The "strategy frame" and the four Es of strategy drivers

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Abstract

Purpose – There is vast literature and widely different views on strategy. This necessitates an organizing framework that smoothly integrates and places different conceptualizations of strategy in the proper perspective. The purpose of this paper is to clear possible confusion about the concept of strategy and help navigate the different streams of the strategy river with confidence and ease.

Design/methodology/approach – A comprehensive review of strategy literature is undertaken and the underlying principles and governing ideas are extracted. These are reconstructed to form the basis of the "strategy frame".

Findings – The "strategy frame" produced the four Es of strategy, which represent the strategic thinking drivers behind the different conceptualizations of strategy. The framework attempts to address all major strategy issues and to combine different schools of thought spanning the spectrum of strategy dimensions, tensions, and paradoxes. It interweaves competing schools of thought in the strategy field and conceptualizes them as continuums to illustrate their interplay.

Research limitations/implications – The conceptual nature of the "strategy frame" makes it less useful in answering the questions it helps raise. As such, it is so broad to be used for working out detailed strategies.

Practical implications – The "strategy frame" helps strategists take a bird's eye view to identify critical strategic issues and put them in the proper context of their organization's capacity as it relates to its environment.

Originality/value – The paper attempts to deal with the basic tensions and paradoxes in strategy field in order to develop a hopefully useful framework, which is able to relate them in an integrative way.

Keywords Management strategy, Uncertainty management, Strategic management, Competitive advantage

Paper type Research paper

The plethora of strategy concepts, theories, frameworks, and claims of superiority dazzles many who may not be able to see the forest from the trees. Managers and practitioners are overwhelmed by the flood of advice coming from different directions and each dismisses the other as out of date, short sighted, incomplete, inadequate, or even misleading (Beaver, 2000; Clark, 2004; Kay *et al.*, 2003). The debate, and with it the exchange of accusations, attacks and counter attacks, and packaging and repackaging of ideas and theories, give vitality to the field of strategy; yet it sometimes confuses and limits the potential for faster and more fruitful development and progress of the field (Collis and Montgomery, 1995; Mintzberg and Lampel, 1999, Wilson and Jarzabkowski, 2004).

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The debate in the field of strategy spans the trilogy of strategy: the concept, the conduct, and the context (Moore, 1995). However, researchers periodically express concern about the fragmentation, confusion and lack of consensus in the field (Franklin, 2002; Volberda, 2004). This state of affairs seems to spawn doubts as to the existence and boundaries of the academic field of strategy, which prompted some leading researchers to seek answers to these doubts (Hafsi and Thomas, 2005; Nag *et al.*, 2007).

There is no consensus, however, as whether this fragmentation is strengthening or weakening the field (Franklin, 2002). Hafsi and Thomas (2005) observe that early in the 1990s special issues of the *Strategic Management Journal* in Winter 1991 and Summer 1994 reinforced the fragmentation of the field by advocating the usefulness and stimulation of the multiplicity of paradigms, models, and theories. Hambrick and Frederickson (2001) assert that the problem of strategic fragmentation has worsened in recent years, as narrowly specialized academics and consultants have started playing their tools in the name of strategy. This state of fragmentation does not lead necessarily to a conclusion that there is no consensus on the broad boundaries of the field. This is what Nag *et al.* (2007) attempt to show by deriving a consensus definition of the field to demonstrate how it maintains its coherent distinctiveness in spite of the multiplicity of perspectives.

There are frequent attempts to draw the big picture of the field, to relate seemingly divergent views and theories for the purpose of advancing an integrated or synthesized perspective (Volberda, 2004). Farjoun (2002), for example, advances a view of strategy as an adaptive coordination to combine insights from what he sees as the two main perspectives in the field of strategy: the mechanistic and the organic. Mintzberg and Lampel (1999), taking a different view, choose to focus only on the conduct of strategy to show the complete picture of what they call the "beast of strategy". This paper is conceived along this latter view, limiting itself, instead, to the concept of strategy, leaving out the conduct and context of strategy.

Mintzberg and Lampel (1999) and Hambrick and Frederickson (2001) observe the tendency of many managers and strategists to narrow their strategy perspective to the limited domain of the specific tool they use. Coyne and Subramaniam (1996) argue that close examination of any of the strategy concepts reveals that their underlying assumptions limit the circumstances in which they can be used. They advice strategists to be familiar with all of these tools to be able to determine which one is most appropriate to their situation. This paper does not aim to develop a new theory. It does not call for limiting the diversity of strategy concepts. Instead, it acknowledges the richness of these concepts and provides a context within which they are positioned, maintaining the multiplicity of their perspectives. It responds to the observations mentioned above by attempting to broaden the managers' and strategists' views by locating the most influential strategy concepts in their proper place within a generic organizing framework. Kay suggests that:

> A valid framework is one which focuses sharply on what the skilled manager, at least instinctively, already knows. A successful framework formalizes and extends [skilled managers] existing knowledge. For the less practiced, an effective framework is one which organizes and develops what would otherwise be disjointed experience (Kay, 1993, p. 359).

The paper is organized as follows. The next section describes the different views of researchers about the definition of strategy. Then, the origins of the differences in strategy conceptualizations are explained. The paper then advances to tackle the purpose of strategy. This is followed by discussion of the two main axes of the strategy frame, namely the strategic domain and the strategic orientation. The strategy frame is then introduced and later related to the sources of competitive advantage and the strategic approaches in the extant literature. Finally, the paper concludes with practical implications for strategists.

The hunt for strategy is still on

"What is strategy?" is a question that is still looking for an answer. Yip (2004) argues that business academics and consultants have been writing about strategy for over 40 years; yet there is still great confusion as to what strategy is. Markides poses the question: "What is strategy and how do you know if you have one?" He attributes the confusion about strategy partially to "an honest lack of understanding as to the content of strategy" (Yip, 2004, p. 6). *Sloan Management Review* published a special issue, in spring of 1999, on the topic and titled it: "In Search of strategy." Markides (1999a, p. 6), the Guest Editor, asserts that there is big debate raging in the field for the past 20 years in a number of strategy issues. He added:

> We felt that the field of strategy had reached a defining moment in its evolution and that a collection of articles from some of the best strategic thinkers could preface debates for the next twenty years.

