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Throw your strategy away: it's time to stretch

By Sid Peimer

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Strategic intent has not entered the everyday lexicon of strategic planning. The reason I think is that it lies outside all the formal methodologies and processes of planning.

We are more familiar with a planning process that focuses on what we can do, resulting in a feasibility sieve through which all plans go, to arrive at something that suits us 100%. The problem is that what suits us 100% may not be suitable for strategies that will give us global leadership or some other stretched goal.

Nothing new

Strategic intent is not a new concept, but was formalised in an *HBR* article of that title in May of 1989 by Gary Hamel and CK Prahalad. To define strategic intent, I'd like to quote directly from this paper:

Companies that have risen to global leadership over the past 20 years invariably began with ambitions that were out of all proportions to their resources and capabilities. But they created an obsession with winning at all levels of the organisation and then sustained that obsession over the 10- to 20-year quest for global leadership. We terms this obsession "strategic intent"

I'm going to share three examples with you. The first comes from this article, and although somewhat dated, is the authors' articulation of the application of strategic intent, and that is how Canon established itself in a market dominated by Xerox. The second example will be a more contemporary one - the introduction of the iPod versus the Sony Walkman. The third is Honda's most unusual entry into the American market.

Canon taking a shot at Xerox

The Canon example takes us back to the 1980s when Canon's first step into the reprographics business looked a long shot when compared with the $4bn market that Xerox had. The strategic intent of Canon at the time was deceptively simple: to beat Xerox. The strategic plan? Who knows? Hamel and Prahalad actually go as far as to say that you cannot plan for global leadership - the tools of strategic planning, although of immense value, are of limited use when it comes to strategic intent which implies a substantial stretch for the organisation. For Canon this meant that they had to first get a grip on Xerox's patents, then license technology that would get them into the market, gear up R&D, then find market niches, then go back to R&D and then licensing its technology to other manufacturers etc. It was like a series of 400m sprints

Strategic intent is also a challenge laid down to the organisation. In the case of Canon, they set the engineer's a target price of $1,000 retail for a home copier - the least expensive copier at the time sold for several thousand dollars. Cutting costs that a conventional strategy would have suggested would not have done the job. Instead with this radical price-performance requirement, the engineers had to virtually reinvent the copier and from which the disposable cartridge system we take for granted today became a reality.

Strategic intent means changing the terms of engagement - refusing to accept the status quo. IBM tried to match Xerox's business model in terms of segmentation, distribution etc, but eventually withdrew from the copier business. Canon, on the other hand, changed the rules of the game. While Xerox built a wide range, Canon standardised theirs. Xerox had a huge direct sales force. Canon chose office-product dealers to sell for them. Xerox leased their machines - mainly because of the high price - Canon could sell them. Canon's moves suggest that there is a distinction between barriers to entry and barriers to imitation. IBM who tried to match Xerox's paradigm had to pay high entry costs - the barriers to imitation were high. But Canon chose to change the rules of the game - to do what the market would reward, not necessarily what their resources dictated what they could do.

Sony yet so far

In 1999 the amazing Sony NW-MS7 MP3 player was launched onto the market to liberate us once again to be able to listen to music anywhere, just as the Sony Walkman had changed our lives in 1979 with cassette tapes (if you don't know what a cassette is, ask a wrinkly near you). By 2001 there were over 50 brands of MP3 players - hardly the market to look to for saving Apple from its previous year's $344m loss. Also, Apple had a shaky track record of introducing new products - anyone recall the Newton? The Quicktake? The Pippin? Well, Apple would like to forget them too.

Along comes Steve Jobs and makes very clear his attitude about market intelligence by quoting Henry Ford "If I asked my customers what they wanted, they would have just said a faster horse."

He went into the MP3 player business, because of three reasons. Firstly it was growing, secondly we all listen to music, and thirdly no one had got it right. With iTunes he had a complete ecosystem for music (which none of the others had, even though Sony owned Sony Music) - so not only was music portable, but it satisfied the contemporary criteria of "I want it now".

It was an immense stretch for the company. Everything had to be designed virtually from the ground up. Steve Jobs ignored what they were geared to do at the time - he just did what he felt the market would appreciate. And it did indeed, taking the company from a $344m loss in 2001 to a $46bn profit in 2012. And the company has taken strategic intent to a new level, where it has not been afraid to develop products that erode its own market share. As I often like to remind people what we could learn from the closure of Kodak: if anyone is going to cannibalise your sales, make sure it's you. So the iPhone came out with all the features, if not more, of the iPod and as more iPhones sold, so the sales of the iPod decreased. But if Apple did not make that stretch, someone else would. If you'd like to read more about Apple's strategy, I highly recommend John Ashcroft's case study which can be found at www.applecasestudy.com.

Honda's entry into the US

I want to end this section with a case that is not specifically an example of strategic intent, but clearly demonstrates the difference between strategy as design - where there is a specific intent, and strategy that emerges. In a paper published in *Acta Psychologica* by Joshua Klayman, he describes how strategy can emerge through progressive discovery:

Suppose . . . you are a planner who wants to develop a model of patterns of usage for a certain train station. At first, you may have only base-rate information about the average number of people who pass through the station in a week. As you study the station, you may add the factor 'time of day' to your model. With further study you may incorporate more subtle factors (e.g., seasonal changes, effects of local economic conditions). As your model becomes more complete, your predictive accuracy increases

The case I want to end off with is Honda motorcycles and their entry into the US in the 1960s. However, I want to fast forward to 1984, when Richard Pascale published a paper that gave two versions of the company's success - one as provided by the Boston consulting group and another by the Honda executives themselves who were actually there.

Pascale first shared the explanation by a consultancy which stated, amongst a number of additional strategic elements: *"Their market strategies are directed towards developing high volume, hence the careful attention that we have observed them giving to growth and market share"*

The Japanese executives who launched the motorcycles explained it a little differently:
"In truth we had no strategy other than the idea of seeing if we could sell something in the United States. Mr Honda was especially confident of the 250cc and 305cc machines. The shape of the handlebar of these larger machines looked like an eyebrow of Buddha, which he felt was a strong selling point"

What actually happened was that they used the 50cc machines to get around town - people liked what they saw and it started selling. I don't know what their strategic intent was at the time, so I don't want to force that concept onto this specific scenario, but sometimes we plan so much that we forget the world has its own plan, and that listening can be the best strategic tool of all.

ABOUT SID PEIMER

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