

# Grand Strategy: Concept, History, Applications

Prof. Dr. **Henrikki Tikkanen**  
Aalto University School of Business,  
Helsinki, Finland

# RBV, Dynamic Capabilities Research (Teece, Pisano & Shuen, 1997; Teece, 2007)

- Questions of Life and Death:
  - The assets, knowledge base and capabilities of the firm
  - Quality and number of executives, especially in the upper echelons
  - Corporate structure and routines
  - Ability to renew itself from time to time (cf. IBM, also Nokia)

# Competitive Dynamics Research (e.g. Miller & Chen, 1994; Ferrier, 2001)

- Competitive advantage is centrally explained by competitive actions (marketing, sales, supply, investments, M&A... i.e. How the business model is)
  - Speed of actions/reactions (e.g. Price wars)
  - Aggressiveness
  - Uniqueness
  - Levels of action (i.e. How many actions are conducted)
  - Action repertoires (and their renewal, i.e. SOME marketing)
  - Rhythm of actions (cf. KONE corporation as a 'serial acquirer' of small local service firms all around the Globe)

# A Competitive Dynamics Approach to Strategy and Competitive Advantage: What Do Companies Actually Do in Competing?

# Normative implications of CD Research

## Four ways to win the battle (Smith et al. 2001)

- Be aggressive
- Use a complex repertoire of actions (but focus on the right ones!)
- Be unpredictable
- Delay the leader's action

# A taxonomy of competitive actions

## **Comment or announce**

- Comment future
  - Comment own future outlook
  - Comment general future outlook
  - Comment own future actions
- Announce economic issue
  - Announce economic result or another key figure
  - Announce dividend
- Comment received critique
- Comment competitor's product or service
- Comment own product or service
- Comment own employees

## **Make changes in product or service offerings**

- Make changes in the price of a product or a service
  - Increase price
  - Decrease price
- Modify product or service
  - Improve product or service
  - Repair or fix product or service
- Make changes in product or service portfolio
  - Preannounce product or service
  - Introduce prototype of product or service
  - Introduce product or service
  - Delay introduction of product or service
  - Discontinue product or service
  - Re-introduce product or service
- Offer new warranty for product or service

## **Make promotional actions**

- Make changes in promotion
  - Start promotional campaign
  - Make changes in promotional campaign
- Chose advertising agency
- Introduce new brand
- Make actions concerning own public image
  - Conduct study on own public image
  - Make campaign to enhance own public image

## **Make changes in production**

- Make changes in production volume
  - Increase production volume
  - Decrease production volume
- Make changes in production facilities
  - Establish or open new production facility
  - Expand production facility
  - Repair or refurbish production facility
  - Acquire production equipment
  - Close production facility
  - Sell production facility
- Increase inventories
- Increase production efficiency

## **Make product development actions**

- Increase research and development expenditure
- Start new product development project
- Terminate new product development project
- Report result of research
- Choose a standard

## **Make changes in distribution**

- Make changes in distribution agreements
  - Sign distribution agreement
  - Terminate distribution agreement
- Make changes in retail outlets
  - Establish or open retail outlet
  - Cancel establishing or opening retail outlet
  - Close retail outlet
    - Close retail outlet for definite duration
    - Close retail outlet permanently
  - Expand retail outlet
  - Repair or refurbish retail outlet
  - Lesae retail outlet or part of it
- Make changes in direct distribution
  - Establish or open e-commerce site
  - Close e-commerce site
  - Start mail-order selling
- Establish new sales unit
- Enhance logistics

## **Make actions concerning human resource management**

- Change human resource policy
- Make changes in compensation
  - Make change in compensation structure
  - Increase salaries
  - Introduce stock option program
- Make changes in employee base
  - Make changes in top management
  - Employ new employees (other than top management)
  - Fire employees (other than top management)
  - Change employment policy
- Train employees
- Make actions concerning employee unionization
  - Oppose employee union
  - Support employee union

## **Make juridical actions**

- Sue
- Threat with lawsuit
- Settle lawsuit
- Make appeal to court
- Make a complaint concerning competitor's actions
- Pay fine or other compensation
- Refuse to comply with authorities' demand
- Initiate investigation on internal information leak

