California School of Business

Mastering Strategic Management

- Mastering Strategy: Art and Science
- Leading Strategically

Chapter 1

Mastering Strategy: Art and Science

LEARNING OBJECTIVES

After reading this chapter, you should be able to understand and articulate answers to the following questions:

1. What are strategic management and strategy?
2. Why does strategic management matter?
3. What elements determine firm performance?

Strategic Management: A Core Concern for Apple

The Opening of the Apple Store

Image courtesy of Neil Bird, http://www.flickr.com/photos/nechbi/2058929337.

March 2, 2011, was a huge day for Apple. The firm released its much-anticipated iPad2, a thinner and faster version of market-leading Apple's iPad tablet device. Apple also announced that a leading publisher, Random House, had made all seventeen thousand of its books available through Apple's iBookstore. Apple had enjoyed tremendous success for quite some time. Approximately fifteen million iPads were sold in 2010, and the price of Apple's stock had more than tripled from early 2009 to early 2011.

But future success was far from guaranteed. The firm's visionary founder Steve Jobs was battling serious health problems. Apple's performance had suffered when an earlier health crisis had forced Jobs to step away from the company. This raised serious questions. Would Jobs have to step away again? If so, how might Apple maintain its excellent performance without its leader?

Meanwhile, the iPad2 faced daunting competition. Samsung, LG, Research in Motion, Dell, and other manufacturers were trying to create tablets that were cheaper, faster, and more versatile than the iPad2. These firms were eager to steal market share by selling their tablets to current and potential Apple customers. Could Apple maintain leadership of the tablet market, or would one or more of its rivals dominate the market in the years ahead? Even worse, might a company create a new type of device that would make Apple's tablets obsolete?

1.1 Defining Strategic Management and Strategy

LEARNING OBJECTIVES

1. Learn what strategic management is.
2. Understand the key question addressed by strategic management.
3. Understand why it is valuable to consider different definitions of strategy.
4. Learn what is meant by each of the 5 Ps of strategy.

What Is Strategic Management?

Issues such as those currently faced by Apple are the focus of strategic management because they help answer the key question examined by **strategic management**[1]—"Why do some firms outperform other firms?" More specifically, strategic management examines how actions and events involving top executives (such as Steve Jobs), firms (Apple), and industries (the tablet market) influence a firm's success or failure. Formal tools exist for understanding these relationships, and many of these tools are explained and applied in this book. But formal tools are not enough; creativity is just as important to strategic management. Mastering strategy is therefore part art and part science.

This introductory chapter is intended to enable you to understand what strategic management is and why it is important. Because strategy is a complex concept, we begin by explaining five different ways to think about what strategy involves (Figure 1.1 "Defining Strategy: The Five Ps"). Next, we journey across many centuries to examine the evolution of strategy from ancient times until today. We end this chapter by presenting a conceptual model that maps out one way that executives can work toward mastering strategy. The model also provides an overall portrait of this book's contents by organizing the remaining nine chapters into a coherent whole.

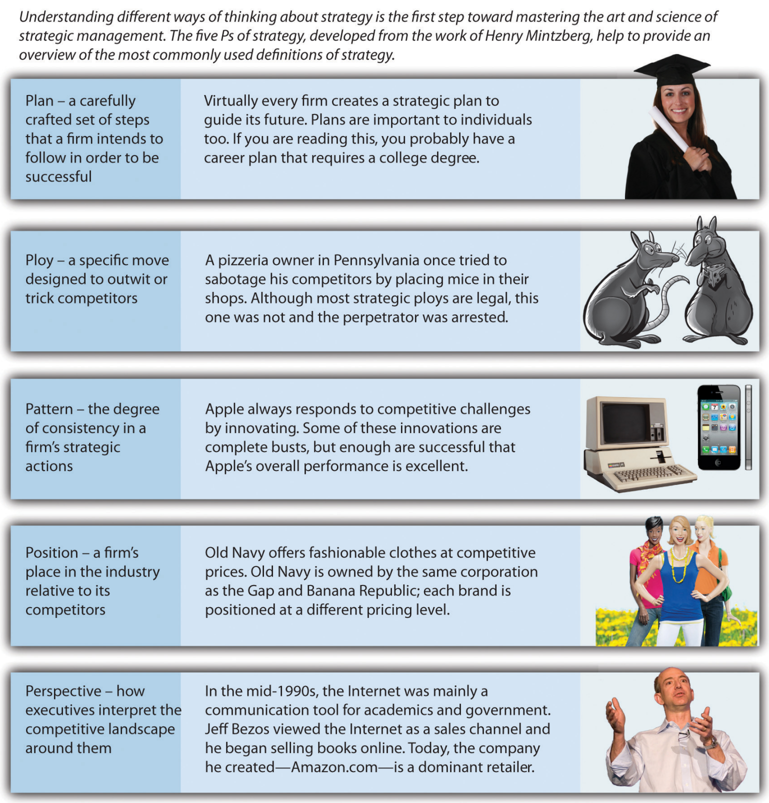
Defining Strategy: The Five Ps

Defining strategy is not simple. Strategy is a complex concept that involves many different processes and activities within an organization. To capture this complexity, Professor Henry Mintzberg of McGill University in Montreal, Canada, articulated what he labeled as "the 5 Ps of strategy." According to Mintzberg, understanding how strategy can be viewed as a plan, as a ploy, as a position, as a

1. Examines how actions and events involving top executives (such as Steve Jobs), firms (Apple), and industries (the tablet market) influence a firm's success or failure.

pattern, and as a perspective is important. Each of these five ways of thinking about strategy is necessary for understanding what strategy is, but none of them alone is sufficient to master the concept.Mintzberg, H. 1987. The strategy concept I: Five Ps for strategy. *California Management Review*, *30*(1), 11–24.

Figure 1.1 *Defining Strategy: The Five Ps*



Images courtesy of Thinkstock (first); [citation redacted per publisher request] (second); Wikipedia (third); Old Navy (fourth); James Duncan Davidson from Portland, USA (fifth).

Strategy as a Plan

Strategic plans[2] are the essence of strategy, according to one classic view of strategy. A strategic plan is a carefully crafted set of steps that a firm intends to follow to be successful. Virtually every organization creates a strategic plan to guide its future. In 1996, Apple's performance was not strong, and Gilbert F. Amelio was appointed as chief executive officer in the hope of reversing the company's fortunes. In a speech focused on strategy, Amelio described a plan that centered on leveraging the Internet (which at the time was in its infancy) and developing multimedia products and services. Apple's subsequent success selling over the

2. A carefully crafted set of steps that a firm intends to follow to be successful.

Internet via iTunes and with the iPad can be traced back to the plan articulated in 1996.Markoff, J. 1996, May 14. Apple unveils strategic plan of small steps. *New York Times*. Retrieved from http://www.nytimes.com/1996/05/14/business/apple-unveils-strategic -plan-of-small-steps.html

A **business model**[3] should be a central element of a firm's strategic plan. Simply stated, a business model describes the process through which a firm hopes to earn profits. It probably won't surprise you to learn that developing a viable business model requires that a firm sell goods or services for more than it costs the firm to create and distribute those goods. A more subtle but equally important aspect of a business model is providing customers with a good or service more cheaply than they can create it themselves.

Consider, for example, large chains of pizza restaurants such as Papa John's and Domino's.

Because these firms buy their ingredients in massive quantities, they pay far less for these items than any family could (an advantage called **economies of scale**[4]). Meanwhile, Papa John's and Domino's have developed specialized kitchen equipment that allows them to produce better-tasting pizza than can be created using the basic ovens that most families rely on for cooking. Pizza restaurants thus can make better-tasting pizzas for far less cost than a family can make itself. This business model provides healthy margins and has enabled Papa John's and Domino's to become massive firms.

Franchises such as Pizza Hut provide an example of a popular business model that has been successful worldwide.

Image courtesy of Derek Jensen, http://wikimediafoundation.org/wiki/File:Bremen-indiana-pizza-hut.jpg.

Strategic plans are important to individuals too. Indeed, a well-known proverb states that "he who fails to plan, plans to fail." In other words, being successful requires a person to lay out a path for the future and then follow that path. If you are reading this, earning a college degree is probably a key step in your strategic plan for your career. Don't be concerned if your plan is not fully developed, however. Life is full of unexpected twists and turns, so maintaining flexibility is wise for individuals planning their career strategies as well as for firms.

For firms, these unexpected twists and turns place limits on the value of strategic planning. Former heavyweight boxing champion Mike Tyson captured the limitations of strategic plans when he noted, "Everyone has a plan until I punch

3. Describes the process through which a firm hopes to earn profits.
4. A cost advantage created when a firm can produce a good or service at a lower per unit price due to producing the good or service in large quantities.

them in the face." From that point forward, strategy is less about a plan and more about adjusting to a shifting situation. For firms, changes in the behavior of competitors, customers, suppliers, regulators, and other external groups can all be sources of a metaphorical punch in the face. As events unfold around a firm, its strategic plan may reflect a competitive reality that no longer exists. Because the landscape of business changes rapidly, other ways of thinking about strategy are needed.

Strategy as a Ploy

A second way to view strategy is in terms of ploys. A **strategic ploy**[5] is a specific move designed to outwit or trick competitors. Ploys often involve using creativity to enhance success. One such case involves the mighty Mississippi River, which is a main channel for shipping cargo to the central portion of the United States. Ships traveling the river enter it near New Orleans, Louisiana. The next major port upriver is Louisiana's capital, Baton Rouge. A variety of other important ports exist in states farther upriver.

Many decades ago, the governor of Louisiana was a clever and controversial man named Huey Long. Legend has it that Long ordered that a bridge being constructed over the Mississippi River in Baton Rouge be built intentionally low to the ground. This ploy created a captive market for cargo because very large barges simply could not fit under the bridge. Large barges using the Mississippi River thus needed to unload their cargo in either New Orleans or Baton Rouge. Either way, Louisiana would benefit. Of course, owners of ports located farther up the river were not happy.

Ploys can be especially beneficial in the face of much stronger opponents. Military history offers quite a few illustrative examples. Before the American Revolution, land battles were usually fought by two opposing armies, each of which wore brightly colored clothing, marching toward each other across open fields. George Washington and his officers knew that the United States could not possibly defeat better-trained and better-equipped British forces in a traditional battle. To overcome its weaknesses, the American military relied on ambushes, hit-and-run attacks, and other guerilla moves. It even broke an unwritten rule of war by targeting British officers during skirmishes. This was an effort to reduce the opponent's effectiveness by removing its leadership.

Centuries earlier, the Carthaginian general Hannibal concocted perhaps the most famous ploy ever.

5. A specific move designed to outwit or trick competitors.

Carthage was at war with Rome, a scary circumstance for most Carthaginians given their far weaker fighting force. The Alps had never been crossed by an army. In fact, the Alps were considered such a treacherous mountain range that the Romans did not bother monitoring the part of their territory that bordered the Alps. No horse was up to the challenge, but Hannibal cleverly put his soldiers on elephants, and his army was able to make the mountain crossing. The Romans were caught completely unprepared and most of them were frightened by the sight of charging elephants. By using the element of surprise, Hannibal was able to lead his army to victory over a much more powerful enemy.

Hannibal's clever use of elephants to cross the Alps provides an example of a strategic ploy.

Image courtesy of Wikipedia, http://en.wikipedia.org/wiki/File:Hannibal3.jpg.

Ploys continue to be important today. In 2011, a pizzeria owner in Pennsylvania was accused of making a rather unique attempt to outmaneuver two rival pizza shops. According to police, the man tried to sabotage his competitors by placing mice in their pizzerias. If the ploy had not been discovered, the two shops could have suffered bad publicity or even been shut down by authorities because of health concerns. Although most strategic ploys are legal, this one was not, and the perpetrator was arrested.Reuters. 2011, March 1. Philadelphia area pizza owner used mice vs. competition—police. Retrieved from news.yahoo.com/s/nm/20110301/od_uk_nm/oukoe_uk_crime_pizza

Strategy as a Pattern

Strategy as pattern[6] is a third way to view strategy. This view focuses on the extent to which a firm's actions over time are consistent. A lack of a strategic pattern helps explain why Kmart deteriorated into bankruptcy in 2002. The company was started in the late nineteenth century as a discount department store. By the middle of the twentieth century, consistently working to be good at discount retailing had led Kmart to become a large and prominent chain.

By the 1980s, however, Kmart began straying from its established strategic pattern. Executives shifted the firm's focus away from discount retailing and toward diversification. Kmart acquired large stakes in chains involved in sporting goods (Sports Authority), building supplies (Builders Square), office supplies (OfficeMax), and books (Borders). In the 1990s, a new team of executives shifted Kmart's strategy again. Brands other than Kmart were sold off, and Kmart's strategy was adjusted to emphasize information technology and supply chain management. The next team of executives decided that Kmart's strategy would be to compete directly with its

6. The extent to which a firm's actions over time are consistent.

much-larger rival, Walmart. The resulting price war left Kmart crippled. Indeed, this last shift in strategy was the fatal mistake that drove Kmart into bankruptcy. Today, Kmart is part of Sears Holding Company, and its prospects remain uncertain.

In contrast, Apple is very consistent in its strategic pattern: It always responds to competitive challenges by innovating. Some of these innovations are complete busts. Perhaps the best known was the Newton, a tablet-like device that may have been ahead of its time. Another was the Pippin, a video game system introduced in 1996 to near-universal derision. Apple TV, a 2007 offering intended to link televisions with the Internet, also failed to attract customers. Such failures do not discourage Apple, however, and enough of its innovations are successful that Apple's overall performance is excellent. However, there are risks to following a pattern too closely. A consistent pattern can make a company predictable, a possibility that Apple must guard against in the years ahead.

Strategy as a Position

Viewing strategy as a plan, a ploy, and a pattern involve only the actions of a single firm. In contrast, the next P—**strategy as position**[7]—considers a firm and its competitors. Specifically, strategy as position refers to a firm's place in the industry relative to its competitors. McDonald's, for example, has long been and remains the clear leader among fast-food chains. This position offers both good and bad aspects for McDonald's. One advantage of leading an industry is that many customers are familiar with and loyal to leaders. Being the market leader, however, also makes McDonald's a target for rivals such as Burger King and Wendy's. These firms create their strategies with McDonald's as a primary concern. Old Navy offers another example of strategy as position. Old Navy has been positioned to sell fashionable clothes at competitive prices.

Old Navy is owned by the same corporation (Gap Inc.) as the midlevel brand the Gap and upscale brand Banana Republic. Each of these three brands is positioned at a different pricing level. The firm hopes that as Old Navy's customers grow older and more affluent, they will shop at the Gap and then eventually at Banana Republic. A similar positioning of different brands is pursued by General Motors through its Chevrolet (entry level), Buick (midlevel), and Cadillac (upscale) divisions.

Old Navy occupies a unique position as the low-cost strategy within the Gap Inc.'s fleet of brands.