Brews (2003) argues that the existence of many seemingly conflicting theories, advice and practices of strategy confuses many practitioners and concludes that often, what is done in the name of strategy misses the mark. He attributes that to two reasons.

> First, the essence of strategy is misunderstood and considerable time and effort is devoted to developing ideas that at best are motherhood and apple pie statements supported by high-level outcome goals. Second, few appreciate how our current stock of knowledge about strategy assists in developing true strategy (Brews, 2003, p. 35).

Early on, Hambrick and Frederickson (2001) posed a similar question: "Are you sure you have a strategy?" and described the state of the field to date by saying:

> After more than 30 years of hard thinking about strategy, consultants and scholars have provided executives with an abundance of frameworks for analyzing strategic situations.

They further caution about strategic fragmentation and warn that the use of specific strategic tools tends to limit the strategists thinking to the narrow scope of the tools themselves. So the users of Porter's five-force analysis, for example, tend to conceive strategy as a matter of selecting industries and segments within them; while the adoption of game-theoretic frameworks confines the concept of strategy to a set of choices about dealing with adversaries and allies. Nearly five years earlier, Porter (1996) asked that question: "What is strategy?" and contends that the root of confusion about strategy is the lack of a clear distinction between strategy and operational effectiveness. Coyne and Subramaniam (1996) argue that strategy today is an extraordinarily demanding, complex, and subtle discipline. MacMillan and McGrath (1997) agree that one can hardly blame managers for their confusion about strategy.

This paper attempts to develop a conceptual framework that offers a simple yet a practical map to the most basic strategic concepts and issues. It does not claim, however, to settle the disputes or reconcile the differences in perspectives or points of view and the resulting frameworks, theories or advice. This, of course, might not be a useful or right idea after all. The aim, however, is to help integrate extant understandings of the strategy concept in a generic organizing framework while maintaining the tensions between different perspectives. A number of strategy conceptualizations are nested within the framework to illustrate the potential value of its integrative power as well as for cultivating fruitful insights in addressing strategic issues. The specific aim of this paper is to develop the theoretical underpinning of the suggested framework to legitimize its chosen dimensions and to show its wide-ranging potential.

The origins of differences . . . the source of confusion

The differences in defining strategy can be attributed to differences in the dimensions on which different theorists focus. Interestingly, each of those dimensions usually represents a kind of a continuum or dynamic duality. Mintzberg and Waters (1985), for example, organized their conceptualization of strategy around the dynamics of intention-behavior continuum. Mintzberg (1987) in his survey of the prevailing concepts of strategy at the time adds another dimension: the continuum of internal-external context. Other continuums include: present-future, commitment-flexibility, certainty-uncertainty, and static-dynamic environment. However, the most basic dimensions that underlie everything else are internal-external focus and present-future dimensions for these two continuums are broad enough to nest other continuums within them. For example, one can trace a clear thread going from the present-future to the static-dynamic to certainty-uncertainty to commitment-flexibility continuums.

The issue of uncertainty gives rise to a host of paradoxical issues. Nonaka and Toyama (2002), for example, state that today, firms are facing many contradictions: efficiency versus creativity; exploitation versus exploration; speed versus time-consuming resource building. They argue that the key to a firm's success is its capability to go beyond balancing these paradoxical poles with its synthesizing capability.

Managing paradox (Baden-Fuller and Volberda, 1997; Lewis, 2000) is one of the most basic challenges of strategy, and to manage paradox a higher level of strategy purpose can serve as a guiding principle in resolving the tensions inherent in paradoxes. Another tool that can help in resolving the tensions is emphasizing modeling any pair of poles as a continuum rather than a dichotomy (Denison *et al.*, 1995; Quinn, 1988). Lorange (2001) argues that a positive tension is likely to create a more innovative strategy. The "strategy frame", developed in this paper, is built around the idea of continuums. A word about the purpose of strategy is in order in the following section to set the seen for the following sections, for the purpose of strategy defines its dimensions.

The purpose of strategy

A general purpose of business strategy can be put as the ongoing delivery of a flow of unique or superior customer value, as reflected in company's offerings, at superior rewards for the contributors – profit for shareholders; fulfillment for members; fair share for partners; development for the corporation; etc. – under conditions of changing and uncertain business environment. Dealing with complexity and uncertainty is governed by company's perspective, its character and general orientation. The actual delivery of value, the methods by which decisions are taken, etc. are the processes necessary to produce results.

So the purpose of strategy is centered on customer value (value creation), as well as stakeholders value (value capture and distribution), with continuity and uniqueness or superiority as necessary conditions for long-lasting success.

To realize the purpose of strategy, there are two basic themes that underlie any serious discussion on strategy: strategic orientation, which focuses on the propensity towards change, uncertainty, and renewal; and strategic domain, which embodies the relationship between organizational capacity and business opportunity.

Strategic domain

Strategic domain represents the interaction between the organization and its business environment. The relationship between organizational capacity and business opportunity is one of the most important dimensions underlying differences in defining strategy. Organization's capacity is its realized or latent potential for creating and sustaining strategic success.

Strategic domain deals also with the boundary issue, which in turn, delves into the issues of cooperation and competition, and the relationship between the organization and other participants in its industry and market, such as customers, suppliers, complementors, and other partners and players.

The relationship between organizational capacity and business opportunity is so influential in conceptualizing what strategy is. Clusters of conceptualizations of strategy are based on this relationship.

