A

A–Z of Strategic Management The approach is based on strategic debate, addressing the big issues. There is an existential view of strategy: The strategist can pick any starting point, and this will bring her up against the constraints of the situation. These constraints are unknowable until some action is taken (as Donald Rumsfeld says, "there are the unknowns that are known and then there are the unknowns that are unknown"), so the situation cannot be strategically assessed in any complete sense without the element of action—of making a strategic choice.

Absence of Strategy Reactive approach to the market or environment. Passive, at times indicating confusion, disarray.

Accretion The growth of a company through additions and purchases of plant or value-adding services.

Acquisitions and Mergers (*See also* Mergers and Acquisitions.) Falls under corporate strategy, meaning those strategies that answer the question, "What business or set of businesses do we want to be in?" M&A refers to the purchase of a company that is already in operation. An acquisition is a strategy by which one firm buys controlling or 100% interest in another firm, with the intent of using a core competence more effectively by making the acquired firm a subsidiary business within its corporate portfolio. Acquisitions have become a strategy for many giant firms in the software and pharmaceutical industries that are no longer able to achieve entrepreneurial Schumpeterian innovation through internal investment and R&D, and therefore "buy rather than build" new technologies.

Acquisitions can also be a human resource strategy for large firms. In a knowledge-based economy, social capital becomes the most critical factor of production and can be a bottleneck for implementing innovation-based strategies especially in high-tech industries. Examples are Microsoft's acquisition of smaller firms and IBM's acquisition of Lotus. Acquisition strategies are common in industries that are consolidating, such as the DaimlerChrysler acquisition in the automobile manufacturing industry. Acquisitions are notoriously difficult to manage. The costs of incorporating the acquired company into the parent company are significant, and paper synergies (those that appear in the planning stage—*see* Formal Strategic Planning) often disappear in battles of dueling cultures and systems and the "them versus us" quagmire. After an acquisition is announced, the stock of the acquiring company typically falls while that of the smaller acquiree rises. Thus, acquisitions are notoriously unstable, risky, and difficult to manage. Many firms look for more flexible arrangements such as alliances, networks, and joint ventures in lieu of acquisitions. Acquisition capability is a distinctive competence that can be developed through a series of acquisitions.

Acronyms An acronym is a linguistic invention in which the first letters of the words in a phrase form a newly coined or previously existing word to distill the essence of at-times complex concepts and programs into a memorable, inspiring word. A key idea in strategy is for leadership to capture and convey a concept in a brief, memorable manner. An acronym to be effective must sound like a word. This highlights the artistic side of strategy, where thinking in imagery, soundbites, and off-beat, seemingly off-the-cuff insights often can be very effective. Many examples of memorable acronyms come from the U.S. military:

MOPP: Mission Oriented Protective Posture, the acronym used to describe a military unit's alert level against gas attacks and the like. Marines call their protective gear "MOPP suits."

USA PATRIOT ACT: Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism.

OK: "0 (zero)" killed.

Are you into strategy?

Scenario setting: Mapping the future.
Tasking: Assigning tasks and defining roles.
Reconnaissance: Reconnaissance time is time well spent.
Attack: Attack only when you know you can win.
Target setting: Target goals to solve the main problem.
Existentialism: Defining oneself through choices that reflect values.
Generalship: You have to be a general.
Y: The why of the actual strategy, the mission.

As a WW II veteran notes, "SNAFU" brought back memories, good, bad, and funny. During his time in the military, the word was so completely appropriate so very many times that they often speculated on how incredibly screwed up the enemy must be, since the Allies seemed to be winning. This is a common theme in the military; for example, recently in Iraq, American military are frequently quoted as saying that they were saved only because "the Iraqi could not shoot straight."

Recent news should provide a plethora of acronyms that reflect the various stages of disarray that emerge when strategy implementation goes awry. *See* Murphy's Law.