Firms can carve out a position by performing certain activities in a different manner than their rivals. For example, Southwest Airlines is able to position itself as a

7. A firm's place in the industry relative to its competitors.

lower-cost and more efficient provider by not offering meals that are common among other airlines. In addition, Southwest does not assign specific seats. This allows for faster loading of passengers. Positioning a firm in this manner can only be accomplished when managers make trade-offs that cut off certain possibilities (such as offering meals and assigned seats) to place their firms in a unique strategic space. When firms position themselves through unique goods and services customers value, business often thrives. But when firms try to please everyone, they often find themselves without the competitive positioning needed for long-term success. Thus deciding what a firm is not going to do is just as important to strategy as deciding what it is going to do.Porter, M. E. 1996, November–December. What is strategy? *Harvard Business Review*, 61–79.

Image courtesy of Lindsey Turner, http://www.flickr.com/photos/theogeo/2148416495.

To gain competitive advantage and greater success, firms sometimes change positions. But this can be a risky move. Winn-Dixie became a successful grocer by targeting moderate-income customers. When the firm abandoned this established position to compete for wealthier customers and higher margins, the results were disastrous. The firm was forced into bankruptcy and closed many stores. Winn-Dixie eventually exited bankruptcy, but like Kmart, its future prospects are unclear. In contrast to firms such as Winn-Dixie that change positions, Apple has long maintained a position as a leading innovator in various industries. This positioning has served Apple well.

Strategy as a Perspective

The fifth and final P shifts the focus to inside the minds of the executives running a firm. **Strategy as perspective**[8] refers to how executives interpret the competitive landscape around them. Because each person is unique, two different executives could look at the same event—such as a new competitor emerging—and attach different meanings to it. One might just see a new threat to his or her firm's sales; the other might view the newcomer as a potential ally.

An old cliché urges listeners to "make lemons into lemonade." A good example of applying this idea through strategy as perspective is provided by local government leaders in Sioux City, Iowa. Rather than petition the federal government to change their airport's unusual call sign—SUX—local leaders decided to leverage the call sign to attract the attention of businesses and tourists to build their city's economic base. An array of clothing and other goods sporting the SUX name is available at http://www.flysux.com. Some strategists such as these local leaders are willing to take a seemingly sour situation and see the potential sweetness, while other executives remain fixated on the sourness.

8. How executives interpret the competitive landscape around them.

Executives who adopt unique and positive perspectives can lead firms to find and exploit opportunities that others simply miss. In the mid-1990s, the Internet was mainly a communication tool for academics and government agencies. Jeff Bezos looked beyond these functions and viewed the Internet as a potential sales channel. After examining a number of different markets that he might enter using the Internet, Bezos saw strong profit potential in the bookselling business, and he began selling books online. Today, the company he created—Amazon—has expanded far beyond its original focus on books to become a dominant retailer in countless different markets. The late Steve Jobs at Apple appeared to take a similar perspective; he saw opportunities where others could not, and his firm has reaped significant benefits as a result.

KEY TAKEAWAY

- Strategic management focuses on firms and the different strategies that they use to become and remain successful. Multiple views of strategy exist, and the 5 Ps described by Henry Mintzberg enhance understanding of the various ways in which firms conceptualize strategy.

EXERCISES

1. Have you developed a strategy to manage your career? Should you make it more detailed? Why or why not?
2. Identify an example of each of the 5 Ps of strategy other than the examples offered in this section.
3. What business that you visit regularly seems to have the most successful business model? What makes the business model work?

1.2 Intended, Emergent, and Realized Strategies

LEARNING OBJECTIVES

1. Learn what is meant by intended and emergent strategies and the differences between them.
2. Understand realized strategies and how they are influenced by intended, deliberate, and emergent strategies.

A few years ago, a consultant posed a question to thousands of executives: “Is your industry facing overcapacity and fierce price competition?” All but one said “yes.” The only “no” came from the manager of a unique operation—the Panama Canal! This manager was fortunate to be in charge of a venture whose services are desperately needed by shipping companies and that offers the only simple route linking the Atlantic and Pacific Oceans. The canal’s success could be threatened if transoceanic shipping was to cease or if a new canal were built. Both of these possibilities are extremely remote, however, so the Panama Canal appears to be guaranteed to have many customers for as long as anyone can see into the future.

When an organization’s environment is stable and predictable, strategic planning can provide enough of a strategy for the organization to gain and maintain success. The executives leading the organization can simply create a plan and execute it, and they can be confident that their plan will not be undermined by changes over time. But as the consultant’s experience shows, only a few executives—such as the manager of the Panama Canal—enjoy a stable and predictable situation. Because change affects the strategies of almost all organizations, understanding the concepts of intended, emergent, and realized strategies is important (Figure 1.2 "Strategic Planning and Learning: Intended, Emergent, and Realized Strategies"). Also relevant are deliberate and nonrealized strategies. The relationships among these five concepts are presented in Figure 1.3 "A Model of Intended, Deliberate, and Realized Strategy".Mintzberg, H., & Waters, J. A. 1985. Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*, 257–272.

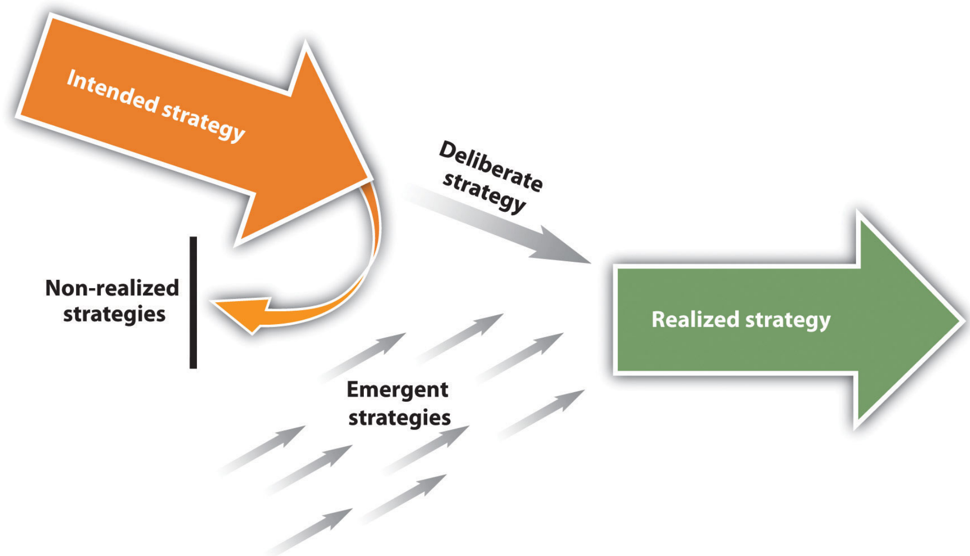
Figure 1.2 *Strategic Planning and Learning: Intended, Emergent, and Realized Strategies*

Strategic planning, usually in the form of a business plan, is a key aspect of creating a new venture. Many well-known firms, however, owe their success more to their ability to adapt than to their original plan. Most firms begin by pursuing their plans (also known as intended strategy), but unexpected opportunities that arise over time can lead firms in much different directions than could have ever been anticipated (emergent strategy). Ultimately, the intended and emergent strategies each contribute to a firm's realized strategy. In the cases below, the original intended strategy can barely be detected within today's strategy.

	Intended Strategy	Emergent Strategy	Realized Strategy
	David McConnell aspired to be a writer. When his books weren't selling he decided to give out perfume as a gimmick.	The perfumes McConnell gave out with his books were popular, inspiring the foundation of the California Perfume Company.	The company changed its name to Avon in 1939, and its direct marketing system remained popular for decades. Avon is now available online and in retail outlets worldwide.
	When father and son team Scott and Don Rasmussen were fired from the New England Whalers, they envisioned a cable television network that focused on sports events in the state of Connecticut.	As the network became successful, ESPN has branched out beyond the local softball games and demolition derbies that were first broadcasted.	ESPN is now billed as the worldwide leader in sports, owning several ESPN affiliates as well as production of ESPN magazine, ESPN radio, and broadcasting for ABC.
AS SEEN ON TV	In 1977, a cash-strapped advertiser gave a radio station managed by Lowell Paxson 112 electric can openers to pay off an overdue bill. The can openers were offered over the air for $9.95 and quickly sold out.	An idea emerged. Soon the radio station featured a regular show called "Suncoast Bargaineers." In 1982, Paxson and a partner launched the Home Shopping Club on local cable television in Florida.	Today the Home Shopping Network has evolved into a retail powerhours. The company sells tens of thousands of products on television channels in several countries and over the Internet.

Intended and Emergent Strategies

Figure 1.3 *A Model of Intended, Deliberate, and Realized Strategy*



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An **intended strategy**[9] is the strategy that an organization hopes to execute. Intended strategies are usually described in detail within an organization's strategic plan. When a strategic plan is created for a new venture, it is called a business plan. As an undergraduate student at Yale in 1965, Frederick Smith had to complete a business plan for a proposed company as a class project. His plan described a delivery system that would gain efficiency by routing packages through a central hub and then pass them to their destinations. A few years later, Smith started Federal Express (FedEx), a company whose strategy closely followed the plan laid out in his class project. Today, Frederick Smith's personal wealth has surpassed $2 billion, and FedEx ranks eighth among the World's Most Admired Companies according to *Fortune* magazine. Certainly, Smith's intended strategy has worked out far better than even he could have dreamed.Donahoe, J. A. 2011, March 10. *Forbes*: Fred Smith's fortune grows to $.21B. *Memphis Business Journal*. Retrieved from http://www.bizjournals.com/memphis/news/2011/03/10/forbes-fred-smiths-fortune-grows-to.html; *Fortune:* FedEx 8th "most admired" company in the world. *Memphis Business Journal*. Retrieved from http://www.bizjournals .com/memphis/news/2011/03/03/fortune-fedex-8th-most- admired.html

Emergent strategy has also played a role at Federal Express. An **emergent strategy**[10] is an unplanned strategy that arises in response to unexpected

9. The plan that an organization hopes to execute.

10. An unplanned direction that arises in response to unexpected opportunities and challenges.

opportunities and challenges. Sometimes emergent strategies result in disasters. In the mid-1980s, FedEx deviated from its intended strategy's focus on package delivery to capitalize on an emerging technology: facsimile (fax) machines. The firm developed a service called ZapMail that involved documents being sent electronically via fax machines between FedEx offices and then being delivered to customers' offices. FedEx executives hoped that ZapMail would be a success because it reduced the delivery time of a document from overnight to just a couple of hours. Unfortunately, however, the ZapMail system had many technical problems that frustrated customers. Even worse, FedEx failed to anticipate that many businesses would simply purchase their own fax machines. ZapMail was shut down before long, and FedEx lost hundreds of millions of dollars following its failed emergent strategy. In retrospect, FedEx had made a costly mistake by venturing outside of the domain that was central to its intended strategy: package delivery.Funding Universe. FedEx Corporation. Retrieved from http://www.fundinguniverse.com/company -histories/FedEx-Corporation-Company-History.html

Emergent strategies can also lead to tremendous success. Southern Bloomer Manufacturing Company was founded to make underwear for use in prisons and mental hospitals. Many managers of such institutions believe that the underwear made for retail markets by companies such as Calvin Klein and Hanes is simply not suitable for the people under their care. Instead, underwear issued to prisoners needs to be sturdy and durable to withstand the rigors of prison activities and laundering. To meet these needs, Southern Bloomers began selling underwear made of heavy cotton fabric.

An unexpected opportunity led Southern Bloomer to go beyond its intended strategy of serving institutional needs for durable underwear. Just a few years after opening, Southern Bloomer's performance was excellent. It was servicing the needs of about 125 facilities, but unfortunately, this was creating a vast amount of scrap fabric. An attempt to use the scrap as stuffing for pillows had failed, so the scrap was being sent to landfills. This was not only wasteful but also costly.

One day, cofounder Don Sonner visited a gun shop with his son. Sonner had no interest in guns, but he quickly spotted a potential use for his scrap fabric during this visit. The patches that the gun shop sold to clean the inside of gun barrels were of poor quality. According to Sonner, when he "saw one of those flimsy woven patches they sold that unraveled when you touched them, I said, 'Man, that's what I can do'" with the scrap fabric. Unlike other gun-cleaning patches, the patches that Southern Bloomer sold did not give off threads or lint, two by-products that hurt guns' accuracy and reliability. The patches quickly became popular with the military, police departments, and individual gun enthusiasts. Before long, Southern Bloomer was selling thousands of pounds of patches per month. A casual trip to a gun store unexpectedly gave rise to a lucrative emergent strategy.Wells, K. 2002.

Floating off the page: The best stories from the Wall Street Journal's *middle column*. New York: Simon & Shuster. Quote from page 97.

Realized Strategy

A **realized strategy**[11] is the strategy that an organization actually follows. Realized strategies are a product of a firm's intended strategy (i.e., what the firm planned to do), the firm's **deliberate strategy**[12] (i.e., the parts of the intended strategy that the firm continues to pursue over time), and its emergent strategy (i.e., what the firm did in reaction to unexpected opportunities and challenges). In the case of FedEx, the intended strategy devised by its founder many years ago—fast package delivery via a centralized hub—remains a primary driver of the firm's realized strategy. For Southern Bloomers Manufacturing Company, realized strategy has been shaped greatly by both its intended and emergent strategies, which center on underwear and gun-cleaning patches.

In other cases, firms' original intended strategies are long forgotten. A **nonrealized strategy**[13] refers to the abandoned parts of the intended strategy. When aspiring author David McConnell was struggling to sell his books, he decided to offer complimentary perfume as a sales gimmick. McConnell's books never did escape the stench of failure, but his perfumes soon took on the sweet smell of success. The California Perfume Company was formed to market the perfumes; this firm evolved into the personal care products juggernaut known today as Avon. For McConnell, his dream to be a successful writer was a nonrealized strategy, but through Avon, a successful realized strategy was driven almost entirely by opportunistically capitalizing on change through emergent strategy.

11. The plan of action that an organization actually follows.
12. Parts of the intended plan that an organization continues to pursue over time.
13. Parts of the intended plan that are abandoned.

Strategy at the Movies

The Social Network

Did Harvard University student Mark Zuckerberg set out to build a billion-dollar company with more than six hundred million active users? Not hardly. As shown in 2010's *The Social Network*, Zuckerberg's original concept in 2003 had a dark nature. After being dumped by his girlfriend, a bitter Zuckerberg created a website called "FaceMash" where the attractiveness of young women could be voted on. This evolved first into an online social network called Thefacebook that was for Harvard students only. When the network became surprisingly popular, it then morphed into Facebook, a website open to everyone. Facebook is so pervasive today that it has changed the way we speak, such as the word *friend* being used as a verb. Ironically, Facebook's emphasis on connecting with existing and new friends is about as different as it could be from Zuckerberg's original mean-spirited concept. Certainly, Zuckerberg's emergent and realized strategies turned out to be far nobler than the intended strategy that began his adventure in entrepreneurship.

The Social Network demonstrates how founder Mark Zuckerberg's intended strategy gave way to an emergent strategy via the creation of Facebook.

Image courtesy of Robert Scoble, http://www.flickr.com/photos/scobleizer/5179377698.