## **Make political actions**

- Appeal for permission
  - Appeal for permission to establish production facility
  - Appeal for permission to establish retail outlet
  - Appeal for permission to start banking or financial operations
  - Appeal for permission to buy another company
- Comment political issue
- Make a political appeal or demand
- Introduce a corporate citizenship project or program

## **Make financing actions**

- Issue bond
- Buy own stock
- Refuse to finance another company
- List on a stock exchange (other than IPO)
- Offer financing for customers
- Make foreign exchange transaction
- Raise new equity with share issue
- Split share

## **Make changes in purchasing**

- Make changes in purchasing agreements
  - Make purchasing agreement
  - Make change in terms of purchasing agreement
  - Demand change for terms of purchasing agreement
- Call for purchasing offers

## **Make supply actions**

- Make supply agreement
- Terminate supply agreement

## **Make changes in organization**

- Make organizational restructuring
- Establish joint venture
- Terminate joint venture
- Initiate a cost-cutting program
- Establish subsidiary
- Sell subsidiary
- Make changes in business unit configuration
  - Expand business unit
  - Sell business unit
- Make an acquisition
  - Acquire company
  - Acquire part of company
- Make bid for part of company
- Increase stake in company
- Decrease stake in company

## **Make actions concerning immaterial property rights**

- Licence own technology

# A typology of competitive actions

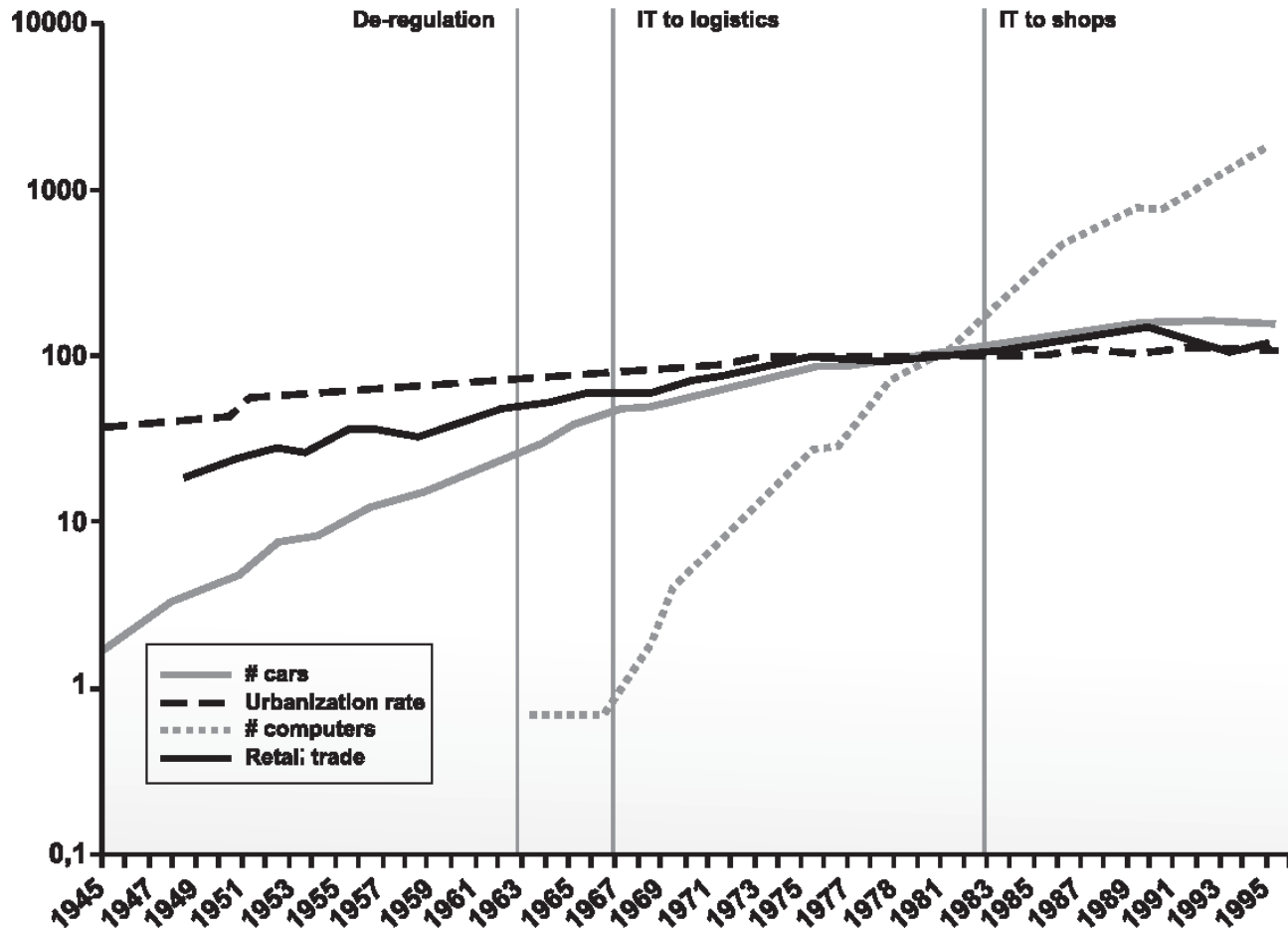
	Bring about	Forbear to bring about	Suppress	Forbear to suppress	Preserve	Forbear to preserve	Destroy	Forbear to destroy
Financial resources								
Physical resources								
Legal resources								
Human resources								
Organizational resources								
Informational resources								
Relational resources								
Product attributes								