For example, a number of strategy conceptualizations based on co-creating customer value appeared in the literature. The crux of these conceptualizations is cooperatively building capacity to proactively create business opportunities. The most notable of these conceptualizations are the following:

- Strategy as continuous design and redesign of complex business systems (Normann and Ramirez, 1993).
- Strategy as developing and dominating ecosystems (Iansiti and Levien, 2004; Moore, 1993).
- Strategy as value co-creation (Prahalad and Ramaswamy, 2003, 2004).

Normann and Ramirez (1993) illustrate this view clearly. They believe that strategy is the art of creating value. It is about how to identify opportunities for bringing value to customers and for delivering that value at a profit. They state:

> ... strategy is the way a company defines its business and links together the only two resources that really matter in today's economy: knowledge and relationships or an organization's competencies and customers (Normann and Ramirez, 1993, p. 65).

Another related cluster of conceptualization is centered on an understanding of strategy as process of innovation. The most notable in the literature are the following:

- Strategy as demand innovation (Slywotzky and Wise, 2002, 2003).
- Strategy as opportunity creation (Kim and Mauborgne, 1997, 1999a,b).
- Strategy as process of innovation (Govindarajan and Gupta, 2001; Hamel, 1998; Markides, 1997).

In addition, many critics of Porter, noticing the dynamic nature of the relationship between organizational capacity and business opportunity, voiced their concern about the static nature of his positioning school of strategy arguing that such thinking is unlikely to lead to successful performance under conditions of dynamic environments. Eisenhardt (2002), for example, argues that the acceleration of environmental change, the emergence of new economics, globalization, and rapid technological change are fundamentally changing the nature and dimensions of strategy. She asserts that strategy should become simple, i.e. using one or two critical strategic processes and a handful of unique rules to guide them; strategy becomes organizational, i.e. it consists of choosing an excellent team, picking the right roles for team members, and then letting their moves emerge; strategy becomes temporal, i.e. composed of a series of strategic moves by altering one or more of organizational unique mix of products, brands, technology, capabilities, etc. This change of the nature of strategy has an impact on the sustainability of competitive advantage. Eisenhardt argues that the duration of competitive advantage is unpredictable, a fact that challenges executives to cope with not knowing whether such an advantage actually exists-except in retrospect.

Nanda (1996) relates the time dimension to organizational capacity. He first differentiates between firm resources, capabilities, and competencies. He then defines these concepts: resources are the fixed, firm-specific input factors of production; capabilities are the potential applications of resources, or, in other words, the potential input from the resource stock to the production function; competencies are higher-order routines which develop and configure organizational resources through refinement and renewal. Having made this distinction, Nanda extends Ghemawat's (1991) discussion that product-market decisions are taken in the short run, given fixed factors, while factor-market decisions are taken with a longer horizon. Nanda adds that product-market decisions tend to be strategic only in the short-run; resource-driven decisions are strategic only in the medium term; and the crucial long-term decisions concern competencies. The following section deals with the dimension of strategic orientation.

Strategic orientation

Strategic orientation is the other basic divide in the understanding and conceptualizing of strategy. Strategic orientation literature mainly focuses on the relationship between organization and environment over time. Strategic orientation designates a firm's behavior along continuums like stability/change, certainty/uncertainty, conservatism/risk taking, and adapting/shaping. One of the most widely known typologies of strategy, the Miles and Snow (1978), is based on these continuums.

Some strategists are basically occupied with the present, a tendency we may call present-focused orientation. This is mainly the positioning school of strategy in which the prime interest of the strategist is exploiting the evident market opportunities for the maximum appropriation of value. Since the focus in this school of thought is on the present, its proponents are interested more in the content of strategy. The other basic propensity is what we may call the future-focused orientation. Strategists who subscribe to this frame of thinking are focused on prospecting or exploring the latent possibilities for value creation. Since the focus of this school of thought is on the future and since the future is wide open for unlimited number of possibilities and surrounded by a high level of uncertainty, the advocates of this school of thought are interested more in the context and conduct of strategy than in its content. This leads the prospecting school to be concerned, for example, with forging collaboration with other partners.

Courtney (2001) argues that in dealing with uncertain environments companies take one of two basic strategic posture: shaping or adapting. He observes that executives have regarded the question, of whether to shape or adapt, as perhaps their most fundamental strategic choice. That is, is it better for a company's competitive position to try to influence, or even determine, the outcome of crucial and currently uncertain elements of an industry's structure and conduct? Or is the wiser course to scope out defensible positions within an industry's existing structure and then to move with speed and agility to recognize and capture new opportunities when the market changes? Courtney argues that whether a company should attempt to shape or adapt depends largely on the level and nature of the uncertainty it faces.

The extant literature offers a number of strategy conceptualizations that are built around the strategic orientation. The most noticeable of these are:

- Strategy under uncertainty (Courtney *et al.*, 1997).
- Strategy and timing (Harper, 2000).
- Strategy as bets and options (Coyne and Subramaniam, 1996).
- Strategy as options on the future (Williamson, 1999).
- Strategy as portfolio of real options (Luehrman, 1998).
- Strategy as flexible commitments (Chakravarthy, 1997; Ghemawat, 1991; Ghemawat and del Sol, 1998; Sanchez, 1997; Sull, 2003).
- Strategy as robust adaptation (Beinhocker, 1999).
- Strategy as simple rules (Eisenhardt and Sull, 2001).

Gaddis (1997) reminds of Drucker's call for executives to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals. He argues that the concept of future orientation is being severely challenged from a combination of four philosophical and pragmatic forces: the advent of sciences of complexity and chaos; the persisting effects of cultural and religious traditions inherited by managers; the widely advocated policy of incrementalism; and the sustained influence of the rampant "short-termism". He calls on executives to understand the nature of these forces and reject the reactive theme of powerlessness over the future which runs through all of them. Gaddis strongly recommends that executives have to reject calls for human management impotence and choose futurity over futility.

