Further praise for *The Strategy Pathfinder*

“Do we really need another book on strategy? Well *The Strategy Pathfinder* is one with an attitude! Its effective use of an impressively broad range of micro-cases that cover the main concepts of business strategy gives students a succinct and very practical approach to the subject.”

*Peter Hagström, Stockholm School of Economics*

“The unique micro-cases in this book will surely spark energetic discussion in the classroom. The diversity of international companies and strategic issues in the cases provides an unusually broad set of examples from which to draw.”

*Constance E. Helfat, Dartmouth College*

*The Strategy Pathfinder* represents a refreshing and engaging method for teaching strategy. The processes and cases, which define the book, provide excellent learning materials that bring a real-life experience to students.”

*Stuart Sanderson, Bradford University*

“The concise presentation and critical reflection on strategy concepts and tools; the use of live cases; and the inclusion of rarely covered yet highly relevant topics, such as the role of power in strategic decision-making and the challenge of managing change, make *The Strategy Pathfinder* a welcome alternative to conventional strategy textbooks.”

*Stefan Manning, University of Massachusetts*
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The Strategy Pathfinder is arranged into 11 chapters or pathways, preceded by a short introduction (or “instruction manual”). Each pathway focuses on a set of core concepts followed by seven “live cases” that readers can use to test their ability to use those concepts. A dashed line around a live case’s title square indicates that it focuses on a not-for-profit (NFP) organization. Each pathway/chapter contains at least one NFP case, thereby creating an NFP track through The Strategy Pathfinder for those who wish to focus on this path. In addition, readers may choose to focus on a particular geographic area by consulting The Strategy Pathfinder World Map on page xi.

Introduction: Pathways to Strategy
Strategy matters → What is strategy? → Why The Strategy Pathfinder is a different kind of strategy textbook → How The Strategy Pathfinder works

PART I: THE STRATEGIC ENVIRONMENT

1. Macro-Shocks
Open systems thinking → bounded rationality → Icarus paradox → scanning/monitoring/forecasting/assessing → scenario thinking → PEST/ESTEMPLÉ analysis → impact matrix → SWOT/TOWS analysis → strategic agility

2. Movers and Shakers
Corporate governance → chain of ownership → principles/agents → role of the CEO and directors → stakeholder analysis → using management consultants → government influences → power/interest matrix → lobbying
3. Industry Dynamics

Margins → perfect and imperfect competition → industry life cycle → critical success factors → industry structure → the five forces of industry → the value net → complementors and cooperation

PART II: THE STRATEGIC ORGANIZATION

4. Corporate Strategy

The M-form organization → corporate strategy → forms of diversification → portfolio management → growth-share (or BCG) matrix → parenting advantage → sharing activities → transferring skills → centralization versus decentralization

5. Strategic Positioning

Competitive advantage → positioning → cost advantage → differentiation advantage → focus advantage → generic strategy matrix → strategy clock → advantage categories → game theory → the value chain → strategic groups → resource-based view → CASIS and VIRO analysis

6. Corporate Identity

National culture and context → the Porter diamond → organization culture → McKinsey’s 7-S framework → the cultural web → corporate identity, image and personality → authenticity → vision, mission and values
7. Organic Strategy

The relational organization → social systems → knowledge societies and learning organizations → signature stories → communities of practice → social capital → networks → resources and dynamic capabilities → emergence, process and practice → the balanced scorecard

PART III: STRATEGIC ADVANCES

8. Crossing Borders

Internationalization and globalization → theories of absolute and comparative advantage → expansion strategies → M&A strategies → divestment and retrenchment → eclectic theory → country clusters → leveraging national advantage → international business structures

9. Guiding Change

Increasing pace of change → 8-steps of change → different levels of change → evolutionary versus revolutionary change → different change needs → styles of managing change → instigators of change → resistance to change → leadership and strategic change

PART IV: STRATEGIC FUTURES

10. Sustain Ability

The firm and the wider environment → sustainable development and sustainability → environmental integrity → corporate economic prosperity → corporate social equity → the triple bottom line → reputation → business ethics → greenwashing versus the good corporate citizen
11. Maverick Strategies

Beyond “best practice” → Blue Ocean strategy → S-curves → worst, good, promising and next practices → diversity → urgency → entrepreneurial + financial flair → design thinking → stratography → 6 degrees of strategic innovation

Additional Material: Integrative cases, Chapter and Case Authors, Notes, Using Strategy Pathfinder for Assessments and Exams, References, Glossary, Index
Strategy matters in business:

Steve Jobs’s brilliant strategy [for the Apple iPod business] was to marry the hardware device with the web service with the desktop. And that kind of strategy is very difficult to copy (which makes it even more strategic).

