that critical decisions can be made with as much surety as possible.
- We’d all like to extend our vision as far as possible into the future, yet simultaneously, the horizon of the future always gets closer. In spite of a vast amount of information, our ability to see into the future seems more limited than ever.

Uncertainty = Risk

- In the business world, uncertainty means risk, and risk costs money. Businesses seek to reduce uncertainty in order to reduce risk and the costs of doing business.
- The question of what the future holds is often the most important question for a CEO and for various levels of the corporate hierarchy. It’s often an important question in our personal lives, too. Anyone who faces competitive situations has a desire to know the future.
- In the highly charged and competitive business world, knowing as much as possible about the future of the business, the industry, competitors, and the market is a necessity.



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Like a grandmaster in chess, a CEO faces a mind-boggling number of possibilities almost immediately in trying to predict the future.

Seeing into the Future?

- A game of chess is a circumscribed and fully comprehensible activity, yet predicting just one move into the future means knowing 1600 possible positions. Predicting two moves involves 2.5 million possible positions.
- CEOs and other business leaders are confronted with variables beyond even the number in a chess game every day. How can we possibly construct a process to address the multiplicity of questions they face in reaching a decision?
- One tool that provides a midrange solution is scenario analysis, used by both military and business establishments for decades. In this process, a menu of alternative futures is assembled.
- These scenarios are not blind guesses; they are the product of asking “What if?” with respect to key drivers that affect us or our organization.

This technique requires us to assemble the information we gather as part of our investigation process into plausible stories about the future.

A Rehearsal for the Future

- Most of us are already familiar with the idea of scenario planning. We may call it by a different name—training, rehearsal, standard operating procedure, contingency plan—but many of us have actually engaged in it at some point. In essence, the construction of scenarios allows us to rehearse the future.
- Organizations tasked with critical missions, such as the military or police, continually rehearse the future, as do sports teams.
- One of the most important aspects of effective scenario analysis is that the response is rehearsed under conditions that closely resemble the actual projected event. Football players practice scenario responses under game-like conditions. Elite commandos train under hyper-realistic conditions, including the use of live ammunition in exercises. Tactical evaluation exercises take place over a period of days and involve putting units under extreme stress.
- In business, war games are used to simulate crisis decision making in likely scenarios involving competitors. These exercises have the advantage of moving senior management out of the structured corporate board meeting, where certain options might be taboo for discussion.

Origins of Scenario Planning

- The idea of scenario planning arose from the early work of nuclear strategy theorist **Herman Kahn**. Kahn became famous for developing scenarios about nuclear war when he worked for the RAND Corporation in the 1950s.
- In the late 1960s, scenario planning was introduced at Royal Dutch Shell by **Pierre Wack**. His premise was that it is necessary to assume the predictability of some factors. If the future is 100 percent unknowable, then planning is useless.

- The task as Wack saw it was to separate what is predictable from what is fundamentally uncertain. The predictable elements were called “predetermined,” and these would appear in each scenario in the same way. The uncertainties, however, would interact and play out in different ways as the horizon of the future extended.

Objectives of Scenario Planning

- The first objective of scenario planning is to generate projects and decisions that are robust under a variety of different futures.
 - The notion of “robust” projects and decisions is truly elegant. Rather than measure a proposal against the best possible scenario, it’s measured against all the scenarios that emerge from the process.
 - Projects are crafted to perform to minimum expectations under all scenarios. A scenario-based culture is suffused throughout the organization so that projects and decisions are weighed against several possible futures, instead of the future that is preferred.
- The second objective is to improve the quality of thinking about the future. Rather than a one-dimensional, linear thought process that yields a single “official future,” scenario planning stretches our minds. It forces us to consider possibilities that we might otherwise dismiss.
- The third objective is to deepen and enrich the way people interpret the information around them, which becomes notably and qualitatively different than the thinking of others.

Basic Process for Scenario Planning

- The basic process for scenario planning involves asking and answering a series of questions.
- First, identify the focal issue or decision. What is it that you already do and why? What is it you want to do? This issue is generated by the mission of the firm and the objectives that arise from striving to accomplish that mission.

- Second, what are the key factors in the local environment? What do you consider your success indicators? What are your assumptions about key factors, such as customers, suppliers, competitors, and other identifiable stakeholders?
- Third, what are the driving forces in the macro-environment that influence the key factors you identified earlier? In this step, include such issues as demographic shifts, industry growth, technology progress and pace, activity of competitors, and so on.
- Next, rank the factors and forces by impact and uncertainty, looking for critical uncertainties. Examples of two forces might be the uncertainty surrounding the default of the United States on its debt and the volatility of public opinion over a particular initiative.
- Select the scenario logics. This means that you operationalize environmental drivers. You develop these factors on two axes, both measured as high and low. You plot a two-by-two matrix of impact (high or low) and uncertainty (high or low). This matrix yields four possibilities involving the major uncertainties identified in step 4.
- The sixth step is to flesh out the scenarios and weave the pieces into a narrative. You are telling a story about the future.
- Next, you determine the implications of each scenario on your original focal issue. In other words, evaluate how the decision plays out in each of the four possibilities in the matrix.
- Finally, identify and select leading indicators that alert you to the actual direction history is taking.
- It's helpful to give each scenario a name that captures its spirit and dynamic, such as Crisis Mode or Open-Market Dynamic.

The Power of Scenario Analysis

- The power of scenario analysis was demonstrated at Royal Dutch Shell soon after its adoption.

- Up until 1965, corporate planning at Shell was based on a technique called “predict and control.” This involved the development of a single-line forecast of the future based on clear questions. At Shell, this course was modified to include several scenarios, but each scenario was given a probability of occurrence.
- The new scenario-planning process concentrated on the development of equally plausible scenarios with a focus on causality, not probability. The idea here was to stretch the thinking of executives.
- The first major test of Shell’s scenario planning process came in the early 1970s. The question to be considered was the price of oil. The company developed six scenarios initially, one of which, the Crisis Scenario, was counterintuitive at the time.
- As it turned out, the Crisis Scenario predicted the 1973 oil shock and embargo that took everyone else by surprise. Shell was more prepared than any other company to deal with the crisis, having already thought through its implications beforehand.
- Subsequently, Shell correctly forecast the overcapacity in the tanker business and Europe’s petrochemicals and recognized the denouement of these predictions earlier than its competitors.

Personal Scenario Planning

- Ways to apply scenarios in our own lives are obvious most of the time, but many of us rarely take advantage of the process. Young people entering the workforce, for example, would benefit tremendously from rehearsing their job interviews in advance.
- Your scenarios can be as simple as asking yourself a series of “What if?” questions based on your judgment of the different ways that certain situations might play out. You then rehearse the options you identify.
- One of the tasks for which scenario planning can be quite useful is delivering a speech. This activity carries predetermined (the speech itself, the venue) and uncertainties (the question-and-answer period,

environmental factors, equipment issues). You can respond to these uncertainties by practicing your speech and answering questions from a friend.

- At times, uncertainties can be almost impossible to predict, in which case, you can craft standardized responses that will serve you in almost any situation.

Combining Intelligence and Planning

- The President’s Daily Brief may be the closest anyone will ever get to having a crystal ball to foretell the future, but even it has limitations. The PDB offers analyzed information that suggests general directions for future events, but it’s only when such intelligence is combined with scenario planning that it becomes fully actionable.
- The future confounds CEOs, presidents, generals, and us. But we can dissipate some of the fog by planning for multiple futures. With scenario analysis, we can progress confidently, knowing that our projects and decisions can withstand the worst possibilities we can conceive.

Names to Know

Kahn, Herman (1922–1983): Kahn was the man whom *The New Yorker* once called the “heavyweight of the Megadeath Intellectuals” and who was a prescient futurist focusing on the strategy of nuclear war. He also was one of the first to predict the rise of Japan as a world-class economic power.

Wack, Pierre (1922–1997): Wack persevered against internal inertia at Royal Dutch Shell to pioneer development of what has become sophisticated scenario analysis, realistic forecasting of likely courses that history may take.

Suggested Reading

Gilad, *Business War Games*.

———, *Early Warning*.

Schwartz, *The Art of the Long View*.

Questions to Consider

1. A natural inclination is to assume that history progresses in linear fashion, that there is only one future, even as we are explicitly aware of the many choices we make on which our futures depend. As an exercise, select a major decision point for your company or for you personally, and consciously visualize how alternative futures might unspool.
2. Given two or more paths resulting from different decisions, one way to cobble together realistic scenarios is to assess the probable reactions of the major players to different stimuli. Ask, “If I do this, what will the other player do?” Pick a recent situation that required a major decision from you. How did you decide?
3. At a macro level, it is difficult to sort through the multitude of external factors that affect us. “What’s the future?” is the eternal question that baffles leaders from all professions. An answerable version of that question is: “What are the likely three futures?” From there, we then prepare a response that is robust under each of several likely scenarios. Consider three likely futures for yourself or someone close to you, and identify what robust responses to each might be.

The Correlation of Forces, Luck, and Culture

Lecture 23

“Correlation of forces” is a deceptively simple phrase that captures the combination of external forces that seem to buffet us without rhyme or reason. How we deal with those forces can mean the success or failure of our strategic plans. One powerful current in the correlation of forces is culture; in this lecture, we look at the dimensions of culture to see how this force may affect strategic planning in business.