# Designing and implementing a successful strategy. The role of strategic consistency

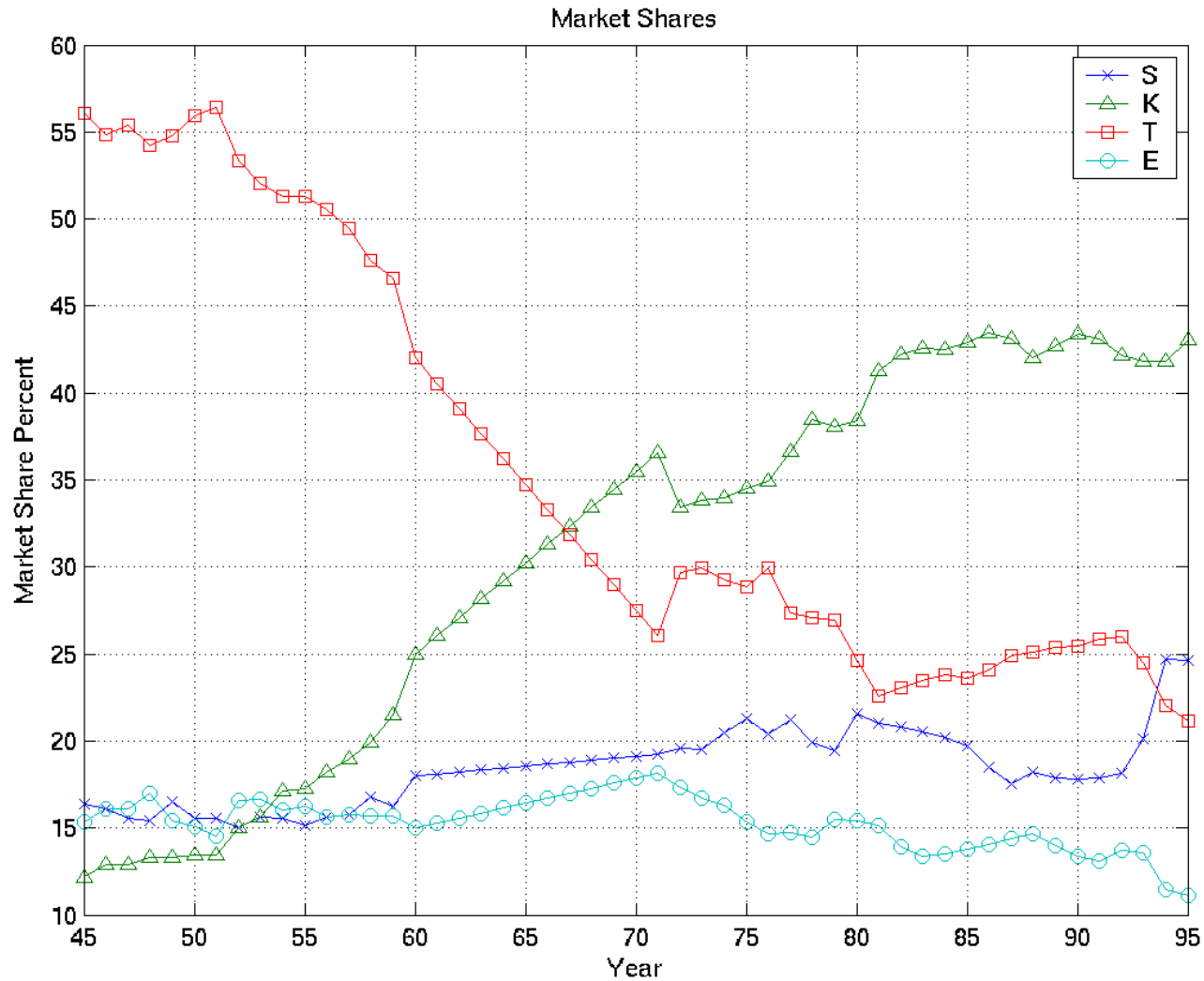


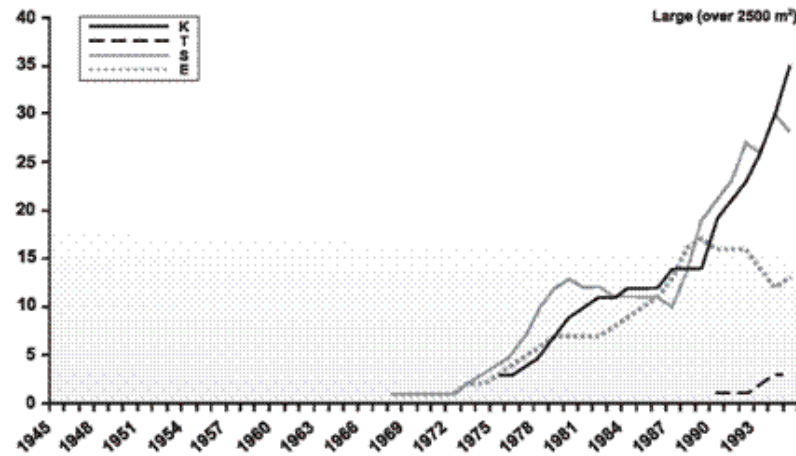
# Strategic Evolution in an Industry: Case Finnish FMCG (Grocery Retail) Industry 1945-1995