KEY TAKEAWAY

- Most organizations create intended strategies that they hope to follow to be successful. Over time, however, changes in an organization's situation give rise to new opportunities and challenges. Organizations respond to these changes using emergent strategies. Realized strategies are a product of both intended and realized strategies.

EXERCISES

1. What is the difference between an intended and an emergent strategy?
2. Can you think of a company that seems to have abandoned its intended strategy? Why do you suspect it was abandoned?
3. Would you describe your career strategy in college to be more deliberate or emergent? Why?

1.3 The History of Strategic Management

LEARNING OBJECTIVES

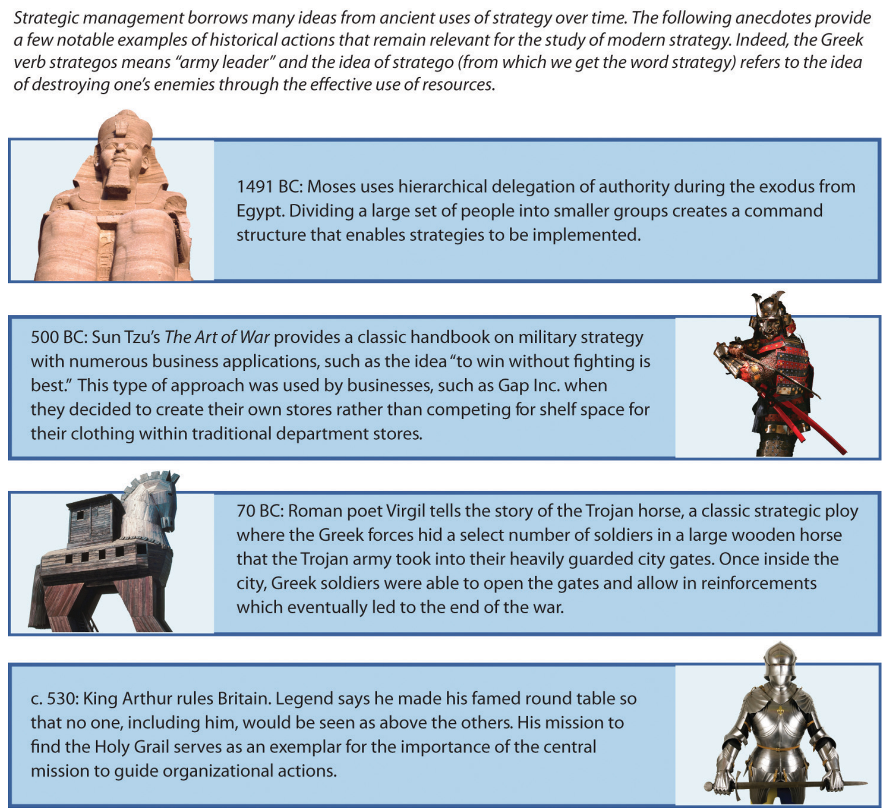
1. Consider how strategy in ancient times and military strategy can provide insights to businesses.
2. Describe how strategic management has evolved into a field of study.

Those who cannot remember the past are condemned to repeat it.

- George Santayana, The Life of Reason

Santayana's quote has strong implications for strategic management. The history of strategic management can be traced back several thousand years. Great wisdom about strategy can be acquired by understanding the past, but ignoring the lessons of history can lead to costly strategic mistakes that could have been avoided. Certainly, the present offers very important lessons; businesses can gain knowledge about what strategies do and do not work by studying the current actions of other businesses. But this section discusses two less obvious sources of wisdom: (1) strategy in ancient times and (2) military strategy. This section also briefly traces the development of strategic management as a field of study.

Figure 1.4 *Strategy in Ancient Times*



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Strategy in Ancient Times

Perhaps the earliest-known discussion of strategy is offered in the Old Testament of the Bible.Bracker, J. 1980. The historical development of the strategic management concept. *Academy of Management Review*, *5*(2), 219–224. Approximately 3,500 years ago, Moses faced quite a challenge after leading his fellow Hebrews out of enslavement in Egypt. Moses was overwhelmed as the lone strategist at the helm of a nation that may have exceeded one million people. Based on advice from his father-in-law, Moses began delegating authority to other leaders, each of whom oversaw a group of people. This hierarchical delegation of authority created a command structure that freed Moses to concentrate on the biggest decisions and helped him implement his strategies (Figure 1.4 "Strategy in Ancient Times"). Similarly, the demands of strategic management today are simply too much for a chief executive officer (the top leader of a company) to handle alone. Many important tasks are thus entrusted to vice presidents and other executives.

In ancient China, strategist and philosopher Sun Tzu offered thoughts on strategy that continue to be studied carefully by business and military leaders today. Sun Tzu's best-known work is *The Art of War*. As this title implies, Sun Tzu emphasized the creative and deceptive aspects of strategy.

One of Sun Tzu's ideas that has numerous business applications is that winning a battle without fighting is the best way to win. Apple's behavior in the personal computer business offers a good example of this idea in action. Many computer makers such as Toshiba, Acer, and Lenovo compete with one another based primarily on price. This leads to price wars that undermine the computer makers' profits. In contrast, Apple prefers to develop unique features for its computers, features that have created a fiercely loyal set of customers. Apple boldly charges far more for its computers than its rivals charge for theirs. Apple does not even worry much about whether its computers' software is compatible with the software used by most other computers. Rather than fighting a battle with other firms, Apple wins within the computer business by creating its own unique market and by attracting a set of loyal customers. Sun Tzu would probably admire Apple's approach.

Perhaps the most famous example of strategy in ancient times revolves around the Trojan horse. According to legend, Greek soldiers wanted to find a way to enter the gates of Troy and attack the city from the inside. They devised a ploy that involved creating a giant wooden horse, hiding soldiers inside the horse, and offering the horse to the Trojans as a gift. The Trojans were fooled and brought the horse inside their city. When night arrived, the hidden Greek soldiers opened the gates for their army, leading to a Greek victory. In modern times, the term *Trojan horse* refers to gestures that appear on the surface to be beneficial to the recipient but that mask a sinister intent. Computer viruses also are sometimes referred to as Trojan horses.

A far more noble approach to strategy than the Greeks' is attributed to King Arthur of Britain. Unlike the hierarchical approach to organizing Moses used, Arthur allegedly considered himself and each of his knights to have an equal say in plotting the group's strategy. Indeed, the group is thought to have held its meetings at a round table so that no voice, including Arthur's, would be seen as more important than the others. The choice of furniture in modern executive suites is perhaps revealing. Most feature rectangular meeting tables, perhaps signaling that one person—the chief executive officer—is in charge.

Another implication for strategic management offered by King Arthur and his Knights of the Round Table involves the concept of mission. Their vigorous search to find the Holy Grail (the legendary cup used by Jesus and his disciples at the Last Supper) serves as an exemplar for the importance of a central mission to guide organizational strategy and actions.

Lessons Offered by Military Strategy

Key military conflicts and events have shaped the understanding of strategic management (Figure 1.5 "Classic Military Strategy"). Indeed, the word *strategy* has its roots in warfare. The Greek verb *strategos* means "army leader" and the idea of *stratego* (from which we get the word *strategy*) refers to defeating an enemy by effectively using resources.Bracker, J. 1980. The historical development of the strategic management concept. *Academy of Management Review*, *5*(2), 219–224.

A book written nearly five hundred years ago is still regarded by many as an insightful guide for conquering and ruling territories. Niccolò Machiavelli's 1532 book *The Prince* offers clever recipes for success to government leaders. Some of the book's suggestions are quite devious, and the word *Machiavellian* is used today to refer to acts of deceit and manipulation.

Two wars fought on American soil provide important lessons about strategic management. In the late 1700s, the American Revolution pitted the American colonies against mighty Great Britain. The Americans relied on nontraditional tactics, such as guerilla warfare and the strategic targeting of British officers. Although these tactics were considered by Great Britain to be barbaric, they later became widely used approaches to warfare. The Americans owed their success in part to help from the French navy, illustrating the potential value of strategic alliances.

Nearly a century later, Americans turned on one another during the Civil War. After four years of hostilities, the Confederate states were forced to surrender. Historians consider the Confederacy to have had better generals, but the Union possessed greater resources, such as factories and railroad lines. As many modern companies have discovered, sometimes good strategies simply cannot overcome a stronger adversary.

Two wars fought on Russian soil also offer insights. In the 1800s, a powerful French invasion force was defeated in part by the brutal nature of Russian winters. In the 1940s, a similar fate befell German forces during World War II. Against the advice of some of his leading generals, Adolf Hitler ordered his army to conquer Russia. Like the French before them, the Germans were able to penetrate deep into Russian territory. As George Santayana had warned, however, the forgotten past was about to repeat itself. Horrific cold stopped the German advance. Russian forces eventually took control of the combat, and Hitler committed suicide as the Russians approached the German capital, Berlin.

Five years earlier, Germany ironically had benefited from an opponent ignoring the strategic management lessons of the past. In ancient times, the Romans had assumed that no army could cross a mountain range known as the Alps. An enemy general named Hannibal put his men on elephants, crossed the mountains, and caught Roman forces unprepared. French commanders made a similar bad assumption in 1940. When Germany invaded Belgium (and then France) in 1940, its strategy caught French forces by surprise.

The top French commanders assumed that German tanks simply could not make it through a thickly wooded region known as the Ardennes Forest. As a result, French forces did not bother preparing a strong defense in that area. Most of the French army and their British allies instead protected against a small, diversionary force that the Germans had sent as a deception to the north of the forest. German forces made it through the forest, encircled the allied forces, and started driving them toward the ocean. Many thousands of French and British soldiers were killed or captured. In retrospect, the French generals had ignored an important lesson of history: Do not make assumptions about what your adversary can and cannot do. Executives who make similar assumptions about their competitors put their organizations' performance in jeopardy.

Figure 1.5 *Classic Military Strategy*

Strategic Management as a Field of Study

Universities contain many different fields of study, including physics, literature, chemistry, computer science, and engineering. Some fields of study date back many centuries (e.g., literature), while others (such as computer science) have emerged only in recent years. Strategic management has been important throughout history, but the evolution of strategic management into a field of study has mostly taken place over the past century. A few of the key business and academic events that have helped the field develop are discussed next (Figure 1.6 "The Modern History of Strategic Management").

The ancient Chinese strategist Sun Tzu made it clear that strategic management is part art. But it is also part science. Major steps toward developing the scientific aspect of strategic management were taken in the early twentieth century by Frederick W. Taylor. In 1911, Taylor published *The Principles of Scientific Management*. The book was a response to Taylor's observation that most tasks within organizations were organized haphazardly. Taylor believed that businesses would be much more efficient if management principles were derived through scientific investigation. In *The Principles of Scientific Management*, Taylor stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks. Implementing Taylor's principles was thought to have saved railroad companies hundreds of millions of dollars.[citation redacted per publisher request]. Although many later works disputed the merits of trying to find the "one best way," Taylor's emphasis on maximizing organizational performance became the core concern of strategic management as the field developed.

Also in the early twentieth century, automobile maker Henry Ford emerged as one of the pioneers of strategic management among industrial leaders. At the time, cars seemed to be a luxury item for wealthy people. Ford adopted a unique strategic perspective, however, and boldly offered the vision that he would make cars the average family could afford. Building on ideas about efficiency from Taylor and others, Ford organized assembly lines for creating automobiles that lowered costs dramatically. Despite his wisdom, Ford also made mistakes. Regarding his company's flagship product, the Model T, Ford famously stated, "Any customer can have a car painted any color that he wants so long as it is black." When rival automakers provided customers with a variety of color choices, Ford had no choice but to do the same.

In 1912, Harvard University became the first higher education institution to offer a course focused on how business executives could lead their organizations to greater success. The approach to maximizing performance within this "business policy" course was consistent with Taylor's ideas. Specifically, the goal of the business policy course was to identify the one best response to any given problem that an organization confronted. By finding and pursuing this ideal solution, the organization would have the best chance of enjoying success.

In the 1920s, A&W Root Beer became the first franchised restaurant chain. **Franchising**[14] involves an organization (called a franchisor) granting the right to use its brand name, products, and processes to other organizations (known as franchisees) in exchange for an up-front payment (a franchise fee) and a percentage of franchisees' revenues (a royalty fee). This simple yet powerful business model allows franchisors to grow their brands rapidly and provides franchisees with the safety of a proven business format. Within a few decades, the franchising business model would fuel incredible successes for many franchisors and franchisees across a variety of industries. Today, for example, both Subway and McDonald's have more than thirty thousand restaurants carrying their brand names.

The acceptance of strategic management as a necessary element of business school programs took a major step forward in 1959. A widely circulated report created by the Ford Foundation recommended that all business schools offer a "capstone" course. The goal of this course would be to integrate knowledge across different business fields such as marketing, finance, and accounting to help students devise better ideas for addressing complex business problems. Rather than seeking a "one best way" solution, as advocated by Taylor and Harvard's business policy course, this capstone course would emphasize students' critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful in particular. The Ford Foundation report was a key motivator that led US universities to create strategic management courses in their undergraduate and master of business administration programs.

In 1962, business and academic events occurred that seemed minor at the time but that would later give rise to huge changes. Building on the business savvy that he had gained as a franchisee, Sam Walton opened the first Walmart in Rogers, Arkansas. Relying on a strategy that emphasized low prices and high levels of customer service, Walmart grew to 882 stores with a combined $8.4 billion dollars in annual sales by 1985. A decade later, sales reached $93.6 billion across nearly 3,000 stores. In 2010, Walmart was the largest company in the world. In recent years, Walmart has arguably downplayed customer service in favor of cutting costs. Time will tell whether deviating from Sam Walton's original strategic positioning will hurt the company.

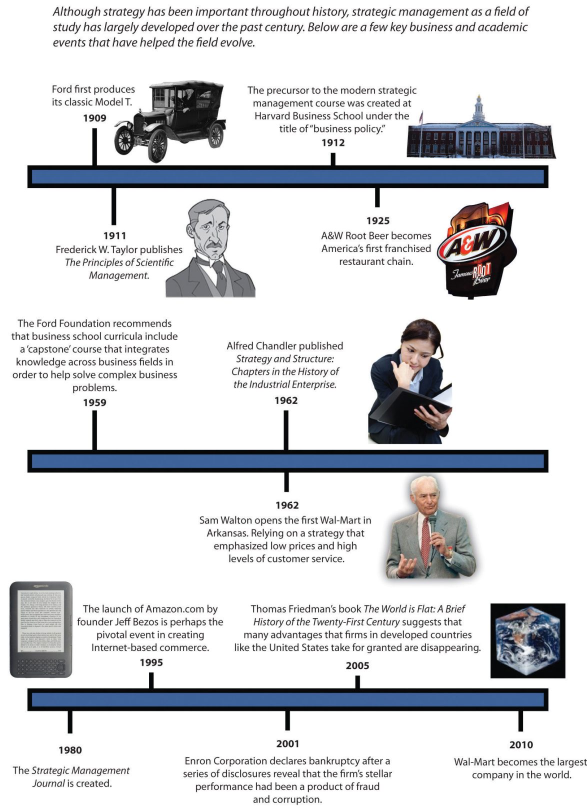
14. An organization (called a franchisor) grants the right to use its brand name, products, and processes to other organizations (known as franchisees) in exchange for an up-front payment (a franchise fee) and a percentage of franchisees' revenues (a royalty fee).