Correlation of Forces

- During the Cold War, the Russians used the term “correlation of forces” to refer to a method of calculating and evaluating world power. The Soviet method took into account military, political, economic, social, moral, revolutionary, and other factors. It was simultaneously a philosophical construct, a measuring method, and a guide to action.
- The Soviets studied the correlation and adjusted their behavior to take advantage of the large, impersonal forces at their disposal. Where possible, they also worked to tilt those forces in their favor. This strategic approach allowed the backward economy and society of the Soviet Union to achieve notable successes against the far more advanced U.S. economy.
- For us, the correlation of forces is a powerful concept that captures the environmental factors that affect a conflict situation over a long period. It accurately describes the chaotic and confusing factors that act on us constantly, for good or ill.
- It’s important to note that we are not at the mercy of these powerful, impersonal forces. We can place ourselves in an advantageous position with respect to these forces and turn them to our advantage, much as practitioners of aikidō do in redirecting the force of an attack.

- In an earlier lecture, we talked about conducting an environmental scan. The correlation of forces suggests the possibility of looking at various external environmental scans as a whole. It offers us a holistic, long-term view of cultural, political, economic, and technological factors.
- Looking at the correlation of forces allows us to contemplate our response to environmental “curve balls” in advance and react in ways that maximize our goals, rather than being self-destructive.

Luck

- Some people seem to win in life far more often than they fail. We call this luck, but in fact, it’s the result of recognizing larger tendencies in the environment and using them to achieve positive outcomes.
- What we call “good luck” and “bad luck” is actually a type of response to the correlation of forces. We can conceive of the “luck” we experience as the result of a consistent behavior pattern over time as we interact with the environment around us.
- If we shape our behavior to ride with the correlation of forces, our luck is more likely to be good than bad. If we ignore the correlation of forces and try to use force, whether intellectual or brute, we will likely find that our luck is bad more often than not.
- Writer Max Gunther identified five basic behaviors exhibited by lucky people and almost nonexistent in the unlucky.
 - Lucky people are those who form many friendly contacts with others. Today, we call this behavior “networking.”
 - Attending to hunches is another lucky behavior. Think of a hunch as a conclusion based on real data, that is, facts you have accumulated and assessed, either consciously or unconsciously.
 - The next behavior is acting boldly. Gunther calls this the *audentes fortuna juvat* (“fortune favors the bold”) phenomenon. Bold people

are ready to accept lucky opportunities, know the difference between boldness and rashness, and don't insist on certainty.

- Lucky people also exhibit the ratchet effect, the ability to get out of bad situations quickly. As one of Gunther's subjects notes, "If you are losing a tug-of-war with a tiger, give him the rope before he gets to your arm. You can always buy another rope."
- Gunther classifies the fifth lucky behavior as the pessimism paradox, by which he means acknowledging Murphy's law and Mitchell's law ("Life is as slippery as a piece of soap, and if you think you have a good grip on it, you're wrong"). Lucky people have a clear-eyed appreciation for a range of outcomes; thus, they are never surprised by the worst-case result.
- These five behaviors have been found to improve the outcomes in the lives of people who practice them. They are strategic behaviors that seek to tilt the intangibles in favor of us reaching our goals.
- If we think of the correlation of forces as constituting the environmental terrain, then the five behaviors may be seen as a kind of positioning according to principle. Smart positioning does not guarantee victory, but it increases the odds of a positive outcome.

The Cultural Environment

- A major part of the correlation of forces is the cultural environment. Cultural forces are deep-rooted and greatly affect how people behave. One tool we can use to understand and predict culturally based behavior is the idea of dimensions of culture, created by Dutch researcher Geert Hofstede in the early 1970s.
- Knowing the culture scores of a country can help us understand derivative aspects of that country, such as its political processes, social relations, and economic organization. It can help us understand why people act the way they do, why things work the way they do, and why institutions have certain structures.

- In an increasingly globalized world, this type of knowledge is extremely valuable, especially as we guard against judging others according to stereotypes or projecting our own cultural expectations onto those from other cultures (“mirror-imaging”).
- Hofstede defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another.” For Hofstede, culture gives rise to whole systems of values.
- Visual manifestations of culture—the practices of culture—fall into three categories: symbols, heroes, and rituals. Culture provides the interpretive matrix that allows us to decode culturally inspired practices and repertoires.
- Although we rarely think about them in our own culture, such practices and repertoires make life predictable and social systems possible. They become noticeable only when we must deal with someone within the framework of an entirely different cultural paradigm.
- Cultural behavior is predictable based on identifiable cultural factors that are measured along the four dimensions posited by Hofstede: power distance, uncertainty avoidance, individualism, and masculinity. This model has proven resilient in its predictive power over decades and can be applied in politics, sports, economics, sociology, and religion.

Dimensions of Culture

- Let’s look at each of the four dimensions of culture to see how they can influence the structure of businesses and how people behave in those organizations.
- The power distance index measures how human inequality is handled in a culture with regard to prestige, wealth, and power. It conditions the shape and character of organizations with regard to how hierarchies are structured and staffed, how rigidly the levels of hierarchy are maintained, and the decision-making processes within the hierarchy.



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Cultural characteristics can influence the structure of organizations and how people behave in these organizations.

- The power distance score captures how individuals in a society perceive authority and how they react to it. A high score means that superiors and subordinates view each other in entrenched roles. There is no hope for upward mobility.
- Russia has a power distance score of 93, while the score for the United States is 40.
- The uncertainty avoidance index measures a society's sensitivity to the unknown. It captures how people react to unknown situations, and it affects the structure of institutions and the types of operational repertoires developed to conduct transactions. It is the extent to which people feel threatened by uncertain or unknown situations.
 - Generally speaking, the higher the uncertainty avoidance score, the more rule driven a society is, with repertoires and standard operating procedures in organizations and institutions clearly spelled out.

- Greece has one of the highest scores here at 112, while the United Kingdom has a score of only 35.
- The individualism index captures how the concept of the individual is handled in society, which affects how people live and work together and in what kinds of institutions. The opposite of individualism is collectivism.
 - Among other things, this score indicates whether people are motivated more by group or individual rewards.
 - A country with a high individualism score is Australia, at 90. Guatemala has one of the lowest scores in the world, 6.
- The last dimension looks at aggressive versus nurturing behavior. This dimension captures the proclivity of a society toward one of two types of goal-directed behavior: ego goals (masculine) or social goals (feminine). A country with a high ego goals score is Slovakia, at 110. One of the highest-scoring cultures in the world for social goals is Sweden, at 5.
- No single dimension has a deciding impact on individual behavior or group organization. These dimensions indicate tendencies in societies and the strength of those tendencies relative to other societies. The four dimensions work in tandem in various combinations to yield different patterns of expectations with regard to culturally based behavior.
- Businesses tend to dispense with culture because it's difficult to define, quantify, and assess. But understanding the dimensions of culture presents us with a chance to seize significant competitive advantage.

Three Powerful Concepts

- The correlation of forces is a phrase from an earlier time, but it captures the combination of external forces that seem to buffet us without rhyme or reason. Although we can rarely affect the correlation of forces directly, we can certainly recognize its main currents and adjust our personal actions to ride those currents to our own benefit.

- The correlation of forces, the notion of luck, and the dimensions of culture are three powerful concepts that you can immediately harness to your needs to gain analytical power and dramatically increase your chances of achieving strategic success.

Suggested Reading

Gunther, *The Luck Factor*.

Hofstede, *Culture's Consequences*.

Riggio, *The Charisma Quotient*.

Questions to Consider

1. The lecture points out that the correlation of forces affecting us is sometimes an amorphous thing to comprehend. There is no one-size-fits-all correlation; the forces that exert pressure on you might not affect others at all. Consequently, it's up to each of us to prepare our own "correlation map" to evaluate the macro-forces at play that affect us directly and indirectly. This is true for your firm, and it's true for you personally. At both the firm and individual professional levels, prepare correlation-of-forces maps to identify the macro-forces that exert steady pressure for good or ill in your life.
2. Few things in life offer us the opportunity to change radically our circumstances like simply vowing to be lucky. We have seen that "luck" is no more than the collection of positive behaviors that people choose to enact. After reviewing the lecture, identify two or three luck-producing behaviors that you can adopt right now and consciously enact them as a change in behavioral habit.
3. Culture is a complex phenomenon, but investing time in understanding the cultures with which we deal gives us a competitive advantage over those who engage in the simplistic exercise of mirror-imaging, especially where business is concerned. Consider how your expectations and, hence, your actions might differ with respect to conducting business in Puerto Rico, Russia, and Malaysia.

Strategic Thinking as a Way of Life

Lecture 24

Nature dictates that the future remains closed to us, but a multitude of techniques can reduce the ambiguity in our lives. Seeing what's next requires knowing what's past, learning what's here, and arming ourselves with the tools to meet a broad range of challenges. In this lecture, history's great strategic thinkers show us that we can prepare ourselves for almost any challenge with techniques and logical thinking to craft strategies to suit our needs.

The Certainty of Uncertainty

- Uncertainty is everywhere, in both our personal and our professional lives, and as much as we'd like to be able to predict the future, we know we can't. However, as we've seen throughout these lectures, the measure of our success is not whether we can predict the future but how prudently we prepare for it.
- By adopting various combinations of strategic thinking techniques and tools of analysis and by seizing a substantial role in developing our circumstances, we can improve our chances of succeeding at the tasks we set for ourselves. In other words, we can successfully alter the conditions that affect the future that concerns us.