# The Business Environment as a Selection Mechanism

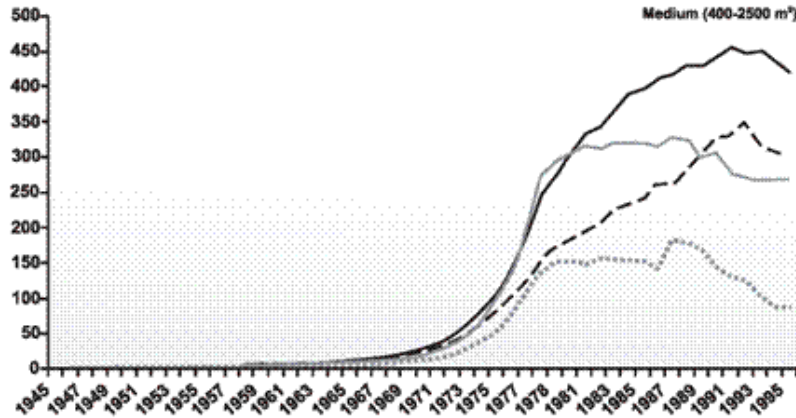


# Market Shares

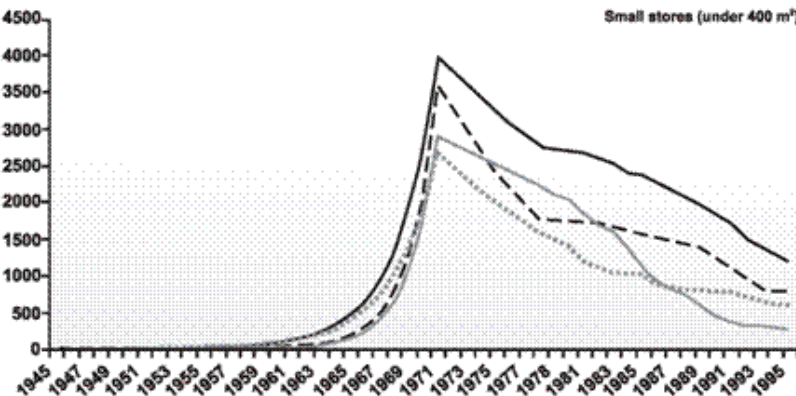




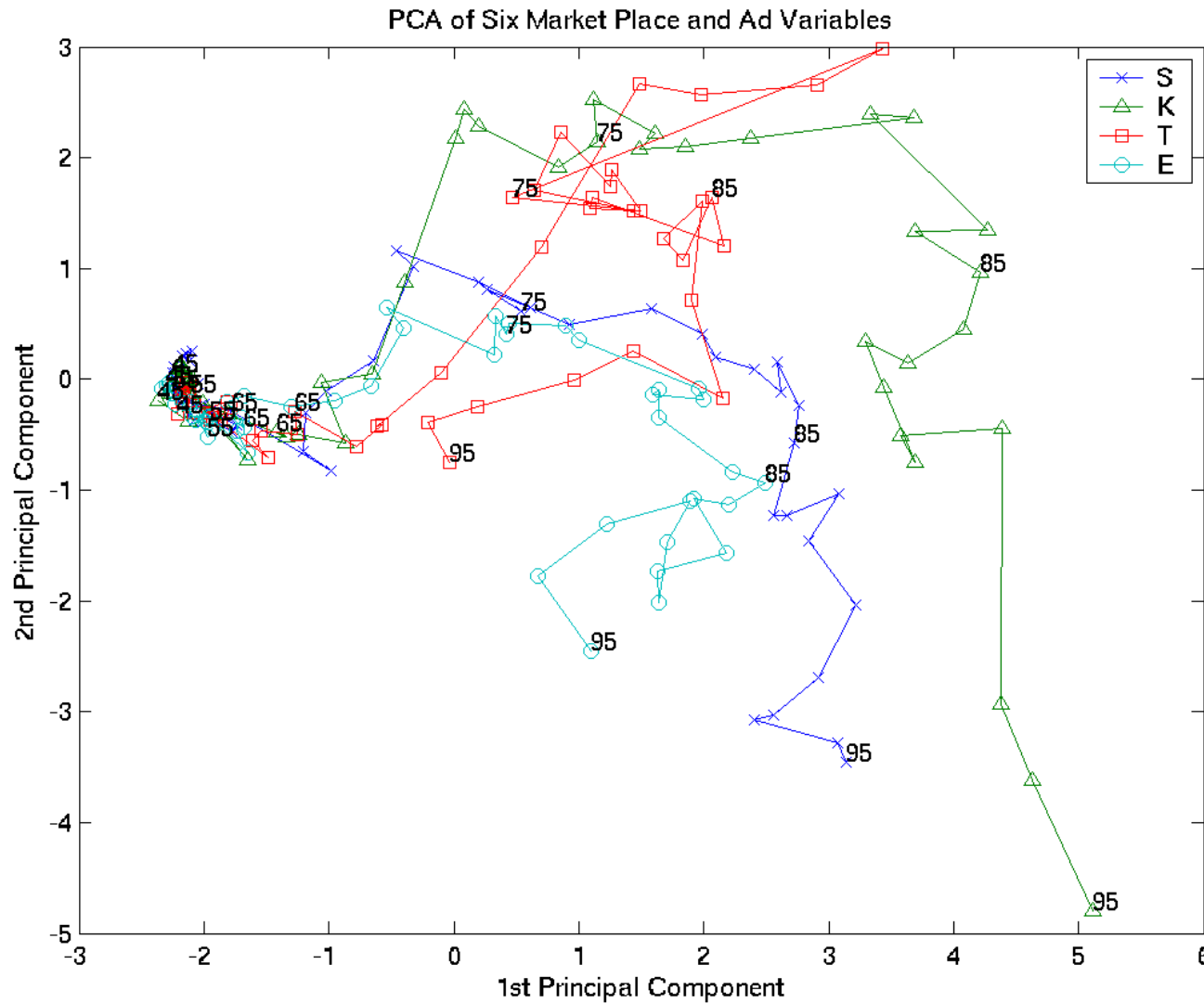
“Although we know that many of our grocery shops will not survive for long, we must support them. We must help them believe in the future even if that future might be a very short one...our own existence and results are dependent on them (i.e. small grocery shops).” (the minutes of T marketing day 26.9.1976)



