

# Obsolete strategies are dangerous

**This article was published in the September 1992 issue of Marketing magazine. It's just as relevant today as it was 11 years ago.**

**It's time to check the use-by date on your business strategies. Strategies go through the same life cycle as products do, according to Graham Haines\*. Is your strategy still viable or has change made it obsolete - and dangerous?**

The adage "If it ain't broke, don't fix it" reveals our general dislike of anything that upsets the status quo.

Yet the only constant of business is change. Just as all marketers recognise the need to have a balanced portfolio of products at various stages of the Product Life Cycle so management need to understand that business strategies too are subject to the same stages of Introduction, Growth, Maturity and Decline. What's more, the average business strategy cycle, like the average product life cycle, is shortening.

Strategic planning has had a chequered history. It reached its peak in the 1970s before falling from grace. As has been the case with many management techniques and philosophies, it wasn't the concept itself that was at fault; it was the way in which organisations went about it.

A team of MBAs, cloistered in the company's ivory tower, drew up grandiose strategies that were then imposed upon line management for implementation. Often the strategy was misunderstood, often it was impractical and always there was a lack of ownership on the part of those whose job it was to make it happen.

So the belief arose that the key to business success lay with implementation, a belief fuelled by the writings of people such as Tom Peters. In his book *Thriving on Chaos*, Peters states that: "If we've all learned one thing in the last decade, it's that brilliant execution is more important than a brilliant strategy. And the sine qua non of brilliant execution is that (1) everyone knows which way the boat is heading, (2) the course is being consistently steered, and (3) the route is an exciting one, worthy of enlistment."

The key word is "brilliant". Peters applies it to both execution and strategy. When both are of a very high calibre, few would disagree with his conclusion. Yet as his own observations have shown, of all those companies which were cited as role models of excellence in *In Search of Excellence* only one - 3M - had, in his opinion, withstood the test of time. Others, such as IBM and Delta Airlines, have fallen on hard times. And for misfortune to strike such icons of American business excellence suggests that it was not the manner of their doing things that had caused the problem, it was simply that they failed to appreciate that the strategy that took them to the top had run its course. It was no longer "brilliant", and no amount of "brilliant execution" could make up for its flaws. The strategy had entered the decline stage of its life cycle.

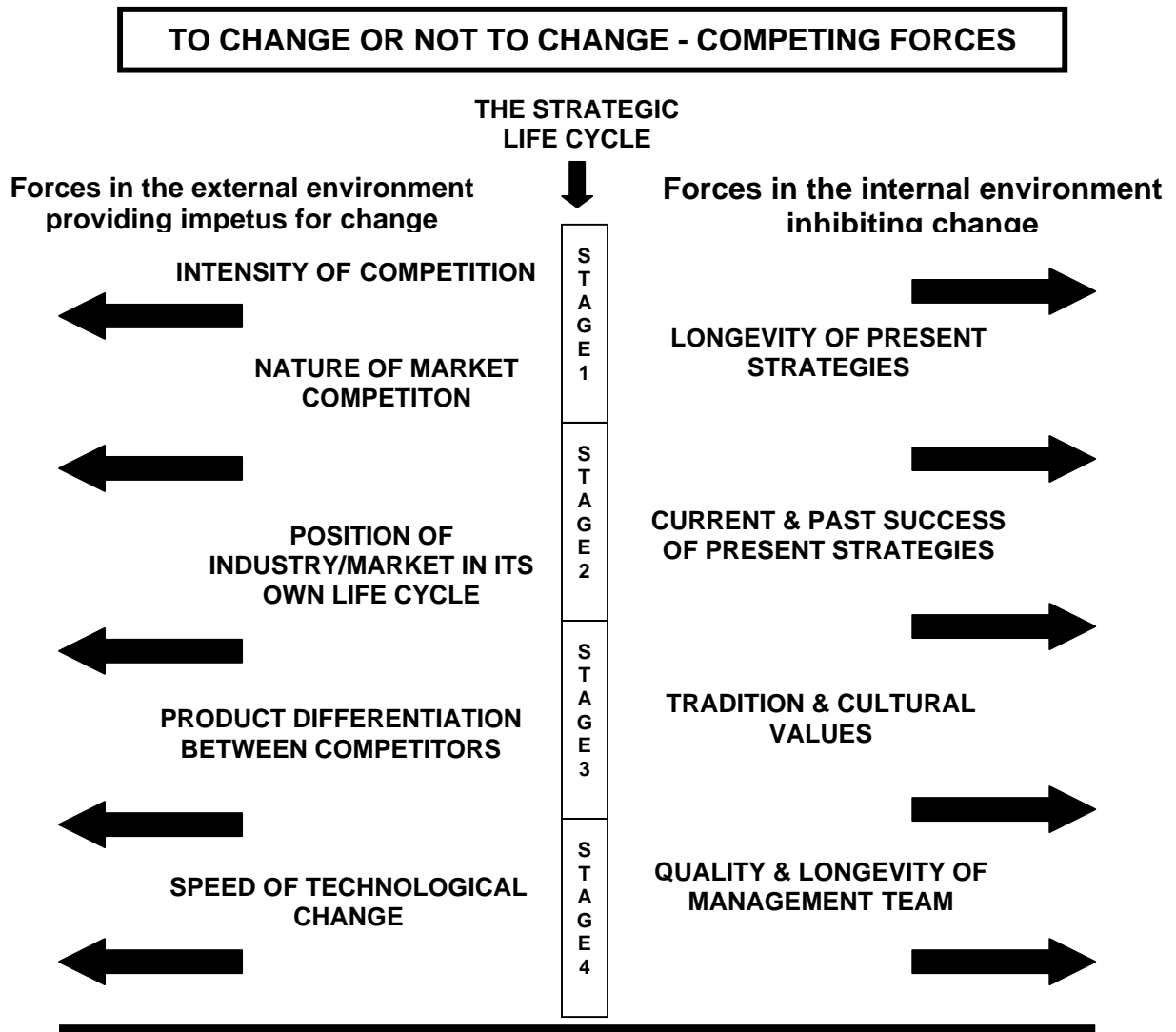
The starting point to an understanding of both the strategy life cycle and the reasons for its compression lies in determining what is meant by strategic planning as opposed to other forms of planning. Professor Robert Cope drew up a table that juxtaposed the characteristics of both. Strategic planning "emphasises the environment" whereas other planning usually "emphasises the enterprise". Strategic planning presupposes an "open system and an external focus" in contrast to a "closed system and internal focus". Strategic planning is "oriented towards change", it does not "emphasise stability". The emphasis on strategic planning is on "doing the right things" rather than on "doing things right", and finally "the enterprise's environment and context are primary determinants of strategy/choices/direction" rather than the enterprise's "strengths and weaknesses".

