STRATEGIC CONCEPTS

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CLIVE SUTTON

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Preface

Contemporary corporate strategy has seen a plethora of instant solutions such as re-engineering, outsourcing or continuous innovation, and earlier strategies based on scale or scope have been rejected in favour of a clear focus on core activities. This book attempts to present a balance which sets these strategic trends in their historical context and assesses their current relevance. After a general introduction it considers size (re-engineering), integration (outsourcing), diversification (focus), innovation (continuous and discontinuous) and mergers, together with divestment and strategic alliances. In each case the topics are considered as a series of options and not as strategic imperatives.

The book therefore focuses on broad notions of strategy and on strategic thinking. It is a book about thinking rather than doing – although I dare to hope that practitioners may still find something here to interest them. It is intended primarily as a textbook for undergraduate programmes in Business Studies or Business Administration, which universally include course units in Business Strategy as a unifying or contextual theme, and it should also serve as an introductory text for those students at Diploma or Masters level in Business Administration whose earlier qualifications and experience come from a different discipline.

It is written from an Economics perspective and draws on notions of opportunity costs, resources, transactions and competition as sources of inspiration for strategic thought, in a world of uncertainty in which our attempts to behave rationally are bounded by our limited understanding. But this is not an Economics textbook and it does not assume any prior knowledge of Economic Theory. A nodding acquaintance might help with some passages but it is never essential.

I believe that every student of business, and indeed everyone who works in business, needs to know what strategy is and why it is important. They need to understand what their organisation is trying to do, and why. They may not be strategists but, if their organisation has any pretensions to good management, they should be prepared to contribute ideas to the formulation of strategy. That belief determines the focus of this book, but there are two things which the book does not try to do. It is not concerned with the implementation of strategy and it does not go into any detail on technical subjects like Business Finance. These topics are important – many good strategies will fail if they are not properly implemented, and Business Finance is an essential component of the higher strategist's art. But logically these topics come after the groundwork of a general understanding has been

laid. Push them too soon, and the ultimate objectives may be lost in a welter of technical detail.

The book therefore aims to encourage thinking before application, and the examples look for lessons which can be applied as readily in a global setting as they can within specific national boundaries. Many of the topics are as applicable to not-for-profit organisations as they are to business enterprises. Universities, theatres, museums, charities and similar bodies all face strategic problems. Universities must position themselves in relation to other educational institutions and research bodies; theatres and museums must determine their focus and the extent of any collaboration with others; and charities must understand the logic of their target market. But the problem with not-for-profit organisations is that so much of their experience is *sui generis*. A depth of local knowledge is needed before the strategic choices can be understood, and one can never be certain without further detailed knowledge that any lessons can be applied in a different context. By contrast, the spread of global competition, although incomplete, has generally served to ensure that business experience transcends national and cultural boundaries. Hence, although the analysis in this book is broadly applicable to all strategic decisions, the examples have been taken only from business and commerce in order to ensure that they are as generalisable as possible.

Many of these examples come from books or articles, or from unscribed reports in periodicals like *The Economist*, or from company reports. These sources are acknowledged in the text. Other examples have been put together from a variety of different sources and in these cases no specific references can be given. For all these examples, I acknowledge my debt to the named or anonymous writers on whose work I have drawn. Further, in a few cases the published information has been supplemented by additional information provided by the companies concerned, and in these cases – especially BAA, Manx Airlines, Peptide Therapeutics and Thermo Electron – I am particularly grateful to the organisations and to the individuals concerned for their help, although of course any errors or omissions in the text are entirely of my own making.

Thanks are also due to the staff of the Isle of Man College Library, and especially to Tim Kenyon, for patient and unfailing support for my efforts to trace references through the British Lending Library.

Among the many colleagues and students who have influenced my own strategic thinking there are two who deserve special mention. I must record special thanks to Peter Jackson who first suggested that this might be worth doing, and to my wife Dorothy whose patience helped to ensure that it could be done.

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