



## **Copenhagen Business School -**

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**“Innovation in Corporate Strategy Development”**

**Let Chaos Reign, then Rein in Chaos – Repeatedly:  
Managing Strategic Dynamics for  
Corporate Longevity**

**Robert A. Burgelman & Andrew S. Grove**  
Stanford Business School

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## Overview\*

### ■ I. Introduction:

- Corporate longevity
- Strategic dynamics

### ■ II. Conceptual Framework:

- Types of industry “rules of the game”
- Strategic dynamics situations
- Internal ecology of strategy-making

### ■ III. Managing Strategic Dynamics: What Did we Learn?

- Matching induced and autonomous strategy processes with strategic dynamics
- Accumulating resources
- Scaling up and vectoring resources

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\*Source: Burgelman, R.A. and Grove, A.S., “Let Chaos Reign, then Rein in Chaos - Repeatedly: Managing Strategic Dynamics for Corporate Longevity,” *Strategic Management Journal*, October 2007.



## I. Introduction: Corporate Longevity

### - Compare Fortune 100 in 1965 vs. Fortune 100 in 2005

(Note: Based on quick “eyeballing approach”)

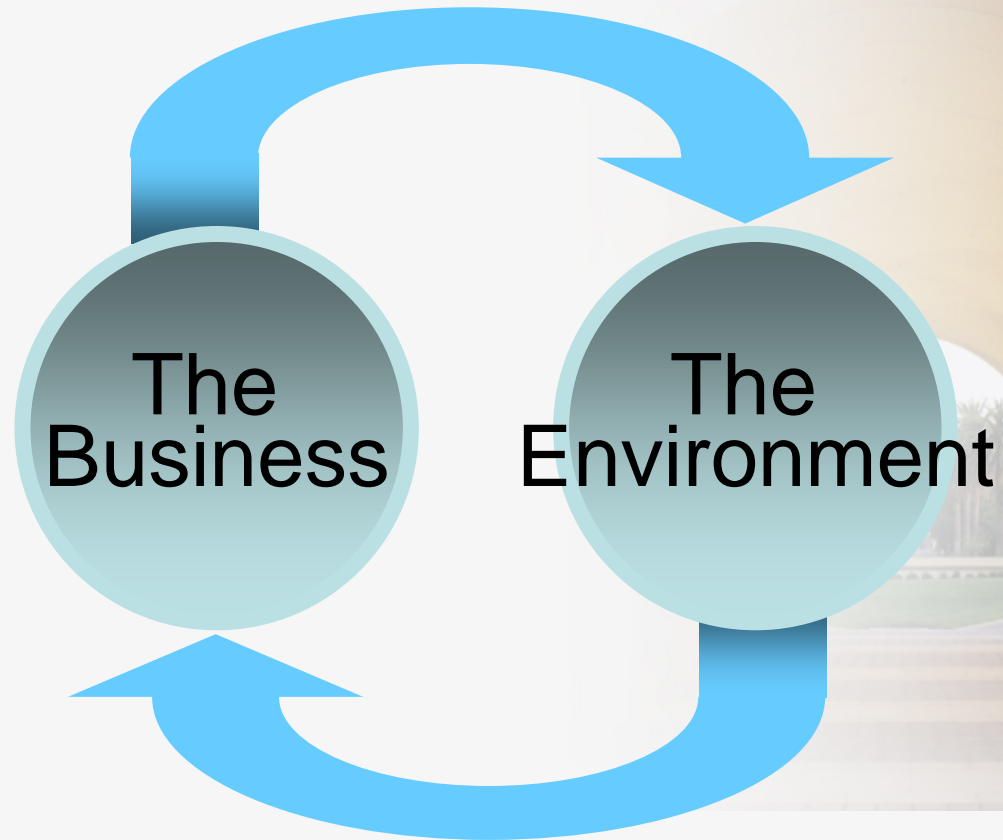
	<b>Top 10</b>	<b>Top 20</b>	<b>Top 50</b>	<b>Top 100</b>
-Survivors	5	6	12	19
-Fell out:	1	4	11	15
-Gone/acq.:	4	10	27	66

