The Evolution of Strategy
(Over Six Decades and Thirty Models)

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Knowing the strategic models of the past and the contributions of prominent authors in the field of business management can become a useful tool for the leaders of the 21st century

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Abstract

Over the last 50 years we have witnessed an impressive collective effort to develop the business sciences. Just like in other social sciences, ideas in business management evolve over time through an ongoing historical process. Discovering previous authors and models can be a very useful source of knowledge for carrying out their leadership task in the best way possible. But this does not seek to be a historical review leading to nostalgic contemplation, but rather an invitation to action. Classics can and should coexist with the latest bestsellers on the manager’s bookshelf. The task of the leader is to read well, select these strategic tools appropriately and know how to apply them to the context of his or her organisation. The 21st century manager must understand the evolution of strategy in order to be the architect of tomorrow’s decisions.

Keywords

Strategy, General Management, Business history, Strategic decisions, Strategic models
Why is it important for managers and entrepreneurs to have knowledge of the science of business management? What good can it do to be familiar with strategic models developed in the past? Why spend time discovering the key authors in the evolution of business strategy? These and other similar questions are very common among managers and entrepreneurs.

The leader’s commitment is always to the company’s future, and the intention has generally been to associate ideas in business management with novelty. The latest developments are constantly sought after, and history is scrapped. However, models and theories that have withstood the test of time may be very useful tools for today’s manager. Discovering other leaders or academics who have faced similar problems before can serve to open up new perspectives. Knowing the evolution of strategy thus becomes a source of new ideas for the manager of the 21st century.

The manager’s profession is about experience, performing a duty and learning through action. But it is also about knowing certain theories and learning management techniques. This is why we talk of the “art and science of management”.

Over the last 50 years we have witnessed an impressive collective effort to develop the administrative and business sciences. Both from the world of organisations and from that of academe, models and tools have been conceived and designed with the aim of helping managers to face their business challenges. From a variety of disciplines, economists, engineers, sociologists, philosophers, psychologists and anthropologists have investigated the complex and exciting phenomenon of the development of organisations. The paradox is that all this knowledge, all this science, is surprisingly unknown and undervalued by today’s managers and entrepreneurs.

Perhaps one of the most influential reasons for this lack of knowledge is the mistaken perception that in strategy ideas become obsolete or expire when new ones appear. Out of commercial interest, the view has spread that management models are like technologies: each new version overrides the one before. But when we take a historical perspective we can see that in strategy the new is built on the foundations of the old. Sometimes the new is a development of an existing model, and on other occasions it is an idea that has arisen in opposition to the existing state of affairs through debate. Just like in other social sciences, ideas in business management evolve over time through an ongoing historical process. Consequently, professional managers should be acquainted with and know how to use all this accumulated science; they should know how to look
back. Discovering previous authors and models can be a very useful source of knowledge for carrying out their leadership task in the best way possible.

**Stages and debates in the evolution of strategy**

As of the Industrial Revolution, with the appearance of the first factories using steam power, the main concern of management science (Frederick Taylor, Henri Fayol, Mary Parker Follett, etc.) was to improve production processes and organisational structure with a view to greater efficiency. It was not until 1962 that Professor Alfred Chandler published the book *Strategy and Structure*, in which he analysed the historical behaviour of large American enterprises and discovered that it is structure that follows strategy. In this way, the concept of “strategy” became consolidated within modern management theory and continued to develop in the following years through various stages and debates.

The year 1965 was an important one for strategy, as it marked the beginning of several initiatives, in both the academic world and business. Two key books in the development of this field were published, one of them written by a group of academics and the other by the former vice-president of planning in an aviation company. At the same time, an oil corporation set up a team of economists, engineers and scientists to analyse future scenarios for industry and enterprise.
- **Kenneth Andrews**, a young man with a PhD in English literature who did his thesis on Mark Twain, decided to prompt a group of professors at Harvard Business School to study and teach business strategy. In 1965 they published a book of texts and cases in which they described a model of analysis they called SWOT (standing for Strengths, Weaknesses, Opportunities and Threats).

- The same year saw the publication of *Corporate Strategy*, by **Igor Ansoff**, a Russian emigrant who did a PhD in mathematics in the USA and was vice-president of strategic planning at Lockheed Aircraft Corporation. Following his experience in the business world he joined the faculty at Carnegie Mellon, starting his academic activity by publishing this book.