Also in 1962, Harvard professor Alfred Chandler published *Strategy and Structure: Chapters in the History of the Industrial Enterprise*. This book describes how strategy and organizational structure need to be consistent with each other to ensure strong firm performance, a lesson that Moses seems to have mastered during the Hebrews' exodus from Egypt. Many people working in the field of strategic management consider Chandler's book to be the first work of strategic management research.

Two pivotal events that firmly established strategic management as a field of study took place in 1980. One was the creation of the *Strategic Management Journal*. The introduction of the journal offered a forum for researchers interested in building knowledge about strategic management. Much like important new medical findings appear in the *Journal of the American Medical Association* and the *New England Journal of Medicine*, the *Strategic Management Journal* publishes pathbreaking insights about strategic management.

The second pivotal event in 1980 was the publication of *Competitive Strategy: Techniques for Analyzing Industries and Competitors* by Harvard professor Michael Porter. This book offers concepts such as five forces analysis and generic strategies that continue to strongly influence how executives choose strategies more than thirty years after the book's publication. Given the importance of these concepts, both five forces analysis and generic strategies are discussed in detail in Chapter 3 "Evaluating the External Environment" and Chapter 5 "Selecting Business-Level Strategies", respectively.

Figure 1.6 *The Modern History of Strategic Management*



Images courtesy of Don O'Brien, http://www.flickr.com/photos/dok1/4547024596/ (top left); Patricia Drury, http://www.flickr.com/photos/patriciadrury/3236680739/ (top right); [citation redacted per publisher request] (middle top left); Hugh Lee, http://www.flickr.com/photos/sahlgoode/5219927262/ (middle top right); © Thinkstock (middle bottom); marcosenche, http://www.flickr.com/photos/marcosenche/3613225875/ (bottom top middle); NotFromUtrecht, http://en.wikipedia.org/wiki/File:Amazon_Kindle_3.JPG (bottom right); © Thinkstock (bottom left).

Many consumers today take web-based shopping for granted, but this channel for commerce was created less than two decades ago. The 1995 launch of Amazon by founder Jeff Bezos was perhaps the pivotal event in creating Internet-based commerce. In pursuit of its vision "to be earth's most customer-centric company," Amazon has diversified far beyond its original focus on selling books and has evolved into a dominant retailer. Powerful giants have stumbled badly in Amazon's wake. Sears had sold great varieties of goods (even including entire houses) through catalogs for many decades, as had JCPenney. Neither firm created a strong online sales presence to keep pace with Amazon, and both eventually dropped their catalog businesses. As often happens with old and large firms, Sears and JCPenney were outmaneuvered by a creative and versatile upstart.

Ethics have long been an important issue within the strategic management field. Attention to the need for executives to act ethically when creating strategies increased dramatically in the early 2000s when a series of companies such as Enron Corporation, WorldCom, Tyco, Qwest, and Global Crossing were found to have grossly exaggerated the strength of their performance. After a series of revelations about fraud and corruption, investors in these firms and others lost billions of dollars, tens of thousands of jobs were lost, and some executives were sent to prison.

Like ethics, the implications of international competition are of central interest to strategic management. Provocative new thoughts on the nature of the international arena were offered in 2005 by Thomas L. Friedman. In his book *The World Is Flat: A Brief History of the Twenty-First Century*, Friedman argues that many of the advantages that firms in developed countries such as the United States, Japan, and Great Britain take for granted are disappearing. One implication is that these firms will need to improve their strategies if they are to remain successful.

Looking to the future, it appears likely that strategic management will prove to be more important than ever. In response, researchers who are interested in strategic management will work to build additional knowledge about how organizations can maximize their performance. Executives will need to keep track of the latest scientific findings. Meanwhile, they also must leverage the insights that history offers on how to be successful while trying to avoid history's mistakes.

KEY TAKEAWAY

- Although strategic management as a field of study has developed mostly over the last century, the concept of strategy is much older. Understanding strategic management can benefit greatly by learning the lessons that ancient history and military strategy provide.

EXERCISES

1. What do you think was the most important event related to strategy in ancient times?
2. In what ways are the strategic management of business and military strategy alike? In what ways are they different?
3. Do you think executives are more ethical today as a result of the scandals in the early 2000s? Why or why not?

1.4 Understanding the Strategic Management Process

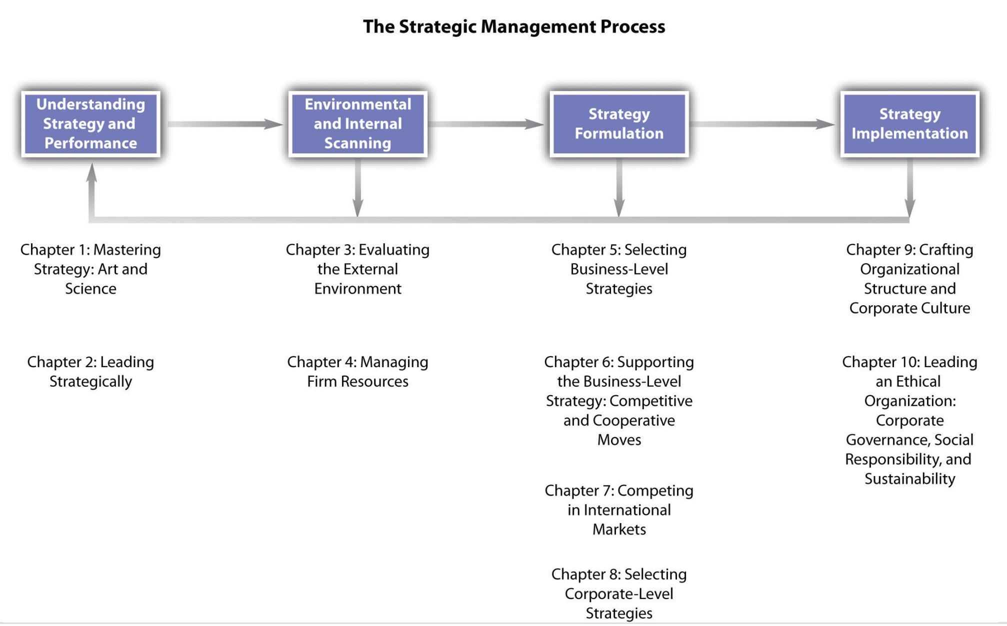
LEARNING OBJECTIVES

1. Learn the strategic management process.
2. Understand the four steps in the strategic management process.

Modeling the Strategy Process

Strategic management is a process that involves building a careful understanding of how the world is changing, as well as a knowledge of how those changes might affect a particular firm. CEOs, such as late Apple-founder Steve Jobs, must be able to carefully manage the possible actions that their firms might take to deal with changes that occur in their environment. We present a model of the strategic management process in Figure 1.7 "Overall Model of the Strategic Management Process". This model also guides our presentation of the chapters contained in this book.

Figure 1.7 *Overall Model of the Strategic Management Process*



The strategic management process begins with an understanding of strategy and performance. As we have noted in this introductory chapter, strategic management is both an art and a science, and it involves multiple conceptualizations of the notion of strategy drawn from recent and ancient history. In Chapter 2 "Leading Strategically", we focus on how leading strategically is needed if the firm is to achieve the long-term strong performance companies such as Apple have attained. Consequently, how managers understand and interpret the performance of their firms is often central to understanding strategy.

Environmental and internal scanning is the next stage in the process. Managers must constantly scan the external environment for trends and events that affect the overall economy, and they must monitor changes in the particular industry in which the firm operates. For example, Apple's decision to create the iPhone demonstrates its ability to interpret that traditional industry boundaries that distinguished the cellular phone industry and the computer industry were beginning to blur. At the same time, firms must evaluate their own resources to understand how they might react to changes in the environment. For example, intellectual property is a vital resource for Apple. Between 2008 and 2010, Apple filed more than 350 cases with the US Patent and Trademark Office to protect its use of such terms as *apple*, *pod*, and *safari*.Apple Inc. litigation. Wikipedia. Retrieved from en.wikipedia.org/wiki/Apple_Inc._ litigation

A classic management tool that incorporates the idea of scanning elements both external and internal to the firm is SWOT (strengths, weaknesses, opportunities, and threats) analysis. Strengths and weaknesses are assessed by examining the firm's resources, while opportunities and threats refer to external events and trends. The value of SWOT analysis parallels ideas from classic military strategists such as Sun Tzu, who noted the value of knowing yourself as well as your opponent. Chapter 3 "Evaluating the External Environment" examines the topic of evaluating the external environment in detail, and Chapter 4 "Managing Firm Resources" presents concepts and tools for managing firm resources.

The importance of knowing yourself and your opponent is applicable to the knowledge of strategic management for business, military strategy, and classic strategy games such as chess.

Strategy formulation is the next step in the strategic management process. This involves developing specific strategies and actions. Certainly, part of Apple's success is due to the unique products it offers the market, as well as how these products complement one another. A customer can buy an iPod that plays music from iTunes—all of which can be stored in Apple's Mac computer.Inside CRM Editors. Effective strategies Apple uses to create loyal customers [Online article]. Retrieved from http://www.insidecrm.com/features/strategies-apple-loyal -customers In Chapter 5 "Selecting Business-Level Strategies", we discuss how selecting business-level strategies helps to provide firms with a recipe that can be followed that will increase the likelihood that their strategies will be successful. In Chapter 6 "Supporting the Business-Level Strategy: Competitive and Cooperative Moves", we present insights on how firms can support the business-level strategy through competitive and cooperative moves. Chapter 7 "Competing in International Markets" presents possibilities for firms competing in international markets, and

Chapter 8 "Selecting Corporate-Level Strategies" focuses on selecting corporate-level strategies.

Strategy implementation is the final stage of the process. One important element of strategy implementation entails crafting an effective organizational structure and corporate culture. For example, part of Apple's success is due to its consistent focus on innovation and creativity that Steve Jobs described as similar to that of a start-up. Chapter 9 "Executing Strategy through Organizational Design" offers ideas on how to manage these elements of implementation. The final chapter explores how to lead an ethical organization through corporate governance, social responsibility, and sustainability.

KEY TAKEAWAY

- Strategic management is a process that requires the ability to manage change. Consequently, executives must be careful to monitor and to interpret the events in their environment, to take appropriate actions when change is needed, and to monitor their performance to ensure that their firms are able to survive and, it is hoped, thrive over time.

EXERCISES

1. Who makes the strategic decisions for most organizations?
2. Why is it important to view strategic management as a process?
3. What are the four steps of the strategic management process?
4. How is chess relevant to the study of strategic management? What other games might help teach strategic thinking?

1.5 Conclusion

This chapter provides an overview of strategic management and strategy. Ideas about strategy span many centuries, and modern understanding of strategy borrows from ancient strategies as well as classic militaries strategies. You should now understand that there are numerous ways to conceptualize the idea of strategy and that effective strategic management is needed to ensure the long-term success of firms. The study of strategic management provides tools to effectively manage organizations, but it also involves the art of knowing how and when to apply creative thinking. Knowledge of both the art and the science of strategic management is needed to help guide organizations as their strategies emerge and evolve over time. Such tools will also help you effectively chart a course for your career as well as to understand the effective strategic management of the organizations for which you will work.

EXERCISES

1. Think about the best and worst companies you know. What is extraordinary (or extraordinarily bad) about these firms? Are their strategies clear and focused or difficult to define?
2. If you were to write a "key takeaway" section for this chapter, what would you include as the material you found most interesting?

Chapter 2

Leading Strategically

LEARNING OBJECTIVES

After reading this chapter, you should be able to understand and articulate answers to the following questions:

1. What are vision, mission, and goals, and why are they important to organizations?
2. How should executives analyze the performance of their organizations?
3. In what ways can having a celebrity CEO and a strong entrepreneurial orientation help or harm an organization?

Questions Are Brewing at Starbucks

Starbucks's global empire includes this store in Seoul, South Korea.

Image courtesy of Wikimedia, http://commons.wikimedia.org/wiki/File:Starbucks-seoul.JPG.

March 30, 2011, marked the fortieth anniversary of Starbucks first store opening for business in Seattle, Washington. From its humble beginnings, Starbucks grew to become the largest coffeehouse company in the world while stressing the importance of both financial and social goals. As it created thousands of stores across dozens of countries, the company navigated many interesting periods. The last few years were a particularly fascinating era.

In early 2007, Starbucks appeared to be very successful, and its stock was worth more than $35 per share. By 2008, however, the economy was slowing, competition in the coffee business was heating up, and Starbucks's performance had become disappointing. In a stunning reversal of fortune, the firm's stock was worth less than $10 per share by the end of the year. Anxious stockholders wondered whether Starbucks's decline would continue or whether the once high-flying company would return to its winning ways.

Riding to the rescue was Howard Schultz, the charismatic and visionary founder of Starbucks who had stepped down as chief executive officer eight years earlier. Schultz again took the helm and worked to turn the company around by emphasizing its mission statement: "to inspire and nurture the human spirit—one person, one cup and one neighborhood at a time."Our Starbucks mission statement. Retrieved from http://www.starbucks.com/about-us/company-information/mission-statement. Accessed March 31, 2011. About a thousand underperforming stores were shut down permanently. Thousands of other stores closed for a few hours so that baristas could be retrained to make inspiring drinks. Food offerings were revamped to ensure that coffee—not breakfast sandwiches—were the primary aroma that tantalized customers within Starbucks's outlets.

By the time Starbucks's fortieth anniversary arrived, Schultz had led his company to regain excellence, and its stock price was back above $35 per share. In March 2011, Schultz summarized the situation by noting that "over the last three years, we've completely transformed the company, and the health of Starbucks is quite good. But I don't think this is a time to celebrate or run some victory lap. We've got a lot of work to do."Starbucks CEO: Can you "get big and stay small" [Review of the book *Onward: How Starbucks fought for its life without losing its soul* by Howard Schultz]. 2011, March 28. NPR Books. Retrieved from http://www.npr.org/2011/03/28/134738487/starbucks-ceo-can-you-get-big-and-stay-small. Indeed, important questions loomed. Could performance improve further? How long would Schultz remain with the company? Could Schultz's eventual successor maintain Schultz's entrepreneurial approach as well as keep Starbucks focused on its mission?

2.1 Vision, Mission, and Goals

LEARNING OBJECTIVES

1. Define vision and mission and distinguish between them.
2. Know what the acronym SMART represents.
3. Be able to write a SMART goal.

The Importance of Vision

Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.

- Jack Welch, former CEO of General Electric

Many skills and abilities separate effective strategic leaders like Howard Schultz from poor strategic leaders. One of them is the ability to inspire employees to work hard to improve their organization's performance. Effective strategic leaders are able to convince employees to embrace lofty ambitions and move the organization forward. In contrast, poor strategic leaders struggle to rally their people and channel their collective energy in a positive direction.