Some acronyms help to communicate the organizational hierarchy such as POTUS, FLOTUS, SCOTUS, VPOTUS. These are President, First Lady, Supreme Court, or Vice President of the United States, respectively. Many strategic initiatives in companies are given acronyms such as GE's FMP (financial management program) or general leadership theory in the army's "Be, Know, Do" (BKD) model of leader development (LD). An acronym often gives followers energy and makes them feel part of something special. Another example is the U.S. military's HUA (heard, understood, acknowledged), now written as it's pronounced: Hoo-ah.

Action Action is something that happens while you are strategizing, or as a result of strategizing.

Action-Centered Leadership A leadership model that focuses on what leaders actually have to do in order to be effective. There are three main activities: achieving the task, building and maintaining the team, and developing the individual.

Action Learning The concept of action learning is based on a simple equation: L = P + Q. Learning (L) occurs through a combination of programmed knowledge (P) and the ability to ask insightful questions (Q). Learning must be free-flowing and "opened up" through asking questions.

Action Plan Pertains to the behavioral side of learning—what we do differently as a result of new discoveries. Action is akin to the strategy implementation process.

Reminiscent of Winston Churchill's famous dictum in memoranda to bomber command—action this day! This often motivated and energized subordinates to complete a specific task. Nowadays the action plan process still requires motivating and energizing players in the organization; however, the impetus for change can no longer be top-down directives from the command center.

Action Research The researcher takes an active role as a participant in planning and implementing change in an organization. Experiments are conducted by making changes while simultaneously observing the results. Employees are encouraged to participate in developing practical solutions to real organizational challenges.

Active Supporter (*See* Sponsor.)

Acts of Symbolism Odd or unusual behavior that seems to run contrary to common sense but turns out to be deeply significant for employees and other stakeholders. For example, William Watson, the CEO of IBM, by allowing himself to be challenged by the security guard, shows that IBM is democratic and nobody is above the rules. The effect was instantaneous, though many outsiders may have thought that IBM was oversensitive to security.

Adaptability Not indicated by measures; however, measures can help people to see the areas of adaptability or lack of adaptability to adapt.

Adaptive Strategy Emphasizes fitness with the environment.

Adding Value Adding value to a product consists of any activity that increases the product's worth to the customer, such as design, manufacturing, packaging, service, and so forth. The mouse added value to the keyboard on the personal computer. The mouse was invented, and subsequently lost, by researchers at Xerox PARC in Palo Alto, California, who could not grasp its added value. Steven Jobs instantly recognized the practicality of the mouse and hence the added value to the Macintosh computer.

Ad Hoc Management Ad hoc management necessarily involves the ability of a manager to respond without consulting a formal plan. Ad hoc management gives more flexibility to managers.

Administration The management of the affairs of a business, especially the planning and control of its operations.

Administrative Behavior "Organization is not an organizational chart, but a complex pattern of communications and other relationships in a group of human beings."—Herbert Simon. Simon, in his landmark book *Administrative Behavior* (for which he won the Nobel Prize in 1978), says that "administrative man" usually does enough to "get by" (satisficing) when making decisions.

Advice Networks Informal networks that connect people who turn to one another to seek counsel, get technical answers, and solve specific problems. Some say it is a phony concept, false nomenclature for friendly relationships. This can be extremely valuable to women and minorities in top management. Often a useful communication circle prior to successful self-establishment or getting your foot in the door. The neophyte's crutch.

Agency Theory The basic conflict between owners and managers. How can the owners ensure that the managers are acting in the owners' interests and not toward maximizing their own wealth and power? For example, a CEO can go on a wild spending and acquisition spree and end up with a much bigger compensation package as she is now managing and leading a much larger and more complex organization. However, eventually these acquisitions may need to be divested if they were not made with the strategic intent of the firm. Was Carly Fiorina's acquisition of Compaq for HP empire building or strategic positioning? Only time will tell.

One area of research known as agency theory suggests that managers frequently place their own interests above those of their shareholders. This appears to be true when strategic decisions involve diversification. While stockholder value may be maximized by selling a company, managers in the acquired field may lose their jobs—a potential conflict of interest.

Aggressive Accounting Pushing the envelope of generally accepted accounting principles (GAAP), as Enron did. Sometimes unethical, sometimes illegal, always innovative.

