Strategy made simple: Thinking in threes

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Abstract In this increasingly complex world, managers understandably seek experts’ advice to chart a path forward. Yet they encounter a jumble of metaphors, methods, and models; too often, old wine in new bottles. This article helps managers cut through the clutter. It presents a triangular framework which integrates concepts that, despite contrasting language, are more similar than different. The schema is based on the three kinds of Venn diagram: disjunction, containment, and intersection. Disjunction implies autonomy; containment, control; and intersection, cooperation. Every organizational strategy is a balance of these three variables. Once the triadic pattern has been grasped, managers can ‘speed-read’ the literatures on strategy, technology/organization, mergers and acquisitions, and cognition—as well as see parallels across these writings. They also become better able to address strategic issues systemically and efficiently, and to communicate to a wide organizational audience.

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1. Read less, comprehend more

The Economist (2000, p. 80) opined that "business books are 90% dross. Searching for the occasional nugget involves much time-consuming drudgery." In the spirit of hyperbole, consider this take: Most popular business books are articles, many are paragraphs, and some are sentences. But it is not just pop management that is problematic. Too often, scholarly tracts are off-puttingly dense.

A manager’s time is limited, yet the business literature tends to confuse rather than clarify. It brims with jargon, opinions, and case idiosyncrasies. What can make a difference for managers is to think abstractly and generalize across particulars. Doing so is similar to using a smart approach to the children’s car game, 20 Questions. Inquiring at the start about broad categories is far more productive than asking about specifics.

Here, then, is a modest proposal: Managers should spend less time reading and more time gaining understanding. The literatures on strategy, technology, organization, and management—separately and together—are highly redundant. This article presents an approach that can unify business writings: a simple, triangular framework rooted in Venn diagrams. Once this core idea has been understood, managers can ‘speed-read’ myriad articles and books. They can also make sense of complex challenges that are variations on a simple, familiar form. The effect is similar to Colvin’s (2008, p. 101)
Christmas-tree-evoking observation that ‘top performers’ deep understanding of their field becomes the structure on which they can hang the huge quantities of information they learn about it.’

2. Venn, vidi, vici

Strategy and organization are converging. Bain & Company’s Chris Zook goes to the heart of the matter: “I don’t know whether organization is the new strategy, or strategy is the new organization, but it’s something like that” (Kiechel, 2010, p. 321). In any case, strategic organizational alternatives reduce to the logic of Venn diagrams, which show how the parts of a system can be related. There are only three types of Venn diagram (Figure 1).

In disjunction, the parts of a system are separate from each other. In containment, the parts are arranged in a hierarchical fashion. And in intersection, the parts overlap. That is it. There are no other options. To put the matter more simply, consider Jack and Jill. How can they constructively work together? There are three ways. Jack and Jill can (1) each do his/her own thing and have minimal contact, (2) settle on a boss/subordinate relationship, or (3) collaborate as peers. Most organizational strategy problems are a variation on these patterns. Another graphic way to make the contrast is to show a three-way tradeoff (Figure 2).

Autonomy vs. control is the classic field-versus-headquarters dilemma. Those in the field are in touch with customer needs and geographical quirks in a way that remote corporate managers and staffers rarely can be. What field personnel tend to lack, however, is a view of the whole. A familiar example of overdoing autonomy, but then whiplashing control, is Home Depot. Under founders Bernie Marcus and Arthur Blank, Home Depot was famous for granting individual store managers leeway, something that got out of hand by the late 1990s. Enter GE alumnus Robert Nardelli in December 2000, who—by most accounts—went too far in the opposite direction. Although he introduced necessary discipline, Nardelli did so in an imperious way that alienated Home Depot’s three major constituencies: customers, shareholders, and employees. His wholesale replacement of knowledgeable, full-time store personnel with part-timers angered shoppers and violated Blank and Marcus’ bedrock dictum that staff should woo the customer. Subsequently, Nardelli resigned in January 2007.

Control vs. cooperation is similar to stability versus plasticity. In ecological terms, the contrast is between adaptation and adaptability. Adaptation is fineness of fit with a particular environmental niche; adaptability is the capacity to adjust to new environments. A high-profile example of overdoing cooperation followed by overdoing control is 3M—another company that, for a while, featured a GE alum. James McNerney became CEO in December 2000. According to a 2007 Business Week cover story, he “axed 8,000 workers (about 11% of the workforce), intensified the performance-review process, and tightened the purse strings at a company that had become a profligate spender” (Hindo, 2007). Yet, after departing 3M less than 5 years later, many observers believed that McNerney’s single-minded emphasis on efficiency had robbed 3M of its storied innovation—which had been based in large part on spontaneous cooperation within and between divisions. Under McNerney’s reign, 3M’s percentage of sales derived from new (<5 years) products decreased from one-third to one-quarter.

