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Factoids New information for which it is easy to measure mastery. Learning can be measured in linear terms and taught in lockstep fashion.

Fallacy of the Single Objective Self-explanatory. One of the fundamentals of strategy. There is always a trade-off among multiple objectives; objectives can be pursued sequentially or simultaneously.

Fast-Cycle Markets Those markets in which the product life cycle can be anywhere from 12 weeks (an Internet year) to 1 year.

Fast Track A rapid route to success or advancement. The fast track involves competition and a race to get ahead of the competition. Associated with great ambition or high activity. Fast track can involve an upcoming promotion or even a product launch. Donald Trump's TV show *The Apprentice* is a good example of fast track.

Feasibility Study An investigation into a proposed plan or project to determine whether it can be successfully and profitably implemented. This normally includes analysis of the technical, financial, and market issues, including an estimate of the resources that would be required in terms of materials, time, personnel, and finance, as well as the return on investment.

Feedback The communication of responses and reactions to proposals and changes or of the findings of performance appraisals with the aim of enabling improvements to be made. The closer in time the feedback is to the events, the more effective.

Financial Information Financial information is one of the essential criteria for assessing the performance of a firm. At the heart of strategy is performance improvement, and this improvement often needs to be quantified and compared to specific articulated goals.

First Mover Advantage The benefit produced by being first to enter a market with a new product or service. Synonymous with market leader in a new service or product area. For example, Avon is investing heavily to build its presence in China with a \$40 million factory in southern China. Although the door-to-door style Avon uses around the world is banned in China, Avon is investing now in the hope that direct selling may be allowed again as early as 2005, and then it will have a first mover advantage.

64 First to Market

First to Market Gateway seems to be first to market with a digital music download service (well, before Apple). Gateway's strategy is to align itself with other services, whereas Apple's strategy with their music service involves building the infrastructure themselves. First to market doesn't always guarantee success. For example, with the Internet, though Amazon and eBay are two shining examples of first to market working, there's a long list of firsts to market that are long gone.

Five Forces Industry Analysis One of the most well-known and most widely used strategic management tools that is derived from economics, specifically industrial organization. Developed by Michael Porter in the early 1980s in his two books, *Competitive Strategy* and *Competitive Advantage*, the five forces analysis answers the question, What is the future profitability of this industry? This analytical tool looks at the underlying forces at work in the industry and gives insight as to how the firm needs to position itself to protect itself from excessive competition. Thus Porter's quote: "Hypercompetition is self-inflicted."

This tool takes the outside-in approach to strategy that is Porter's perspective in general: Begin with the industry analysis and work your way back to the firm's capabilities. So, the choice becomes how to position the firm within the industry. According to the inside-out approach (review resources, identify core competences), in contrast, the beginning should be identifying the firm's unique capabilities and then deciding how and where they can be leveraged.

Michael Porter has demonstrated that the state of competition in an industry is a composite of five competitive forces:

1. The rivalry among competing sellers in the industry
2. The potential entry of new competitors
3. The market attempts of companies in other industries to win customers to their own substitute products
4. The competitive pressures stemming from supplier-seller collaboration and bargaining
5. The competitive pressures stemming from seller-buyer collaboration and bargaining

The five forces in the model determine the industry profitability by influencing costs (through suppliers' bargaining power and rivalry among competitors), price (through buyers' bargaining power, the threat of choosing substitute products, and rivalry among competitors), and required investments of firms in an industry (because of the threat of new entrants). Strategy courses at the HBS are largely built around the five forces model.

Flat Organizations Opposite of tall organizations. Flat organizations, with minimal hierarchy and bureaucracy, are the current trend. One of the tools to facilitate a flat organization is the creation of teams.

Flexibility Having room to maneuver, building slack into the system.

Flip A start-up company that aims to build market share quickly and generate short-term personal wealth for its founders through selling off.

Force Field Analysis A technique for promoting change by identifying positive and negative factors and by working to lessen the negative forces while developing the positive ones.

Forecasting The prediction of outcomes, trends, or expected future behavior of a business, industry, or the economy as a whole through the use of statistics. Types of forecasting include, but are not limited to, trend analysis, regression analysis, and exponential smoothing.

In a global marketplace characterized by accelerating change, the crucial responsibility for managers will be ensuring their firm's capacity for survival. This will be done by attempting to anticipate and adapt to environmental changes in ways that provide new opportunities for growth and profitability. The impact of changes in the remote industry and task environments must be understood and predicted.