Aggressive Action Relating to investment strategy marked by a willingness to accept high risk while trying to realize higher-than-average gains. Typically, such a strategy involves investing in rapidly growing companies.

Aggressive Expansion Devoting considerable resources to a market penetration strategy. Used in describing BMW's strategy in trying to capture the automotive market in China. Despite a weak economic situation in Europe and North America, BMW is taking an aggressive approach in reaching out to the Chinese market.[1]

Aggressive Posturing Reminiscent of the jungle warfare among alpha males but carried over into internecine struggles among corporate giants. Many firms under the threat of hostile takeover develop poison pill policies. Firms that are losing ground or in financial trouble often react aggressively by acquiring smaller rivals, introducing new products, discounting prices, and so on. Such actions can heighten cross-company rivalry and can trigger a hotly contested battle for market share.

Agility "The starting point for next year's strategy is almost always this year's strategy. . . . the company sticks to what it knows, even though the real opportunities may be elsewhere."—Gary Hamel. A company that builds a more agile platform is one that will exploit future opportunities and respond more quickly to change.

Algorithm A solution to a problem that is certain to work; for example, the formula to solve quadratic equations that always gets the answer to any quadratic problem. If a company in NYC wants to make sure that it has a seat on a plane going to London every day, it uses the algorithm *book on, cancel off*. This is an example of an algorithm, or decision rule, that allows strategists to move forward through a complex set of situations and information and make effective choices. An algorithm is certain to work. Fear of flying can be alleviated by the same principle: Book on, cancel off. You need to find surefire solutions that can't fail.

Often in an undertaking, such as introducing a new product, the developers are confronted with a problem like distribution. FedEx turns this problem into an algorithm. American air war policy in Iraq is based on algorithms. American policy allows the American planes to hit their targets but not be hit. Without this aerial algorithm, the air war would not be possible as one American pilot downed could destroy their whole strategy. Both the military and business are intensely interested in algorithmic solutions and strategies.

FedEx works on an algorithm: A plane is not going to leave Tennessee empty. You have to achieve a certain size or scale to be profitable. The same is true of McDonald's or Starbucks.

The Gulf War in 1991 was turned into an algorithm, surefire win, done by bringing 500,000 American troops to Kuwait. Had to be guaranteed absolutely to win.

September 11, each plane had five men. Onboard, two competing algorithms. The pilots' first reaction: "This is just a hijacking." The hijackers were working on a different algorithm: "We are going to die." This is the algorithm of the suicide bomber. People are looking for surefire solutions.

Another algorithm: To increase learning in a company and facilitate the distribution of knowledge, take a gatekeeper in an innovation network and put him or her with a pulsetaker in an expert network.

The RAND Corporation transformed the question about the siting of nuclear bomber bases (to save them from a preemptive strike) into an algorithmic solution: Keep a proportion of the bombers airborne at all times.

Herbert Simon argues that experts in a given area can solve a problem more quickly and more effectively than novices because they have in mind a pattern or algorithm that they can overlay on a particular problem and use to quickly detect a solution.

Alignment Getting one's "ducks in a row" behind the implementation of a new strategy. Process of building a corporate culture to achieve strategic goals.

Alliances and Alliance Networks Two or more firms that band together on a loose, noncontractual basis, to achieve certain objectives such as new product development or penetration of new geographic markets. Many computer firms no longer manufacture the actual computers but "agree" to have a third firm do the manufacturing and simply stick on the badge and their peripherals. Other examples would be IKEA and Benetton, the Swedish and Italian firms that do not manufacture their furniture and brightly colored sweaters, but instead have a complex network of alliances with many small European manufacturers with whom their design engineers work very closely.

Allocation of Time Allocation of top management time is allocation of attention, which is a strategic and costly firm resource. Allocation of time is a magical idea that gets people thinking that time is being lost and can never be recovered and therefore has to be allocated with extreme care, such as by keeping colleagues out of your hair. Hence the expression "putting the monkey (or parrot) on the other guy's shoulders"—casually and briefly telling your boss about a problem instead of responding to his salutation.