Figure 1. Varieties of Venn diagram

Figure 2. Organizational design tradeoffs
Autonomy vs. cooperation is equivalent to the individual versus the collective. The more that an organization stresses individual or unit accountability, the less likely it is to benefit from voluntary cooperation among individuals or units. Conversely, the greater the commitment to synergy, the more difficult it is to sort out each entity’s contribution. This contrast is exemplified by Pixar studios, which has been characterized as the ‘anti-Hollywood’ filmmaker. According to The New York Times (Taylor & LaBarre, 2006, p. BU3):

In the Hollywood model, the energy and investment revolves [sic] around the big idea. . . . Highly talented people agree to terms, do their jobs, and move on to the next project. The model . . . inspires minimum loyalty and endless jockeying for advantage. Turn that model on its head and you get the Pixar version: a tight-knit company of long-term collaborators who stick together, learn from one another, and strive to improve with every production.

Granted, other terms can easily substitute for autonomy, control, and cooperation. Some equivalent triads, each of which could serve as a covering category, are shown in Table 1. Every organization, and organizational strategy, is a blend of these three variables. Much of the academic and popular business literature does, to be sure, present triadic constructs that parallel autonomy, control, and cooperation, but almost never in light of other, competing constructs. This article challenges that tendency. Its contribution is to reveal commonality across a wide array of such frameworks, and thereby yield maximal meaning with minimal words. In sum, once one has grasped the autonomy/control/cooperation triangle, it becomes possible to make sense of a welter of concepts, models, and frames—because so many are plays on these three variables.

3. Think in threes

If, as has been suggested, mind, body, and spirit are all of a piece, then so are strategy, technology, and organization. It is not possible to do justice to any one of these realms without also taking into account the other two. But consider each in turn. I will (1) present a small cluster of representative triads from the business literature, (2) illustrate how I have used that cluster with consulting clients, and (3) suggest more generally how others might use the cluster in order to frame their own strategic issues and options.

3.1. Strategy

Table 2 shows five parallel strategy triads. Probably the best known of these is Porter’s (1980) generic competitive strategies. Porter’s first two criteria,

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differentiation and overall cost leadership, are clear matches with autonomy and control, respectively. The most highly differentiated products and services are almost always a function of superior individual capabilities and actions. By contrast, cost and control are nearly interchangeable; both center on operational efficiencies. Porter’s third criterion is focus on a market niche. Focus implies interaction with customers/clients, and both a measure of intimacy (Treacy & Wiersema, 1994) and a tailoring of product/service offerings that together can be characterized as a form of cooperation.

With Table 2 in mind, I facilitated an offsite planning retreat for the partners of an architecture/design firm. Initial debate centered on client relations (cooperation) versus budget consciousness (control). Neither perspective addressed aesthetics/originality (autonomy)—an underlying, but tacit, concern of a subset of the group. In particular, several newly-minted partners felt that the firm should compete increasingly on its ability to do beautiful, distinctive work.

Eventually, aesthetic capability became the focus of discussion. Among the ideas generated in order to move toward this posture were (1) systematically pursuing higher-end projects, (2) upgrading talent, (3) creating a ‘skunkworks’ where imaginative practices could be tried out, (4) establishing a formal review of the design content of projects, (5) entering more awards competitions, and (6) increasing the firm’s publishing output. After this meeting, concrete commitments were made in several of these areas. More importantly, the firm had developed a robust new triangular frame for weighing strategic alternatives.

How might this core triad be used more generally? When considering a new strategy or in reconstructing strategy over time, a management team should (1) identify parallels to autonomy/differentiation, control/economy, and cooperation/interaction; and then (2) prioritize these variables. A college or university, for instance, might clarify its competitive advantage in terms of prestige (autonomy), affordability (control), and/or specialty (cooperation; e.g., a distinctive program featuring student exchange, industry focus, or work/study integration). Even organizational events can benefit from such prioritization. A corporate offsite, for example, should specify the extent to which it will be devoted to individual reflection (autonomy), work accomplishment (control), and teambuilding (cooperation).

### 3.2. Technology/Organization

Table 3 presents five parallel technology/organization triads. A classic contrast is Thompson’s (1967) three forms of task interdependence: pooled (autonomy, in which the parts make discrete contributions to the whole); sequential (control, with cumulative contributions that typically require hierarchical coordination); and reciprocal (cooperation, with back-and-forth contributions). These patterns play out at all levels: group, organization, network, and society. The organizational design matches with each triad are close. To use popular business language, the autonomy column mirrors decentralization; control, centralization; and cooperation, interaction.

With Table 3 in mind, I employed a research and development (R&D) triad regarding a resource-intensive industrial company, in order to expose a flawed bias. There are three kinds of R&D: basic (20+ year time horizon, no known commercialization opportunities), process (focusing on operational, manufacturing, and/or distribution economies), and applied (a dialogue between organizational capabilities and customer/user needs). Basic R&D is primarily the world of individual genius (autonomy); process, the realm of system designers (control); and applied, a dueling banjos-like exchange between peers across organizations (cooperation). After considering these R&D types as a three-way investment tradeoff, the senior management group agreed that the firm’s historical focus on process R&D should give way to an emphasis on applied R&D.