As the quote from Jack Welch suggests, a **vision**[1] is one key tool available to executives to inspire the people in an organization (Figure 2.1 "The Big Picture: Organizational Vision"). An organization's vision describes what the organization hopes to become in the future. Well-constructed visions clearly articulate an organization's aspirations. Avon's vision is "to be the company that best understands and satisfies the product, service, and self-fulfillment needs of women—globally." This brief but powerful statement emphasizes several aims that are important to Avon, including excellence in customer service, empowering women, and the intent to be a worldwide player. Like all good visions, Avon sets a high standard for employees to work collectively toward. Perhaps no vision captures high standards better than that of aluminum maker Alcoa. This firm's very ambitious vision is "to be the best company in the world—in the eyes of our customers, shareholders, communities and people." By making clear their aspirations, Alcoa's executives hope to inspire employees to act in ways that help the firm become the best in the world.

1. What the organization hopes to become in the future.

The results of a survey of one thousand five hundred executives illustrate how the need to create an inspiring vision creates a tremendous challenge for executives. When asked to identify the most important characteristics of effective strategic leaders, 98 percent of the executives listed “a strong sense of vision” first. Meanwhile, 90 percent of the executives expressed serious doubts about their own ability to create a vision.Quigley, J. V. 1994. Vision: How leaders develop it, share it, and sustain it. *Business Horizons*, *37*(5), 37–41. Not surprisingly, many organizations do not have formal visions. Many organizations that do have visions find that employees do not embrace and pursue the visions. Having a well-formulated vision employees embrace can therefore give an organization an edge over its rivals.

Figure 2.1 *The Big Picture: Organizational Vision*

Images courtesy of David Herrera, http://www.flickr.com/photos/dph1110/2672793430/ (third from the top); bfishadow, http://www.flickr.com/photos/bfishadow/3458254707/ (fourth from the top); Thinkstock and Like_the_Grand_Canyon, http://www.flickr.com/photos/like_the_grand_canyon/2406679678/, http://www.flickr.com/photos/like_the_grand_canyon/4945749010/ (fifth from the top); Scott Ehardt, http://en.wikipedia.org/wiki/File:Crest_toothpaste.jpg (bottom); other images © Thinkstock.

Mission Statements

In working to turnaround Starbucks, Howard Schultz sought to renew Starbucks's commitment to its **mission**[2] statement: "to inspire and nurture the human spirit—one person, one cup and one neighborhood at a time." A mission such as Starbucks's states the reasons for an organization's existence. Well-written mission statements effectively capture an organization's identity and provide answers to the fundamental question "Who are we?" While a vision looks to the future, a mission captures the key elements of the organization's past and present (Figure 2.2 "Missions").

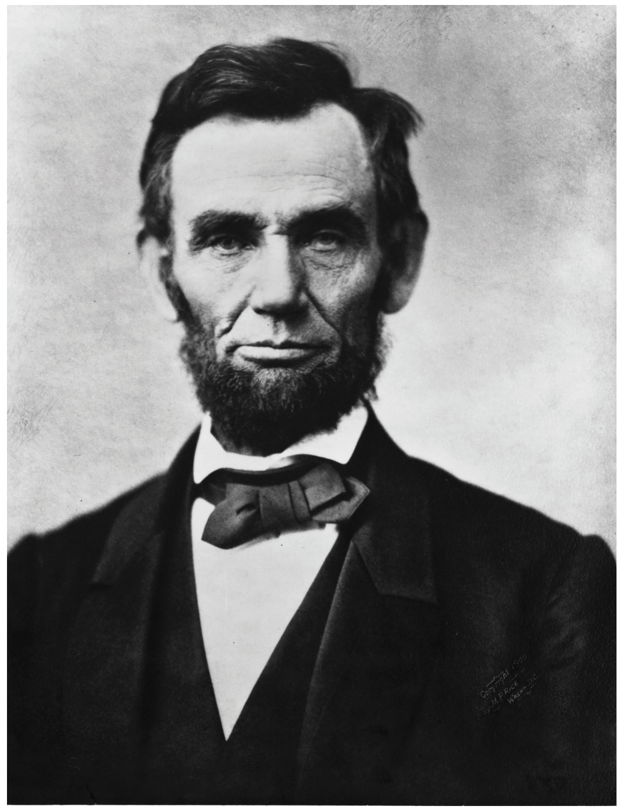
Figure 2.2 Missions

Images courtesy of Evb-wiki, http://en.wikipedia.org/wiki/File:Evb-my_hog.jpg (first); Internal Revenue Service, http://en.wikipedia.org/wiki/File:IRS.svg (second); Jeff Wilcox, http://www.flickr.com/photos/jeffwilcox/1882938710/ (third); Dwight Burdette, http://en.wikipedia.org/wiki/File:Victoria%27s_Secret_Briarwood.JPG (fifth); other images © Thinkstock.

Organizations need support from their key stakeholders, such as employees, owners, suppliers, and customers, if they are to prosper. A mission statement should explain to stakeholders why they should support the organization by

2. The reasons for an organization's existence.

making clear what important role or purpose the organization plays in society. Google's mission, for example, is "to organize the world's information and make it universally accessible and useful." Google pursued this mission in its early days by developing a very popular Internet search engine. The firm continues to serve its mission through various strategic actions, including offering its Internet browser Google Chrome to the online community, providing free e-mail via its Gmail service, and making books available online for browsing.



Many consider Abraham Lincoln to have been one of the greatest strategic leaders in modern history.

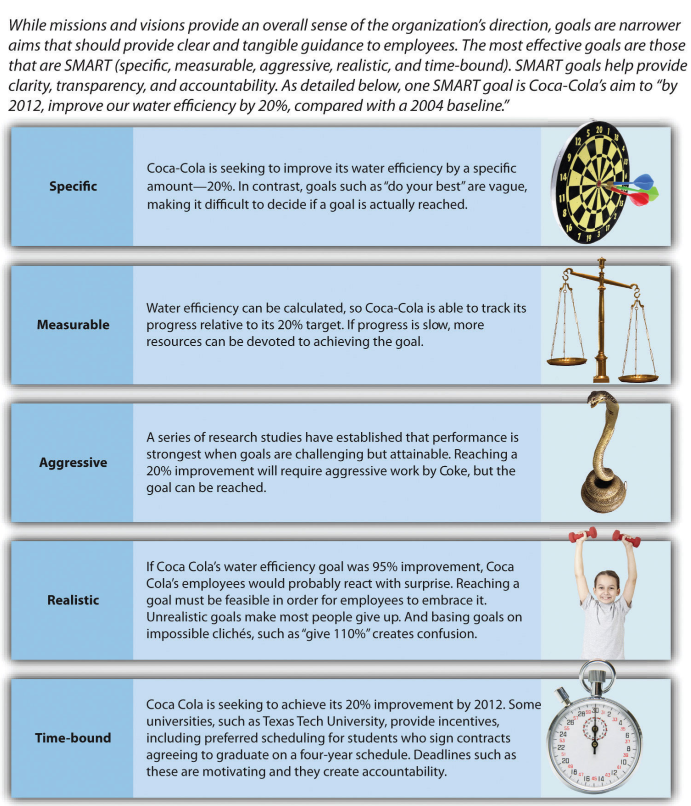
Image courtesy of Alexander Gardner, http://wikimediafoundation.org/wiki/File:Abraham_Lincoln_head_on_shoulders_photo_portrait.jpg.

One of Abraham Lincoln's best-known statements is that "a house divided against itself cannot stand." This provides a helpful way of thinking about the relationship between vision and mission. Executives ask for trouble if their organization's vision and mission are divided by emphasizing different domains. Some universities have fallen into this trap. Many large public universities were established in the late 1800s with missions that centered on educating citizens. As the twentieth century unfolded, however, creating scientific knowledge through research became increasingly important to these universities. Many university presidents responded by creating visions centered on building the scientific prestige of their schools. This created a dilemma for professors: Should they devote most of their time and energy to teaching students (as the mission required) or on their research studies (as ambitious presidents demanded via their visions)? Some universities continue to struggle with this trade-off today and remain houses divided against themselves. In sum, an organization is more effective to the extent that its vision and its mission target employees' effort in the same direction.

Pursuing the Vision and Mission through SMART Goals

An organization's vision and mission offer a broad, overall sense of the organization's direction. To work toward achieving these overall aspirations, organizations also need to create **goals**[3]—narrower aims that should provide clear and tangible guidance to employees as they perform their work on a daily basis. The most effective goals are those that are specific, measurable, aggressive, realistic, and time-bound. An easy way to remember these dimensions is to combine the first letter of each into one word: SMART (Figure 2.3 "Creating SMART Goals"). Employees are put in a good position to succeed to the extent that an organization's goals are SMART.

Figure 2.3 *Creating SMART Goals*



3. Narrower aims that organizations pursue to serve their visions and missions.

© Thinkstock

A goal is **specific** if it is explicit rather than vague. In May 1961, President John F. Kennedy proposed a specific goal in a speech to the US Congress: "I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth."Key documents in the history of space policy: 1960s. National Aeronautics and Space Administration. Retrieved from http://history.nasa.gov/spdocs.html#1960s Explicitness such as was offered in this goal is helpful because it targets people's energy. A few moments later, Kennedy made it clear that such targeting would be needed if this goal was to be reached. Going to the moon, he noted, would require "a major national commitment of scientific and technical manpower, materiel and facilities, and the possibility of their diversion from other important activities where they are already thinly spread." While specific goals make it clear how efforts should be directed, vague goals such as "do your best" leave individuals unsure of how to proceed.

A goal is **measurable** to the extent that whether the goal is achieved can be quantified. President Kennedy's goal of reaching the moon by the end of the 1960s offered very simple and clear measurability: Either Americans would step on the moon by the end of 1969 or they would not. One of Coca-Cola's current goals is a 20 percent improvement to its water efficiency by 2012 relative to 2004 water usage. Because water efficiency is easily calculated, the company can chart its progress relative to the 20 percent target and devote more resources to reaching the goal if progress is slower than planned.

A goal is **aggressive** if achieving it presents a significant challenge to the organization. A series of research studies have demonstrated that performance is strongest when goals are challenging but attainable. Such goals force people to test and extend the limits of their abilities. This can result in reaching surprising heights. President Kennedy captured this theme in a speech in September 1962: "We choose to go to the moon. We choose to go to the moon in this decade...not because [it is] easy, but because [it is] hard, because that goal will serve to organize and measure the best of our energies and skills."

In the case of Coca-Cola, reaching a 20 percent improvement will require a concerted effort, but the goal can be achieved. Meanwhile, easily achievable goals tend to undermine motivation and effort. Consider a situation in which you have done so well in a course that you only need a score of 60 percent on the final exam to earn an A for the course. Understandably, few students would study hard enough to score 90 percent or 100 percent on the final exam under these circumstances.

Similarly, setting organizational goals that are easy to reach encourages employees to work just hard enough to reach the goals.

It is tempting to extend this thinking to conclude that setting nearly impossible goals would encourage even stronger effort and performance than does setting aggressive goals. People tend to get discouraged and give up, however, when faced with goals that have little chance of being reached. If, for example, President Kennedy had set a time frame of one year to reach the moon, his goal would have attracted scorn. The country simply did not have the technology in place to reach such a goal. Indeed, Americans did not even orbit the moon until seven years after Kennedy's 1961 speech. Similarly, if Coca-Cola's water efficiency goal was 95 percent improvement, Coca-Cola's employees would probably not embrace it. Thus goals must also be **realistic**, meaning that their achievement is feasible.

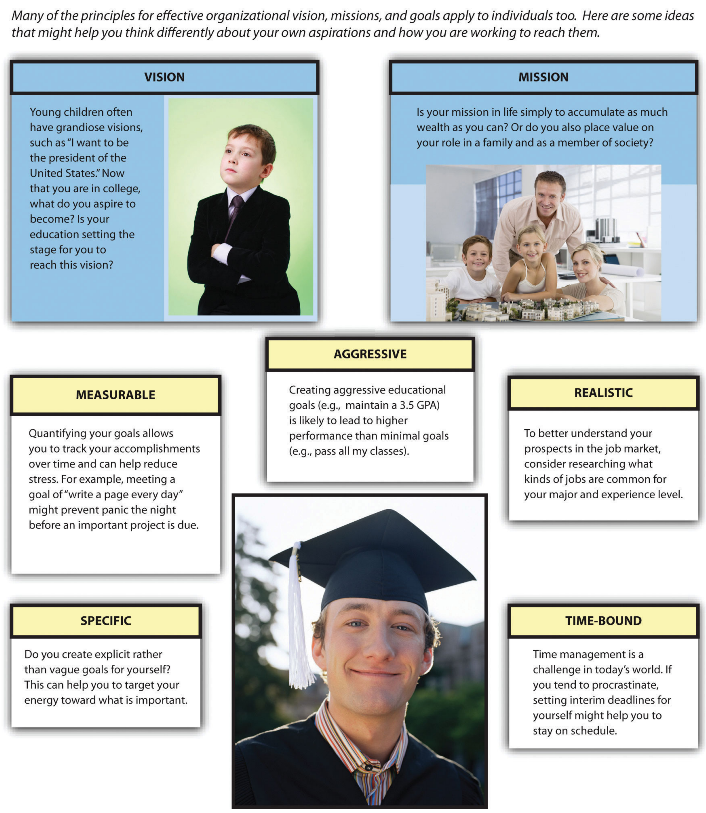
You have probably found that deadlines are motivating and that they help you structure your work time. The same is true for organizations, leading to the conclusion that goals should be **time-bound** through the creation of deadlines. Coca-Cola has set a deadline of 2012 for its water efficiency goal, for example. The deadline for President Kennedy's goal was the end of 1969. The goal was actually reached a few months early. On July 20, 1969, Neil Armstrong became the first human to step foot on the moon. Incredibly, the pursuit of a well-constructed goal had helped people reach the moon in just eight years.

Americans landed on the moon eight years after President Kennedy set a moon landing as a key goal for the United States.

Image courtesy of NASA Apollo Archive, http://upload.wikimedia.org/wikipedia/commons/8/8b/5927_NASA.jpg.

The period after an important goal is reached is often overlooked but is critical. Will an organization rest on its laurels or will it take on new challenges? The US space program again provides an illustrative example. At the time of the first moon landing, *Time* magazine asked the leader of the team that built the moon rockets about the future of space exploration. “Given the same energy and dedication that took them to the moon,” said Wernher von Braun, “Americans could land on Mars as early as 1982.”The Moon: Next, Mars and beyond. 1969, July 15. *Time*. Retrieved from http://www.time.com/time/magazine/article/0,9171,901107,00.html No new goal involving human visits to Mars was embraced, however, and human exploration of space was de-emphasized in favor of robotic adventurers. Nearly three decades after von Braun’s proposed timeline for reaching Mars expired, President Barack Obama set in 2010 a goal of creating by 2025 a new space vehicle capable of taking humans beyond the moon and into deep space. This would be followed in the mid-2030s by a flight to orbit Mars as a prelude to landing on Mars.Amos, J. 2010, April 15. Obama sets Mars goal for America. *BBC News*. Retrieved from http://news.bbc.co.uk/2/hi/8623691.stm Time will tell whether these goals inspire the scientific community and the country in general (Figure 2.4 "Be SMART: Vision, Mission, Goals, and You").