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Gen. Mot.	Gen.Mot.	Gen.Mot.	Gen.Mot.
Exxon Mob.	Exxon Mob	Exxon Mob.	Exxon Mob.
Ford Mot.	Ford Mot.	Ford Mot.	Ford Mot.
Gen Elect.	Gen. Elect.	Gen. Elect.	Gen. Elect.
IBM	IBM	IBM	IBM
	Chevron Tex.	Chevron Tex.	Chevron Tex.
		Boeing	Boeing
		P&G	P&G
		Lock. Mart.	Lock. Mart.
		ConocoPhil.	ConocoPhil.
		Unit. Techn.	Unit. Techn.
		Dow Chem.	Dow Chem.
			Caterpillar, DuPont, Int. Paper, Honeywell Int., Alcoa, Coca Cola, Weyerhaeuser



## I. Introduction: Strategic Dynamics





## II. Conceptual Framework: Types of Industry “Rules of the Game”

1. **Normative** rules – based on laws, customs, administrative principles
  2. **Technological** rules – based on available technical solutions
  3. **Economic** rules – reflecting existing bargaining power relationships among industry players (often captured in contracts)
  4. **Cognitive** rules – widely shared judgments about key success factors
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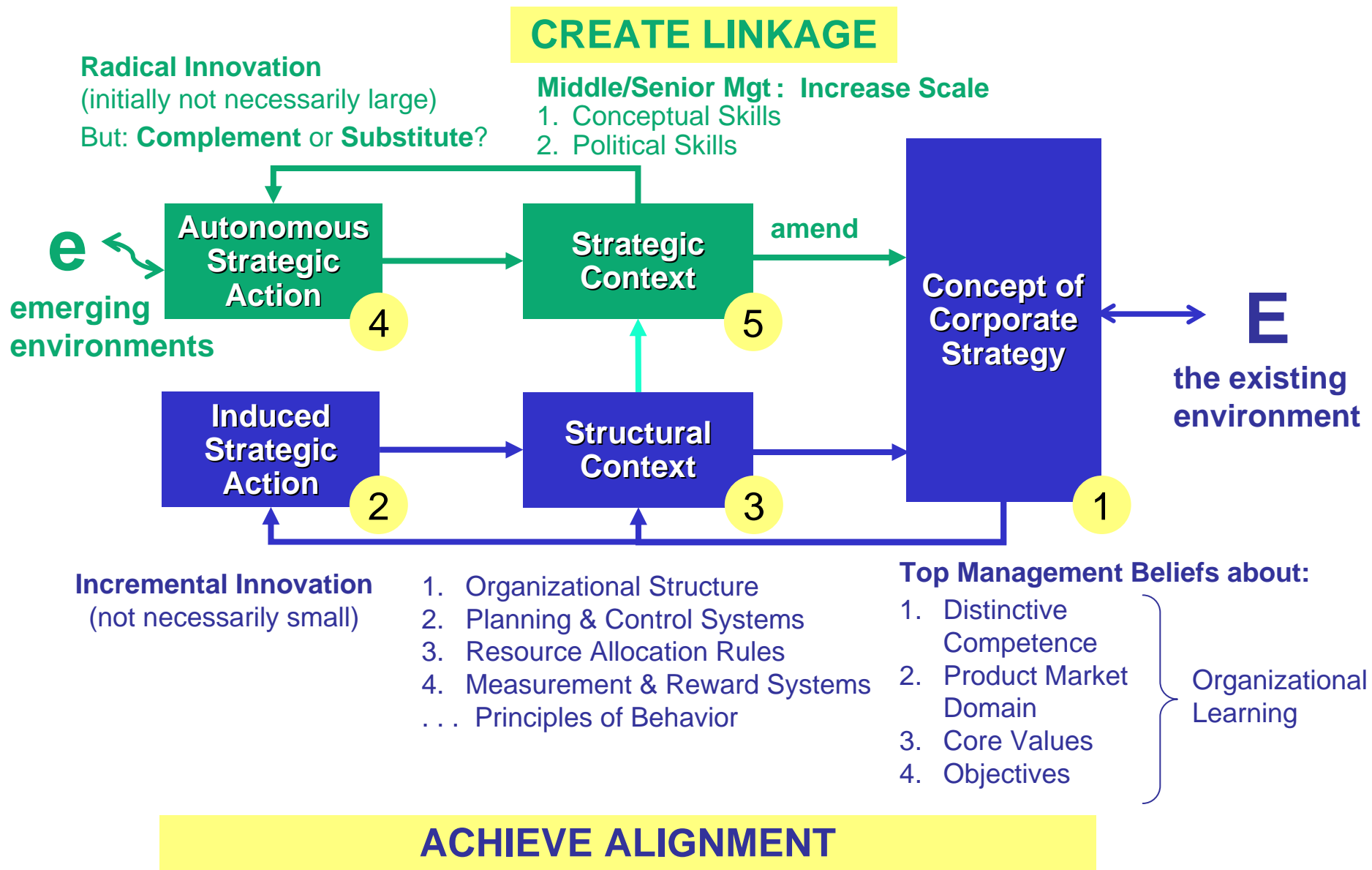
## II. Conceptual Framework: Strategic Dynamics Situations