Time is of the essence, hence the revolution in management theorizing with the arrival of Sune Carlson's and Henry Mintzberg's executive behavior studies of the 1950s and 1960s. A short-sighted view, as it turns out, that had dramatic significance at the time and led to many books and courses on time management that became a fetish among practicing managers, even to this day (*see* Executive Behavior and Time Management).

A Mechanism and a Man Unfortunately, the gender-neutral version of this phrase is not an alliteration, so we will leave well enough alone this time. To run an operation there needs to be an office (it is hoped with a good acronym, *see* Strategy by Acronym) and a person to run it.

Analytical Knowledge Analytical knowledge is objective, scientific knowledge. It requires the formulation of operations, definitions, and concepts in reference to the properties of the phenomena and to the relations between the properties.

Anchoring To institutionalize a new approach in the culture.

Andrews, Kenneth (1916–) Proponent and popularizer of the Harvard Business School approach to strategic management, which emphasized leadership, the role of the general manager, and the mission statement. General management responsibilities include (1) securing the attainment of present results, (2) developing organizational capability, (3) distinctive personal contribution, and (4) planning and executing policies for future results. Authored one of the first books on strategy to recognize the green movement by addressing the ecological and environmental concerns of key stakeholders. Andrews sees the CEO as the architect of purpose.

Annual Reports Annual reports are complex, symbolic constructions of what management wants to communicate to its audiences, a vivid narrative of corporate performance. There is also a financial information section that summarizes and again shows the firm's performance. The rhetoric must then persuasively argue that description to the organization's audience. More recent annual reports have less financial data and more management text. Annual report narrative content and themes are important information about corporate strategy.

Ansoff, Igor (1918–2002) Author of one of the first books in strategic management, the 1965 *Concept of Corporate Strategy*, and so considered a father of the discipline. This was only the second business book to use the word "strategy," after Alfred Chandler's 1962 classic *Strategy and Structure.* Ansoff frequently cites Chandler in this book, and Ansoff's model builds on a similar focus on corporate strategy (as opposed to business-level or competitive strategy).

Ansoff was trained in the Carnegie Mellon systems approach of George Steiner and others. Systems thinking ambitiously tries to define, predict, and tie together all the elements of a given system, with the view that if the system's elements can be specified, understood, and manipulated, the system as a whole can be directed to produce a given outcome. Closed systems are rational; all the variables can be predicted; even outside forces and their effects can be predicted. Open systems are influenced by unpredictable changes in the environment.

Ansoff provided strategic management with a methodology, which is essentially an engineering approach and involves a series of checklists. Systems thinking has been largely discredited as a way to either study or do strategic management and is associated with an overemphasis on formal strategic planning. However, chaos theory and complexity theory try to rehabilitate the systems model and update it with a nonlinear approach.

Ansoff succeeds in being the first to define the strategy universe. However, his model can be misleading, suggesting that the strategy-making job can be captured within a defined system. It minimizes the aspect of strategy as a human construction that is responsive to human needs. It is important to remember the concept of bounded rationality, from the Nobel Prize-winning thinker Herbert Simon, which highlights the limited capabilities of humans to define and solve problems.

Simon also differentiates between programmed and unprogrammed tasks. Strategy making is by definition an unprogrammed task that happens at largely unprogrammable moments. The danger of Ansoff's model is that in his brilliant summing up of the strategy universe, he misleads us to believe that these mechanistic manipulations ensure winning strategies. We cannot simply break down the strategy task into its component parts as we run the risk of ignoring deus ex machina events. These deus ex machina events, such as the September 11, 2001, terrorist attacks, change the whole nature of the system, the whole basis of competition. Gary Hamel maintains that if it is not revolutionary, it is not strategic.