Figure 2.4 Be SMART: Vision, Mission, Goals, and You



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KEY TAKEAWAY

- Strategic leaders need to ensure that their organizations have three types of aims. A vision states what the organization aspires to become in the future. A mission reflects the organization's past and present by stating why the organization exists and what role it plays in society. Goals are the more specific aims that organizations pursue to reach their visions and missions. The best goals are SMART: specific, measurable, aggressive, realistic, and time-bound.

EXERCISES

1. Take a look at the website of your college or university. What is the organization’s vision and mission? Were they easy or hard to find?
2. As a member of the student body, do you find the vision and mission of your college or university to be motivating and inspirational? Why or why not?
3. What is an important goal that you have established for your career? Could this goal be improved by applying the SMART goal concept?

2.2 Assessing Organizational Performance

LEARNING OBJECTIVES

1. Understand the complexities associated with assessing organizational performance.
2. Learn each of the dimensions of the balanced scorecard framework.
3. Learn what is meant by a "triple bottom line."

Organizational Performance: A Complex Concept

Organizational performance[4] refers to how well an organization is doing to reach its vision, mission, and goals. Assessing organizational performance is a vital aspect of strategic management. Executives must know how well their organizations are performing to figure out what strategic changes, if any, to make. Performance is a very complex concept, however, and a lot of attention needs to be paid to how it is assessed.

Two important considerations are (1) performance measures and (2) performance referents (Figure 2.5 "How Organizations and Individuals Can Use Financial Performance Measures and Referents"). A **performance measure**[5] is a metric along which organizations can be gauged. Most executives examine measures such as profits, stock price, and sales in an attempt to better understand how well their organizations are competing in the market. But these measures provide just a glimpse of organizational performance. Performance referents are also needed to assess whether an organization is doing well. A **performance referent**[6] is a benchmark used to make sense of an organization's standing along a performance measure. Suppose, for example, that a firm has a profit margin of 20 percent in 2011. This sounds great on the surface. But suppose that the firm's profit margin in 2010 was 35 percent and that the average profit margin across all firms in the industry for 2011 was 40 percent. Viewed relative to these two referents, the firm's 2011 performance is cause for concern.

Using a variety of performance measures and referents is valuable because different measures and referents provide different information about an organization's functioning. The parable of the blind men and the elephant—popularized in Western cultures through a poem by John Godfrey Saxe in the nineteenth century—is useful for understanding the complexity associated with measuring organizational performance. As the story goes, six blind men set out to "see" what

4. How well an organization is doing at reaching its vision, mission, and goals.

5. A metric such as profits, stock price, and sales along which organizations can be gauged.

6. A benchmark such as the industry average that is used to make sense of an organization's standing along a performance measure.

an elephant was like. The first man touched the elephant's side and believed the beast to be like a great wall. The second felt the tusks and thought elephants must be like spears. Feeling the trunk, the third man thought it was a type of snake. Feeling a limb, the fourth man thought it was like a tree trunk. The fifth, examining an ear, thought it was like a fan. The sixth, touching the tail, thought it was like a rope. If the men failed to communicate their different impressions they would have all been partially right but wrong about what ultimately mattered.

Figure 2.5 *How Organizations and Individuals Can Use Financial Performance Measures and Referents*

Types of Measures	Applications for Organizations		Application for Individuals	
	Key Measure	**Key Referent**	**Key Measure**	**Key Referent**
Liquidity measures: Helpful for understanding if obligations can be paid when due.	Current ratio (Current assets/ Current liabilities)	A ratio of less than 1.0 suggests the firm does not have enough cash to pay its bills.	Cash in your checking account.	Do you have enough cash to cover your monthly debts?
Leverage measures: Helpful for understanding if debt level is too high. The term *leverage* refers to the extent to which borrowed money is used.	Debt-to-equity ratio	Competitors' debt-to-equity ratios. The use of debt varies across industries. Auto companies, for example, tend to have high debt-to-equity because they must build massive factories.	Debt-to-income ratio (Monthly debt payments / Monthly income)	If you have a debt-to-income ratio higher than 40%, you may be on the verge of becoming a credit risk.
Profitability measures: Helpful for understanding how much profit, if any, is really being made.	Net income (income after taxes)	Last year's net income. An increase shows the firm's profits are moving in the right direction.	Net income (income after taxes)	Are you making enough money to cover your yearly expenses and save for retirement?

This story parallels the challenge involved in understanding the multidimensional nature of organization performance because different measures and referents may tell a different story about the organization's performance. For example, the *Fortune* 500 lists the largest US firms in terms of sales. These firms are generally not the strongest performers in terms of growth in stock price, however, in part because they are so big that making major improvements is difficult. During the late 1990s, a number of Internet-centered businesses enjoyed exceptional growth in sales and stock price but reported losses rather than profits. Many investors in these firms who simply fixated on a single performance measure—sales growth—absorbed heavy losses when the stock market's attention turned to profits and the stock prices of these firms plummeted.

The story of the blind men and the elephant provides a metaphor for understanding the complexities of measuring organizational performance.

Image courtesy of Hanabusa Itcho, http://en.wikipedia.org/wiki/File:Blind_monks_examining_an_elephant.jpg.

The number of performance measures and referents that are relevant for understanding an organization's performance can be overwhelming, however. For example, a study of what performance metrics were used within restaurant organizations' annual reports found that 788 different combinations of measures and referents were used within this one industry in a single year.Short, J. C., & Palmer, T. B. 2003. Organizational performance referents: An empirical examination of their content and influences. *Organizational Behavior and Human Decision Processes*, *90*, 209–224. Thus executives need to choose a rich yet limited set of performance measures and referents to focus on.

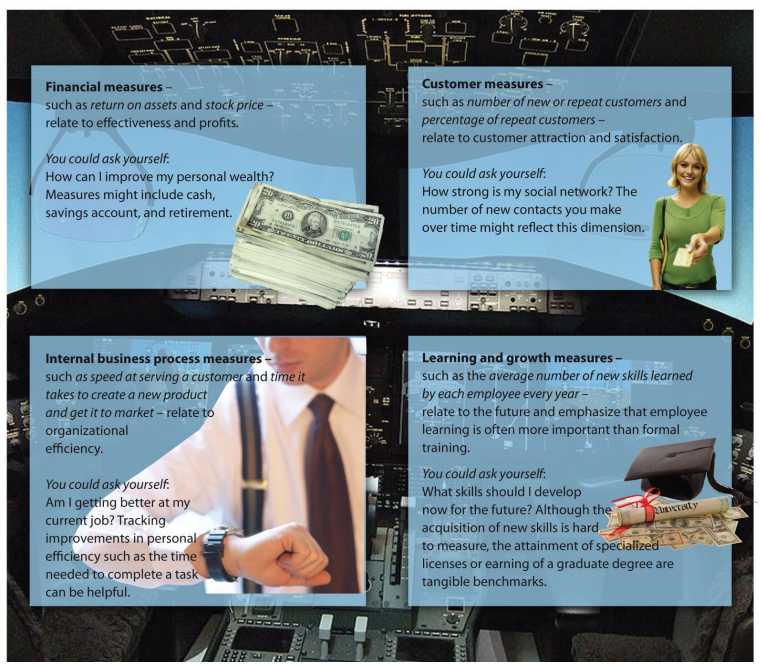
The Balanced Scorecard

To organize an organization's performance measures, Professor Robert Kaplan and Professor David Norton of Harvard University developed a tool called the **balanced**

scorecard[7]. Using the scorecard helps managers resist the temptation to fixate on financial measures and instead monitor a diverse set of important measures (Figure 2.6 "Beyond Profits: Measuring Performance Using the Balanced Scorecard"). Indeed, the idea behind the framework is to provide a "balance" between financial measures and other measures that are important for understanding organizational activities that lead to sustained, long-term performance. The balanced scorecard recommends that managers gain an overview of the organization's performance by tracking a small number of key measures that collectively reflect four dimensions: (1) financial, (2) customer, (3) internal business process, and (4) learning and growth.Kaplan, R. S., & Norton, D. 1992, February. The balanced scorecard: Measures that drive performance. *Harvard Business Review*, 70–79.

Figure 2.6 *Beyond Profits: Measuring Performance Using the Balanced Scorecard*

Because the concept of organizational performance is multidimensional, wise managers realize that understanding organizational performance is like flying a plane pilots must be on track in terms of altitude, air speed, and oil pressure and make sure they have enough gas to finish their flight plan. For tracking organizational performance, assessing how the organization is doing financially is just a starting point. The "balanced scorecard" encourages managers to also monitor how well the organization is serving customers, managing internal activities, and setting the stage for future improvements. This provides a fast but comprehensive view of the organization. As shown below, monitoring these four dimensions also can help individuals assess themselves.



Adapted from [citation redacted per publisher request]; Images © Thinkstock.

Financial Measures

Financial measures of performance relate to organizational effectiveness and profits. Examples include financial ratios such as return on assets, return on equity,

7. An approach to assessing performance that targets managers' attention on four areas: (1) financial, (2) customer, (3) internal business process, and (4) learning and growth.

and return on investment. Other common financial measures include profits and stock price. Such measures help answer the key question "How do we look to shareholders?"

Financial performance measures are commonly articulated and emphasized within an organization's annual report to shareholders. To provide context, such measures should be objective and be coupled with meaningful referents, such as the firm's past performance. For example, Starbucks's 2009 annual report highlights the firm's performance in terms of net revenue, operating income, and cash flow over a five-year period.

Customer Measures

Customer measures of performance relate to customer attraction, satisfaction, and retention. These measures provide insight to the key question "How do customers see us?" Examples might include the number of new customers and the percentage of repeat customers.

Starbucks realizes the importance of repeat customers and has taken a number of steps to satisfy and to attract regular visitors to their stores. For example, Starbucks rewards regular customers with free drinks and offers all customers free Wi-Fi access.Miller, C. 2010, June 15. Aiming at rivals, Starbucks will offer free Wi-Fi. *New York Times*. Section B, p. 1. Starbucks also encourages repeat visits by providing cards with codes for free iTunes downloads. The featured songs change regularly, encouraging frequent repeat visits.

Internal Business Process Measures

Internal business process measures of performance relate to organizational efficiency. These measures help answer the key question "What must we excel at?" Examples include the time it takes to manufacture the organization's good or deliver a service. The time it takes to create a new product and bring it to market is another example of this type of measure.

Organizations such as Starbucks realize the importance of such efficiency measures for the long-term success of its organization, and Starbucks carefully examines its processes with the goal of decreasing order fulfillment time. In one recent example, Starbucks efficiency experts challenged their employees to assemble a Mr. Potato Head to understand how work could be done more quickly.Jargon, J. 2009, August 4. Latest Starbucks buzzword: "Lean" Japanese techniques. *Wall Street Journal*, p. A1. The aim of this exercise was to help Starbucks employees in general match the speed of the firm's high performers, who boast an average time per order of twenty-five seconds.

Learning and Growth Measures

Learning and growth measures of performance relate to the future. Such measures provide insight to tell the organization, "Can we continue to improve and create value?" Learning and growth measures focus on innovation and proceed with an understanding that strategies change over time. Consequently, developing new ways to add value will be needed as the organization continues to adapt to an evolving environment. An example of a learning and growth measure is the number of new skills learned by employees every year.

One way Starbucks encourages its employees to learn skills that may benefit both the firm and individuals in the future is through its tuition reimbursement program. Employees who have worked with Starbucks for more than a year are eligible. Starbucks hopes that the knowledge acquired while earning a college degree might provide employees with the skills needed to develop innovations that will benefit the company in the future. Another benefit of this program is that it helps Starbucks reward and retain high-achieving employees.

Measuring Performance Using the Triple Bottom Line

Ralph Waldo Emerson once noted, "Doing well is the result of doing good. That's what capitalism is all about." While the balanced scorecard provides a popular framework to help executives understand an organization's performance, other frameworks highlight areas such as social responsibility. One such framework, the **triple bottom line**[8], emphasizes the three Ps of *people* (making sure that the actions of the organization are socially responsible), the *planet* (making sure organizations act in a way that promotes environmental sustainability), and traditional organization *profits*. This notion was introduced in the early 1980s but did not attract much attention until the late 1990s.

8. An approach to assessing performance that emphasizes the concerns of people (social responsibility) and the planet (environmental sustainability) in addition to profit.

The triple bottom line emphasizes the three Ps of people (social concerns), planet (environmental concerns), and profits (economic concerns).

Reproduced with permission from [citation redacted per publisher request].

In the case of Starbucks, the firm has made clear the importance it attaches to the planet by creating an environmental mission statement ("Starbucks is committed to a role of environmental leadership in all facets of our business") in addition to its overall mission.Our Starbucks mission statement. Retrieved on March 31, 2011, from http://www.starbucks.com/about-us/company-information/mission-statement. Accessed March 31, 2011. In terms of the "people" dimension of the triple bottom line, Starbucks strives to purchase coffee beans harvested by farmers who work under humane conditions and are paid reasonable wages. The firm works to be profitable as well, of course.

KEY TAKEAWAY

- Organizational performance is a multidimensional concept, and wise managers rely on multiple measures of performance when gauging the success or failure of their organizations. The balanced scorecard provides a tool to help executives gain a general understanding of their organization's current level of achievement across a set of four important dimensions. The triple bottom line provides another tool to help executives focus on performance targets beyond profits alone; this approach stresses the importance of social and environmental outcomes.

EXERCISES

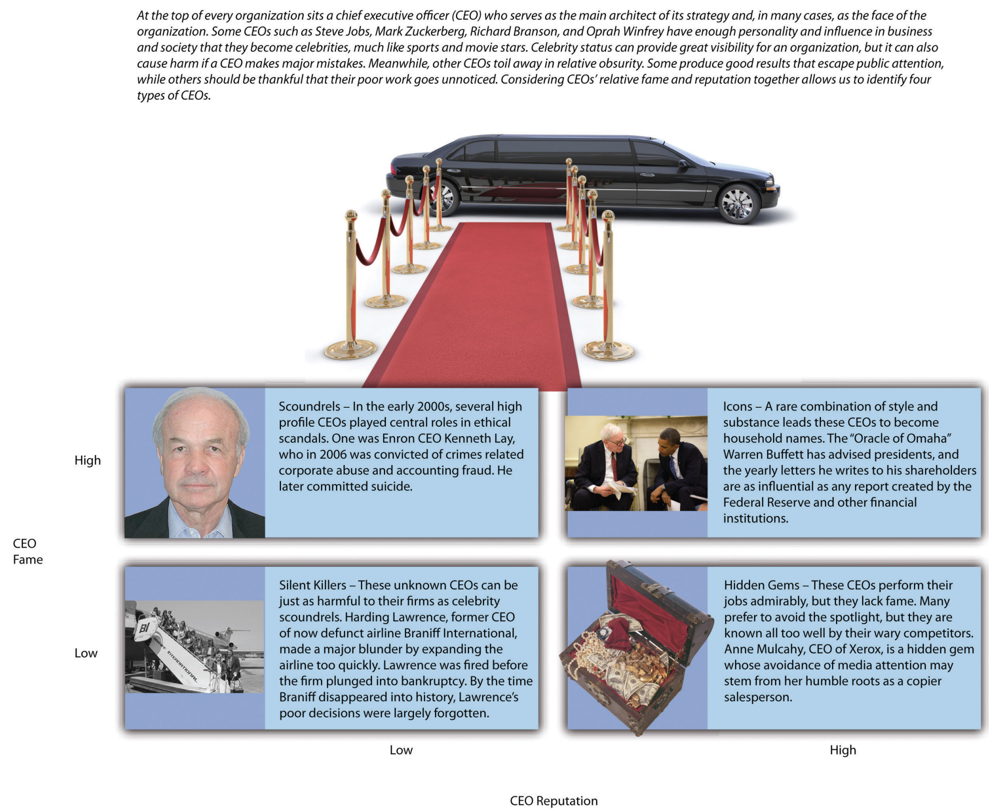
1. How might you apply the balanced scorecard framework to measure performance of your college or university?
2. Identify a measurable example of each of the balanced scorecard dimensions other than the examples offered in this section.
3. Identify a mission statement from an organization that emphasizes each of the elements of the triple bottom line.