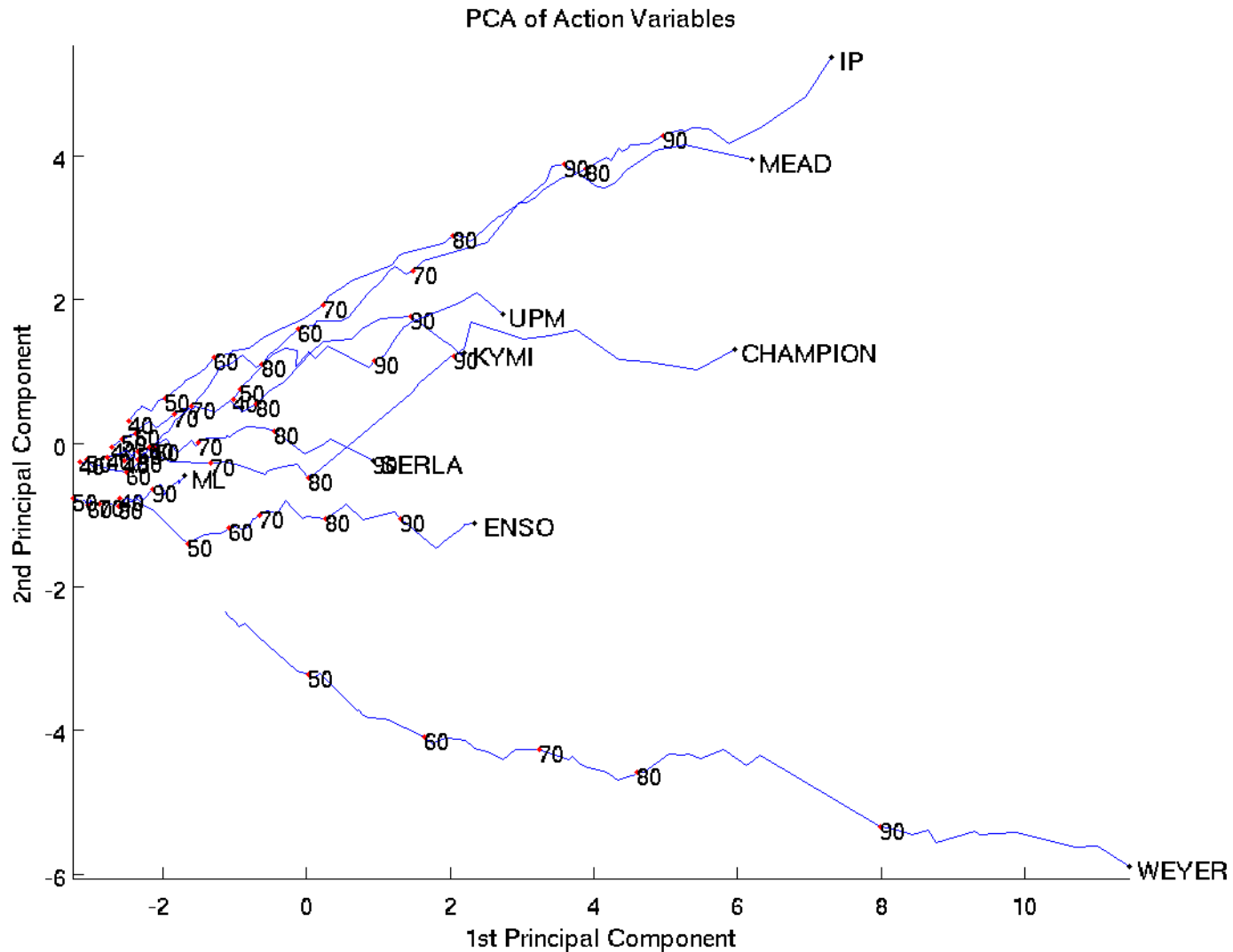
“...we sure have poorly selling outlets. Dissolving them would be of utmost importance, but it is very difficult from the perspective of the management. We must find a means to keep these small local shops alive.” (Meeting of Suur-Savo shopkeepers 29th of December, 1963)