- Also in the mid 1960s, but on the other side of the Atlantic, the oil company Shell organised a group of professionals who, led by Pierre Wack, developed a methodology to analyse future scenarios for the industry and the firm. The **Shell Scenarios** team was vindicated in 1973 and 1979 – during the oil crises – by the fact that they had warned senior management beforehand through their forecasts.

- Two years after the publication of the SWOT model, which already mentioned environmental factors, **Francis J. Aguilar**, also a professor at Harvard Business School, published the book *Scanning the Business Environment*, in which he examined how companies acquire and use information about their external environment. His original
acronym of PEST analysis, also rendered as ETPS and STEP, subsequently evolved into PESTEL.

At present, the SWOT model and the product-market matrix are two of the tools most frequently used by managers. Perhaps one of the main problems is precisely the excessive popularity of these models, which has led to their oversimplification and use (and abuse) in contexts and situations very different from those originally intended. These models have been demonstrably useful for managers and have continued over the years, even though many of their users are unaware of the original models and their authors.


In the 1970s, management consulting was developed with the aim of helping major corporations in their strategic planning. Processes of growth and learning in organisations raised interest in several parts of the world, especially in the Nordic countries, and in various academic fields, such as psychology and philosophy.

- After the untimely death of James McKinsey, Marvin Bower took over as managing director of McKinsey & Company, becoming its veritable driving force over a period of 60 years. He defended that management consulting could and should reach professional standards comparable with those of medicine or law. On being entrusted by General Electric with planning the investments in its various business units, a team of consultants designed a two-dimensional grid with nine cells: the McKinsey matrix, enabling companies to decide which businesses to invest in and which to disinvest in.

- In turn, Bruce Henderson, a mechanical engineer who left Harvard Business School 90 days before graduating to work at Westinghouse (where, 18 years later, he became vice-president), in 1963 founded the strategic consulting firm Boston Consulting Group (BCG), which designed the growth-share matrix, with four quadrants represented by an image or icon (stars, question marks, cows and pets), used to visualise a company’s business portfolio and so be able to make decisions on strategic investments.
- Also at that time, in view of the fact that exports are very important for the Swedish economy, Uppsala University, the oldest in the Nordic countries, created a research centre on business internationalisation. In 1977 professors Jan Johanson and Jan-Erik Vahlne published an article in which they set forth the Uppsala model, a tool to accompany organisations in their internationalisation process through various stages, depending on the level of knowledge of the new market and the company's commitment.

- Chris Argyris, PhD in psychology and professor of organisational development at Harvard, and Donald Schön, PhD in philosophy and professor at MIT, merged their research lines and studied how individuals and organisations learn. They co-authored three books, defending the idea that an organisation is effective if it knows how to learn. They differentiated between doing things right and making sure to do things right, single-loop and double-loop learning.

- In 1972, Larry E. Greiner, a faculty member at Harvard and visiting professor at Oxford and INSEAD, published his article “Evolution and Revolution as Organizations Grow”, in which he formulated the growth stages model. For Greiner, organisations go through periods of evolution and revolution in their development process. Each evolutionary
phase generates its own crisis, and organisations develop by working their way through these stages.

Strategic consulting has developed over recent decades and now plays a prominent role in strategic planning processes, especially in large organisations. Strategic consulting firms, notably including both McKinsey & Company and Boston Consulting Group (BCG), have gone global, opening offices in the world's main cities. These consultancy firms have set up institutes and journals to conduct research and update their knowledge. In this way, BCG and McKinsey have revisited their classics and propose new portfolio models meeting the needs of a more accelerated and dynamic environment (www.bcgperspectives.com) (www.mckinsey.com/insights/mgi).

**Competitive strategies (1980-1990)**

- The industrial economics perspective made a vigorous entry into the world of business strategy with Michael Porter. His theories on the competitive dynamics of sectors and competitive strategy came to be a benchmark, even though other academics, especially Henry Mintzberg, have questioned this point of view and hold that strategy is not just planning but a broader process that includes deliberate and emergent strategies.

Michael Porter is an aeronautical engineer with an MBA from Harvard. His PhD thesis was on industrial economics, and his main contribution has been to establish a link between competitiveness and strategy through the company's strategic positioning. In 1980 he published his book *Competitive Strategy*, in which he presented the model of five competitive forces (rivalry within the industry, bargaining power of customers, bargaining power of suppliers, threat of new entrants, and threat of new substitute products or services) to analyse the evolution of the profitability of economic sectors.