2.3 The CEO as Celebrity

LEARNING OBJECTIVES

1. Understand the benefits and costs of CEO celebrity status.
2. List and define the four types of CEOs based on differences in fame and reputation.
3. Be able to offer an example of each of the four types of CEOs

Figure 2.7 CEO



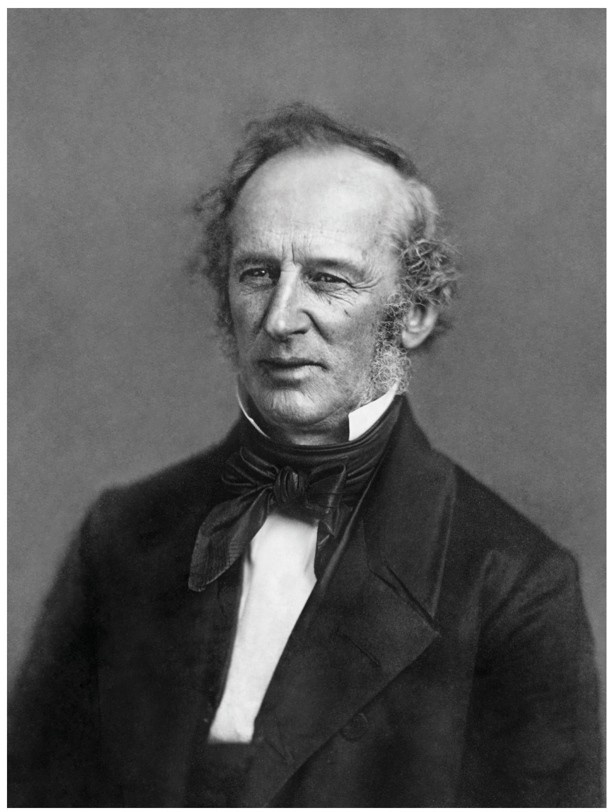
Images courtesy of United States Marshals Service, http://en.wikipedia.org/wiki/File:Ken_Lay.jpg (top left); Pete Souza, http://en.wikipedia.org/wiki/File:Buffett_%26_Obama.jpg (top right); Ed Uthman, http://www.flickr.com/photos/euthman/2109523017/ (bottom left); all other images © Thinkstock.

Benefits and Costs of CEO Celebrity

The nice thing about being a celebrity is that when you bore people, they think it's their fault.

- Henry Kissinger, former US Secretary of State

The word *celebrity* quickly brings to mind actors, sports stars, and musicians. Some CEOs, such as Bill Gates, Oprah Winfrey, Martha Stewart, and Donald Trump, also achieve celebrity status. Celebrity CEOs are not a new phenomenon. In the early twentieth century, industrial barons such as Henry Ford, John D. Rockefeller, and Cornelius Vanderbilt were household names. However, in the current era of mass and instant media, celebrity CEOs have become more prevalent and visible (Figure 2.7 "CEO").This section of the chapter is adapted from Ketchen, D., Adams, G., & Shook, C. 2008. Understanding and managing CEO celebrity. *Business Horizons*, *51*(6), 529–534.



Cornelius Vanderbilt was one of the earliest celebrity CEOs; Vanderbilt University serves as his legacy.

Image courtesy of Mathew Brady and Michel Vuijlsteke, http://en.wikipedia.org/wiki/File:Cornelius_Vanderbilt_Daguerrotype2.jpg.

Both benefits and costs are associated with CEO celebrity. As the quote from Henry Kissinger suggests, celebrity confers a mystique and reverence that can be leveraged in a variety of ways. CEO celebrity can serve as an intangible asset for the CEO's firm and may increase opportunities available to the firm. Hiring or developing a celebrity CEO may increase stock price, enhance a firm's image, and improve the morale of employees and other stakeholders. However, employing a celebrity CEO also entails risks for an organization. Increased attention to the firm via the celebrity CEO means any gaps between actual and expected firm performance are magnified. Further, if a celebrity CEO acts in an unethical or illegal manner, chances are that the CEO's firm will receive much more media attention than will other firms with similar problems.Ranft, A. L., Zinko, R., Ferris, G. R., & Buckley, M. R. 2006. Marketing the image of management: The costs and benefits of CEO reputation. *Organizational Dynamics*, *35*(3), 279–290.

There are also personal benefits and risks associated with celebrity for the CEO. Celebrity CEOs tend to receive higher compensation and job perks than their colleagues. Celebrity CEOs are likely to enjoy increased prestige power, which facilitates invitations to serve on the boards of directors of other firms and creates opportunities to network with other "managerial elites." Celebrity also can provide CEOs with a "benefit of the doubt" effect that protects against quick sanctions for downturns in firm performance and stock price. However, celebrity also creates potential costs for individuals. Celebrity CEOs face larger and more lasting reputation erosion if their job performance and behavior is inconsistent with their celebrity image. Celebrity CEOs face increased personal media scrutiny, and their friends and family must often endure increased attention into their personal and public lives. Accordingly, wise CEOs will attempt to understand and manage their celebrity status.Wade, J. B., Porac, J. F., Pollock, T. G., & Graffin, S. D. 2008. Star CEOs: Benefit or burden? *Organizational Dynamics*, *37*(2), 203–210.

Types of CEOs

Icons[9] are CEOs possessing both fame and strong reputations. The icon CEO combines style and substance in the execution of his or her job responsibilities. Mary Kay Ash, Richard Branson, Bill Gates, and Warren Buffett are good examples of icons. The late Mary Kay Ash founded Mary Kay Cosmetics Corporation. The firm's great success and Ash's unconventional motivational methods, such as rewarding sales representatives with pink Cadillacs, made her famous. Partly because she emphasized helping other women succeed and ethical business practices, Mary Kay Ash also had a very positive reputation. Richard Branson has created an empire with more than four hundred companies, including Virgin Atlantic Airways and Virgin Records. Branson's celebrity status led him to star in his own reality-based show. He has also appeared on television series such as *Baywatch* and *Friends*, in addition to several cameo appearances in major motion

9. CEOs who possess both fame and strong reputations.

pictures. Bill Gates, founder and former CEO of Microsoft, also has fame and a largely positive reputation. Gates is a proverbial "household name" in the tradition of Ford, Rockefeller, and Vanderbilt. He also is routinely listed among *Time* magazine's "100 Most Influential People" and has received "rock star" receptions in India and Vietnam in recent years.

Warren Buffett is perhaps the best-known executive in the United States. As CEO of Berkshire Hathaway, he has accumulated wealth estimated at $62 billion and was the richest person in the world as of March 2008. Buffett's business insights command a level of respect that is perhaps unrivaled. Many in the investment and policymaking communities pay careful attention to his investment choices and his commentary on economic conditions. Despite Buffett's immense wealth and success, his reputation centers on humility and generosity. Buffett avoids the glitz of Wall Street and has lived for fifty years in a house he bought in Omaha, Nebraska, for $31,000. Meanwhile, his 2006 donation of approximately $30 billion to the Bill and Melinda Gates Foundation was the largest charitable gift in history.

Former Microsoft CEO Bill Gates exemplifies a CEO who has reached icon status.

Image courtesy of World Economic Forum, http://en.wikipedia.org/wiki/File:Bill_Gates_in_WEF_,2007.jpg.

CEOs who display high levels of relative fame but low levels of reputation are in the group called **scoundrels**[10]. These CEOs are well known but vilified. The late Leona Helmsley was a prototypical scoundrel. Leona Helmsley's life was a classic rags-to-riches story. Born to immigrant parents, Helmsley became a billionaire through her work as the head of an extensive hotel and real estate empire. While certainly famous, her reputation was anything but positive, as reflected by her nickname: the Queen of Mean. During Helmsley's trial for tax fraud, her housekeeper quoted her as proclaiming, "We don't pay taxes. Only the little people pay taxes." Following twenty-one months in jail, Helmsley was required to perform 750 hours of community service. One hundred fifty hours were added to this sentence after it was discovered that employees had performed some of her service hours. Helmsley's apparent arrogance, combined with her cruelty to employees and her reputation as the ultimate workplace bully, cemented her position as a scoundrel.

The corporate governance scandals of the early 2000s revealed several CEOs as scoundrels. Perhaps the best known were Kenneth Lay and Dennis Kozlowski. Both men rose to prominence as their firms' success and stock prices soared but were undone by dubious activities. Lay was once revered as the son of a poor minister

10. CEOs who display high levels of relative fame but low levels of reputation.

who founded Enron and built it into a giant in the energy business. In 2001, however, he became the face of corporate abuses in the United States after Enron's collapse led to scenes, captured on television, of employees left jobless and with retirement accounts full of worthless Enron stock. Lay was convicted of fraud in 2006 but died before sentencing.

Also born to a poor family, Kozlowski started at Tyco as an accountant and worked his way up to the executive suite. In May 2001, a *BusinessWeek* cover story lauded Kozlowski as "the most aggressive CEO" in the country and detailed his strategy for building Tyco into the next General Electric by using acquisitions to gain the first or second position in all the industries in which it competed. By 2002, Kozlowski's reputation was in jeopardy. He was indicted for avoiding more than $1 million in sales taxes on art purchases. Media stories described in detail a $2 million birthday party Kozlowski threw for his wife (billing half of it to Tyco as a company function), a $19 million apartment Tyco purchased for him, and $11 million worth of furnishings for the apartment (including an infamous $6,000 shower curtain). Accusations that Kozlowski and another Tyco executive stole hundreds of millions of dollars from the firm ultimately led to a prison sentence of eight to twenty-five years.

Hidden gems[11] are CEOs who lack fame but possess positive reputations. These CEOs toil in relative obscurity while leading their firms to success. Their skill as executives is known mainly by those in their own firm and by their competitors. In many cases, the firm has some renown due to its success, but the CEO stays unknown. For example, consider the case of Anne Mulcahy. Mulcahy, CEO of Xerox, started her career at Xerox as a copier salesperson. Despite building an excellent reputation by rescuing Xerox from near bankruptcy, Mulcahy eschews fame and publicity. While being known for successfully leading Xerox by example and being willing to fly anywhere to meet a customer, she avoids stock analysts and reporters.

Silent killers[12] are the fourth and final group of CEOs. These CEOs are overlooked and ignored sources of harm to their firms. While scoundrels are closely monitored and scrutinized by the media, it may be too late before the poor ethics or incompetence of the silent killers is detected. In this sense, silent killers are sometimes worse than scoundrels. One example of a silent killer is Harding Lawrence, former CEO of defunct Braniff International. Lawrence initiated a massive expansion of the airline following industry deregulation in the late 1970s. The result was a bloated firm, ill-equipped to survive the extremely competitive setting that evolved in the early 1980s. Howard Putnam, the CEO of a small regional carrier named Southwest Airlines, was hired in a failed effort to save the company. By the time Braniff went bankrupt, Putnam was left to explain its demise, and the name of the main culprit was all but forgotten. Ironically, had Putnam declined the

11. CEOs who lack fame but possess positive reputations.

12. CEOs who are overlooked and ignored sources of harm to their firms.

opportunity to try to save Braniff, perhaps he and not Herb Kelleher would have become an icon at the helm of Southwest.

Strategy at the Movies

Iron Man

Has Tony Stark gone crazy? This was the question that many stakeholders of Stark Industries were asking themselves in the 2008 blockbuster *Iron Man*. Tony Stark, CEO of Stark Industries, stunned his shareholders, employees, and the world when he announced that he was changing Stark Industries' mission from being one of the world's leading weapons manufacturers to being a socially responsible, clean energy producer. Following his announcement, Stark faced fierce opposition from his board of directors, employees, the media, and clients such as the US military. The changes at Stark Industries attracted tremendous attention in part because of the glamorous Stark's status as a celebrity CEO. Initially, Stark is seen by the public as a scoundrel that pays little attention to the social impact his company makes. After shifting the direction of Stark Industries, however, Stark is viewed as an icon that is just as attentive to the social performance of the company as he is to its financial performance. *Iron Man* illustrates that while changing elements such as firm mission and CEO status is difficult, it is not impossible.

Iron Man: The Greatest Creation of Fictional Celebrity CEO Tony Stark

Image courtesy of Pop Culture Geek, http://www.flickr.com/

photos/popculturegeek/4858995531.

Celebrity Rehabilitation

Anything I say or do is now at risk of showing up on the front page of a national daily newspaper and therefore, I need to be much more conscious about the implications of everything that I say or do in all situations.

- John Mackey, CEO of Whole Foods Market

Achieving the level of success that brings about celebrity is seldom a completely smooth process. Even well-regarded celebrity CEOs seldom have totally untarnished reputations. Bill Gates has been portrayed as a ruthless and devious genius, for example, while General Electric CEO Jack Welch was attacked in media outlets for an extramarital affair.

One of the more interesting recent cases of a tarnished reputation centers on John Mackey, founder and CEO of Whole Foods Market. His strategy of offering organic food and high levels of service allowed Whole Foods to carve out a profitable and growing niche in an industry whose overall margins have been squeezed as Walmart's Supercenters have gained market share. Under Mackey's leadership, Whole Food's stock price tripled from 2001 to 2006. Mackey's efforts to make food supplies healthier and his teamwork-centered management approach attracted publicity, and he appeared headed for icon status.

But in 2007 Mackey and Whole Foods were embarrassed by the revelation that Mackey had been anonymously posting negative information about a rival, Wild Oats, online. Through his online persona "rahodeb" (a scrambling of his wife's name), Mackey asserted that Wild Oats' stock was overpriced and that the firm was headed toward bankruptcy. This was viewed by some observers as a possible effort to manipulate Wild Oats' stock price prior to a proposed acquisition by Whole Foods. Meanwhile, in e-mails to other Whole Foods executives, Mackey noted that the acquisition of Wild Oats could allow them to avoid "nasty price wars." This caught the eye of Federal Trade Commission (FTC) regulators who were concerned about the antitrust implications of the acquisition.