Looked at in this context, it is easier to see firstly why strategy remains the foundation stone of performance and why all strategies have a life cycle. A strategy will always have a life cycle because it must reflect the environment in which the organisation operates and that environment is constantly changing.

The environment, which is external to the enterprise, is an element over which the enterprise has little or no control. Competition, social and cultural trends, politics, economics, technology, and the law are just some of those external factors that necessitate a constant review of one's strategy and its position in its

life cycle. As our economy becomes more global, there will be even more events, trends, competitors and technological developments that we will need to take into account.

However, just as factors outside the enterprise indicate the necessity for change, so do factors internal to the enterprise support the maintenance of the status quo. And the reality is that the more successful the company is, the more reluctant it is to look critically at the strategies that brought it success to assess their currency in the light of a changing environment. So the current business strategies are caught between two opposing forces, one set promoting change and the other set resisting it. This tug of war between these two sets of opposing forces is illustrated in the following diagram.



Management has an in built bias towards focusing its attention on the internal environment. If things are not going well, there is a hierarchy of response that starts with trying to do better what the enterprise has always done.

This was IBM's response when their fortunes started to sour in 1986 after decades of profitable growth. They started to offer even greater levels of their famous customer support. Unfortunately for IBM, however, the market was saying: "We don't need even the existing levels of IBM service let alone enhanced ones. We don't need IBM proprietary operating systems. Times are tough and what we need are products offering less but which cost less."

If focusing on the execution of the present strategies doesn't work, the next step is often a revamp of the organisational structure. These are always disruptive and rarely result in any worthwhile gains. As Petronius Arbiter wrote in 210 BC. "We trained hard, but it seemed that every time we were beginning to form up into teams, we would be reorganised ... We tend to meet any new situation by reorganising, and

a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralisation".

When a company has a long history of success, making strategy changes involves overcoming enormous inertia. As Soichiro Honda once commented: "The reason why Honda grew to today's dimensions is because Honda has no tradition. As we do not have a past, we have only a future."

In Australia, BHP appears to have shrugged off tradition and success and kept its strategies in tune with the environment. So has Pacific Dunlop. But Bob Ansett's Budget came unstuck because of strategic miscalculations and so did Castlemaine Perkins under the ownership of Bond Brewing.

Power Brewing established itself in Queensland by developing a marketing strategy that projected the brand as being the only true Queensland beer. With the collapse of Bond Brewing, its new owners Lion Nathan have set about "re-parochialising" XXXX and have hence undermined the basis of Power's success. Power had to change its corporate strategy and the result has been a production alliance with CUB.

There is one further internal factor' affecting an enterprise's ability to maintain the currency of its corporate strategy: management ability. How frequently companies have been rescued from potential oblivion by strong-willed and highly focused CEOs only to falter as their survival becomes assured. Lee Iacocca and Chrysler and Sir John Egan with Jaguar illustrate this phenomenon. The whole organisation becomes so totally focused on survival and survival strategies that insufficient thought is given to the strategies appropriate to the post-survival period. The internal strategies for survival have to be replaced by the externally focused strategies of the marketplace.

Such are the factors that will influence a company's willingness to change its strategy. As for the necessity for change, factors such as globalisation, the market and industry life cycle, competition and those other aspects of the external environment will all play their part in determining the length of the strategic life cycle.

If an enterprise operates in international markets, it needs to have a suite of strategies - a strategic program - which marries products and markets together, each with their own strategy. Then strategies can be more easily adjusted to the external environment. It is a good argument for decentralisation of strategy making.

The market or the industry's own life cycle will cause strategies to be re-evaluated. When markets are in the growth stage, many firms will enter the industry and there will be a variety of strategies that might meet with success. At this stage "brilliant execution" is more important than a "brilliant strategy". As the market matures and profitability declines, there will be fewer strategic options and making the wrong decisions will have a serious impact on company performance, "brilliant execution" notwithstanding.

The intensity of competition, particularly in high technology industries and those that exhibit a high degree of product differentiation, will also compress the strategic life cycle. The shorter the strategic life cycle, the more important strategy becomes in relation to execution. Conversely, if one operates in a rather sleepy market, mature, geographically limited with a constant number of competitors, "doing the right thing" is still fundamental to performance. And the strategy will remain viable for a longer period with the key to winning against the competition being the "doing things right" component.

The inevitable conclusion to be drawn from the foregoing is that present and past success is the major cause of future failure. Enterprises become complacent and as the strategies that brought them success start to enter decline, management's response is to look internally – how can we do better what we already do and if that doesn't work, let's have an organisational restructure. Whereas what management should be doing is asking itself - what are the factors in the external environment that are impacting on the company's performance and how can we adapt to them?