Benjamin Franklin

- One early American who practiced the art of strategic thinking on a level that has rarely been matched was **Benjamin Franklin**. He was able to both visualize the future and craft it, acting in ways to maximize a productive relationship to his environment.
- It was Franklin's vision, coupled with an equally determined drive, that led him to press forward throughout his life. In fact, this idea of pressing forward characterizes many great people. Franklin both seized opportunities and created them.

- Franklin also exhibited the strategic personality's thirst for knowledge and ideas. When he was only 21, he created a group to discuss scientific and political ideas that later evolved into the American Philosophical Society. He and his associates founded the first public library in America, and he was instrumental in founding what would later become the University of Pennsylvania.
- In short, Franklin shared with most strategic thinkers curiosity combined with a lust for life. He was always powerfully engaged with his environment and left us legacies in multiple fields—science, politics, education, literature, military affairs, and business and finance.
- Franklin lived by a set of principles designed to maximize his natural gifts. These 13 principles constitute a blueprint for a robust and future-oriented existence. Four of the principles—order, resolution, frugality, and industry—suggest that one key to tackling uncertainty is to establish an island of certitude.

Winston Churchill

- Another man with a fabulously strategic mind was Sir Winston Churchill, perhaps best known for his role as Britain's prime minister during the darkest days of World War II. His personal courage, his resolve, and his powerful rhetoric inspired the resistance of the nation.
- Churchill had the knack for being on the scene of great events, the result of a personal drive that moved him constantly from the periphery into the mainstream of life. Many of us would do well to engage with life as he did.



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The extraordinary exploits of Winston Churchill were born of a highly focused strategic intent.

- Churchill believed that he would die at a young age, as his father had. Thus, he operated with a sense of urgency, moving quickly to establish his legacy. At age 21, he became a war correspondent and then served in the British military, always seeking the riskiest assignments. At one point, he was captured by the Boers, but he escaped from prison camp and rejoined the British army.
- When he returned to Britain, Churchill became first lord of the Admiralty, but his political star fell after Britain's failure to seize control of the Dardanelles during World War I. In the wake of that catastrophe, Churchill learned what he called the "five distinct truths" governing decisions about military operations. These principles can be applied to strategic decision making in almost any enterprise.
 - Churchill's five principles are as follows: (1) One must have full authority; (2) there is a reasonable prospect of success; (3) greater interests are not compromised; (4) all possible care and forethought are exercised in the preparation; and (5) all vigor and determination are shown in the execution.
 - The first dictum was the lesson he clung to most fervently; he rebelled against accepting responsibilities without the necessary power of effective action to achieve the desired results.
- Lessons in hand, Churchill returned briefly to the military, then took on various posts in government. Throughout the 1930s, he engaged at the periphery of politics to prepare for an eventual comeback. On May 10, 1940, he became prime minister and guided Britain through four years of war. In that time, he earned a reputation as a crafty leader, enamored of surprise and deception.
- Throughout his life, Churchill sought adventure, and he shared with Ben Franklin a passion for study. He especially valued history, the wisdom of the ages as an indispensable guide for the future. This embrace of the past as productive is what catalyzed Churchill's decision making.

- Learning and accumulated experience served as the platform from which Churchill confronted reality and launched grand notions. He recognized that simply having a good idea isn't good enough. Carrying out one's plans requires boldness, decisiveness, and relentless follow-through.
- We are all capable of shaping destinies in like fashion—perhaps not the destinies of nations but our own destinies and, perhaps, the destiny of our business.

Steve Jobs

- **Steve Jobs**—entrepreneur, media mogul, techno-artist, public relations master—demonstrated the characteristics of a man who possessed *coup d'oeil* and exercised it with relentless effectiveness.
- Like only a handful of persons in history, Jobs transformed the world. His vision, determination, and strategic execution revolutionized six industries: personal computers, animated movies, music, phones, tablet computing, and digital publishing. He changed the way we live and communicate and inspired us to think strategically.
- Perhaps Jobs's most famous ad campaign was the exhortation for us to "Think Different." That's like a mission statement for any strategy. Jobs not only conjured visions of how we might do things differently, but he solidified those visions into strategic intent and he executed tactics to bring those visions into being.
- Jobs's career resembled that of Winston Churchill. He clashed often with his contemporaries and saw his fortunes wax and wane several times. In 1985, he was forced out of Apple, the company he had founded, but he then purchased a small film animation and computer company, Pixar, as well as a not-so-successful computer platform development company, NeXT.
- In the late 1990s, Jobs was brought back to Apple and soon took over its leadership. In a dramatic demonstration of *coup d'oeil*, he redirected Apple's strategy in a single meeting, simplifying and riveting the focus

of the company. He tasked his engineers to create four products, desktop and portable computers for consumer and professional markets.

- In the wake of the iPod, Jobs launched an even larger strategy: Apple would become, in the words of Jobs biographer Walter Isaacson, “the hub for an astounding array of new gadgets.” What followed included the iPod, iTunes, the iPhone, and the iPad. Apple has since enjoyed a phenomenal run of innovation and prosperity.
- Throughout his career, Jobs exhibited traits of the master strategist: focus, strategic intent, relentless determination and drive, brilliant insight at the crucial moment, carefully coordinated use of surprise, precise execution of strategy, and detailed follow-through.

Oprah Winfrey

- The media personality and producer **Oprah Winfrey** has forged a vivid personal brand and self-improvement mission. Her seemingly endless curiosity and her ability to convert even minor details from her personal life into an enduring brand remind us of author and publisher Benjamin Franklin.
- Winfrey has relentlessly voiced strategic intent in the mainstream of life’s everyday battles. She has inspired millions, perhaps allowing a comparison with Winston Churchill.
- And just as Steve Jobs influenced tastes and preferences in technology for perhaps a generation to come, Winfrey has often shaped and influenced the American national dialogue on everything from books to entertainment, from politics to personal health care.
- You might regard these comparisons as exaggerated, but a strategic personality can thrive in virtually any field—politics, technology, science, entertainment, and so on. Moreover, consider this: The distance between us and the greatest strategic minds is rarely as vast as we suppose. Those persons who are bold enough always have new realms for strategic endeavor.

The Attitude of a Strategic Thinker

- Writer and minister Robert J. Hastings wrote: “It isn’t the burdens of today that drive men mad, but rather regret over yesterday and the fear of tomorrow. Regret and fear are twin thieves who would rob us of today.” This quote reminds us that it’s our attitude toward events that shapes how we deal with them.
- Becoming a strategic thinker means shedding doubts and uncertainty. It means mining the past for insight on the present in order to embrace the future. What we want to be five years from now informs what we do today. It tells us how to move our pieces on the great chessboard of life.
- The gifts of strategic thinking include a life without fear of the future; a life that is eager and prepared for challenge; a posture of welcome toward uncertainty and a determination to bend uncertainty to our own advantage; recognition that each of us has choices; and determination to never be buffeted by events but to influence events with our own will, imagination, analysis, planning, and execution.
- Thinking strategically helps us to impose a bit of order onto a reality that remains stubbornly disorderly. It empowers us to lay down a rudder, to harness the wind, and to propel ourselves in our desired direction. The benefits of strategic thinking are many: increased productivity and work satisfaction, less stress, and the achievement of goals more often than not. Although our journey is never free from chance and uncertainty, thinking strategically surely makes the ride more enjoyable.

Names to Know

Churchill, Winston (1874–1965): A cigar-smoking, gravel-voiced adventurer who learned from his mistakes and consistently put himself in the mainstream of life, Prime Minister Churchill inspired his nation at its most critical time in modern history—and prevailed. Journalist, officer, cavalryman, politician, historian, Cold War warrior—Churchill’s career spanned more than six decades of the most turbulent times, and few men can claim to have singlehandedly influenced the path of world history as greatly as Churchill.

Franklin, Benjamin (1706–1790): The 18th-century embodiment of the Enlightenment man, Franklin lived a life of seized opportunities and realized dreams in the fields of science, politics, diplomacy, and business. He also contributed to America’s store of wit in dozens of famous sayings, including “In this world nothing can be said to be certain, except death and taxes.”

Jobs, Steve (1955–2011): The most iconic and perhaps irascible business executive of the last 50 years, Jobs both created and revolutionized a series of industries, including personal computers, music, digital communications, and animated films. His relentless drive, his impatience with others less gifted with vision, and his clarity of thought serve as the archetype of the successful entrepreneur.

Winfrey, Oprah (1954–): One of America’s premier strategists in the field of entertainment, Winfrey offers a textbook example of how to plan, marshal resources, and execute a well-conceived strategy. She was criticized for creating or popularizing the “confession culture” that permeates popular media in the 21st century, but in actuality, she has made and remade herself and her approach several times.

Suggested Reading

Bossidy and Charan, *Confronting Reality*.

Christensen, Anthony, and Roth, *Seeing What’s Next*.

Franklin, *The Autobiography of Benjamin Franklin*.

Handy, *The Age of Paradox*.

Hayward, *Churchill on Leadership*.

Isaacson, *Steve Jobs*.

Questions to Consider

1. Consider the major strategic thinkers in this lecture—Benjamin Franklin, Winston Churchill, Steve Jobs, and Oprah Winfrey—and identify key strategic similarities they share with other public figures you may admire, such as General George Patton, Jack Welch, Madonna, Lady Gaga, President Bill Clinton, Tim Tebow, or Meg Whitman. What *are* those key characteristics?
2. Evaluate your own thinking in light of the 24 lectures in this series. If what you've heard sounds flat or unintelligible, then you have work to do to hone your strategic thinking skills. Choose and focus on one lecture per week to absorb the message presented and vigorously enact the principle in scenarios of your choosing.
3. Strategic thinking means envisioning a future and working actively to make that future come to pass by using the finest analytical tools developed across the spectrum of disciplines. Where do you want to be a year from now? Five years from now? As a supremely important exercise, sketch this out, use the strategic planning process to broad-brush your midrange objectives and strategy, then identify the most effective tools and tactics from this course to begin *immediate* implementation.