Even large firms in established industries will be actively involved in scanning the external environment. The more than \$5.5 billion loss in the early 1980s to the auto industry is an oft-cited example of what can happen when firms fail to place a priority on environmental scanning and forecasting.

Formal Strategic Planning (FSP) Formal strategy uses a systematic method to solve an entire problem. Planning is a deliberate, rational, and linear process of specifying first the ends and then the means. Plans emerge from the strategy-formation process fully specified, ripe for implementation through detailed attention to objectives, programs, and operational plans of ever-increasing specificity. FSP is based on principles of rational decision making and assumes that purpose and integration are essential for a firm's long-term success.

Henry Mintzberg's *The Rise and Fall of Strategic Planning*, considered by some the bible for enlightened strategists (and by others as a diatribe against Igor Ansoff's theories), describes in great detail the drawbacks of planning. Larry Downes, in his 1998 book *Unleashing the Killer App*, describes the limitations of traditional strategic planning.

- Planning is relatively slow clock speed.
- Like algebra, do it because you have to and then put it aside.
- FSP never implemented, doesn't drive change.

"The real purpose of effective planning is not to make plans but to change the mental models that decision makers carry in their heads." —Henry Mintzberg

Sun Tzu wrote of FSP: "The general who wins a battle makes many calculations in his temple before the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory, and few calculations to defeat; how much more no calculation at all! It is by attention to this point that I can foresee who is likely to win or lose."¹ Although in recent years there has been an

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emphasis on emergent or learn-as-you-go strategies, calculation and formal planning will always play a key part in strategic success.

Formulating Strategy Rational process of determining opportunities and threats, performing risk assessment, and identifying strengths and weaknesses.

Formulation of Purposes and Objectives One of the key functions of the executive.

Forward Integration A form of vertical integration that involves investing in the downstream activities of the industry. An example of forward integration is Gateway's opening of the Country Stores to sell computers. Unfortunately, this forward integration has been largely unsuccessful, so much so that between 2000 and 2003, Gateway shut down at least 76 stores; 1,900 Gateway employees were laid off.

On a more encouraging note, Apple has opened 50+ successful Apple Stores and is rumored to be planning international stores as well.

Four Ps Kotler and Armstrong² state that it is crucial for a company to:

- Have a strong *product*, or line of products (consisting of goods or services), to offer its target market in order to gain success.
- Keep a realistic and competitive *price* for this product or product line that the target customers are willing and likely to pay.
- Be located at a carefully selected *place* that makes sense for offering the target customers the product or products.
- Invest wisely in *promotion* in order to create an awareness of, communicate the strengths of, and build up a demand for the products offered.

Franchising A strategy whereby the parent company (franchiser) grants the franchisee the right to use the parent's name, reputation, and business skills at a particular location or area; a specialized form of licensing in which the franchiser sells intangible property (i.e., a trademark) to the franchisee, but also insists that the franchisee agree to abide by rules as to how it does business. For example, McDonald's gives franchises for new branches to an individual person or a company.

Starbucks has entered into licensing agreements rather than franchise its stores, as this affords them more control. Growth of 5,506 stores and 25,000 people has been achieved largely without franchising, at least in the United States. "There is no doubt in my mind that Starbucks can realize its financial goals. A more fragile issue is whether our values and guiding principle will remain intact as we continue to expand." —Howard Schultz

Frenemies "Friendly enemies" denotes competition with whom you may need to cooperate to achieve a strategic goal. If Microsoft were to partner with Google, this would be a case of frenemies. The term was originally coined at IBM.

Friction-Free Market A market in which there is little difference between competing products and services, so that the customer has exceptional choice when choosing a product or service.

“Friendlies in Kandahar” This was the message the U.S. Air Force pilots heard 10 seconds after they dropped 500-lb guided missiles, killing four Canadian soldiers doing training exercises in Afghanistan. In mergers and acquisitions, when companies are looking to take over other firms, it is crucial to identify what is of value to you that you do not want to destroy or take out when you do the postmerger housecleaning. It also implies identifying those people that you can trust and not deliberately destroying that trust. The incident in Afghanistan weighed heavily in the Canadian decision not to support the United States in the Second Gulf War.

Frontal Assault Tactic Launching an offensive that involves taking on a competitor head-to-head in a given market.

Future Orientation The amount of time and top management attention that is devoted to positioning for future industry changes and discontinuities. Some argue, like Prahalad and Hamel in *Competing for the Future*, that this is the essence of strategy.

Endnotes

1. Sun Tzu. p. 11.
2. Armstrong, G., & Kotler, P. (1997). *Marketing: An introduction*. Englewood Cliffs, NJ: Prentice Hall.