“A Gallant attempt at making IT interesting...”

Silicon Valley Watcher, Tom Foremski, August 18, 2005

Strategy makes a difference in politics (and anyone involved in business knows that politics matters in business too). Good strategy helped Barrack Obama to become President of the United States. Here’s one journalist’s distillation of Obama’s keys to his strategic and political success in the 2008 campaign:

1. **Define your character.** When you create a consistent character that embodies your deepest principles people perceive you as “whole” and trustworthy. We align with leaders who are aligned with themselves. According to Joel Benenson, the primary pollster for the Obama campaign, Obama’s image was more clearly defined than McCain’s... As a result people perceived Obama as a truth teller...

2. **Create a strong, positive and consistent message.** Barack Obama had one elegant philosophical approach that was simple to assimilate and understand. “Voters are looking for the remedy not the replica.” His strategy was to position his opponent, John McCain, as the replica and himself the remedy... Distilling your message into one clear sentence has deep resonance.

3. **Communicate casually via video.** David Plouffe, one of Barack Obama’s campaign managers, created home-made-looking online videos discussing strategies to keep supporters and organizers excited, engaged, and involved... These videos are similar to the ones friends might send to each other to stay connected on Facebook, YouTube or MySpace.

“Barack Obama’s Campaign Strategy”

Examiner.com, Susan Harrow, December 2, 2008

Strategy also matters in the media and in public relations (which also plays a big role in business and politics these days):
It has long been the norm for Project Runway to film collections by the last three designers standing plus one decoy to avoid the seemingly inevitable leaks and spoilers -- a challenge more daunting than ever now that everyone in the Fashion Week audience has some kind of instant communications device in hand throughout. But those of us who were invited... to attend last week's fashion show hit the jackpot, unexpectedly treated to a record ten collections on the runway – that would be collections by the final three (whoever they may be), the traditional decoy finalist and six additional possible contenders, all of them still in play on the show... Adding so many extra collections was a brilliant strategy, seeing as it is seemingly impossible for the media to keep secrets in the new digital world... 

“Inside the Season Finale of Lifetime’s Project Runway”
HuffingtonPost.com, Ed Martin, February 17, 2010

And strategy shapes results in football too (and many have compared the media, politics, and business to a game).

I’ve looked at the Dutch strategy – it is invariably a strong middle field with a consistent 4-5-1 strategy. Spain regularly plays 4-4-2, more aggressive than the Dutch style. Spain is incredibly good on defense and on making things happen on the attack, just enough to take home a win. Holland also has an incredibly strong defense – does it have the brilliance of 2010 Spain on the attack? Ah, this will be a thinking person’s World Cup Final, that’s for sure!

Tribe.net, Timborg, July 7, 2010

It is easy to recognize that strategy plays an important role in success and failure in human endeavor, but it can be more difficult to define what strategy actually is.

What is Strategy?

Strategy has been defined by many different cultures and people. Alfred Chandler, writing in 1962, outlined what many regard as the “classical” definition: “...the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.”

However, while this definition coincided with what most regard as the beginning of the subject we call strategic management, other cultures had developed similar definitions related to military practice. The word strategy was developed to name a new military and political leadership position developed in the city of Athens in the 6th century BC, as a combination of the words stratos, which meant “army” (or more correctly an army spread out over the ground), and agein, meaning “to lead.” In another continent at about the same time the military philosopher Sun Tzu defined strategy as “... the great work of the organization. In situations of life or death, it is the Tao of survival or extinction.”

In the 1980s writers built upon these traditions refining our views of what strategy was about. The Japanese–American scholar Kenichi Ohmae described strategy as “...the plan enabling a company to gain, as efficiently as possible, a sustainable edge
over its competitors.” While the world’s most highly regarded management guru, Peter Drucker, suggested that a strategy was “... a firm’s theory about how to gain competitive advantages” over its competition.