What should a CEO do when his or her reputation takes a hit? As the old saying goes, honesty is the best policy. An example is offered by David Neeleman, founder and CEO of JetBlue. The reputations of JetBlue and Neeleman took a severe blow after a widely reported February 2007 debacle in which travelers were stranded in airplanes for excessive periods of time during a busy holiday weekend. Neeleman took a giant step toward restoring both his and JetBlue's reputation by issuing a public, heartfelt apology. He not only issued a written apology to customers but also bought full-page advertisements in newspapers, posted a video apology online, and created a new "bill of rights" for JetBlue customers.

Whole Foods CEO John Mackey's celebrity status was amplified when it was revealed that he had posted negative information online about competitor Wild Oats.

Image courtesy of Joe M500, http://en.wikipedia.org/wiki/File:John_Mackey,_of_Whole_Foods_in_2009.jpg.

Mackey apologized for his actions via his blog in 2008. As part of this apology, Mackey acknowledged that he had failed to recognize how expectations change when one becomes a celebrity. Mackey noted that when Whole Foods was a smaller company, "I was seldom interviewed and few people knew or cared who I was. I wasn't a public figure and had no desire to become one." As his company grew, however, Mackey became subject to more scrutiny. As Mackey put it, "At some point in the past 10 years I went from being a relatively unknown person to becoming a public figure. I regret not having the wisdom to recognize this fact until very recently."John Mackey's blog. 2008, May 21. Re: Apology. Retrieved from http://www2.wholefoodsmarket.com/blogs/jmackey/2008/05/21/back-to-blogging/#more-26. A big part of managing celebrity status is realizing that one is in fact a celebrity.

KEY TAKEAWAY

- The media exposure common to modern CEOs provides the opportunity for such top executives to reach celebrity status. While this status can provide positive benefits to their firms such as increased performance, CEOs should be aware of and manage the potential for increased scrutiny associated with this status.

EXERCISES

1. Can you identify another example of a celebrity CEO, such as Cornelius Vanderbilt, that existed prior to the 1900s?
2. Identify examples of icons, scoundrels, hidden gems, and silent killers other than the examples offered in this section.
3. Would you enjoy the media attention associated with CEO celebrity, or would you prefer to hide from the limelight? Does your answer have implications for your future career choices?

2.4 Entrepreneurial Orientation

Figure 2.8 Understanding Entrepreneurial Orientation

Images courtesy of Evan-Amos, http://en.wikipedia.org/wiki/File:Xbox_console.png (first); Jeff Foust, http://www.flickr.com/photos/jfoust/5106876200/ (fifth); other images © Thinkstock. Adapted from Certo, S.T., Moss, T.W., & Short, J.C. (2009). Entrepreneurial orientation: An applied perspective. Business Horizons. 52: 319-324.

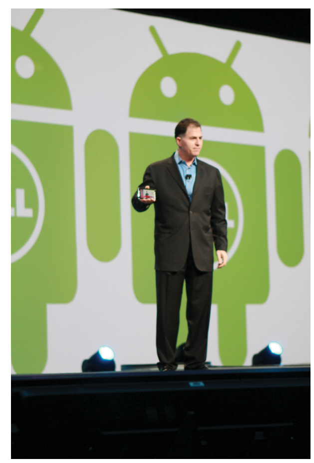
LEARNING OBJECTIVES

1. Understand how thinking and acting entrepreneurially can help organizations and individuals.
2. List and define the five dimensions of an entrepreneurial orientation.

The Value of Thinking and Acting Entrepreneurially

When asked to think of an entrepreneur, people typically offer examples such as Howard Schultz, Estée Lauder, and Michael Dell—individuals who have started their own successful businesses from the bottom up that generated a lasting impact on society. But entrepreneurial thinking and doing are not limited to those who begin in their garage with a new idea, financed by family members or personal savings. Some people in large organizations are filled with passion for a new idea, spend their time championing a new product or service, work with key players in the organization to build a constituency, and then find ways to acquire the needed resources to bring the idea to fruition. Thinking and behaving entrepreneurially can help a person's career too. Some enterprising individuals successfully navigate through the environments of their respective organizations and maximize their own career prospects by identifying and seizing new opportunities (Figure 2.8 "Understanding Entrepreneurial Orientation").This section is adapted from Certo, S. T., Moss, T. W., & Short, J. C. 2009. Entrepreneurial orientation: An applied perspective. *Business Horizons*, *52*, 319–324.

In the 1730s, Richard Cantillon used the French term *entrepreneur*, or literally "undertaker," to refer to those who undertake self-employment while also accepting an uncertain return. In subsequent years, entrepreneurs have also been referred to as innovators of new ideas (Thomas Edison), individuals who find and promote new combinations of factors of production (Bill Gates' bundling of Microsoft's products), and those who exploit opportunistic ideas to expand small enterprises (Mark Zuckerberg at Facebook). The common elements of these conceptions of entrepreneurs are that they do something new and that some individuals can make something out of opportunities that others cannot.



As a college student, Michael Dell demonstrated an entrepreneurial orientation by starting a computer-upgrading business in his dorm room. He later founded Dell Inc.

Image courtesy of Ilan Costica, http://en.wikipedia.org/wiki/File:Michael_Dell_at_Oracle_OpenWorld.JPG.

Entrepreneurial orientation (EO)[13] is a key concept when executives are crafting strategies in the hopes of doing something new and exploiting opportunities that other organizations cannot exploit. EO refers to the processes, practices, and decision-making styles of organizations that act entrepreneurially.Lumpkin, G. T., & Dess, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, *21*, 135–172. Any organization's level of EO can be understood by examining how it stacks up relative to five dimensions:

13. The processes, practices, and decision-making styles of organizations that act entrepreneurially.

(1) autonomy, (2) competitive aggressiveness, (3) innovativeness, (4) proactiveness, (5) and risk taking. These dimensions are also relevant to individuals.

Autonomy

Autonomy[14] refers to whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion. In an organization that offers high autonomy, people are offered the independence required to bring a new idea to fruition, unfettered by the shackles of corporate bureaucracy. When individuals and teams are unhindered by organizational traditions and norms, they are able to more effectively investigate and champion new ideas.

Some large organizations promote autonomy by empowering a division to make its own decisions, set its own objectives, and manage its own budgets. One example is Sony's PlayStation group, which was created by chief operating officer (COO) Ken Kutaragi, largely independent of the Sony bureaucracy. In time, the PlayStation business was responsible for nearly all Sony's net profit. Because of the success generated by the autonomous PlayStation group, Kutaragi later was tapped to transform Sony's core consumer electronics business into a PlayStation clone. In some cases, an autonomous unit eventually becomes completely distinct from the parent company, such as when Motorola spun off its successful semiconductor business to create Freescale.

Competitive Aggressiveness

Competitive aggressiveness[15] is the tendency to intensely and directly challenge competitors rather than trying to avoid them. Aggressive moves can include price-cutting and increasing spending on marketing, quality, and production capacity. An example of competitive aggressiveness can be found in Ben & Jerry's marketing campaigns in the mid-1980s, when Pillsbury's Häagen-Dazs attempted to limit distribution of Ben & Jerry's products. In response, Ben & Jerry's launched their "What's the Doughboy Afraid Of?" advertising campaign to challenge Pillsbury's actions. This marketing action was coupled with a series of lawsuits—Ben & Jerry's was competitively aggressive in both the marketplace and the courtroom.

Although aggressive moves helped Ben & Jerry's, too much aggressiveness can undermine an organization's success. A small firm that attacks larger rivals, for example, may find itself on the losing end of a price war. Establishing a reputation for competitive aggressiveness can damage a firm's chances of being invited to join collaborative efforts such as joint ventures and alliances. In some industries, such as the biotech industry, collaboration is vital because no single firm has the knowledge

14. Whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.

15. The tendency to intensely and directly challenge competitors.

and resources needed to develop and deliver new products. Executives thus must be wary of taking competitive actions that destroy opportunities for future collaborating.

Innovativeness

Innovativeness[16] is the tendency to pursue creativity and experimentation. Some innovations build on existing skills to create incremental improvements, while more radical innovations require brand-new skills and may make existing skills obsolete. Either way, innovativeness is aimed at developing new products, services, and processes. Those organizations that are successful in their innovation efforts tend to enjoy stronger performance than those that do not.

Known for efficient service, FedEx has introduced its Smart Package, which allows both shippers and recipients to monitor package location, temperature, and humidity. This type of innovation is a welcome addition to FedEx's lineup for those in the business of shipping delicate goods, such as human organs. How do firms generate these types of new ideas that meet customers' complex needs? Perennial innovators 3M and Google have found a few possible answers. 3M sends nine thousand of its technical personnel in thirty-four countries into customers' workplaces to experience firsthand the kinds of problems customers encounter each day. Google's two most popular features of its Gmail, thread sorting and unlimited e-mail archiving, were first suggested by an engineer who was fed up with his own e-mail woes. Both firms allow employees to use a portion of their work time on projects of their own choosing with the goal of creating new innovations for the company. This latter example illustrates how multiple EO dimensions—in this case, autonomy and innovativeness—can reinforce one another.

Ben & Jerry's displays innovativeness by developing a

16. The tendency to pursue creativity and experimentation.

series of offbeat and creative flavors over time.

Image courtesy of theimpulsivebuy, http://www.flickr.com/photos/theimpulsivebuy/5613901887/sizes/m/in/photostream.

Proactiveness

Proactiveness[17] is the tendency to anticipate and act on future needs rather than reacting to events after they unfold. A proactive organization is one that adopts an opportunity-seeking perspective. Such organizations act in advance of shifting market demand and are often either the first to enter new markets or "fast followers" that improve on the initial efforts of first movers.

Consider Proactive Communications, an aptly named small firm in Killeen, Texas. From its beginnings in 2001, this firm has provided communications in hostile environments, such as Iraq and areas impacted by Hurricane Katrina. Being proactive in this case means being willing to don a military helmet or sleep outdoors—activities often avoided by other telecommunications firms. By embracing opportunities that others fear, Proactive's executives have carved out a lucrative niche in a world that is technologically, environmentally, and politically turbulent.Choi, A. S. 2008, April 16. PCI builds telecommunications in Iraq. *Bloomberg Businessweek*. Retrieved from http://www.businessweek.com/magazine/content/08_64/s0804065916656.htm.

Risk Taking

Risk taking[18] refers to the tendency to engage in bold rather than cautious actions. Starbucks, for example, made a risky move in 2009 when it introduced a new instant coffee called VIA Ready Brew. Instant coffee has long been viewed by many coffee drinkers as a bland drink, but Starbucks decided that the opportunity to distribute its product in a different format was worth the risk of associating its brand name with instant coffee.

Although a common belief about entrepreneurs is that they are chronic risk takers, research suggests that entrepreneurs do not perceive their actions as risky, and most take action only after using planning and forecasting to reduce uncertainty.Simon, M., Houghton, S. M., & Aquino, K. 2000. Cognitive biases, risk perception, and venture formation: How individuals decide to start companies. *Journal of Business Venturing*, *14*, 113–134. But uncertainty seldom can be fully eliminated. A few years ago, Jeroen van der Veer, CEO of Royal Dutch Shell PLC, entered a risky energy deal in Russia's Far East. At the time, van der Veer conceded that it was too early to know whether the move would be successful.Certo, S. T., Connelly, B., & Tihanyi, L. 2008. Managers and their not-so-rational decisions. *Business Horizons*, *51*(2), 113–119. Just six months later, however, customers in Japan, Korea, and the United States had purchased all the natural gas expected to be produced there for the next twenty years. If political instabilities in Russia and

17. The tendency to anticipate and act on future needs.

18. The tendency to engage in bold rather than cautious actions.

challenges in pipeline construction do not dampen returns, Shell stands to post a hefty profit from its 27.5 percent stake in the venture.

Building an Entrepreneurial Orientation

Steps can be taken by executives to develop a stronger entrepreneurial orientation throughout an organization and by individuals to become more entrepreneurial themselves. For executives, it is important to design organizational systems and policies to reflect the five dimensions of EO. As an example, how an organization's compensation systems encourage or discourage these dimensions should be considered. Is taking sensible risks rewarded through raises and bonuses, regardless of whether the risks pay off, for example, or does the compensation system penalize risk taking? Other organizational characteristics such as corporate debt level may influence EO. Do corporate debt levels help or impede innovativeness? Is debt structured in such a way as to encourage risk taking? These are key questions for executives to consider.

Examination of some performance measures can assist executives in assessing EO within their organizations. To understand how the organization develops and reinforces autonomy, for example, top executives can administer employee satisfaction surveys and monitor employee turnover rates. Organizations that effectively develop autonomy should foster a work environment with high levels of employee satisfaction and low levels of turnover. Innovativeness can be gauged by considering how many new products or services the organization has developed in the last year and how many patents the firm has obtained.

Similarly, individuals should consider whether their attitudes and behaviors are consistent with the five dimensions of EO. Is an employee making decisions that focus on competitors? Does the employee provide executives with new ideas for products or processes that might create value for the organization? Is the employee making proactive as opposed to reactive decisions? Each of these questions will aid employees in understanding how they can help to support EO within their organizations.

KEY TAKEAWAY

- Building an entrepreneurial orientation can be valuable to organizations and individuals alike in identifying and seizing new opportunities. Entrepreneurial orientation consists of five dimensions: (1) autonomy, (2) competitive aggressiveness, (3) innovativeness, (4) proactiveness, and (5) risk taking.

EXERCISES

1. Can you name three firms that have suffered because of lack of an entrepreneurial orientation?
2. Identify examples of each dimension of entrepreneurial orientation other than the examples offered in this section.
3. How does developing an entrepreneurial orientation have implications for your future career choices?
4. How could you apply the dimensions of entrepreneurial orientation to a job search?

2.5 Conclusion

This chapter explains several challenges that executives face in attempting to lead their organizations strategically. Executives must ensure that their organizations have visions, missions, and goals in place that help move these organizations forward. Measures and referents for assessing performance must be thoughtfully chosen. Some executives become celebrities, thereby creating certain advantages and disadvantages for themselves and for their firms. Finally, executives must monitor the degree of entrepreneurial orientation present within their organizations and make adjustments when necessary. When executives succeed at leading strategically, an organization has an excellent chance of success.

EXERCISES

1. Divide your class into four or eight groups, depending on the size of the class. Assign each group to develop arguments that one of the key issues discussed in this chapter (vision, mission, goals; assessing organizational performance; CEO celebrity; entrepreneurial orientation) is the most important within organizations. Have each group present their case, and then have the class vote individually for the winner. Which issue won and why?
2. This chapter discussed Howard Schultz and Starbucks on several occasions. Based on your reading of the chapter, how well has Schultz done in dealing with setting a vision, mission, and goals, assessing organizational performance, CEO celebrity, and entrepreneurial orientation?
3. Write a vision and mission for an organization or firm that you are currently associated with. How could you use the balanced scorecard to assess how well that organization is fulfilling the mission you wrote?