Lorange (2001) argues that a balanced strategy is needed for continued success. He draws the attention to the importance of having a dual focus regarding the time horizon for strategy – both a longer-term, more visionary focus and a more short-term focus with emphasis on the revenue stream from the strategy. So the challenge for managers is to establish an explicit balance between what is to be done today for the future and what is to be done for the short-term benefits.

Abell (1999) argues for the need for both strategies for today and strategies for tomorrow simultaneously. He describes the role of strategies for today as clarifying segment, positioning, and resource deployment choices. This includes looking in at existing competencies and resources to identify the best "fit" with existing opportunities. He describes the role of strategies for tomorrow as focusing on possibilities or necessities for redefining the key business choices. This leads to the definition of new competencies and resources that will be needed to seize the emerging opportunities in the future. He observed that some companies can be so consumed with the present that they fail to prepare themselves for the future and suggests that during times of rapid or extreme change, the future component must be given more attention; and during more stable times, the present component predominates.

Veliyath (1992) puts forward a case for the need to balance short-run performance and longer term prospects; that is, a balance has to be maintained between the effectiveness necessary to anticipate and prepare the firm for future eventualities, versus the efficiency requirements associated with competing in present well-defined product markets.

Having defined the organizational capacity-business opportunity and the time orientation continuums, the following section takes these continuums to develop what I call the “strategy frame”.

The strategy frame

Strategic thinking and action can be modeled by juxtaposing two basic dimensions: the strategic domain and strategic orientation. I call this map the “strategy frame” (see Figure 1) for it governs and guides the organization’s strategic perceptions and decisions. Both of these dimensions are considered as continuums: strategic domain spans both organizational capacity for thinking and action and external business opportunity; and strategic orientation goes from focusing on the present to being

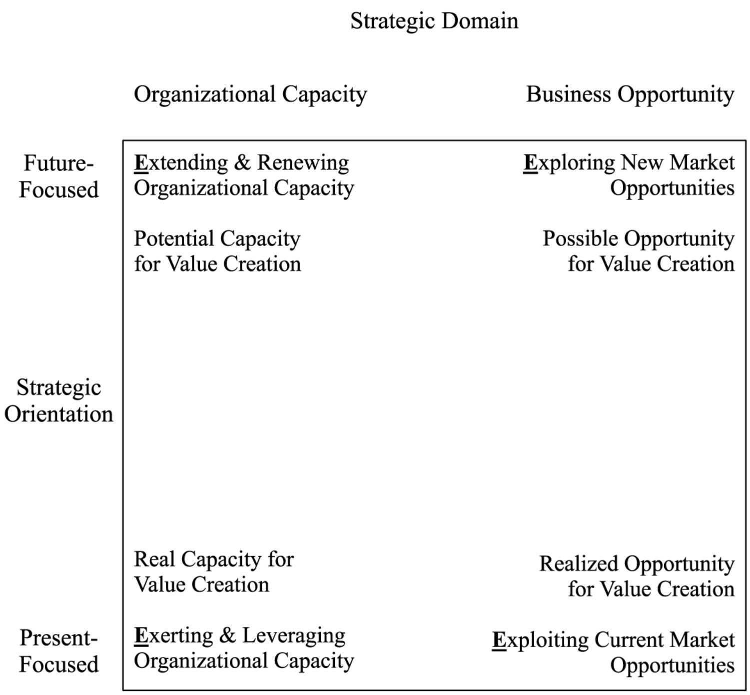

Figure 1.
The strategy frame

occupied with the future. Though these dimensions are conceptually differentiated, they are not totally independent in practice.

There are a number of issues associated with these two dimensions in the strategy literature. The most basic of these issues are change and uncertainty, short-termism and long-termism, which are associated primarily with strategic orientation; and the issue of fit/stretch (or adapt/shape) associated with the relationship between organizational capacity and business opportunity.

Change and uncertainty, in turn, spawn a number of dilemmas for strategic managers, the most noticeable of which are the tension between commitment and flexibility and the tension between efficiency and innovation. Fit (or stretch) also embeds another set of tensions between, for example, shaping or following customer needs, and initiating or responding to competitive moves, etc.

Juxtaposing the two dimensions and taking the extremes of the two continuums results in the four Es of strategy drivers, as illustrated in Figure 1. Each quadrant represents a major drive for strategic thinking and action:

(1) Organizational capacity at present gives the first E of strategy: "Exerting and leveraging organizational capabilities".

(2) Business opportunity at present gives the second E of strategy: "Exploiting current market opportunities".

(3) Organizational capacity at future gives the third E of strategy: "Extending and renewing organizational capabilities".

(4) Business opportunity at future gives the fourth E of strategy: "Exploring new market opportunities".

The four Es of strategy embed a wide range of conceptualizations of strategy in the literature including, but not limited to, those that were mentioned in the preceding two sections.

Strategic thinking can be triggered and driven by any of the four drivers mentioned above. The question posed by the first E, "Exerting and leveraging organizational capabilities", for example, could run as follows: given the current organizational capabilities of the company, how best can it apply them to take advantage of current opportunities or explore new ones? The basic question put forward by the second E, "Exploiting current market opportunities", is: given the available market opportunities, what capabilities should be honed or acquired by the company to exploit them? The question raised by third E, "Extending and renewing organizational capabilities", might be: what capabilities should be extended, developed, and/or renewed to prepare the company to exploit current opportunities and/or to make the most of emerging opportunities? Finally, the fourth E, "Exploring new market opportunities", may trigger the following question: to be able to explore and realize new market opportunities that the company may envision, sense, or help shape, what are the required organizational capabilities that the company already has, or should have? Great deal of strategy literature is mainly developed to address these and related questions. The following is a short tour in that literature.