In 1985, Porter published *Competitive Advantage*, putting forward his model of the three generic strategies that companies can follow to achieve a position that will offer them an advantage over their competitors: cost leadership, differentiation and focus. According to Porter, firms that have tried to compete through low costs and differentiation simultaneously have failed, being left “stuck in the middle”. He considers that it is a strategic error to want to do everything for all customers. In strategy, “no” is a very important word: the firm must decide what it does not want to do.
- **Henry Mintzberg**, a mechanical engineering graduate of Concordia with a PhD in strategy from MIT, pursued his academic career at McGill School of Management in Canada. He has been regarded as the *enfant terrible* of academe, questioning established theories through the study and description of business reality. He wanted to investigate how strategies are actually put into practice and highlighted the difference between the strategy as it was initially planned and as it ends up being carried out. He alerted that the strategy carried out is the confluence of two different pathways: deliberate strategy and emergent strategy.

- **Derek Abell** is a British aeronautical engineer who moved to the USA to take an MBA at MIT and a PhD at Harvard. In addition to his teaching activity, he has held several management posts at various academic institutions. In 1980 he published *Defining the Business: The Starting Point of Strategic Planning*, in which he proposed a definition of business through three dimensions, at all times taking into account the customers’ perspective.

- **Tom Peters** did his MBA and PhD at Stanford, served as a marine in Vietnam and in 1974 joined the strategic consulting firm McKinsey, where he led the practice of organisational efficiency. The 7-S framework is a group project by a team of consultants at McKinsey, and was set forth in the books *The Art of Japanese Management*, by Pascale and Athos, and *In Search of Excellence*, by Peters and Waterman. For this
model, the organisation is made up of seven elements beginning with the letter S that must be aligned if an organisational change is intended.

- Beyond the Anglo-Saxon world, the École des Hautes Études Commerciales (HEC), founded in 1881 by the Paris Chamber of Commerce and Industry, has not ceased to carry out its mission of disseminating modern management methods and training business leaders. In 1988 a collective effort by its Department of Strategy and Business Policy resulted in the appearance of the first edition of the book *Strategor*, an overview of enterprise providing a taxonomy of strategic alliances among companies.

Since 2001 Michael Porter has been director of the Institute for Strategy and Competitiveness (ISC), an interdisciplinary research centre within Harvard Business School ([www.isc.hbs.edu](http://www.isc.hbs.edu)), channelling its activity in courses, conferences and publications and becoming one of the leading figures in business strategy today. For his part, Henry Mintzberg has maintained an intellectual debate with Porter over the intervening years, questioning the established theories and showing that there may be other perspectives to follow. His more recent initiatives ([www.mintzberg.org](http://www.mintzberg.org)) notably include a new on-line course or GROOC (a MOOC for groups), and a book in which he reflects on “rebalancing society”.

**Resources and competences (1990-2000)**

In contrast to the external view of the firm, in these years there is a resurgence in the resource-based perspective. This is an internal view of the firm, which is seen as a set of resources and capabilities that are the main source of its competitive advantage and its strategy. Towards the end of the decade, attention was given to innovation strategies and disruptive innovations.

- The first milestone in the resource-based view of the firm was provided by Edith Penrose, who in 1959 published her book *The Theory of the Growth of the Firm*, although it was not until 1984 that Birger Wernerfelt coined the name in his article “A Resource-Based View of the Firm”. However, it was in the 1990s that the concept reached a wider audience through the books of Jay Barney, Margaret Peteraf, and Hamel and Prahalad. According to Barney, a graduate in sociology from Utah with a PhD from Yale, in order to turn these resources into sustainable competitive advantages they must be of great value, scarce and difficult to copy.
- **Gary Hamel** and **C.K. Prahalad** met at the University of Michigan when Hamel was a rebellious PhD student and Prahalad a recently hired professor. They began to work together some years later, and in 1994 they published the book *Competing for the Future*. They consider that it is not enough to improve efficiency; rather, it is necessary to reinvent oneself, but if this future vision is to be more than just a dream it must be anchored in the firm’s core competences, those capabilities that capture what an organisation does really well and is not easy for competitors to imitate.