By the end of the 1980s, new types of strategy scholar, more schooled in human and organizational behavior than warfare or industrial economics, were challenging the idea that strategy was about great ideas, long-term plans, and rational theories. They believed that instead of focusing on what strategy is it would be more realistic and useful to examine how strategy develops. And they believed that strategy happened as collections of small activities, some rational some not, that created trajectories followed by organizations. Henry Mintzberg thus claimed that strategy was “... a pattern of behavior that emerges over time,” and then embarked on a series of debates with Igor Ansoff about whether strategy was about rational design from the top of an organization (Ansoff) or patterns that emerged from the bottom (Mintzberg). In keeping with Mintzberg’s view, proponents of the increasingly influential “resource-based view of the firm,” such as Jay Barney (see Chapter 5), defined strategy as “... a pattern of resource allocation that enables firms to maintain or improve their performance.”

By focusing on the patterns and processes that led to strategy, rather than the content of what a strategy is, writers like Mintzberg and Barney discovered that rather than one unifying definition, there were in fact many schools of thought about where strategy came from. In a book called Strategy Safari, Mintzberg and his co-authors outlined 13 different strategy schools. No one perspective should be seen as superior, argued Mintzberg; they are just different views of the same object, and the view taken by an organization should depend on the nature of that organization: for some larger, more established, organizations strategy would probably come from design and planning; for smaller or more dynamic organizations, culture or the values of an entrepreneurial founder would be a more important shaper of strategy.

### Henry Mintzberg’s Strategy Process Schools

**The Design School** – strategy is the result of senior managers using conscious rational analysis to design a fit between organizational strengths and weaknesses and environmental opportunities and threats.

**The Planning School** – reflects the design school view, but strategy here is decomposable into distinct steps and supporting frameworks like the Value Chain or the 5 Forces of Industry.

**The Positioning School** – views strategy as selection from generic options or frameworks (e.g., the Generic Strategy Matrix) based on the formalized analysis of the specific industry and market situation.

**The Environmental School** – focuses on the environment’s influence in steering firms toward strategic options. Senior managers are seen here to have far less agency and control over strategic decisions.
The **Cognitive School** – concerned with understanding the mental processes or psychology of the strategist that lead to particular strategic decisions.

The **Learning School** – views the strategy development process as emerging incrementally over time through trial, error, and learning from environmental shifts and questioning present assumptions.

The **Cultural School** – concentrates on the influence of pre-existing organizational and/or regional culture and common belief systems in promoting particular strategic choices.

The **Consensus School** – similar to the cultural school, but here consensus about a strategy emerges from the mutual adjustment of key stakeholders as they learn from each other over time.

The **Power School** – strategizing is influenced by politics and focuses on bargaining, persuasion, and confrontation between various interested parties and the power dynamics that exist between a firm and its strategic partners and other networks.

The **Entrepreneurial School** – represents a move away from precise designs or plans, toward looser notions such as “visions” and “perspectives,” typically articulated by the CEO or Senior Management.

The **Process School** – the strategic role of senior managers as defining and controlling the processes by which strategy is developed are key determinants of strategies.

The **Configuration School** – organizations are coherent but time-varying clusters of resources, characteristics, and behaviours. Strategy involves defining a desired end state (configuration) and mapping a series of steps to get there. “Configuration” draws upon many of the other strategy schools.

Source: adapted from Mintzberg et al. 1998.

We were confronted with this plurality of definitions of strategy when compiling a book called *Images of Strategy*. There we took the view when seeking to introduce the subject that while we could not in any certainty say absolutely what a good strategy *was* or even where it should come from, we could, based on our experience, say what a good strategy *did*.

Borrowing liberally from a paper entitled “Substitutes for Strategy” by Karl Weick, we posited that a good strategy, be it a big plan or a pattern made up of lots of smaller activities, or the result of a brilliant entrepreneur, or designed by a committee, would both orient and animate an organization. It would, in other words, give focus, direction, and purpose to an organization (orientation), and encourage and move people to seek to achieve expectations for an organization or surpass and recreate these expectations (animation).

Weick had himself borrowed liberally from others in outlining what a strategy should do as opposed to what it is. In particular, he related the story we
A lieutenant of a detachment in the Alps sent a reconnaissance unit into the wilderness. It began to snow, and unexpectedly continued to snow for two days. The unit did not return. The lieutenant feared that he had dispatched the unit to death. But, on the third day they came back. How had they made their way? “Yes,” they said: We thought ourselves doomed. We had no maps or other equipment with which to ascertain our position or a route out. But then one of us found a tattered map in a seldom used pocket. That calmed us down. The map did not seem to quite fit the terrain but eventually we found our bearings and after a few wrong turns eventually found our way. The lieutenant looked at the map. “This isn’t a map of the Alps,” he said. “It’s a map of the Pyrenees.”