Timeline

c. 475–400 B.C.	<i>The Art of War</i> , traditionally credited to Sun Tzu
431– 411 B.C.	Thucydides, <i>History of the Peloponnesian War</i>
424 B.C.	Pagodas defeats Athenians at the Battle of Delium
216 B.C.	Hannibal defeats Romans at the Battle of Cannae
c. 389	Treatise by Vegetius on <i>Military Institutions of the Romans</i>
6 th century	Game of chess originates in India, arriving in Europe by the 10 th century
1500s–1800s	Tactics for fencing with a light sword developed after gunpowder made armor obsolete
1513	Niccolò Machiavelli, <i>The Prince</i>
1521	Niccolò Machiavelli, <i>The Art of War</i>
1732	Maurice de Saxe, <i>My Reveries on the Art of War</i> , published posthumously in 1756–1757
1747	<i>Instruction from Frederick the Great to His Generals</i>

1757.....	Benjamin Franklin’s “The Way to Wealth” published as a preface to the final edition of <i>Poor Richard’s Almanac</i>
1799–1804.....	Napoleon Bonaparte installs himself as first consul
1804–1814/15	Napoleon Bonaparte proclaimed emperor
1805.....	Antoine Jomini, <i>Treatise on Grand Military Operations</i>
1815 (June).....	Battle of Waterloo
1827.....	<i>War Maxims of Napoleon</i> published
1832.....	Carl von Clausewitz, <i>On War</i>
1838.....	Antoine Jomini, <i>Summary of the Art of War</i>
1854.....	Charge of the Light Brigade (Battle of Balaklava)
1861–1865.....	American Civil War
1861 (July)	First Battle of Bull Run
1862 (Sept.).....	Battle of Antietam, where Lee’s first invasion of the North was stopped by an intelligence coup
1863 (April)	Battle of Camerone (Mexico), where the French Foreign Legion forged its founding myth in a heroic stand against overwhelming odds

1863 (May).....	Robert E. Lee’s “perfect battle” at Chancellorsville
1864 (July).....	Battle of Monocacy delays General Early’s Confederate march on Washington
1903.....	Ferdinand Foch, <i>Principles of War</i>
1914.....	Christmas truce spreads along the Western Front during World War I
1916 (July–Nov.).....	Battle of the Somme
1920s.....	Harvard policy model offered as an early version of strategic planning
1920.....	Basil Liddell Hart, <i>Infantry Training</i> manual for the British army
1926.....	John Frederick Charles Fuller, <i>The Foundations of the Science of War</i> ; the work expounds principles of war and is soon adopted by the U.S. Army
1926.....	T. E. Lawrence, <i>The Seven Pillars of Wisdom</i>
1930.....	Douglas MacArthur selected as U.S. Army chief of staff
1937.....	Heinz Guderian, <i>Achtung-Panzer! (Attention-Tanks!)</i>
1938.....	General Waldemar Erfurth, <i>Surprise in War</i>

1940–1945, 1951–1955.....	Winston Churchill serves as prime minister of England
1940.....	Battle for France
1941 (Dec.)	Pearl Harbor attack
1942.....	Dieppe raid by Britain fails
1943 (July/Aug.)	Russian defeat of the German offensive in the Battle of Kursk
1944 (June).....	D-Day (Operation Overlord)
1944 (Sept.).....	Operation Market Garden
1944–1945 (Dec./Jan.).....	Battle of the Bulge marks the defeat of the German effort to break out in Western Europe
1946.....	George Kennan, Long Telegram; enunciates U.S. containment policy
1950	Prisoner’s Dilemma named and interpreted by mathematician Albert W. Tucker
1950–1953.....	Korean War
1953.....	John von Neumann and Oskar Morgenstern, <i>Theory of Games and Economic Behavior</i>
1954.....	Peter Drucker’s <i>The Practice of Management</i> spreads the idea of “management by objectives”

1957	Philip Selznick introduces the idea that a firm should match internal and external factors to achieve success; developed in the 1960s as the SWOT analysis tool
1960.....	Thomas Schelling, <i>The Strategy of Conflict</i>
1960–1970.....	Development of “mission statements” within the U.S. government, with later spread to business
1961–1963.....	John F. Kennedy serves as U.S. president
1963.....	Boston Consulting Group founded by Bruce D. Henderson
1963 (Aug.).....	March on Washington and “I Have a Dream” speech by Martin Luther King, Jr.
1964.....	Martin Luther King, Jr., awarded the Nobel Peace Prize
1965.....	Igor Ansoff, <i>Corporate Strategy</i>
1965–1970.....	Scenario planning debuts at Royal Dutch Shell under Pierre Wack
1966.....	Peter Drucker, <i>The Effective Executive</i>
1966–1967.....	Vince Lombardi leads the Green Bay Packers to wins in the first two Super Bowl championships

- 1969..... Barton Whaley, *Stratagem*
- 1969..... George A. Steiner, *Strategic Planning: What Every Manager Must Know*
- 1973..... Bain & Co. founded by former partners and managers from Boston Consulting Group
- 1979..... Igor Ansoff, *Strategic Management*
- 1980..... Michael Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*
- 1984..... Robert Axelrod, *The Evolution of Cooperation*
- 1989..... Gary Hamel and C. K. Prahalad, “Strategic Intent”
- 1990..... Gary Hamel and C. K. Prahalad, “The Core Competence of the Corporation”
- 1991..... Desert Storm invasion of Iraq led by General Norman Schwarzkopf
- 1994..... Henry Mintzberg’s *The Rise and Fall of Strategic Planning*
- 1994..... Gary Hamel and C. K. Prahalad, *Competing for the Future*
- 1995..... Michael Porter, *The Competitive Advantage: Creating and Sustaining Superior Performance*

- 1996..... Michael Porter, “What Is Strategy?”
Harvard Business Review
- 1996..... Andy Grove, *Only the Paranoid Survive*
- 1997..... Steve Jobs returns to Apple, cuts the
company back to its strategic core
- 1998..... Michael Porter, *On Competition*
(updated and expanded version, 2008)
- 2007..... Gary Hamel, *The Future
of Management*
- 2011..... Richard Rumelt, *Good
Strategy, Bad Strategy*

Biographical Notes

Bonaparte, Napoleon (1769–1821): Once master of continental Europe, Napoleon is best remembered for a departure from his normally crisp execution of strategy when he failed to mask his flank and rear at the battle whose name is synonymous with defeat—Waterloo. Yet his legacy also extends to this day in the realms of the civil law tradition, modern civil government bureaucracies, and military theory and practice.

Churchill, Winston (1874–1965): A cigar-smoking, gravel-voiced adventurer who learned from his mistakes and consistently put himself in the mainstream of life, Prime Minister Churchill inspired his nation at its most critical time in modern history—and prevailed. Journalist, officer, cavalryman, politician, historian, Cold War warrior—Churchill’s career spanned more than six decades of the most turbulent times, and few men can claim to have singlehandedly influenced the path of world history as greatly as Churchill.

Clausewitz, Carl von (1780–1831): The way we think about war and strategy cannot be divorced from this 19th-century officer and theorist, who revolutionized strategy in the same way that Adam Smith revolutionized economics. He fought in the Napoleonic Wars for both the Prussians and the Russians and participated in the battles of Waterloo and Borodino. He died in 1831, and it was left to his widow, Marie, to prepare his manuscript *On War* for posthumous publication.

Franklin, Benjamin (1706–1790): The 18th-century embodiment of the Enlightenment man, Franklin lived a life of seized opportunities and realized dreams in the fields of science, politics, diplomacy, and business. He also contributed to America’s store of wit in dozens of famous sayings, including “In this world nothing can be said to be certain, except death and taxes.”

Genghis Khan (1162–1227): Genghis Khan forged an empire as great as any in world history and, in the process, revolutionized warfare of the 13th century, conquering all of Asia and part of Europe. Despite his deserved reputation for ruthlessness, somewhat paradoxically, he introduced the notion of religious tolerance throughout his empire.

Guderian, Heinz (1888–1954): A great theorist and practitioner of the art of swift tank warfare, Guderian's *elan* and mastery of the battlefield were rivaled only by the great Erwin Rommel.

Hamel, Gary (1954–): *Fortune* magazine has called Hamel “the world’s leading expert on business strategy,” and *Forbes* has ranked Hamel as one of the world’s top 10 most influential theorists on business, competition, management, and strategy.

Hannibal (247 B.C.–183–181 B.C.): Son of a famous general and sworn to eternal hostility against Rome from a young age, Hannibal Barca’s name will always be associated with one of the greatest victories in all of history: his defeat of the Romans at Cannae.

Jackson, Thomas Jonathan (Stonewall); 1824–1863): Ahead of his time with regard to battlefield tactics, General Jackson’s motto during the American Civil War was to “mystify, mislead, and surprise” the enemy.

Janis, Irving (1918–1990): Few group dynamic theorists can match the impact of Janis in his recognition and study of groupthink as a powerful negative influence on competent decision making. Janis highlighted the dangers of consensus building as a substitute for rational analysis.