### $P_i$ 's Strategic Actions

	Rule-abiding	Rule-changing <sup>1</sup>
Rule-abiding ( $E, e$ )	Limited industry change	$P_i$ -controlled industry change
Rule-changing <sup>1</sup>	$P_i$ -independent industry change	Runaway industry change

<sup>1</sup> Rule-changing actions have the potential to change the competitive context for all the players (they materially change the competitive value of existing product-market positions and/or distinctive competencies of the players).

# II. Conceptual Framework: Internal Ecology of Strategy-Making



### III. Managing Strategic Dynamics: What Did We learn?

#### Matching Induced and autonomous strategy processes with strategic dynamics

		STRATEGIC DYNAMICS SITUATIONS			
		Limited industry change	$P_f$ -independent industry change	$P_f$ -controlled industry change	Runaway industry change
		Linear and Stable (Base Case)	Nonlinear and Disruptive	Nonlinear and Complex	Nonlinear and Chaotic
<b>Induced Strategy Process</b>	Serves to exploit core business opportunities	Serves to retreat orderly from core business	<b>KEY:</b> Serves to exploit new major opportunities through “vectoring” the organization in the new strategic direction	<b>KEY:</b> Serves to align the organization behind a “safe bet,” <sup>1</sup> or “bet the company” <sup>2</sup> strategic direction	Serves to maintain alignment during “wait to bet” <sup>3</sup> decision
		<b>OR</b>			
<b>Autonomous Strategy Process</b>	Serves to explore potential new growth opportunities	<b>KEY:</b> Serves to develop new opportunities consistent with distinctive competence in advance of threats to current ones	Serves to continue to explore potential new future growth opportunities	Serves to reduce uncertainty of new possible strategic directions before betting on one	<b>KEY:</b> Serves to continue to experiment with new opportunities While waiting to bet
<b>IMPLICATIONS FOR RESOURCE ALLOCATION</b>	Watch evolution of growth opportunities to marginally re-balance support of both processes	Gradually increase resource allocation to winning new opportunities in autonomous process	Massive increase in support of induced strategy process but maintain viability of autonomous process	Massive increase in support of induced strategy process but maintain viability of autonomous process	Gradually increase resource allocation to winning new opportunities in autonomous process

<sup>1</sup> *Safe bet* = validated opportunity and cash reserves; <sup>2</sup> *Bet the company* = validated opportunity and no cash reserves; <sup>3</sup> *Wait to bet* = not-yet-validated opportunity and cash reserves.



### III. Managing Strategic Dynamics: What Did we Learn?

#### Accumulating resources

Percentage of Developmental Resources Allocated to Induced and Autonomous Strategy Processes at Critical Times in Intel's Evolution\*

	1976 <sup>1</sup>	1984 <sup>2</sup>	1989 <sup>3</sup>	1991 <sup>4</sup>	1998-2001 <sup>5</sup>	2003 <sup>6</sup>	2005 <sup>6</sup>
<b>Induced (I):</b>	75	65	66	87	65	70	50
<b>Autonomous (A):</b>	25	35	34	13	35	30	50

\* As estimated by A.S. Grove, based on personal experience and company documents

<sup>1</sup> I = memory related; A = microprocessor related

<sup>2</sup> I = memory related; A = microprocessor related

<sup>3</sup> I = x86 microprocessor related; A = non-x86 (RISC) microprocessor related

<sup>4</sup> I = x86 microprocessor related; A = non-x86 (RISC) microprocessor related

<sup>5</sup> I = x86 microprocessor business related; A = related to networking and communications businesses

<sup>6</sup> I = pure microprocessor business related; A = platform-business related (including Centrino)



### III. Managing Strategic Dynamics: What Did We Learn?

#### Scaling up and vectoring resources

Top Management Strategic Choices Related to Autonomous Opportunities

		Autonomous Opportunity	
		Validated	Not-yet-validated
Cash Reserves	Sufficient*	<b>Safe bet</b>	<b>Wait to bet</b>
	Insufficient	<b>Bet the company</b>	<b>Desperate bet</b>

\* To protect the company from disaster in case scaled-up autonomous initiative ultimately fails.