In the above example, one organizing image or pathway helped to orient and animate a group, moving participants from dormant to strategic. In *Images of Strategy* we presented the view that being strategic or “strategized” is what happens when an organization is oriented and animated, and that a strategy could be achieved through many different images (depending on what it was that most helped to orient and animate an organization). If an organization has little of either, it has a long way to go strategically. If an organization is all orientation (lots of meetings and weighty analysis and detailed plans) but its people are uninspired, then it is underperforming strategically – as is an organization high on animation but without a collective sense of direction.

With the benefit of hindsight, however, we would add another definitional element of what a good strategy should do, and it is an assumption that underlies and thus unifies all of the definitions we have described here. Strategy is about orientation, and animation, and *integration*. Even if a firm is in more than one business or has more than one brand or type of product (as most businesses do) it will be being strategic if these activities are effectively coordinated – i.e., if its integrated whole is greater than the sum of its parts. Whether such integration comes as a result of a plan or a particular culture or an entrepreneurial vision, or whether it comes from a pattern of activities over time or a rational decision from the top, does not matter. It is the outcome of these activities – in the form of greater integration – that makes such activities strategic.

More than encompassing myriad definitions of strategy, this view is in keeping with the very reasons why firms emerge. As authors like Coase and Williamson have been reminding us for nearly one hundred years, firms emerge because their integrative (i.e. strategic) efforts outperform a free market.

Figure 1 demonstrates our view of what becoming strategic is about. If an organization starts from a position of low orientation, animation, and integration, it will become more strategic as it follows pathways that help it to orient and animate its people, which should at the same time encourage greater integration of understanding and effort. Becoming more strategic, in this manner, is what this book, *The Strategy Pathfinder*, is about. Its purpose is to help you to help the organizations you work with (or may work with in the future) to achieve greater orientation, animation, and integration of effort.

As such, we have divided the essential threads and themes in the strategic literature (along with some of the very latest new thinking) into 11
different pathways that can help organizations to become more strategic in this way. We have arranged these 11 pathways graphically in Figure 2 to aid your understanding of how the various parts of The Strategy Pathfinder fit together in this endeavor.

**Figure 1** Being strategic is about becoming oriented, animated, and integrated

**Figure 2** Eleven orienting, animating and integrating pathways toward becoming more strategic

In Part I, The Strategic Environment, we examine what we believe to be the foundations upon which any strategic understanding can be based. In Macro-Shocks we show how big and seemingly small shifts in the macro-environment
can have substantial effect upon an organization’s future. These shocks, or anticipated of them, will begin to orient and animate an organization’s strategy. In Movers and Shakers we look at how particular players operating within the industrial and wider environments may have the power to shape, enable or disrupt a strategy and how such movers may best be worked with. And in Industry Dynamics we explore how the industry environment in which an organization operates creates a particular type of “playing field” which should be understood in order to make the most of strategic opportunities.

Having laid this foundation, Part II, The Strategic Organization, describes four pathways that can aid the development of a greater sense of orientation. The first, Corporate Strategy, looks at strategies for ensuring that a firm provides greater strategic value than the sum of it parts. Then, Strategic Positioning discusses approaches for effectively targeting a firm’s products or services at the market. Whereas the first two chapters of Part II draw on what we might see as the more conventional or classical definitions of strategy as a rational, top-down, design process, the next two are focused more on developing a greater sense of strategic orientation through understanding how strategy can also emerge from human behavior patterns over time. Corporate Identity investigates the latest thinking with regard to how “softer” or more “human” aspects such as values, character, culture, and vision can shape an organization’s strategic direction. In Organic Strategy we cover the newer schools of thought, which look at the practice of strategy as comprising a wide range of micro-activities which can accumulate into particular orientations over time, where an organization is seen as being similar to a social organization.

Having developed a clearer sense of orientation, Part III, Strategic Advantage, changes tack to look at how this orientation can spur animation to change and develop, to build upon this greater sense of direction. Crossing Borders considers how firms may expand (or contract) through acquisition, diversification, alliances, internationalization, or retrenchment. Guiding Change explores how strategic change involves the combination of revolutionary and evolutionary approaches to transformation.