Some key concepts Ansoff introduced are (1) the importance of the diversification decision (the key component of corporate strategy), (2) the importance of synergy ($2+2=5$) in diversification decisions, (3) the make-or-buy choice (he labels this organic growth versus acquisition), and (4) the Ansoff matrix as a good tool for making decisions about investing in new areas. Ansoff suggests that there must be a common thread that runs through all of a company's business. This insight was a forerunner of Rumelt's and Porter's studies that proved that related diversification outperforms unrelated diversification. These findings were a foundation and precursor of the core competence concept (Prahalad and Hamel), a unifying thread that runs through business units.

In his later writings, Ansoff noted, "For optimum profitability the levels of both the strategic aggressiveness and general management responsiveness of the firm must be aligned with the environmental turbulence level." This is his fundamental formula for the firm that explains the relation among strategic capabilities and environmental turbulence levels; if both gaps are less than one, the firm is strategically ready for the future (although some improvements may be needed). If the general management capability gap is greater than one, a discontinuous transformation of the general management capability must be made.

Ansoff spent his last 20 years at Alliant International University testing his theories and having them validated by a series of doctoral theses.

Antitakeover Tactics Tactics used to ward off being acquired. Often controversial, these antitakeover tactics appear to serve the needs of managers (who are likely to lose their jobs in the newly merged entity) more than the owners. These tactics include "scorched earth," "golden parachute," and "poison pill."

Apple Strategy "From the garage to the desktop." Getting it out of the garage and into the market. The guy who invented the semiconductor left the company where he was working and joined with seven other PhDs; within three months there were seven other garages working. This is an apocryphal but illustrative example of the Apple strategy.

Architecture of Strategy A framework or building blocks used in strategic management to create a successful firm. This framework includes organizational capacity, enterprise synergies, structural position, process execution, competitive advantage, and financial performance.

Argyris, Chris (1923–) Considered by many a humanizing force in business and academia, Argyris has done extensive research into how executives and organizations learn—or fail to learn. He saw strategy as a learning process. Argyris emphasized single- and double-loop learning; the two types of learning refer to the way that people respond to changes in their environment. Single-loop learning occurs when a manager responds to a problem with a simple application of the rules. Double-loop learning goes beyond this simple feedback response and questions the assumptions on which the response is based.

Key books include *Personality and Organization* (1957), *Theory and Practice* (1974), and *Organizational Learning* (1978).

Artificial Crisis Leaders often create artificial crises rather than waiting for something to happen. They drain scarce resources from the firm and thus leave less maneuvering room. "Don't just do something, sit there" can often be the most appropriate response.

Assessing the Environment The objective of assessing the environment is to determine the timing and significance of the effects of environmental changes and trends on the strategic management of the firm. Without the assessment, a firm is left with data that are interesting but of unknown competitive relevance.

Assets The factors of production a firm may draw on in providing its customers with valuable goods and services are called assets. There are both tangible (a firm's property) and intangible (brand name) assets.

Attention Management A method of ensuring that employees are focused on their work as well as organizational goals. An important factor in winning and sustaining attention is tapping into people's emotions as developed in Daniel Goleman's theory of emotional intelligence.

Authority The character of communication in a formal organization that determines how it is accepted by an actor in the organization and how it governs the action she contributes.

When Henry Ford II used to argue with Lee Iacocca, his final words were, "Why don't you go outside and see whose name is on the building?"

During the past decade, the term "authority" has taken on a new meaning as organizations move from authoritarian control to one of decentralized structures that stress employee development and empowerment.

Avoided Competition Avoiding head-to-head competition, versus seeking out and taking on the next biggest rival.

Awareness of Competition Refers to whether or not the attacking or responding firm is aware of the competitive market characteristics, such as market commonality and resource similarity of a potential attacker or respondent.

A Way Forward/a Bridge A way to transition from an antiquated or no longer viable policy and segue into a new way of doing things. For example, an Air Force Academy commander was quoted recently as saying that a cadet who said she was raped would not be punished for violating the honor code under the academy's new policy for handling assault allegations. "We tried to look at a way forward for this cadet in line with the agenda for change," said Col. Debra Gray. Gray went on to say that the case was a "bridge" between how the academy used to handle assault allegations and what it would do now.

Endnote

1. http://www.fortune.com/fortune/ceo/articles/0,15114,444769,00.html