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## **Reshaping Strategy**

*Exploring the Content, Process and Context of Strategic Innovation.*

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## **Table of Contents**

*Introduction*

### **PART ONE: THE NEED FOR STRATEGIC INNOVATION**

1. The Nature of Strategic Management
2. The Need for New Concepts

### **PART TWO: STRATEGIC INNOVATION**

3. What is Strategic Innovation?
4. The Content of Strategic Innovation
5. The Process of Strategic Innovation
6. The Context of Strategic Innovation
7. The Dimensions of Strategic Innovation

### **PART THREE: THE ROLE OF TOP MANAGEMENT**

8. How to lead for Strategic Innovation

*Conclusion*

*References*

*About the Author*

## Introduction

“Charles Darwin wrote a book on natural selection: Survival of the fittest, it turns out, is all about adapting to a changing environment and new competitive realities. That’s exactly what companies face today – an uncertain business climate and disruptive technological changes. Your company’s survival may depend on the way you answer one question: How will your company adapt?” (Judge 2001)

This introductory quote from the Fast Company issue of November 2001 summarizes the challenges that companies and their management still face today.

Business environments are changing faster than ever before, new technologies are emerging constantly at an increasing velocity, and industries are shaken by deregulations, mergers, new entrants and as we have recently seen unexpected world wide crises.

Some companies are able to adapt to these changing environments; others are not. What distinguishes the successful adapters, the “fittest”, from the ones who fail? Why are some companies more successful than their competitors? Why do some companies achieve sustained high growth in both revenues and profits?

Besides the ability to sense shifts in their competitive environment (May, Anslinger et al. 2003), a crucial component of their success is their focus on strategy (Kaplan and Norton 2001; May, Anslinger et al. 2003), as well as a different view on strategic management (Kim and Mauborgne 1997; Markides 1999; Markides 1999) altogether. A view that does not solely rely on strategy as planning the next five years in terms of budget allocation or incremental efficiency improvements.

While these improvements might be necessary to compete in the market place, they are too short lived to gain a sustainable competitive advantage, which is absolutely necessary to ensure the survival of a company (Hamel 2001).

Successful companies have recognized that in order to be successful in the long run in terms of creating financial value and survival, they will need to achieve competitive advantage. And for these companies attaining competitive advantage is enabled through the creation of new markets, superior customer value, new business models and disruptive innovation. They have also recognized that, as every competitive advantage is only sustainable for a limited period of time, doing this once is not enough; these companies know that their organization needs to build the capabilities necessary for ongoing strategic innovation (Brown 2002). As Christensen (2001) points out “...today’s competitive advantage may become tomorrow’s albatross...”.

In addition there is strong evidence that successfully innovative companies are more likely to generate superior growth rates (Ziegler 2002).

The question arising is, how a company can achieve such ongoing strategic innovation, leading to competitive advantage and financial success?

Although managers might know that innovation is the only way to attain competitive advantage, they seldom know where to begin (Kim and Mauborgne 1999).

Unfortunately more often than not the advice that companies should be prepared to be more innovative and “think outside the box”, if they want to develop innovative strategies and remain successful, is rarely accompanied by helpful steps on how to accomplish this (Kreuz 2001).

Furthermore during the last couple of years a number of different theories have been developed around the theme of strategic innovation, with several authors having provided only partial solutions (Loewe, Williamson et al. 2001), making it exceedingly difficult to retain an overview. This is even reinforced by the variety of ways to achieve strategic innovation (Mang 2000; Sawhney, Wolcott et al. 2006).

And with growth driven by innovation being on the top of managers’ agendas throughout the world again (Carden, Mendonca et al. 2005; Smit, Thompson et al. 2005), knowing how to achieve it is now more important than ever.

## ***Objectives of this book***

The primary objective of this book is, from a theoretical point of view, to (1) summarize and structure the current research and theories and, to (2) synthesize these insights and partial solutions from different authors into a comprehensive approach facilitating a systematic way for thinking through the issues involved.

In addition, from a managerial point of view, the aim is to (3) provide a practical framework and advice that will help managers think about how to develop and implement innovative strategies, capable of creating sustainable competitive advantage and describe concrete approaches to enable this process, while keeping in mind that “the beast of strategy formation” consists of different perspectives and that practicing managers have to deal with the entire beast and not just parts of it (Mintzberg and Lampel 1999; Markides 2001).

## ***Structure of the book***

In order to achieve the above-cited objectives the book is organized in 5 parts.

- **Part 1** analyses (1) the aim and nature of strategic management, and presents (2) criticism about the way strategic management is handled today, which will lead us to the need for new concepts.
- **Part 2** will focus on providing a sound grounding on what it means to be strategically innovative and synthesizes the current theories into a systematic approach.

According to De Wit and Meyer (2004) strategy problems can be categorized along the three dimensions (1) content, (2) process, and (3) context. They argue that the advantage of such an issue-based structure and approach to thinking about strategy is that it is problem-driven, and decision-oriented instead of focusing too much on the tools, or a certain perspective.

Markides (2000) follows a similar categorization, when he explains that in order to develop a strategy, we first have to ask ourselves certain questions (i.e. content), and then find creative answers, make choices, and implement the resulting strategies (i.e. process), in a given environment or context.

This problem-driven approach, used for structuring part 3, will enable us to have a holistic look at the issues of strategic innovation, taking various aspects and perspectives into account, instead of following a step-by-step, single tool driven approach.

Hence, in part three, (1) a *definition* of strategic innovation will be provided, followed by (2) a presentation of a comprehensive approach to the *content* of strategic innovation synthesizing different theories, as well as (3) a description of the *process* of strategy formation in general and of innovative strategies in particular. Finally, this part will close with a presentation of the (4) *context* of strategic innovation, while focusing primarily on the organizational context and describing characteristics of strategically innovative companies.

- **Part 3** analyses the managerial implications, especially the role of top management in leading strategic innovation.