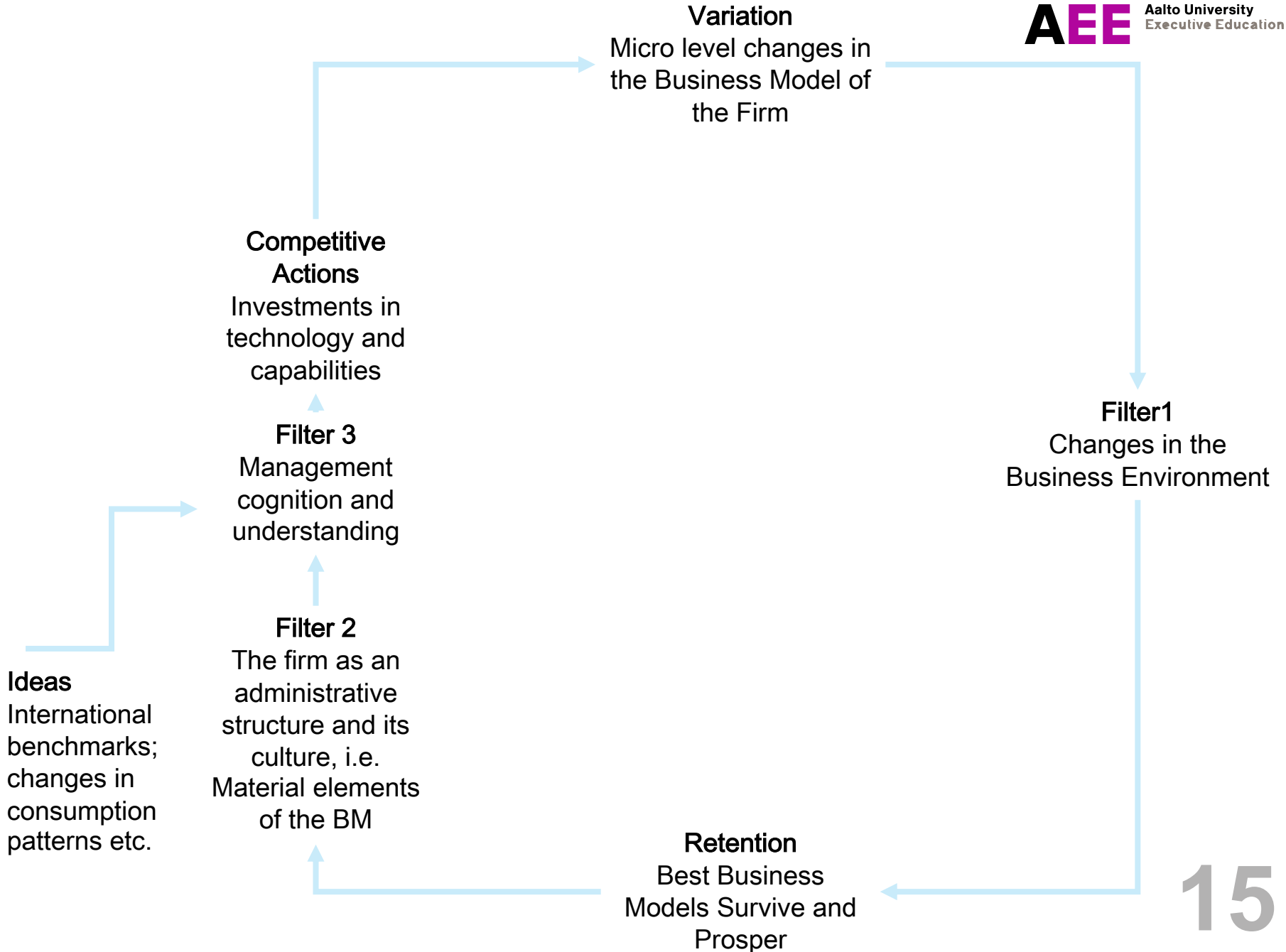


# PCA of Competitive Actions



# Another Example: The Global Paper Industry





# The River Metaphor: The Firm as a Product of its History



Tied to a certain path and links

Time and rhythm of decisions essential



# Wrap-Up: Managerial Implications

- It is 'easy' to identify great social and demographical changes
- Less easy to understand changing customer need and preferences
- Central to know the history of the own organization ('the river')
- Filtering relevant strategic foresight throughout the organization
- Merging understanding and decision-making
- The central role of strategic leadership!

# Key Lessons:

- Be strategically consistent
- Listen to your own organization, its network and external experts
- Understand the evolutionary logic in your business (in the end, battle for survival)
- Develop the Business Model that is best suited at a certain point in time to succeed in competition
  - The Nokia case is a good example of great successes and failures

# Thank you!