- **Gerry Johnson**, emeritus professor at Lancaster University Management School and senior fellow of the UK Advanced Institute of Management Research (AIM), is co-author, together with **Kevan Scholes**, of one of the most popular handbooks on strategy, *Exploring Corporate Strategy*, which has several editions and a website for students and teachers. The cultural framework is a tool for analysing the firm’s organisational culture, by attempting to find out how things are done in that organisation. Culture has a great influence on strategy, as it affects the attitudes and behaviours of groups with expectations, i.e., stakeholders.

- **Robert Kaplan**, an engineering graduate from MIT with a PhD from Cornell, now teaches at Harvard Business School. Together with **David Norton**, he founded the strategic consulting firm Palladium Group (Kaplan as chairman and Norton as director)
and publicised his research and the balanced scorecard model. They defend that the balanced scorecard is a tool that turns business strategy into a set of objectives and outcome indicators to facilitate monitoring and management.

- In 1994, researcher and consultant Jim Collins and Stanford professor Jerry Porras published *Built to Last*, a book based on research on the characteristics and habits of companies that have enjoyed lasting success. Two years later they published an article in the *Harvard Business Review* on how companies that last had built a vision composed of a duality, similar to the yin and yang of Taoism: one force that preserves the core and another that stimulates progress. They are companies that have been able to manage wisely what needs to continue and what needs to be open to change.

- Clay Christensen, MBA and DBA from Harvard, and now professor at Harvard Business School, published *The Innovator’s Dilemma* in 1997. According to Christensen, all companies try to innovate, some do so incrementally, and others do so disruptively. The risk is that disruptive innovations, whether they originate from the low end of the market or a new market, may incorporate improvements in products or services that can progressively oust the sector’s leading firms, who are concentrating on listening to and meeting the demands of their existing customers.

The resource-based school of thought is having an important influence within the academic world, but its impact is relatively low in the business world. One possible explanation is that it has not found a model to facilitate its dissemination among managers and entrepreneurs, nor a figure to popularise and spread its ideas. However, Clay Christensen’s model on disruptive innovations has had a great following in the business world. Nevertheless, there is an ongoing debate on the scope and real meaning of disruptive business models, as this adjective has sometimes been employed to an abusive extent.

**Innovation and new business models (2000-2010)**

In this decade, a growing focus on innovation led to the recovery of the model developed by a rural sociologist who wanted to find out why Iowa farmers, among them his own family, were so reluctant to adopt innovations. At the same time, research was conducted on new models of innovation in firms and various approaches were taken to business models.
- In 1962 Everett Rogers, professor of rural sociology at Iowa State University, published his book *Diffusion of Innovations*, in which he analysed the process of adoption of new technologies such as the tractor among farmers in his state. According to Rogers, the process of diffusion of a technology follows a curve in which people adopt innovations at different moments and at different rates. In 1991, Geoffrey Moore adapted the model to the new technologies and coined the concept of *Crossing the Chasm*, and in 2000 Malcolm Gladwell used that of *The Tipping Point* to account for the rapid adoption of some products.

- Henry Chesbrough, a graduate in economics from Yale with an MBA from Stanford, first spent time in private enterprise before going on to become a Harvard professor, and is currently the director of the Center for Open Innovation in the University of California at Berkeley. His research suggests that the way companies innovate is undergoing a fundamental change, from an innovation model that is closed within the firm to an open innovation model, in which the firm is open to collaborating with other external institutions and organisations during the process.

- Renée Mauborgne and W. Chan Kim are INSEAD professors and co-authors of the book *Blue Ocean Strategy*, published in 2005. The aim of this strategy is not for a company to obtain better results than competitors in its current industry, but rather to
create a new market space— a blue ocean— making current competitors irrelevant. The idea is to avoid fighting in red oceans stained by the cut-throat struggle between competitors and concentrate on discovering new blue oceans, new space in which to compete.

- Lebanon-born Nassim Nicholas Taleb studied financial mathematics at the University of Paris and did an MBA at Wharton School. He has worked as a stock market analyst and as professor of uncertainty sciences at the University of Massachusetts. Through his 2007 book The Black Swan, he set forth his theories on the impact of important and highly improbable events. Although he does not develop a management model as such, his ideas on uncertainty have contributed to reflection on strategic decision-making and the need to focus on the consequences instead of the probability of something happening.