"Exerting and leveraging organizational capabilities" represents the utilization of real capacity for value creation. Current resources and capabilities can be deployed and leveraged in serving existing and/or new customers through pursuing new segments and developing new offerings (Selden and MacMillan, 2006). According to Hamel and Prahalad (1993), management can leverage its resources, financial and non-financial, in five basic ways: by concentrating them more effectively on key strategic goals; by accumulating them more efficiently; by complementing one kind of resource with another to create higher order value; by conserving resources wherever possible; and by recovering them from the marketplace in the shortest possible time. Slywotzky and Wise (2003) suggest that companies may search for ways to drive profit growth at a high rate by looking for opportunities to create new businesses through addressing the hassles and issues that surround the product rather than by improving the product itself. They call this approach demand innovation for it focuses on growing new value and new growth in revenues and profits by discovering new forms of demand. Other strategies based on leveraging resources to take advantage of current opportunities exist in the literature. Tampoe (1994), for example, proposes a set of management models which link core competences to other key organizational changes to enable management to achieve sustained and profitable growth. Day (2004) argues that to craft a winning growth strategy, a firm must first decisively identify its value proposition – including its capabilities, assets, and cultural DNA – and subsequently select the strategy that imbues this proposition with meaning and direction. Growth will naturally follow. Zook (2004) and Zook and Allen (2003) suggest that companies may leverage their existing capabilities to target and expand into adjacent markets, where these capabilities are valuable. Gulati and Kletter (2005) propose that effectively exploiting and leveraging what they call "relational capital", defined as the value of a firm's network of relationships with its customers, suppliers, alliance partners, and internal sub-units, is an important route to providing customers with greater sets of products and services. Winter and Szulansky advance and theorize replication strategy for growth and explain:

> Replicators create value by discovering and refining a business model, by choosing the necessary components to replicate that model in suitable geographical locations, by developing capabilities to routinize knowledge transfer, and by maintaining the model in operation once it has been replicated (Winter and Szulansky, 2001, pp. 730-1).

Tucker (2001) suggests that real opportunities and real strategy innovation comes from solving problems for customers in new ways, asking for example, what aspect of a company's market is not being adequately served and what might it do about it?

"Extending and renewing organizational capabilities" embodies potential capacity for value creation. Meschi and Cremer (1999) explain that the underlying principle of corporate renewal is as follows:

> . . . in any given industry, the rules of the past and those of the present will not be those of the future; that which succeeded in the past offers no guarantee of success in the future. The advantages will accrue to the companies that aim to and capable of changing their organization to adapt these rules and impose their own approach in their industry (Meschi and Cremer, 1999, p. 49).

Long and Vickers-Koch (1995) argue that the standard planning question, "What business are we in?" has become obsolete; and suggested an alternative question, which is: "What capabilities do we need to develop and nurture to take advantage of changing conditions?". Extending and renewing organizational capabilities can manifest in different ways. Selden and MacMillan (2006), for example, suggest that a company should strive to achieve a sustained and profitable top-line growth through a customer-centric innovation process. The company may start by establishing a deep relationship with core customers, then extending the number of customers beyond the core, and, finally, stretching into new customer realms. This requires identifying and building new capabilities (the organizational infrastructure, customer insight, technology, communications, and field sales operations and logistics support) to be developed to create, communicate, and then deliver the new value propositions to the targeted segments. (Miller *et al.*, 2002) argue that to do well, firms need to develop important capabilities or resources that their rivals cannot if they have some realized or potential edge. They suggest three steps to do so: first step is discovering the asymmetries that underlie that edge, then developing these asymmetries into sustainable core capabilities largely through organization design, and finally finding a large enough audience who will pay amply to produce superior returns for the firm. They add that the emerging capabilities must be constantly unearthed and evaluated so they can be leveraged across a wider audience and set of opportunities. Baden-Fuller and Volberda (1997) offered a typology of mechanisms of strategic renewal based on how the company manages the paradox of stability and change.

"Exploiting current market opportunities" corresponds to the realized opportunity for customer value. According to March (1995), exploitation is about the short-term improvement of existing knowledge, capabilities, and technologies in pursuit of existing market opportunities. It calls for processes that emphasize focused attention, repetition, control, and exemplified in tactics like reengineering, down-sizing, and total quality management (TQM). The main aim represented by this strategy driver is to dominate the market or defend an already strong position (see Chakravarthy and Lorange, 1991; Lorange, 2001). Kumar (2006), for example, advises managers on proper strategies on how to fight low-cost rivals to keep their grip on their strongly held markets. Similarly, Rao *et al.* (2000) predict that most managers will be involved in a price war at some point in their careers and suggest an arsenal of weapons other than price cuts by which companies can avoid a debilitating price war altogether. Cohin *et al.* (2006) suggest that businesses should win after market to grow their revenues and profits, and argue that as businesses began offering solutions instead of products, it became evident that selling spare parts and after-sales services – conducting repairs; installing upgrades; reconditioning equipment; carrying out inspections and day-to-day maintenance; offering technical support, consulting, and training; and arranging finances – could be a bountiful source of revenues and profits as well. Leonard and Rayport (1997) argue that barriers to entry are easier to maintain in sharply circumscribed markets, hence their suggestion that only within such confines can one or several firms hope to dominate their rivals and earn superior returns on their invested capital. Zook and Allen (2001) argue that the foundation of sustained and profitable growth begins with a clear definition of a company's core business. Once the core is clearly defined, they assert, the most logical growth opportunity comes from reinvesting in the core business.