Jobs, Steve (1955–2011): The most iconic and perhaps irascible business executive of the last 50 years, Jobs both created and revolutionized a series of industries, including personal computers, music, digital communications, and animated films. His relentless drive, his impatience with others less gifted with vision, and his clarity of thought serve as the archetype of the successful entrepreneur.

Jomini, Antoine (1779–1869): Theorist and general, Jomini authored the bible of 19th-century military strategy and influenced the world's militaries of that era more than any other individual theorist. He is distinguished by his effort to apply geometrical concepts to the battlefield.

Kahn, Herman (1922–1983): Kahn was the man whom *The New Yorker* once called the “heavyweight of the Megadeath Intellectuals” and who was a prescient futurist focusing on the strategy of nuclear war. He also was one of the first to predict the rise of Japan as a world-class economic power.

Kennan, George (1904–2005): Few people can claim to have set the foreign policy course for an entire nation for 40 years, but as a young embassy official in the Soviet Union in the 1940s, Kennan did exactly that when he crafted what would become the U.S. policy of containment with regard to the Soviets.

Kennedy, John F. (1917–1963): Few presidents can claim the kind of strategic vision that Kennedy possessed, founding the Peace Corps, laying the groundwork for the U.S. Special Forces, and charting a course for eventually reaching the moon.

King, Martin Luther, Jr. (1929–1968): America's great civil rights leader carried a passion for justice along with a strategic vision and the proper tactics to see that vision through to completion.

Lawrence, T. E. (1888–1935): Lawrence was an adventurer who found a battleground for his natural strategic talents in the deserts of the Middle East during World War I, leading the Arab revolt, and wrote an epic of strategic thought and history, *The Seven Pillars of Wisdom*, that set forth timeless principles of small-unit tactics and guerilla warfare.

Lee, Robert E. (1807–1870): Offered command of the Northern army at the outset of the American Civil War, Lee instead sided with his home state of Virginia and created a legend in the subsequent four years as one of the greatest battlefield generals in American history.

Liddell Hart, Basil (1895–1970): Fighting in the Great War imbued this great military thinker with a revulsion toward static attritional warfare and led to his theorizing on the great potential of the armored tank. Liddell Hart extended his strategic theorizing into other realms and penned a work called *The Lawn Tennis Masters Unveiled*.

Lombardi, Vince (1913–1970): One of the great motivators and leaders that sports has ever produced, Lombardi's teams won the first two Super Bowls, and his aphorisms on leadership have since entered the lexicon as classics.

MacArthur, Douglas (1880–1964): MacArthur's personal magnetism, larger-than-life personality, and extravagant ego led him to incredible success in war for a decade and to ultimate political ruin shortly after his masterstroke at Inch'ŏn during the Korean War.

Machiavelli, Niccolò (1469–1527): A humanely educated man who is most remembered for his tract on political power, Machiavelli also offered his take on conflict in his treatise *The Art of War*. Literally a Renaissance man, Machiavelli collaborated on military projects with both Leonardo da Vinci and Michelangelo.

Mackinder, Sir Halford (1861–1947): A geographer by trade, Mackinder is forever linked to efforts to create a social science of geopolitics by dint of his famous formula for achieving world domination that appeared in a pivotal article in 1904.

Mintzberg, Henry (1939–): Mintzberg is a noted business professor and theorist whose sometimes contrarian notions frustrate his contemporaries through their brilliant insights and counterintuitive propositions. He appeared at number 30 on the 2009 Forbes biennial global ranking of management thinkers.

Pagodas (fl. 5th century B.C.): This obscure Theban general is credited with inventing the science of battlefield tactics, demonstrating a radical new approach to warfare of the time by his innovations at the Battle of Delium (424 B.C.) during the Peloponnesian War.

Porter, Michael (1947–): Possibly the most influential scholar on business strategy in the last 30 years, Porter became one of Harvard University’s youngest tenured professors at age 26. His work in the field of corporate competition and strategy formulation transformed business education worldwide, and he commands speaking fees of more than \$70,000 per lecture.

Prahalad, C. K. (1941–2010): Prahalad teamed with Gary Hamel in one of the great scholarly collaborations in business history, developing pathbreaking theoretical and practical notions that guide multinational corporate thinking today. Prahalad is most remembered for his last works, focused on market solutions to alleviate poverty at the “bottom of the pyramid.”

Rumelt, Richard (1942–): Rumelt is a rousing scholar and consultant whose direct and concise writing on strategy is powerful in its simplicity and elegance, cutting through the static that permeates strategic thinking. Beginning his career in the field of electrical engineering, he slowly developed a reputation as a management guru and advocated that there are only two ways for companies to succeed for the long-term: They must either invent their way to it, or they must exploit some change in their environment.

Schelling, Thomas (1921–): A political scientist, strategist, game theorist, and arms control advocate, Schelling exerted powerful influence on strategic thinking in the nuclear era and in explaining the dynamics of racial segregation in the United States through the use of relatively simple modeling.

Spykman, Nicholas (1893–1943): Spykman is known in some quarters as the godfather of containment, the strategy that guided the United States in its rivalry with the Soviets for 40 years after World War II. Attacked as America’s geopolitician during the war for daring to envision a postwar world based on raw power considerations, Spykman’s predictions were substantiated in subsequent years after his early passing.

Sun Tzu (fl. 5th century B.C.): One of a handful of almost universally known strategists, the impact of Sun Tzu on strategy and the way we think about strategy has suffused thinking not only in present-day military circles but in business and political realms, as well. Descriptions of warfare in *The Art of War*, traditionally credited to Sun Tzu, suggest that the work was composed

early in the Warring States period (475–221 B.C.). Famous generals who utilized Sun Tzu’s principles were Chinese communist Mao Zedong, Vietnamese general Vo Nguyen Giap, and American generals Norman Schwarzkopf and Colin Powell in the First Gulf War of 1991.

Thucydides (460 B.C. or earlier–after 404 B.C.): This ancient Greek historian is the founding father of the modern political science school of realism, which sees the international system as resulting from configurations of state power. Carrying the rank of *strategos* in the Athenian military, he both fought in the Peloponnesian War and wrote about it.

Vegetius (fl. 4th century A.D.): The avatar of adequate training and preparation of military forces, Vegetius preached the necessity of proper development of superior military capability prior to battle. He wrote his treatise *Epitoma rei militaris* at the request of Emperor Valentinian, divining how the “ancient Romans” organized and utilized their legions so that Rome’s military prowess might be resuscitated.

Wack, Pierre (1922–1997): Wack persevered against internal inertia at Royal Dutch Shell to pioneer development of what has become sophisticated scenario analysis, realistic forecasting of likely courses that history may take.

Warden, John A., III (1943–): Controversial, impatient, and contrarian, Warden is the quintessential strategic thinker and visionary who revolutionized American thinking about air power in the late 20th century. One biography notes, “to this day his name inspires both warm affection and cold contempt in the defense establishment.”

Winfrey, Oprah (1954–): One of America’s premier strategists in the field of entertainment, Winfrey offers a textbook example of how to plan, marshal resources, and execute a well-conceived strategy. She was criticized for creating or popularizing the “confession culture” that permeates popular media in the 21st century, but in actuality, she has made and remade herself and her approach several times.

Bibliography

To acquire a firm grounding in the most universally applicable strategic concepts in the shortest possible time, I recommend a handful of books and two articles as essential reading. Without attributing any importance to the order, they are: *Learning to Think Strategically* by Julia Sloan; *Strategy*, a sweeping survey of military strategy by B. H. Liddell Hart; the biography *Steve Jobs* by Walter Isaacson; *Blue Ocean Strategy*, a guide to creating new market segments by Kim and Mauborgne; *Good Strategy, Bad Strategy* by Richard Rumelt; *Makers of Modern Strategy*, a superb collection of the most important military strategy writers, edited by Peter Paret; and the classic *Harvard Business Review* articles “What Is Strategy?” (1996) by Michael Porter and “Strategic Intent” (1989) by G. Hamel and C. K. Prahalad.

Abrahams, Jeffrey. *101 Mission Statements from Top Companies: Plus Guidelines for Writing Your Own Mission Statement*. Berkeley, CA: Ten Speed Press, 2007. A superb resource for anyone interested in comparing and contrasting mission statement effectiveness, this collection of powerful and not-so-powerful mission statements provides fodder for crafting your own clear, concise, focused mission statement.

Alger, John I. *The Quest for Victory: The History of the Principles of War*. Westport, CT: Greenwood Press, 1982. This history of the development of the principles of war gets at the roots of how we have arrived at modern conceptions of battlefield performance.

Allison, Graham. *Essence of Decision: Explaining the Cuban Missile Crisis*. New York: Harper Collins, 1971. This first-rate scholar broke new analytical ground with this classic work on how bureaucratic interplay can affect group decision making.

Ansoff, Igor. *Strategic Management*. New York: Palgrave Macmillan, 1979, 2007. Sometimes called the father of strategic management, Ansoff brought a focus to the study of strategy in business that had been missing; he clashed with academic rival Henry Mintzberg over the efficacy of planning in the development of strategy.

Axelrod, Robert. *The Evolution of Cooperation*. New York: Basic Books, 1984. This classic work on cooperation theory has influenced a generation of social scientists and been cited in more than 500 books and 4000 articles.

Beckwith, Harry, and Christina Clifford Beckwith. *You, Inc.: The Art of Selling Yourself*. New York: Warner Business Books, 2006. The authors provide a wealth of techniques designed to help a person assemble the factors of success particular to the individual and the project that combine in the most effective manner.

