

THE

STRATEGIST

BE THE LEADER

YOUR BUSINESS NEEDS



092 CYNTHIA A. MONTGOMERY

HARVARD BUSINESS SCHOOL



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ACKNOWLEDGMENTS

A CLOSING LINE FROM *Huckleberry Finn* often came to mind as I worked on this manuscript: “If I’d a knowed what a trouble it was to make a book I wouldn’t a tackled it.” Looking back on the process from this side of the finish line, I’m more impressed by the communal aspect of the project, and the good people it has brought my way.

I am grateful for financial support from the Division of Research at Harvard Business School, and for permission from *Harvard Business Review* to use parts of an article I had previously published there. I am grateful, too, for the opportunity to work with Lynda Applegate, Jackie Baugher, and Kathleen Mara in Executive Education; Cathyjean Gustafson in Morgan Hall; Imelda Dundas in Faculty Development; and Chris Allen and others at the Baker Library. One of my most rewarding collaborations was with Sharon Johnson and David Kiron as we batted around early ideas for the book.

My colleague David Yoffie’s cases on Gucci and Apple are mainstays in my executive education courses and jumping off points for two chapters in this book. More generally, the intellectual community at HBS and in particular in the Strategy group has had an enormous influence on how I see the world and what I teach.

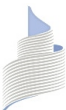
Once the book was under way, a whole new community emerged: Jim Levine, who showed me the many ways good literary agencies create value; my editor at HarperCollins, Hollis Heimbouch, whose judgment I counted on; Charles Burke, whose adept way with words bettered many rough paragraphs; and Karen Blumenthal, Kent Lineback, Susanna Margolis, and Lisa Baker who helped with various drafts of the proposal and manuscript.

It has been a privilege to work with the business owners and managers from around the world who inspired this book and made me see how much they as strategists add to their businesses. I thank them for sharing their stories and encouraging me to share mine.

On the home front, I thank my husband, Birger, who kept the candles burning when the lights went out.

**IN THE END, IT IS
IMPORTANT TO REMEMBER
THAT WE CANNOT BECOME
WHAT WE NEED TO BE BY
REMAINING WHAT WE ARE.**

**MAX DE PREE, CEO OF HERMAN MILLER,
*IN LEADERSHIP IS AN ART***





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THE STRATEGIST





INTRODUCTION

WHAT I LEARNED IN OFFICE HOURS

YOU'RE ABOUT TO get a revisionist view of strategy. It's not that what you've learned is incorrect. It's that it's incomplete.

Strategy is a fundamental course at nearly every business school in the world. I have been privileged to teach variations of it for more than thirty years—first at the University of Michigan, then at the Kellogg School at Northwestern, and for the last twenty-plus years at the Harvard Business School.

For most of that time I worked with MBA students, until the center of my teaching shifted to executive education. It was this experience, particularly a five-year stint in Harvard's Entrepreneur, Owner, President program (EOP), that inspired this book.¹ Working intimately with leaders from nearly every industry and nation as they confronted their own real-world strategic issues changed not only how I teach strategy, but, more fundamentally, how I think about it. The experience led me to challenge some of strategy's basic precepts, and ultimately to question both the culture and mind-set that have grown up around it. Even more important, teaching in EOP forced me to confront how strategy is really made in most businesses, and by whom.

All of this convinced me that it is time for a change. Time to approach strategy in a different way and time to transform the process from a mechanical, analytical activity to something deeper, more meaningful, and far more rewarding for a leader.

THE ROAD TO HERE

Fifty years ago strategy was taught as part of the general management curriculum in most business schools. In the academy as well as in practice, it was identified as the most important duty of the president—the person with overarching responsibility for setting a company's course and seeing the journey through. This vital role encompassed both formulation and implementation: thinking and doing combined.

Although strategy had considerable depth then, it didn't have much rigor. Heuristically, managers used the ubiquitous SWOT model (Strengths, Weaknesses, Opportunities, and Threats) to assess their businesses and identify attractive competitive positions. How best to do that, though, was far from clear. Other than making lists of various factors to consider, managers had few tools to help them make these judgments.

In the 1980s and '90s, my colleague Michael E. Porter broke important new ground in the field. His watershed came in firming up the Opportunities and Threats side of the analysis by bringing much-needed economic theory and empirical evidence to strategy's underpinnings, providing a far more sophisticated way to assess a firm's competitive environment. This led to a revolution in both the practice and teaching of strategy. In particular, managers came to understand the profound impact industry forces could have on the success of their businesses and how they could use that information to position their firms propitiously.

Advances over the next few decades not only refined the tools but spawned a whole new industry. Strategy in many ways became the bailiwick of specialists—legions of MBAs and strategy consultants, armed with frameworks, techniques, and data—eager to help managers ana-

lyze their industries or position their firms for strategic advantage. In truth, they had a lot to offer. My own academic training and research in this period reflected this intellectual environment, and what I did in the classroom for many years thereafter was a living embodiment of this “new” field of strategy.