"Exploring new market opportunities" suggests possible opportunity for value creation. Growth is more important than profitability in the exploration mode. Exploration is risky because returns from exploration are slow in coming and are less certain and more remote in time than returns from exploitation (March, 1991). However, as Burgelman and Doz (2001) argue, senior managers must be able to see potential business opportunities that do not yet exist — as well as the unarticulated strategies that are at the frontier of what a company is capable of doing. Burgelman and Doz developed what they call complex strategic integration (CSI) for multibusiness corporations to explore and exploit opportunities that can let them take the fullest advantage of their capabilities and their potential to pursue new strategies. Exploration denotes a long-term shift to new ideas, knowledge, capabilities, and technologies to take new directions, and to make new discoveries and to take advantage of them (March, 1995). It is about new market discovery through such means as: disruptive innovation (Anthony *et al.*, 2006; Christensen *et al.*, 2002; Gilbert, 2003; Gilbert and Bower, 2002), discontinuous innovation (Kaplan, 1999; O'Reilly and Tushman, 2004), creating uncontested market space (Kim and Mauborgne, 1997, 1999a, b, 2004, 2005), challenging industry-wide assumptions (Styles and Goddard, 2004), developing the capacity to co-create unique experience environments with consumers (Prahalad and Ramaswamy, 2000, 2003), strategic experiments to test the viability of new business ideas (Govindarajan and Gupta, 2001; Govindarajan and Trimble, 2004, 2005), and through business redefinition (Markides, 1997).

In practice, the four Es of strategy are not separate concepts or notions but closely related and interdependent. Figure 2 shows this interdependence. This is the essence of

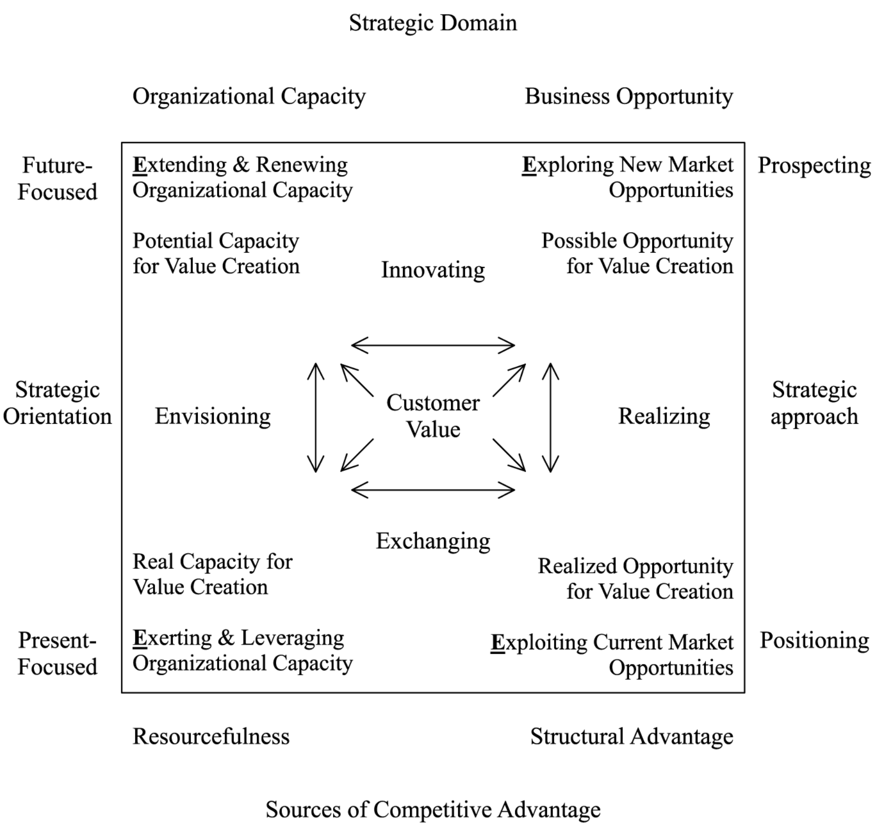

Figure 2.
The complete "strategy frame" and its dynamics

the dynamics of strategy. Moving from one quadrant to another in Figure 2 exemplifies this dynamics. Envisioning is required to build new set of capabilities/competencies or acquire new resources to be prepared to take advantage of future business opportunities. Envisioning does not necessarily mean grand vision of the future (Hamel and Prahalad, 1994) but it also means change in the enterprise perspective as a result of the learning it acquires and the small discoveries it makes when dealing with its business environment. But to move from preparedness to actual exploration of future possibilities necessitates innovation. Once a possible opportunity proved viable, an organization needs to take action to realize the potential of that opportunity. Opportunity realization results in value exchange in the market place by exerting organizational capabilities to exploit as fully as possible the realized opportunity. This is what I call the "Strategy cycle", an area of further development of this framework. The "Strategy cycle" is centered on customer value (Bowman and Ambrosini, 2000; Khalifa, 2004; Priem, 2007; Vandermerwe, 1996, 2000, 2004), which is at the heart of strategic thinking and action, and the four Es of strategy are deepened and become more meaningful by focusing on it. Figure 2 illustrates the centrality of customer value and relates each of the four Es to it.

The "strategy frame" is enriched by addressing two major issues in the strategy literature: the sources of competitive advantage and the types of strategic approaches. The following two sections explain these two additional dimensions.

Sources of competitive advantage

Superior strategy should produce, and maintain or renew, competitive advantage. The literature on competitive advantage usually attributes it either to internal resources and capabilities or to some structural choices. The resource-based view of the firm and its variants represent the first standpoint (Collis and Montgomery, 1995; Grant, 1991; Prahalad and Hamel, 1990; Peteraf, 1993; Stalk *et al.*, 1992; Teece, 1998; Wernerfelt, 1984), and the industrial organization perspective represents the second (Porter, 1980, 1985, 1996; Conner, 1991).

These views can be embedded in the "strategy frame" (see Figure 2) as resourcefulness and structural advantage respectively. The sources of competitive advantage, as illustrated in the "strategy frame", relates mainly to the strategic domain while the time orientation brings it to life by adding to it the sense of dynamism and change (Markides, 1999b). The notion of dynamic capabilities (Helfat, 1997; Helfat and Peteraf, 2003; Teece *et al.*, 1997; Zollo and Winter, 2002) captures the relationship between resourcefulness and time, and the ideas of first mover advantage and the dynamics of structural advantages (Ma, 2000; Porter, 1980, 1985, 1991) signifies the relationship between structural advantages and time. The time orientation also brings to the fore the notions of anticipation, speed, agility, surprise, and perceptiveness (D'Aveni, 1994; Harper, 2000; Yoffie and Cusumano, 1999).