Bensoussan, Babette E., and Craig S. Fleisher. *Analysis without Paralysis: 10 Tools to Make Better Strategic Decisions*. Upper Saddle River, NJ: FT Press, 2008. A superb introduction to analytical tools that are useful in a variety of business and non-business situations.

Binmore, Ken. *Game Theory: A Very Short Introduction*. Oxford: Oxford University Press, 2007. Game theory is complex, and although no short volume can do it justice, this guide offers the basics so that the average person can appropriate the major concepts and put them to use.

Bossidy, Larry, and Ram Charan. *Confronting Reality: Doing What Matters to Get Things Right*. New York: Crown Business Books, 2004. A rapidly changing and unpredictable business world leaves no wiggle room for indecision; it requires a sure grasp of reality and the confidence to face it with élan and practicality.

Braden, Kathleen E., and Fred M. Shelley. *Engaging Geopolitics*. Essex: Pearson Education, 2000. This primer on modern geopolitical concepts provides a superb introduction to the interplay among territory, power, and location and how this interplay influences conflict between nation-states.

Power can arise from location, and this volume shows how leaders deal with this synergistic relationship.

Brzezinski, Zbigniew. *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*. New York: Basic Books, 1997. Academic and former National Security Advisor Brzezinski is one of the 20th century's most influential political thinkers, and he is largely responsible for reintroducing powerful and enduring geopolitical concepts into the national dialogue about international conflict and cooperation. This volume anchors political prediction in the enduring geostrategic imperatives that have guided states for centuries.

Burlton, Roger. *Business Process Management: Profiting from Process*. Indianapolis: SAMS Publishing, 2001. A pioneering effort in the field of evaluating and managing business processes and ensuring that they achieve fit throughout complex enterprises comprising many systems.

Buskirk, Richard. *Frontal Attack, Divide and Conquer, the Fait Accompli, and 118 Other Tactics Managers Must Know*. New York: John Wiley & Sons, 1989. This is a basic primer for those wishing to plunge into the byzantine world of office politics and come out winners. Authored by a business school professor and written in accessible language, the book is useful and rich in examples.

———. *Modern Management and Machiavelli*. Boston: Cahnern Books, 1974. Produced by a member of a university marketing faculty, this masterful exegesis of Machiavelli's *The Prince* is methodical in its application to the professional life of the modern businessperson and is rich in insight, effortlessly transporting the unchanging lessons of human nature and power from the 16th to the 21st centuries.

Campbell, Joseph. *The Hero with a Thousand Faces*. Princeton, NJ: Princeton University Press, 1949, 1968. This classic by America's greatest scholar of mythology chronicles the universal story that appears in every epoch in every corner of the world and provides the archetype for strategic intent.

Chandler, David. *The Military Maxims of Napoleon*. New York: Macmillan Publishing Company, 1987. Napoleon Bonaparte is called the greatest European soldier, and this compendium of Napoleon's military wisdom demonstrates why. The original 1901 annotations by Cairnes and those of Chandler in 1987 make this a useful guide to anyone involved in conflict.

Charan, Ram, and Larry Bossidy. *Execution: The Discipline of Getting Things Done*. New York: Crown Business Books, 2002. A Harvard academic and a former General Electric executive team up in this superb effort on execution, showing how, as the leader's most important yet neglected job, execution is often "the missing link between aspirations and results."

Christensen, Clayton. *The Innovator's Dilemma: The Revolutionary Book That Will Change the Way You Do Business*. Boston: Harvard Business School Press, 1997. On the cusp of change and innovation, who do you listen to and what do you do? This Harvard B-school professor has answers.

Christensen, Clayton, Scott D. Anthony, and Erik A. Roth. *Seeing What's Next: Using Theories of Innovation to Predict Industry Change*. Boston: Harvard Business School Press, 2004. Christensen and his partners offer a method whereby proven theories can be used to develop powerful insights into how the future will unfold in a given industry, which provides a basis for crafting prudent strategy based on those insights.

Clausewitz, Carl von. *On War*. Oxford: Oxford World's Classics, 2007. Clausewitz is considered the first of the modern strategists; he systematized the study of war while recognizing its place in the larger context of a nation's foreign policy tools. His influence began to be felt in the Franco-Prussian and Boer wars.

De Bono, Edward. *Think! Before It's Too Late*. London: Vermilion, 2009. The creator of the technique of "lateral thinking" offers a substantial contribution to the improvement of our thinking processes. Says the author: "This book is about why human thinking is so poor. It also suggests what we can do about it."

Dixit, Avinash K., and Barry J. Nalebuff. *Thinking Strategically: The Competitive Edge in Business, Politics, and Everyday Life*. New York: W. W. Norton & Company, 1991. This practical guide to strategic action distills much high-concept thinking into a handful of tactics usable in daily challenges presented by those with whom we interact at all levels. It provides examples that demonstrate winning tactics in action with both friends and rivals in situations of both cooperation and conflict.

Drucker, Peter. *The Effective Executive*. New York: Harper & Row, 1966. One of the most powerful treatises on business effectiveness, by the creator of modern American management, this volume offers timeless principles to improve any executive's personal performance, regardless of field of action.

Duggan, William. *Napoleon's Glance: The Secret of Strategy*. New York: Thunder's Mouth Press, 2002. Duggan teaches strategy at Columbia University and has examined closely the phenomenon of coup d'oeil in its various manifestations across business, political, and social activities, sharing his insights in this interesting volume.

———. *Strategic Intuition: The Creative Spark in Human Achievement*. New York: Columbia University Press, 2007. Professor Duggan expands on his work with the strategic glance and contends that the "strategic idea" as a result of flashes of insight has been left out of the strategic literature. He aims to reinsert it in a place of prominence.

Earle, Edward Meade, ed. *Makers of Modern Strategy: Military Thought from Machiavelli to Hitler*. Princeton: Princeton University Press, 1941. This is the first edition of the classic compendium of powerful essays on the world's greatest strategists. This edition contains a chapter on the German geopoliticians that was, surprisingly, omitted from later editions under Peter Paret (also recommended in this bibliography).

Erfurth, Waldemar. *Surprise*, in *Roots of Strategy*, Book 3. Harrisburg, PA: Stackpole Books, 1943, 1991. General Erfurth, in combination with brilliant translator and annotator Stefan Possony, offers a comprehensive analysis of the utility of surprise in conflict that is both historical and forward-looking.

Feinberg, Mortimer, and John J. Tarrant. *Why Smart People Do Dumb Things*. New York: Simon and Schuster, 1995. Even the most intelligent among us can commit folly on a grand scale and in spite of our best efforts. The authors explore the capacity for human error in the keenest of minds and offer a schema for avoiding the mind traps that threaten us at every turn.

Fleisher, Craig S., and Babette E. Bensoussan, *Business and Competitive Analysis: Effective Application of New and Classic Methods*. Upper Saddle River, NJ: FT Press, 2007. A comprehensive and deep presentation of many of the most effective tools of analysis used in business.

Foch, Ferdinand. *Principles of War*. 1901. Reprint, Whitefish, MT: Kessinger Publishing, 2007. An original and influential theoretical treatise on war principles by a great general. Foch observed, "The art of war, like every other art, possesses its theory, its principles; otherwise it would not be an art."

Franklin, Benjamin. *The Autobiography of Benjamin Franklin*. Washington, DC: Regnery History, 2007. This influential work is available in many editions, including free electronic versions. Its continued relevance and application testify to the enduring principles of behavior offered by the author. Franklin's advice on interacting with others, particularly in contentious situations, is strategic thinking at its finest.

Fuller, John Frederick Charles. *The Foundations of the Science of War*. Fort Leavenworth, KS: U.S. Army Command and General Staff College Press, 1993. <http://nara-wayback-001.us.archive.org/peth04/20041016211236/http://www.cgsc.army.mil/carl/resources/csi/fuller2/fuller2.asp#220>. For an example of primary-source thinking on war principles, Fuller offers a snapshot of strategic evolution in progress. In Fuller's compendium of principles, we see the exposition of military thinking that evolved in the early 20th century and the establishment of the bases of the principles of war eventually adopted by the United States.

Gilad, Ben. *Business War Games*. Franklin Lakes, NJ: Career Press, 2009. Rehearsing the future is one way of looking at war games. Military units do

it all the time, and this book shows how war games can aid businesses, as well, priming them for the unpredictable moves of competitors.

———. *Early Warning*. New York: American Management Association, 2004. Ben Gilad is one of the triumvirate of founders of the modern competitive intelligence business field, and this volume is a primer on how early warning based on observed trends can help businesses avoid commercial disaster.

Grabo, Cynthia M. *Anticipating Surprise: Analysis for Strategic Warning*. Lanham, MD: University Press of America, 2004, 1974. This once-classified volume, called *A Handbook of Warning Intelligence*, was mandatory reading for intelligence analysts tasked with forecasting threats to the United States for two decades and provides guidance today for anyone wishing to sharpen analytical skills.

Gray, Colin. *Modern Strategy*. Oxford: Oxford University Press, 1999. The author is a career strategist and practitioner, whose service to the United States spanned 20 years during the Cold War. This work is majestic in its scope and reach and lengthens our horizon on strategy.

Grove, Andy. *Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company*. New York: Currency, Doubleday, 1996. A classic book on dealing with innovation and rapidly changing technology from a top executive who not only survived the innovation wars but thrived.