The final part of The Strategy Pathfinder, Strategic Futures, considers two possibilities for the strategized (or oriented, animated, and integrated) organization: first, how might a strategy or strategic advantage be sustained while being mindful of the organizations relationship with the wider environment; second, how might innovation lead to the opening up of new strategic possibilities and environments. In Sustain Ability we focus upon two things that are often seen as separate: sustainable competitive advantage and the sustainability of resources, and notice how these things may increasingly be seen as integrated. In Maverick Strategies we explore the latest research and thinking with regard to creativity and innovative strategy development.

**Why The Strategy Pathfinder is a Different Kind of Strategy Textbook**

Strategy texts are often rather dry and sterile products that seem to view the reader as a consumer: “read this, then replicate it.” We think that business today is too complex, too varied, and too interesting for this approach to work well. We
wrote *The Strategy Pathfinder* to put strategy making into the hands of the reader, to make you (the student, the manager) a “producer” of orientation, animation, and integration, and to subsequently breathe life back into strategy. Hence, *The Strategy Pathfinder* represents a different way to learn about strategy. It is founded on six learning principles, based on our 60 years of experience working with executives, MBAs, and undergraduates across five continents.

1. Symbols, colours and space can provide a structure that aids learning

We’ve written elsewhere about the importance of graphical representations in communicating strategy (See Angwin, et al 2011). And, wherever possible we’ve attempted to use colour coding, graphical symbols, and space as memory aids for, and ways of involving the reader in, the concepts explored in this book. Consequently, we use:

- Different colour shades and tabs (light silver, dark silver, light gold and dark gold) to mark out the different parts and pathways so that they are clearly differentiated and easy to find.
- Colour-coded iPad-type forms as labels for the chapters and cases.

- Geographical symbols to depict what part of the world the companies in each live case or the issue they are facing originates from.

- And, if the organization is Not for Profit, and part of *The Strategy Pathfinder* NFP track, it is identified by dashed lines in the contents pages and by the letters NFP in the iPad screens at the head of the cases.

- Other textbooks list “key learnings,” which is a good idea. But because learnings are more likely to be remembered if you generate and write them, *The Strategy Pathfinder* provides empty note tabs at the end of each chapter where you can write your “key learnings” from the chapter and perhaps draw lines between these where you see links. Subsequently, at the end of each chapter you will be able to generate your own “mind-map” to help you to revise the key aspects of each part of this book (we get you started with one pre-prepared elements at the end of Chapter 1, page 15) And, wherever possible we provide ‘note-paper’ at the end of the cases. Moreover, in our experience, writing notes and drawing on a book is an excellent way of learning it, so please don’t limit your drawing to the tabs and note pages.
2. There are no different editions of this book for different geographical locations

Many strategy textbooks produce local editions where examples and cases that originate from that area are inserted in an attempt to make the material more relevant. However, today’s strategists are just as likely to work for, or with, companies from another country as they are to work with companies from their own homeland. Furthermore, as national barriers diminish, all business has become international – your competitors/suppliers/customers could come from anywhere. Therefore, strategists need to be comfortable with problems from all parts of the globe and dealing with local concerns, globally. Hence our cases are from every corner of the world (see the case location map on page xi).

3. Less means more

Unlike conventional strategy texts *The Strategy Pathfinder* isn’t a pile of theories and concepts 1400 pages long. By synthesizing and presenting essential pathways through the complexities of the strategy jungle, *The Pathfinder’s* contents can comfortably all be covered in a course, or in a weekend, enabling you to build momentum and stay enthused. Our Pathfinder Compasses at the end of each chapter, and our extensive references and bibliography at the end of the book, will provide you with a number of routes should you wish to delve deeper down a particular strategy path.

4. Strategy cases should strike you like strategy problems in real-life, not like academic exercises

*The Strategy Pathfinder* isn’t weighed down by enormous cases that throw in every detail but are difficult to relate to. It is built around “live cases” on real-life strategy issues faced by real organizations. In our experience, such cases are much more effective ways of animating discussion. They are both more engaging and more like the strategy situations that people encounter in reality than the traditional Harvard-style strategy cases. They are more real because, like life, they hit you with a problem, and then you have to form a case – using your wits to gather more information, forming opinions, and testing these against the opinions of others – before deciding upon recommendations about how best to proceed. Conventional cases tend to hand students the case on a plate: suggesting that all they need is contained in the same 20 pages of charts, tables, and text that are placed fully-formed before them and their peers. This is also why live cases are more engaging. They force you to think about past experiences, do more research, surf the Internet, and form your own opinions. In other words, they encourage you to take ownership. They make you a producer of strategic ideas and insights, rather than a consumer. Also, because *The Strategy Pathfinder’s* live cases are brief, you can be interacting with them and debating them with others in a matter of minutes.