Collis (1996) points to two sources of competitive advantage spanning both internal and external dimensions. He argues that there are five conditions which must hold for a profit to exist. The first condition is a unique product market position, as articulated and advanced by Porter (1980, 1985). The other four conditions are all related to factor market conditions that threaten either unique product market position itself, or the stream of profits to be earned from that position. These factor market conditions include: imitation, substitution, appropriation, and dissipation. This means, according to Collis, that, on the one hand, the unique product market position must not be subject to neither imitation by other firms acquiring equivalent resources from the factor market; nor substitution by employment of alternative factors of production. On the other hand, the stream of profits must not be appropriated by the factors of production themselves; and the ex-post profits accruing to the unique product market position must not have been dissipated in the ex-ante competition to acquire the resource needed to achieve that position.

Christensen (2001) points to the two basic sources of competitive advantage: structural advantage, such as scale and scope; and internally driven advantage, such as business model and competencies. He argues that the sustainability of competitive advantage is subject to the relevance of their underpinnings. That is, every competitive advantage is predicated on a particular set of conditions that exist at a particular point in time for particular reason. This temporary nature of competitive advantage suggests that executives must understand more deeply why and under what conditions certain practices lead to advantage.

In addition to the sources of competitive advantage, the "strategy frame" brings also to the attention of the strategist the importance of being clear about the type of strategic approach. The following section elaborates this point.

Types of strategic approaches

A major strand in the strategy literature is the notion of strategic approach. Here again, the "strategy frame" is able to embed this dimension. The "strategy frame" shows two major strategic approaches: positioning and prospecting. Positioning relates primarily to the lower two quadrants of "The strategy frame": leveraging current capabilities to exploit current business opportunities; while prospecting relates primarily to the upper two quadrants: extending and renewing organizational capabilities and exploring new business opportunities.

Porter (1980, 1985, 1996) is the grand proponent of the positioning approach. The focus of this school of strategy is on exploiting current opportunities in relatively stable markets by adapting and honing the enterprise existing capabilities to take advantage of the industry structure. The goal of competitive strategy for a company is to find a position in its industry so that its capabilities provide it with the best defense against the five basic industry competitive forces (of competitors, customers, suppliers, potential entrants, and substitute products). Alternatively, a company may try to influence the balance of these forces in its favor, or to exploit a change in the competitive balance before rivals recognize it (Porter, 1980). The positioning school of strategy is well known for its emphasis on exploiting industry structure as a source of competitive advantage. Porter (1996), however, clearly shows the importance of internal capabilities of the business to configure an activity system (fitting all the system's pieces together by making interdependent choices consistent) able to deliver superior customer value, and difficult for competitors to imitate. The configuration of an activity set requires deep understanding of cause-effect relations, trade-offs, and complementarities, and takes time to achieve. When a fine configuration is attained, change becomes difficult to accommodate, for a change in any activity threatens to introduce inconsistency into the whole activity set. Major strategic change requires reconfiguring the whole system of activities, and this, in turn, creates organizational inertia. Porter, in an interview (Argyres and McGahan, 2002), affirmed this by saying that continuity is essential for positioning and that successful companies show a strong continuity of their positioning strategy. He (Porter, 1996) warns companies that the desire to grow may undermine the cohesiveness and consistency of their activity sets. He argues that pressures to grow may lead managers to extend product lines, add new features, imitate competitors' popular services, and even make acquisitions, blurring, as a result, their company's strategic position. He concludes that compromises and inconsistencies in the pursuit of growth and attempts to compete in several ways at once create confusion, blur uniqueness, reduce fit, and erode the competitive advantage a company had with its original varieties or target customers. Porter's (1996) advice to companies seeking growth is to broaden their strategic position by leveraging their existing activity system: to offer features or services that rivals would find impossible or costly to match and to penetrate needs and varieties where it is distinctive.

The other strategic approach embedded in the "strategy frame" is prospecting. Prospecting is about searching for and taking advantage of new business opportunities for growth and profitability. Miles and Snow (1978) were among the first to describe this sort of strategic behavior. Their strategy typology has been accepted as a robust description of the strategic behavior of firms trying to adapt to their uncertain environment (Jabnoun *et al.*, 2003). The typology reflects a broad and holistic perspective to strategy conceptualization along the lines of strategic orientation mentioned above (Venkatraman, 1989). According to Miles and Snow (1978), firms tend to display stable patterns in their adaptive behavior, which they classify into prospectors, defenders, analyzers, and reactors. A prospector firm focuses on product innovation and market opportunities, and tends to emphasize creativity and flexibility over efficiency in order to respond quickly to changing market conditions and take advantage of new market opportunities. As Sidhu *et al.* (2004) suggest, prospecting involves ideas and practices such as discovery, experimentation, flexibility, innovation, risk-taking, and the pursuit of new knowledge and boundary-spanning search for discovery of new approaches to technologies, businesses, processes or products (Levinthal and March, 1993; Lewin *et al.*, 1999; March, 1991; McGrath, 2001). The prospecting approach is evident in the literature of vision (Hamel and Prahalad, 1994; Schoemaker, 1992; Snyder and Graves, 1994), innovation (Hamel and Prahalad, 1991; Kim and Mauborgne, 1997, 1999a, b, 2004; Leonard and Rayport, 1997; Miller and Friesen, 1982), and entrepreneurship (Garvin and Levesque, 2006; Ireland, 2001; McGrath and MacMillan, 2000; Sonfield and Lussier, 1997; Sull, 2004).