Guderian, Heinz. *Achtung-Panzer!* London: Cassell & Co., 1992, 1937. One of the most important and seminal books on mobile warfare published in the first half of the 20th century, Guderian's work influenced the course of world history by introducing the German military establishment to the theories of Liddell Hart, combined with Guderian's own contributions to the development of tank tactics. Guderian went on to become perhaps Germany's greatest armored commander of World War II, rivaled only by Erwin Rommel.

Gudgin, Peter. *Military Intelligence: A History*. Phoenix Mill, Great Britain: Sutton Publishing, 1999. This sweeping narrative begins with early efforts

at rudimentary military intelligence and takes us up to today's sophisticated intelligence agencies, looking candidly at British intelligence, the CIA, the Israeli Mossad, and other organizations.

Gunther, Max. *The Luck Factor: The Four Essential Principles*. New York: Macmillan Publishing Co., 1977. Gunther's conclusions in this pioneering study of luck have withstood the tests of time and trial and show us tangible ways to increase our chances of success.

Hall, Wayne Michael, and Gary Citrenbaum. *Intelligence Analysis: How to Think in Complex Environments*. Santa Barbara, CA: Praeger Security International, 2010. The authors—an academic and a former military intelligence officer—offer 14 powerful advanced analytical tools for use in any environment that requires the collection and accurate analysis of information, including tendency analysis, synthesis, cultural analysis, pattern analysis, and critical thinking.

Halperin, Morton. *Bureaucratic Politics and Foreign Policy*. Washington, DC: Brookings Institution, 1974. Halperin's analysis and explanation of the processes of bureaucracy-in-action are applicable to decision-making organizations of every size and character.

Hamel, Gary, and Bill Breen. *The Future of Management*. Boston: Harvard Business School Press, 2007. Gary Hamel is one of management's most brilliant thinkers, and this work demonstrates why as he presages some of the conundrums we can expect to face in coming years because of the growing systemic complexity and speed of globalized business.

Hamel, G., and C. K. Prahalad. "Strategic Intent." *Harvard Business Review* (1989): 63–76. <http://www3.uma.pt/filipejmsousa/ge/Hamel%20and%20Prahalad,%201989.pdf>. Hamel and Prahalad combined to conceive and publish some of the most powerful concepts of the modern business pantheon, and this enduring work informs and instructs us on the necessary core of any competent strategy.

———. *Strategic Intent*. Cambridge: Harvard Business Review Press, 2010. Hamel and Prahalad's business classic extends far beyond the world

of commerce and instructs us on the power and potential of a laser-focused strategic vision. The 2010 book is a short collection centered on the authors' 1989 article of the same name.

Handy, Charles. *The Age of Paradox*. Boston: Harvard Business Review Press, 1994. The great thing about Handy is his knack for writing timelessly, and this influential work has proven sturdy over more than a decade, particularly his identification of the sigmoid curve as an enduring template for development.

Hansen, Lars Bo. *Foundations of Chess Strategy*. London: Gambit Publications, 2005. Many have used chess as a training vehicle for businesses, but this volume takes the novel opposite approach to discover whether the vast research and modeling techniques developed for business strategy can be applied to the game of chess. In the process, much is revealed about the process of emergent strategy that is applicable to both the classic game and to the world of commerce.

Hanson, Victor Davis. *Ripples of Battle: How Wars of the Past Still Determine How We Fight, How We Live, and How We Think*. New York: Anchor Books, 2003. Echoes of particular battles can reverberate throughout history, their effects cascading from their original brief violence to affect how we live and think, even today.

Harvard Business School Press. *Executing Strategy for Business Results*. Boston: Harvard Business Press, 2007. A compendium of articles on strategy execution across the value chain and in a variety of circumstances.

———. *Thinking Strategically*. Boston: Harvard Business Review Press, 2010. A basic how-to volume to aid in the development of fundamental thinking skills to be used in a business environment.

Hayward, Steven. *Churchill on Leadership: Executive Success in the Face of Adversity*. New York: Three Rivers Press, 1997, 1998. A concise compendium of the rich and varied strategic life lived large by the most famous of all of Britain's prime ministers. Churchill's shrewd decision making and forward-looking calculation were hallmarks of an adventurer, and this work

explicates the inner workings and outward results of Churchill's fabulous operational mind.

Heuer, Richards. *Psychology of Intelligence Analysis*. Washington, DC: Center for the Study of Intelligence, 1999. This volume, by one of the CIA's top analysts and thinkers-about-thinking, is still used to train CIA analysts in their craft.

Hofstede, Geert. *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations*, 2nd ed. Thousand Oaks, CA: Sage Publications, 2001. Hofstede is one of the most-cited researchers in the world, thanks to his pathbreaking study on how to measure culture and its many consequences.

Hughes-Wilson, John. *Military Intelligence Blunders and Cover-ups*. New York: Carol & Graf Publishers, 1999. A powerful testament to the essential contribution of intelligence capability in war, this compendium of cases demonstrates that the tendency to misuse intelligence is prevalent and that even the finest organizations can fall prey to incompetence, hubris, and carelessness.

Hugo, Victor. *Les Misérables*. New York: Modern Library, 2009. This classic work by one of the great writers of history provides a gloriously stirring account of the carnage of battle and the redemption that courage and boldness offer to warriors engaged in what has been called the final argument of kings. Hugo's account of the sunken road of Ohain provides an abject lesson to those who would act rashly and in the absence of accurate intelligence of the battlefield.

Isaacson, Walter. *Steve Jobs*. New York: Simon & Schuster, 2011. Steve Jobs has been called the greatest business executive of the modern era, but perhaps his most enduring legacy is that of master strategist. Jobs lived possibly the purest strategic life of the modern era, unencumbered by the circumspection that robs so many others of greatness. This work reveals the scope and majesty of what the strategic imagination can do if given primacy.

Janis, Irving. *Groupthink: Psychological Studies of Policy Decisions and Fiascoes*. Boston: Cengage Learning, 1982. Janis was a pioneer in uncovering the insidious effects of groupthink on decision making in American foreign policy, and his insights have applicability to any group that makes collective decisions, whether business, church, school, little league, or other organization.

Jay, Antony. *Management and Machiavelli*. New York: Holt, Rinehart and Winston, 1967. A sophisticated yet highly readable Machiavellian analysis of the modern corporation, which in organization resembles nothing so much as the feudal state. Applicable behavioral insights abound.

Jervis, Robert. *Perception and Misperception in International Politics*. Princeton, NJ: Princeton University Press, 1976. Robert Jervis helps us examine the perceptual lenses that can distort the information we receive from others, leading to misallocation of resources and suboptimal outcomes in our own endeavors.

Johnson, Loch K. *Secret Agencies*. New Haven: Yale University Press, 1996. The U.S. security apparatus is the most sophisticated in the world, and the author takes us inside the secret agencies that make up this secret web to examine the three functions of modern intelligence: espionage, counterintelligence, and covert action.

Johnson, Rob, Michael Whitby, and John France. *How to Win on the Battlefield*. London: Thames and Hudson, 2010. This superb compendium of military tactics offers case studies to illustrate 25 tactical variations used on modern and ancient battlefields.

Jomini, Antoine. *The Art of War*, in *Roots of Strategy*, Book 1, edited by T. R. Phillips. Harrisburg, PA: Stackpole Books, 1985. One of the two great strategists of the 19th century, Jomini is rivaled only by Clausewitz. Jomini is the vicarious architect of the strategy of the American Civil War, and it is said that Stonewall Jackson carried a copy of Jomini with him always.

Keegan, John. *Intelligence in War: Knowledge of the Enemy from Napoleon to Al-Qaeda*. New York: Alfred A. Knopf, 2003. This tour de force offers a

view of war through the lens of intelligence, examining the contributions of intelligence collection, analysis, and action across a range of conflicts, from the Napoleonic Wars to the American Civil War and the wars of the 20th century.

Kiechel, Walter III. *The Lords of Strategy: The Secret Intellectual History of the New Corporate World*. Boston: Harvard Business School Press, 2010. The world of corporate strategy is a relatively young field, and it can seem byzantine to the outsider. But it encompasses a logic and a distinctive history that Kiechel shares with us in exciting and detailed fashion.

Kim, W. Chan, and Renée Mauborgne. *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant*. Cambridge: Harvard Business Review Press, 2005. This powerful and influential volume introduced the term “blue ocean” into business discourse and guides us in our quest for creation of new market segments where we can excel.

Klein, Gary. *The Power of Intuition: How to Use Your Gut Feelings to Make Better Decisions at Work*. New York: Crown Business, 2007. Gary Klein presents the best of his cutting-edge research in this volume, based on 20 years of study of intuition. Klein’s work is imminently applicable, with exercises and practical examples.

Kuhn, Thomas. *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press, 1962. The origin of the term “paradigm shift” can be found in this incredibly important work that chronicles how leaps of intuition can propel science forward in a series of revolutions, destroying old paradigms and erecting new ones that inform our research programs.

Landes, David. *The Wealth and Poverty of Nations*. New York: W. W. Norton & Company, 1998. The author explores the sources of wealth and attempts to answer the question: Why are some nations wealthy and others poor? He examines alternative hypotheses and provides a rich narrative that traverses the causal impact of climate, natural resources, geography, and cultural characteristics.

Liddell Hart, B. H. *Great Captains Unveiled*. London: Greenhill Books, 1990, 1927. The author is acknowledged as one of the great strategic thinkers of the 20th century, which gives him a unique perspective in this excellent collection of essays on several of the lesser-known great captains of history, including Sabutai, Maréchal de Saxe, and Gustavus Adolphus.

