

How we think about strategy

Cynthia Montgomery is the Timken Professor of Business Administration and immediate past head of the Strategy Unit at Harvard Business School, where she's taught for 20 years. For the past six years, she has led the strategy track in the School's Owner, President, Manager Program, attended by leaders of midsize companies from around the globe. Her latest book is The Strategist.

EL: Why write about strategy?

Montgomery: Over the past 25 years, we've had big breakthroughs in the way we think about strategy, in that we better understand competition and the structural characteristics of industry. That's what has allowed consulting firms to make a big leap forward in helping executives formulate strategy.

But there was an unintended consequence to all this: We lost the leadership dimension—and the human dimension—of strategy.

EL: What do you mean by “the human dimension” of strategy?

Montgomery: I mean that CEOs are ultimately responsible for whether or not their company has a strategy and how good that strategy is. We've boxed strategy into a narrow corner. It's become an analytical thing, a must-do instead of a want-to-do. But I believe we could be thinking about strategy in a very different way.

To make the topic of strategy more personal, I ask leaders to answer this question: Does your company matter? And also, What is your company adding to what already exists in the market?

EL: Can you point to an example of strategy done right?

Montgomery: Gucci is a good example. The company had been at the pinnacle of the fashion market for a long time. Then the brand got trashed. They'd put their name on 22,000 products, including cigarette lighters and tennis balls, and the brand had lost its value.

Then the company appointed a new CEO, who redefined Gucci's strategy. He decided the brand would be sexy, fashion forward and a good value. That was a break from the brand's original image as a high-fashion brand geared toward an older audience.

He reduced prices by 30% across the board.

Within four years, he'd rebuilt the entire business model—from the supply chain to the retail stores themselves. He turned the company around to match its new strategy and economic purpose—edgy fashion with good value, geared toward a new customer.

In this case, you can see how a leader articulated a strategy by creating a distinction between his company and any other player.

EL: Where do people go wrong in formulating strategy?

Montgomery: They think strategy is beating the competition. That's wrong. First it's about serving an unmet need of a customer, and doing it in a compelling way.

Beating the competition falls out from doing the first thing well.

EL: And then you have to know how to articulate that strategy, right?

Montgomery: Yes. Being able to articulate it and be a champion of it is important. Sometimes people are good cheerleaders. But if it's a bad strategy, it's going to flop.