Conclusion and practical implications of the "strategy frame"

The "strategy frame" is a powerful organizing framework for it encompasses the main strategic issues that face the strategist, making it one of the most comprehensive frameworks of strategy. It is, however, simple and intuitive and smoothly organizes a vast area of strategic thinking. It combines different schools of thought spanning the spectrum of strategy dimensions, tensions, and paradoxes. It interweaves competing schools of thought in the strategy field and conceptualizes them as continuums to illustrate their interplay.

The two basic dimensions of the "strategy frame" takes account of how organizational capacity relates to business opportunities, and how this interaction evolves over time. This results in the four Es of strategy representing the major drivers of strategic thinking and actions. The four Es of strategy include: "Exerting and leveraging" current organizational capacity to take advantage of present business opportunities; "Extending and renewing" organizational capacity to be prepared for seizing emerging opportunities; "Exploiting" realized business opportunities; and "Exploring" new possible business opportunities. Each of the two dimensions of the "strategy frame" spans two competing viewpoints included in the framework. The capacity/opportunity dimension, called the "strategic domain", brings the debate about the sources of competitive advantage (internal versus external) and presents the two main competing theoretical strands in the subject: the resource-based view and the industrial organization perspective. The dynamics over time, named the "Strategic orientation" dimension, recalls the positioning versus prospecting debate and the discussions of uncertainty related issues, such as proactiveness, risk taking, and venturing into new unfamiliar or uncharted territories of business opportunities. This framework has important practical implications for strategists and top managers as indicated in the following paragraphs.

The "strategy frame" helps surface, test, and modify strategic ideas, widening and deepening, in the process, the strategy making perspective. In their effort to develop strategy, some strategists may fail to question the narrow view they are taking and the assumptions and dictates of the tools they are using (e.g. is the five-force model the proper approach to start developing strategy). The framework helps them make the implicit assumptions of these tools explicit, to see whether they fit their reality, by contrasting them with alternative views (e.g. the resource-based view) nested in the "strategy frame" given their specific situation.

The "strategy frame" puts together in a single framework competing views on the sources of competitive advantage and on the proper strategic approach. Having surfaced, tested and compared the assumptions of competing approaches to strategy, and given the specific industry and markets of the firm, strategists may be in a better place to come to conclusions about the likely sources of competitive advantage. They may ask themselves, for example, is positioning within the current industry structure expected to lead to a sustainable competitive advantage? Or is it better to hone and strengthen current capabilities to be able to respond effectively to the rapidly changing environment?

The "strategy frame" helps to raise and identify critical strategic issues that need the attention of top management. For example, strategists may discover that they were too much taken by the competitive dynamics away from the right focus of strategy: the customer value. They may find that their current bundle of resources, as valuable as they are at the present, may not be the right configuration for the future. The multiple perspectives brought about by the "strategy frame" may reveal gaps in the current thinking, practices, capabilities, opportunities, and organization of the firm. Some of these gaps are serious enough for the top management to deal with.

The framework helps strategists to place their thinking in its proper context reducing the danger of myopic views. Some managers and strategists tend to limit their thinking to the confines of the tools they accustomed to use. These tools usually work as lenses through which their users see the world. Having alternative ways of looking into self and the industry helps mitigate this myopic tendency. The "strategy frame" provides these alternative ways of perception by alternating the starting point of strategic thinking between its the four quadrants.

The framework also helps strategists to be aware of basic tensions and paradoxes to be able to deal explicitly with them. Strategists recurrently face strategic tensions and paradoxes in their strategizing efforts. Should they focus on value creation or value capture? Should they give priority to controlling or learning? Should they concern themselves with protecting their current positions or seeking out new opportunities? Should they hone and strengthen their current capabilities or reconfigure or renew them? The framework makes all these and other tensions and paradoxes apparent to the strategists to contemplate.

The "strategy frame" balances the overemphasis of strategists on competition and competitors and brings to the attention of the strategist the dynamics of strategy and the importance of searching for and seizing new or unoccupied territories in the business landscape. It places customer value at its center. This focus on customer value counterbalances the over occupation with competitors and competition. It brings back to the strategists' attention the value of innovation and entrepreneurship to strategic thinking. The "strategy frame" also helps raise the horizon of managers and strategists beyond the present reality to the future opportunities that they may see or create for themselves.

The framework also balances the internal and external foci and frees the strategists from being hostages to a narrow view of strategizing by emphasizing one dimension of strategy (for example, how to beat competitors). A number of strategy approaches are conceptualized in terms of beating competition. Though this is relevant and important concern, the obsession with competition is likely to mask other important dimensions of strategy. The attention to the real needs of customers is usually demoted to a much lower rank as products and services are designed in terms of competition rather than customer value. The framework balances all possible concerns of strategists and is likely to draw the attention of strategists to almost all dimensions of strategy, such as: internal and external, present and future, competitors and customers, value creation and value capture, and protecting current advantage and prospecting for new ones.

Finally, the "strategy frame" may help trigger more innovative ideas by alternating the starting point of strategic thinking between the four basic questions posed by the four Es of strategy drivers. The framework makes it possible for strategists to start from any quadrant to generate and deliberate relevant and critical strategic questions. They can start, for example, from their firm's current capabilities and resources to see: how strategically valuable they are in the current environment; how they can make best use of them in seizing current opportunities; what new arenas they are profitably applicable to, etc. The same kind of questioning can be made by starting from other quadrants of the framework.

The bird's eye view of the "strategy frame", which is the source of its advantage is also the source of its limitation. The framework, being a conceptual one, is so broad to be useful for working out detailed strategies. However, it is useful as a trigger for strategic thinking in the initial stage of the strategy making process and as a testing ground towards the end of the process. It can be used to evaluate the goodness of strategy by subjecting the strategic proposals, or initiatives, to a series of questions addressing the tensions and paradoxes raised by the "strategy frame". The "strategy frame", however, is less useful in answering the questions it helps raise, a task left to other frameworks and models that are less generic and more specific. So the "strategy frame" is actually a complement not a competitor of other frameworks available in the extant literature.

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