———. *Strategy*, rev. ed. New York: Plume, 1991. The author is considered one of the finest military thinkers of the 20th century; his innovative theoretical notions in the interwar period revolutionized tank warfare and were responsible for the widespread adoption of the doctrine of the “indirect approach.” The most successful application of this approach was in the technique of blitzkrieg warfare engineered by the Germans in World War II. Liddell Hart spans the centuries of strategic thought and practice leading up to the Great War, in which he fought; he demonstrates how a strategic imagination can actually discern and learn the patterns of history, while readying us to face an as yet unknowable future.

Luttwak, Edward N. *Strategy: The Logic of War and Peace*. Cambridge: Harvard University Press, 1987. Luttwak makes a powerful theoretical case for surprise as the “conscious use of paradox” to achieve decisive advantage in war.

Machiavelli, Niccolò. *The Art of War*. Mineola, NY: Dover Publications, 2006. More revered for his manual of political machination, Machiavelli also penned this powerful treatise on the conduct of war. He is considered a bridge figure between the ancients and the moderns.

McGraw, Phillip C. *Life Strategies: Doing What Works, Doing What Matters*. New York: Hyperion, 2000. Strategic thinking engages at multiple levels, and the most fundamental level is how we handle our own individual situations, how we interact successfully with the world around us, and how we build our custom strategies to deal with our own challenges. In this volume, the author offers multiple action steps to engage fruitfully in strategy building on a personal level, using powerful case studies to illustrate his points, including Oprah Winfrey’s poignant battle with inner demons and outside attackers, which resulted in her ultimate triumph.

Mintzberg, Henry. *The Rise and Fall of Strategic Planning*. New York: Free Press, 1994. An influential volume that called into question the whole strategic-planning enterprise and called for reconceiving it as a kind of coupling of analysis and intuition.

Mintzberg, Henry, Bruce Ahlstrand, and Joseph Lampel. *Strategy Bites Back: It Is Far More, and Less, than You Ever Imagined*. Upper Saddle River, NJ: Pearson, 2005. Here, great and not-so-great minds of strategy appear in a cavalcade of strategic vignettes that illuminate the depth and sophistication of strategy. From the work of Rumelt, Porter, the duke of Wellington, and even Hans Christian Andersen, it becomes clear that good strategy is not easy, and bad strategy is quite common.

Paret, Peter, ed. *Makers of Modern Strategy*. Princeton, NJ: Princeton University Press, 1986. The revised edition of military strategy's ultimate handbook, this masterpiece takes us from the origins of strategic theorizing up to the modern nuclear strategists' contemplation of the complex modern chessboard of power politics.

Porter, Michael. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press, 1980. This classic and seminal work by Harvard business professor and strategy practitioner Michael Porter launched a revolution in how we assess the competitive business environment and charted the way for strategic business practices for more than 30 years.

———. *On Competition*. Boston: Harvard Business School Press, 1998. This compendium of Michael Porter's work on strategy serves as a touchstone in the field of corporate strategy, its individual landmark articles charting the course of corporations and steering business schools worldwide for almost two decades.

———. "What Is Strategy?" *Harvard Business Review* (1996): 61–78. http://www.ipocongress.ru/download/guide/article/what_is_strategy.pdf. Porter's classic article on strategy is one of the most frequently cited articles from the *Harvard Business Review* and remains as perhaps the most concise explication of how strategy differs from mere managerial technique.

Rice, Bob. *Three Moves Ahead*. San Francisco: Jossey-Bass, 2008. The author, a businessman and excellent chess player, offers a scintillating exposition of how businesspeople can learn powerful lessons from chess strategy and tactics. The lesson writ large is, of course, that strategic principles can inform and enlighten enterprises as different and distant as a board game and business warfare. Rice's crisp style and his useful compendium of lessons at the end of each chapter make this a necessary read for anyone with serious interest in the broad scope and applicability of strategic ideas.

Ries, Al, and Jack Trout. *Marketing Warfare: 20th Anniversary Edition*. New York: McGraw-Hill, 2006. Two of the most famous marketing gurus working today have tied military tactics directly to the field of business marketing and make a strong case for the power of military thinking in the business realm.

Riggio, Ronald E. *The Charisma Quotient*. New York: Dodd, Mead, and Company, 1987. Charisma is an abstract term that can be reduced to individual behavior techniques learned by anyone, techniques that improve the odds of achieving strategic goals.

Rumelt, Richard P. *Good Strategy, Bad Strategy*. New York: Crown Business, 2011. This incredibly rich work by one of America's premier business strategists charts a compelling course for anyone in business, or in most any profession, to identify what strategy is and what it is not. Rumelt guides us in clear and persuasive language toward the holy grail of "good strategy."

Schafer, Mark, and Scott Crichlow. *Groupthink versus High-Quality Decision Making in International Relations*. New York: Columbia University Press, 2010. This study brings Irving Janis's *Groupthink* up to date with fresh U.S. foreign policy cases and substantiates many of Janis's initial contentions on the deleterious effects of groupthink.

Schelling, Thomas. *The Strategy of Conflict*. New York: Oxford University Press, 1963. Schelling applied game theory to arms control in this cutting-edge work that found a supremely useful metaphor for the nuclear arms race and an elegant way to capture its dynamic.

Schwartz, Peter. *The Art of the Long View*. New York: Doubleday, 1996. Scenario planning is essential for governments and businesses in the 21st century, a time when communication is almost instantaneous and the ability to react rapidly to changing circumstances can be the key to survival.

Sloan, Julia. *Learning to Think Strategically*. Oxford: Elsevier, 2006. A powerful volume that provides a brief history of strategic thought and suggests ways to develop the critical attributes of strategic thinking. The author's classical/historical approach bring us into the strategic mainstream, providing an essential didactic context, and then couples this historical background with an explanation of how we actually learn about strategic thinking, concluding with modern, practical techniques designed to improve any person's strategic thinking skill.

Spykman, Nicholas John. *America's Strategy in World Politics*. New York: Harcourt, Brace, 1942. This book, controversial and criticized when it was published, called for a postwar American strategic security policy that was based on cool calculation of national power afforded by geopolitical considerations. A theorist in the realist tradition, Professor Spykman, a professor of international politics at Yale University, was attacked as the "American Haushofer" for this and the publication of his subsequent work, *The Geography of the Peace*.

Stark, Rodney. *God's Battalions: The Case for the Crusades*. New York: HarperOne, 2009. A controversial history of the Crusades that focuses on the military, technological, and cultural differences between the antagonists.

Thucydides. *The Peloponnesian War*. New York: Penguin, 1954. Available in several editions, this ancient classic still serves as the archetype for the modern political theory of realism and, its proponents contend, evidence of the unchanging character of human nature.

Tracy, Brian. *Victory! Applying the Proven Principles of Military Strategy to Achieve Greater Success in Your Business*. New York: American Management Association, 2007. The author is one of the most successful self-help motivational leaders of the late 20th century, and his entry into the "military lessons" genre, brimming with examples from both ancient

and modern battles, is worthy of review. Tracy's own life exemplifies the achievements open to a powerful strategic imagination, rigorously cultivated.

Trout, Jack. *Differentiate or Die: Survival in Our Era of Killer Competition*. 2nd ed. New York: John Wiley & Sons, 2008. The classic work on differentiation, by one of the most influential marketing practitioners of the 20th century. Trout zeros in on what it truly means to differentiate, and he explodes many of the misconceptions plaguing strategy.

Von Ghyczy, Tiha, Bolko von Oetinger, and Christopher Bassbord. *Clausewitz on Strategy*. New York: John Wiley & Sons, 2001. This book explicitly offers Clausewitz for the businessman. This abridged version of the classic *On War* was prepared by one of America's premier consulting companies and draws keen lessons from Clausewitz's deep insights with a mind to guiding modern business to successful outcomes.

Von Neumann, John, and Oskar Morgenstern. *Theory of Games and Economic Behavior*. Princeton, NJ: Princeton University Press, 1947. This seminal work on game theory, which propelled the authors to international acclaim, is dense throughout but worth a look as a primary source that launched a social science.

Weintraub, Stanley. *Silent Night: The Story of the World War I Christmas Truce*. New York: Free Press, 2001. A stunning example of cooperation in a conflict situation in the absence of communication and trust, the Christmas truce of 1914 demonstrates how undirected cooperation can evolve.

Whaley, Barton. *Stratagem*. Boston: Artech House, 1969, 2007. A key necessary element of surprise is strategic deception, and Whaley provides the most comprehensive historical resource on the use of stratagem, a powerful tool for use by the strategic thinker.

Web Sites:

Air & Space Power Journal, <http://www.airpower.maxwell.af.mil>. Interesting articles on the subject of strategy generally.

Bassford, Christopher, ed., Clausewitz Homepage, <http://www.clausewitz.com/>. A popular site and clearinghouse for all things Clausewitz.

Center for Strategic and International Studies, <http://csis.org/>. Features a library filled with downloads of the latest books on specific strategic issues.

Central Intelligence Agency, <https://www.cia.gov/>. The library section of the CIA site offers online versions of entire books on analysis and strategy.

Cohen, William A. *Heroic Leadership: Leading Organizations with Honor, Integrity, and Valor*, <http://www.stuffofheroes.com/index.html>. The site of one of America's most prolific authors on leadership.

U.S. Army War College, <http://www.carlisle.army.mil/>. This site has a large collection of downloadable publications and entire books on strategy.