In time, though, a host of unintended consequences developed from what in its own right was a very good thing. Most notably, strategy became more about formulation than implementation, and more about getting the analysis right at the outset than living with a strategy over time. Equally problematic, the leader’s unique role as arbiter and steward of strategy had been eclipsed. While countless books have been written about strategy in the last thirty years, virtually nothing has been written about the *strategist* and what this vital role requires of the person who shoulders it.

It wasn’t until years into this shift that I fully realized what had happened. It was classic Shakespeare: As a field, we had hoisted ourselves on our own petard. We had demoted strategy from the top of the organization to a specialist function. Chasing a new ideal, we had lost sight of the value of what we had—the richness of judgment, the continuity of purpose, the will to commit an organization to a particular path. With all good intentions, we had backed strategy into a narrow corner and reduced it to a left-brain exercise. In doing so, we lost much of its vitality and much of its connection to the day-to-day life of a company, and we lost sight of what it takes to lead the effort.

Teaching in the EOP program drove these insights home for me.

When I first started working with the group, I used a curriculum that was much like one I would use in any executive program. Through a series of class discussions and presentations, we discussed the enduring principles of strategy, the frameworks that capture them, and a series of case studies that brought the concepts and tensions alive. We still do that—and it’s a valuable part of what we do.

But in between class sessions, the EOP students—all accomplished executives and entrepreneurs—started to ask if they could meet me

in my office to talk about various situations they were facing in their companies. These conversations often took place at unusual hours, and sometimes lasted far into the evening. Most started out predictably enough: We talked about the conditions in their industries, the strengths and weaknesses of their own companies, and their efforts to build or extend a competitive advantage. Some discussions ended there, and a thoughtful application of whatever we'd been doing in class seemed to meet the need.

Often, though, these conversations took a different turn. Alongside all the conventional questions were ones about what to do when the limits of analysis had been reached and the way forward was still not clear; questions about when to move away from an existing competitive advantage and when to try to stay the course; questions about reinventing a business or identifying a new purpose, a new reason to matter. Even though many of the companies at issue were remarkably successful (one had grown from a start-up to \$2 billion in revenue in just nine years), almost none had the kind of long-run sustainable competitive advantage that strategy books tout as the Holy Grail.

Working with these managers, typically over three years, and hearing the stories within the stories, I came to see that we cannot afford to think of strategy as something fixed, a problem that is solved and settled. Strategy—the system of value creation that underlies a company's competitive position and uniqueness—has to be embraced as something open, not something closed. It is a system that evolves, moves, and changes.

In these late-night one-on-one conversations, I also saw something else: I saw the strategist, the human being, the leader. I saw how responsible these executives feel for getting things right. I saw how invested they are in these choices, and how much is at stake. I saw the energy and commitment they bring to this endeavor. I saw their confidential concerns, too: “Am I doing this job well? Am I providing the leadership my company needs?”

And, more than anything, I saw in these conversations the tre-

mendous potential these leaders hold in their hands, and the profound opportunity they have to make a difference in the life of a company. In those moments together, we both came to understand that if their businesses were going to pull away from the pack, to create a difference that mattered, it had to start with them.

A NEW UNDERSTANDING

In all our lives there are times of learning that transform us, that distance us from the familiar, and make us see it in new ways. For me, the EOP experience was one of those times. It not only changed some of my most central views about strategy; it gave me a new perspective on the strategist, and on the power and promise of that role.

In these pages I will share with you what I have learned. In doing so, I hope that you will gain a new understanding about what strategy is, why it matters, and what you must do to lead the effort. I also hope that you will come to see that beyond the analytics and insights of highly skilled advisors and the exhortations of “how-to” guides, there is a need for judgment, for continuity, for responsibility that rests squarely with you—as a leader.

Because this role rests with you, *The Strategist* is a personal call to action. It reinstates an essential component of the strategy-making process that has been ignored for decades: You. The leader. The person who must live the questions that matter most.

That’s why my ultimate goal here is not to “teach strategy,” but to equip and inspire you to be a strategist, a leader whose time at the helm could have a profound effect on the fortunes of your organization.



STRATEGY AND LEADERSHIP

Does your company matter?

That's the most important question every business leader must answer.

If you closed its doors today, would your customers suffer any real loss?¹ How long would it take, and how difficult would it be, for them to find another firm that could meet those needs as well as you did?

Most likely, you don't think about your company and what it does in quite this way. Even if you've hired strategy consultants, or spent weeks developing a strategic plan, the question probably still gives you pause.

If it does or if you're not sure how to respond, you're not alone.

I know this because I've spent the better part of my life working with leaders on their business strategies. Again and again, I've seen them struggle to explain why their companies truly matter. It's a difficult question.

Can you answer it?

If you cannot, or if you're uncertain of your answer, join me as I explore this question with a group of executives now gathering.

It is evening on the campus of the Harvard Business School. The kickoff orientation to the Entrepreneur, Owner, President program ("EOP" for



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UK £14.99*

ISBN 978-0-00-742668-3

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