At the end of the first live case in every chapter (apart from the last one on Maverick Strategies, where the emphasis is completely on thinking originally) we provide you with some ideas as to how you might have gone about answering
the questions posed. But after that, the answers are up to you to think through
yourself, and debate your views, and the views of others, with colleagues, class-
mates, or peers.

5. Strategy teaching should draw on the latest available technology

This open approach that sees students as producers of knowledge, as well as
consumers of traditional frameworks and theories, encourages the use of the
latest technology in the classroom or when reading the book at home. Because
The Strategy Pathfinder's cases do not contain the “whole story” (and because,
we believe, the whole story in strategy is open to interpretation in any event),
they require further “real-time” research and debate. Searching on the companies
or the issues that arise in the live cases using tools like Google, YouTube and
Wikipedia, in combination with more conventional forms of library research and
readings, can provide the basis for lively and organic debates about what you
would do if you were advising the managers or other stakeholders in the cases.

Some strategy texts attempt to keep up with technology by providing more
information: in extra compact discs or password-protected websites. But, in a
world where the degree of information available on an organization or an issue
cannot be contained, and where students and practitioners may be just as adept at
searching for new information as a professor or strategy expert, this would seem to
us to exacerbate a problem rather than solve it. What puts The Strategy Pathfinder at
the cutting edge of technology, and why we use the term “live cases,” is that they
are “open-source” and ongoing. Readers are empowered to use the latest technol-
gy to uncover the latest information on which to base their arguments.

6. Strategic issues don’t cease when the case study writer finishes writing the
case

When using a management textbook to teach a class, a question that often crops
up is “should we answer the questions as if we were at the point when the case
ends, or how things are today?” We believe that the former approach is unreal-
istic and confusing (how do we know what managers in a company might have
known on the date the case was written?), and given the approach we have out-
lined above, we believe it is unnecessary when using The Strategy Pathfinder. All
of our cases should be viewed as living documents and hence can be done in real
time. If you find in your investigations that one of the companies in a particular
live case has failed or been acquired by another company, this is not a problem:
such is life. Changes in circumstance are a further interesting development, and a
strategic reality, that should inform your strategic analysis. You should ask: Why
did the company fail? Why was it acquired? You should not try to imagine that
you don’t know these things.

How The Strategy Pathfinder Works

To illustrate how you can use this book, let’s take a live case and look at how
you might develop your knowledge of strategy through applying yourself to the
issues that it raises. The case is about a fast-food operation called Cereality that
is seeking to grow through franchising. We’ve taken it from an earlier edition of *The Strategy Pathfinder* where it appeared in the Strategic Positioning chapter. The question is: “will its strategic business model allow it to succeed?” The case is presented below.

**Cereality**

The idea, explains David Roth, co-founder of Cereality Cereal Bar and Café, “is to become the Starbucks of cereal.” Cereality simply provides bowls of common branded cereals such as Cheerios, Lucky Charms, and Quaker Oats to which customers can add toppings and milk, but some commentators believe that Roth and co-founder Rick Bacher may actually be on to something.

The pair began testing a prototype store at the end of 2003 at Arizona State University (the store took just two months to turn a profit as students flocked to it), and by the end of 2004 new outlets had been opened in Philadelphia and Chicago with 15 more stores planned to open in 2005. Thinking further ahead, Roth and Bacher are currently also negotiating for space at train stations, arenas, airports, and hotels.

The founders claim they created Cereality “to celebrate the very personal nature of enjoying a good bowl of cereal, anywhere and at any time. It’s a life-long staple, and yet nobody had ever figured out a way to make it work in fast food.” At Cereality customers can get a 32-oz. bowl of branded cereal, or combine brands as they wish, and select from toppings like fruit, nuts, and candy and different kinds of milk for about $3. Or they can choose ready-made mixes selected by Cereality staff (called “Cereologists”). Cereality also does Smoothies made with cereal (Slurrealities™); and goods baked with cereals (Cereality Bars™ and Cereality Bites™). Bacher seems to be serious when he boasts that: “Cereality is so unique, it has a patent pending.”