- Simon Sinek is a business consultant who became known by the public at large through a TED Talks video in which he explained the golden circle model, which has been one of the most viewed within the topic of business. He then went on to publish, in 2009, the book Start with Why, in which he defends that organisations should start their communication with “why”, followed by “how”, and finally “what”. A company’s reason for being, its “why”, guides and inspires its activity.

- Alex Ostelwalder is an entrepreneur and conference speaker with a PhD from HEC Lausanne. To disseminate his Business Model Canvas, he created a website where it could be downloaded free. He then invited users to share their experiences and the new models designed in their companies. In this way, 470 users became co-authors, alongside Alex Ostelwalder and Yves Pigneur, of the book Business Model Generation, published in 2010. The Business Model Canvas is a visual tool for developing and assessing how the company wants to create value for the customer.

It is important for managers to be aware that new communities, formed by people from both the academic world and the business world, are currently being created to develop knowledge on new strategic challenges. One example could be the Open Innovation Community (www.openinnovation.net), led by Henry Chesbrough, where the latest developments and debates on open innovation are shared. Another salient example is Strategyzer (www.strategyzer.com), captained by Alex Ostelwalder, which provides a meeting place for entrepreneurs, large corporations and academics interested in developing new business models.
The end of sustainable advantage? (2010-2020)

- **Rita Gunther McGrath** has a PhD from Wharton and is professor of strategy at Columbia Business School in New York, where she conducts research on innovation and new corporate ventures. Her book *The End of Competitive Advantage*, published in 2013, has sparked an interesting debate on the future of strategy. Taking previous work by Ian MacMillan, Kathleen Eisenhardt, Yves Doz and other leading professors as her point of departure, McGrath concludes that the traditional concepts of strategy are in need of an update, as competitive advantage is now the exception, not the norm. She claims that transient advantage is the new norm.

- **John P. Kotter** (MIT graduate and MBA and Harvard PhD) has served as professor in change management and leadership at Harvard Business School for 30 years. “Leading Change”, published in 1995, was the article in which he made known his seminal research on change management. In 2012 he published in the *Harvard Business Review* the article entitled “Accelerate!”, which received the prize for the best article of the year, and subsequently, in 2014, he turned it into a book in which he developed a model with eight steps to accelerate change and expanded the concept of dual structure, with new cases and examples.
In the current unfinished decade, there are two phenomena that are destined to transform organisations: globalisation of markets and digitisation of activities. Both are having a major impact on companies and generating a great number of theories and models. But there is insufficient historical perspective to know which of these models will be mere fads and which will be capable of standing the test of time due to their usefulness for company strategy.

In the debate on the transformation of companies that has arisen as a result of the digitisation of their activities, two opposing postures can be seen. On the one hand, a recently published study by MIT and Deloitte with a very explicit title (“Strategy, not Technology, Drives Digital Transformation”) stresses the importance of strategy as opposed to technology in the digital transformation of companies. Meanwhile, from the west coast of the US, various companies and universities place emphasis on technology as a driving force for change in the digital transformation of organisations. This will undoubtedly be a debate to follow for enquiring managers in this second decade of the century.

An invitation to take action

This tour of the last 50 years of the evolution of strategy serves as an introduction to some of the more prominent models and the people who designed them; the mind behind the idea. More and more interest is being expressed in taking a fresh look at the models that have withstood the passing of time and have therefore proven their usefulness, in the face of the disappointment and scepticism engendered by the logic of fads in the market of management ideas, the promise of those strategic models that claim to be the total and different answer to everything that went before. But this does not seek to be a historical review leading to nostalgic contemplation, but rather an invitation to action. Classics can and should coexist with the latest bestsellers on the manager’s bookshelf. The task of the leader is to read well, select these strategic tools appropriately and know how to apply them to the context of his or her organisation.

We extend an invitation, then, to move on from theory to action, from models to corporate reality. But not all models serve for all contexts. The organisation and its circumstances are the key. It is the job of managers to select the right models to build each stage of its strategy. It is important not to try to take on too much, to be selective: to determine where, how and when the models set forth can best be employed. The idea is to adapt them to each organisation and develop applications to meet specific needs. The 21st century
manager must understand the evolution of strategy in order to be the architect of tomorrow’s decisions.

Graphics: Anna Muní, strategy director at Nomon Design and co-author of the book *Las decisiones estratégicas*