Smart Strategy Student Insights

Idea In Short

Strategy resists sound bites because it sits within a web of industry context, capabilities, and shifting trends. The best insights from a semester of debate reveal that choosing what not to do matters as much as what you do. Progress follows S-curves, not straight lines, and comfort with your strategy often signals it is wrong.

Strategy Is Not Simple

Like marketing, finance, or any large topic of consequence, strategy does not easily narrow down to sound bites. There is a reason you study this material over three to four months with heavy use of case studies, discussion, and debate. Strategy sits within a context of industry, company strengths, macro consumer trends, trade, and regulations. The key drivers of competitive advantage shift, so what made GE great in the 1980s and 1990s is not true today. In 2020, 100 percent of strategy departments were somewhat wrong, which is neither a surprise nor an indictment.

Over a semester of rigorous study, students shared more than 100 delightful takeaways on economics, competitive advantage, game theory, vertical integration, supply chain, digital payments, subscription services, blue ocean strategy, the Resource-Based View [RBV], industry analysis, and corporate strategy. The following selections capture the depth and range of their thinking.

Strategy, Business, and Career

No two companies are alike because no two have the same experiences, assets, skills, and culture. You should not trust a singular, precise answer to a complex problem. It is not about if you will take risks but when. Choosing what not to do is just as important as what you are actually doing. Frameworks are good tools but are not absolute and not perfect. Beware of false choices, because you often need elements of both.

You either want to be small and niche or massive and broad. Success requires identifying the next few steps along a broadly defined strategic path and then learning and refining as you go. A subscription service is not a strategy, but it can be part of one as a way to bundle value and solve a forever problem. Culture is an incredibly important factor in creating a virtuous cycle. Any decision must come attached to a specific time frame, because very few decisions are viable across all time frames. 1

Planning Versus Strategy

Planning is not equivalent to strategy, and strategy setting is not a one-time event. Successes and failures snowball, and how you adjust and battle the test of time determines your longevity and degree of success. Willingness to pay is not the same as price. Strategic planning is an oxymoron because strategies do not come out of formally planned processes. The most interesting strategies emerge from thoughts and direct problems that grow into major shifts of perspective.

Strategy is never 100 percent top-down or 100 percent reactive. The mix of these two principles is often only realized in retrospect and is not clear at all in the moment. There are many ways to analyze the value proposition and value chain of a single company. You can begin from a marketing perspective, spurring increased demand and using profits to finance growth. You can examine from an operational perspective, where internal fixes become catalysts for lower prices and higher demand.

Amazon's approach to strategy is to think like it is day one, which prevents complacency. If you are comfortable with your strategy and feel nothing can go wrong, it is likely a bad strategy because you are not considering the risks involved. Progress, both for individuals and corporations, follows S-curves rather than straight lines. When you graduate, there is no syllabus, so be patient and keep your passion.

Economics and Industry Analysis

A competitor with heavy fixed costs is dangerous because the large portion of cost lies on fixed costs while marginal costs are low. Such a competitor can sell products at very low prices and sell more as a result. Depending on your cost structure, your operating behavior will be very different. Sometimes to maintain customer loyalty and brand image, you have to eat a lot of profit when costs rise.

A restaurant should stay open even at one-third capacity because the goal is to stay fully utilized and gain more customers. There is a sunk cost, and earning something is better than earning nothing while still paying fixed costs. Competition consists of more than just your rivals. It includes all entities that seek to reduce profits, such as suppliers, new entrants, and substitute products. 2

Porter's Five Forces framework measures industry profitability, and each driver is not equal. Some forces can be more impactful on competition and profitability than others. Economic moats are very important because once an industry becomes profitable, many competitors will join and imitate the winners. If the company has a moat, it can better defend its profitability. Companies should not obsess over their rivals because they are all different, so the way each can succeed will differ.

Financial Ratios and What Strategy Is

Financial ratios are not perfect, but they are a great way to look at a snapshot of a company and drill down into where issues might originate. Do not rely solely on percentages, because you need context or you will make inaccurate conclusions. Audience matters, because different parties care about different ratios. Suppliers care most about liquidity ratios because they want to get paid. Leverage can skew your return on equity, because some leverage is good but too much can be detrimental.

Culture eats strategy for breakfast. The best thing Southwest Airlines did was finding the first piece of the domino effect: using the same type of plane, which had a cascading effect on operational efficiencies. Their consistent success is a great example of strategic positioning, because it is not just low prices but their cost structure that allows continued longevity. Companies should carefully select a set of focused activities that are self-reinforcing and complementary to deliver a unique mix of value. 3

Best practices are really just common practices, and if your company is not doing them, you are probably losing money. If many companies use the same practices like benchmarking, outsourcing, and customer relationship management, it is not strategy but the norm, the minimum to stay in the competition.

Vertical Integration and Innovation

Vertical integration is often driven by a desire for control over buyer power, pricing, and new product development. Finished products on the market are backed by complex and often international value chains, and managing these chains is an integral aspect of strategy. One person's price is another person's cost, which highlights the impact of the value and supply chain on industry structure.

A major element of good strategy is causal ambiguity, meaning the main driver of value can be difficult to pinpoint. It is a combination of many things working together that create a sustainable competitive advantage. The biggest advantage of vertical integration is control over quality, price, and information. However, vertical integration can hurt a company because it is capital intensive, difficult to reverse, and can distract from the core business.

A successful company will likely face multiple inflection points throughout its lifetime. The strategic decisions made at each inflection point determine whether they stay relevant. A company's strategy must constantly evolve and adapt, creating barriers to entry, or it risks becoming like Intel and Casper, where blue oceans turned red and they lost market position. Disruptive innovation is interesting because customers sometimes want the simple version rather than the high-tech best version. You cannot target a small percent of a huge market but need to target a large percent of a niche.

Corporate Strategy and Network Effects

Competitive strategy is how to compete, and corporate strategy is where to compete. Core competency equals resources plus capabilities. Trees need strong and stable roots to fight hurricanes, and the same applies to companies that need to know what they are best at. Mergers and acquisitions commonly fail because corporations often wrongly diversify from their core businesses and lose focus or identity.

Cost synergies are more easily estimated while revenue synergies are more difficult to estimate due to uncertainties in customer reactions. Treat products and investments like stocks, pouring resources into winners and moving quickly from losers. Profits often go down in the short term, which is why Goldman Sachs focuses on being long-term greedy.

Network effects take place when a product or service becomes more valuable the more people use it. Networks can grow quickly but also shrink rapidly, so retaining trust is critical to preserve value. Network effects are a blessing for incumbents and a nightmare for new

entrants, but they change over time and are not always permanent. Companies must adapt to keep their network effects relevant as part of their economic moat.

What Students Learned

Strategy is all about winning, making choices, and trade-offs. It is more like poker than chess, where great success combines good decisions with luck. Wandering is not the same as being lost, so keep an open mind. Success requires identifying the next few steps along a broadly defined path and refining as you go. The world is changing, customers change, and paying customers come first. Keep asking great questions.

- 1Blue Ocean Strategy, Wikipedia
- 2Porter's Five Forces, Institute For Manufacturing
- 3Resource-Based View, Wikipedia

Summary

Strategy is not simple, and that is precisely why it rewards sustained study. The students who grapple with trade-offs, scenario thinking, and competitive dynamics develop judgment that no framework alone can teach. Keep wandering, stay curious, and think like it is day one.