Customers are greeted by waiting staff wearing pyjamas in surroundings that are comfortably homely. “I wanted to create a totally cool experience where all of those (cereal) rituals and habits can be celebrated out of the home,” explains Roth. In so doing, Cereality is hoping to cash in on the comfort and nostalgia that people attach to breakfast cereal. *USA Today* wrote that this: “latest fast-food concept is so absurdly simple, self-indulgent, and reflective on one’s inner child that; well, how can it fail?”

Cereal makers, who have been trying to find an outlet for their products beyond the breakfast table for decades and have been battling the current trend toward “low-carbs” that has contributed to an 8% decline in cereal sales in the five years to 2004, have been keen to get behind Roth and Bacher’s venture. Quaker has invested an undisclosed amount in Cereality, and General Mills and Kellogg have offered business advice. In return, the big cereal companies not only get another distribution channel, but valuable information as well. Cereality kiosks gather interesting data on who’s buying what and what combinations of cereals and toppings are popular. The pilot store has already yielded some surprises, such as a strong yearning among collegians for *Cinnamon Toast Crunch*, and that Quaker’s old-fashioned *Life* brand is the number one seller.
Roth claims to have been inspired by the cereal-loving characters on the TV show *Seinfeld*: the show which boldly claimed to be “about nothing” but was greatly loved and tremendously successful. There are some that might say that serving bowls of cereal commonly available in any supermarket is similarly a “nothing” strategy. But could Cereality become as successful as its role models *Starbucks* and *Seinfeld*?

Having read the case, it is clear that while it provides some clues as to how one might answer the question: “will its strategic business model allow it to succeed?”; more research would help. Given that this case relates to the Strategic Positioning chapter, one might look at the core concepts in that chapter and think through Cereality’s strategy using a framework like the value chain (shown on page 144) and ask how its business model enables the reduction of costs while maintaining relatively high prices. This might reveal that the combination of taking the preparation of hot food out of the fast-food equation, while using branded cereals in a novel and experiential environment creates a large margin between cost and price, and what seems like a competitive advantage.

Further investigation on the internet might raise some doubts about whether this advantage is sustainable. A simple search on Cereality would reveal a YouTube clip from a television program called *The Big Idea* where host Donny Deutsch proclaims Cereality’s simple approach as one of the cleverest strategies ever. . .

But there is also an article from *Time* magazine that points out that the company will find it difficult to protect itself from imitators, or indeed its big name suppliers and potential competitors like Starbucks, should their model become a success.

This might lead the reader to delve deeper, into Chapter 5, and use a framework like CASIS for thinking about whether a competitive advantage is sustainable. This framework suggests that a strategy should be Congruent with things that are seen as critical success factors in an industry; is not Appropriable by competitors or suppliers; cannot be easily Substituted for by customers, is Inimitable; and its development can be Supported by the organization.

While Cereality’s strategy of reducing the cost of providing fast food is absolutely congruent with critical success factors in the fast-food industry, Cereality’s “big idea” can easily be appropriated or imitated by competitors, new start-ups or suppliers looking to forward integrate, or substituted by customers (they could easily eat the same cereals at home). And, without a large number of franchisees queuing up to open Cereality stores, a
need to grow quickly and establish a well-known brand (as Starbucks did) cannot be supported organizationally.

And if the reader was doing this case after reading Chapters 1 through 5, their development of the Cereality live-case might be added to by thinking back through the strategy pathways covered in earlier chapters. For example:

- The macro-shocks issue of an organization trying to sell non-essentials at a high price in a recession (Chapter 1);
- the fact that the key movers & shakers, like Quaker, General Mills, and Starbucks, could squeeze Cereality if they wished to (Chapter 2);
- that protecting a strategy from new entrants or forward integrating suppliers is a key to sustaining high margins in an industry (Chapter 3).

This is but one approach to one live-case, but it illustrates the learning possibilities when the reader is seen as more than just a consumer of historical conventions, as is often the case with other strategy texts. Strategy should not be a static subject. It is dynamic and contestable. Many more strategy concepts and live cases from around the world follow in The Strategy Pathfinder’s 11 chapters, waiting to be read, explored, debated, and updated.
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