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1. This is an academic expression for part-to-part relations in any system.
especially as the organization was moving downstream toward a retail-centric customer base.

How might this core triad be used more generally? When considering a new technological program or in reconstructing prior technical decisions, a management team should ask itself about its priorities. Technology can be used for one or a mix of three purposes: (1) to increase individual capabilities (autonomy); (2) to decrease cost, variance, and/or time (control); and/or (3) to increase collective capabilities (cooperation). Too few organizations explicitly prioritize these choices.

### 3.3. Mergers & Acquisitions

Table 4 summarizes five parallel merger and acquisition (M&A) schemes. In any corporate combination, one has three alternatives: (1) *both games*—allow each organization to continue to operate as it had before (autonomy); (2) *my game*—require one organization to conform to the other’s systems and style (control); or (3) *our game*—attempt to form a seamless new whole (cooperation).

With Table 4 in mind, I have helped several companies clarify their options and preferences. As part of this process, I routinely cite examples of each pattern. Johnson & Johnson, for instance, is known for allowing its acquisitions to retain much of their own identity, including company name and board of directors. Northrop Grumman, by contrast, requires its acquisitions to conform to a strict set of rules and routines, even down to how press releases should be issued.

By far, the most difficult pattern to pull off is ‘our game,’ because of the ambiguity inherent in cooperation. As financial whiz Jamie Dimon once quipped: “A merger of equals can work . . . . But you’ve got to decide in advance who’s gonna run things.” This combination is probably most workable in small organizations, especially those able to grasp and embrace each other’s character. The best example I know is the Center for Applied Research (CFAR), a Philadelphia-based consulting firm. CFAR represents the melding of two former research centers at the University of Pennsylvania: the Wharton Applied Research Center and the Management & Behavioral Science Center. The principals of each UPenn organization knew and respected one another, and had complementary skills.

How might this core triad be used more generally? When considering a merger or acquisition, or in reconstructing its M&A history, a management team should address two questions. First, which of the three patterns is desired? Second, does each party have sufficient capability—both skill and inclination—to make the new arrangement work? The generally sorry record of corporate combos, at least half of which fail to realize their stated financial goals, is partly attributable to organizational or ‘game’ mismatches.

### 3.4. Thinking

If strategy, technology, and organization can be characterized triadically, it is hardly surprising that thinking can, too. Table 5 lists parallel constructs across autonomy (divergent, creative thinking), control (convergent, analytic), and cooperation (integrative, synthetic).

With parts of Table 5 in mind, I helped a senior human resources (HR) manager of a major grocery chain identify the skill set that his department

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<td>Types of acquisition integration approach</td>
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needed in order to add value. Three roles emerged: consultant (autonomy), trainer (control), and facilitator (cooperation). Consulting was the least structured and most demanding of creativity, especially as a consultant had to grapple with novel problems at all levels of the organization. Training, in both design and delivery, was the most structured of the three. Facilitation required competence in small-group dynamics. This triadic framework helped the HR manager slot several departmental members according to their abilities and preferences. It also served as a career development tool, as HR professionals could decide whether to work at becoming generalists across two or three roles, or specialists within a single role.

How might this core triad be used more generally? When hiring, placing, or promoting—or reassessing past such decisions—a management team should triangulate individual:organization matches. Jack Welch (2006, pp. 138–144) acknowledged that "some people work more effectively in commodities [control] and others are better in highly differentiated products or services [autonomy]." Speaking of Lloyd Trotter and Brian Rowe, Welch noted:

Lloyd liked thinking about strategy, but he liked implementing it more. He was in his element with people who wanted the...details like he did, talking about ways to squeeze efficiencies out of every process. He was a master of discipline. And that’s what made him exactly the right kind of leader to drive our commodities businesses.

Unlike Lloyd, Brian pretty much hated the nuts and bolts of management, and discussions of operating margins and cash flow bored him. But he sure did have the guts and the vision to place the big bets. Likewise, Brian’s personality made him a great salesman.

While insightful, Welch’s contrast presents only two-thirds of the picture. Absent is cooperation. Certain managers thrive on spontaneous interaction with others. They are boundary spanners who can integrate diverse functions, locations, cultures, and hierarchical strata. A case in point is BMW chief executive Norbert Reithofer, who, according to Business Week, “has excelled at forging alliances at all levels.” Reithofer insists that managers “have to be role models and work together” (Edmondson, 2006).

### 4. Respect Occam’s Razor

All of the above should be put in perspective. I do not mean to diminish the value of any other framework cited; each has distinctive aspects that set it apart from the others. Moreover, variety matters because what works for one individual or organization may not work for another. But, difference can become excessive and lead to concept proliferation, the intellectual equivalent of marketers’ product proliferation.

Occam’s Razor posits the best explanation is that which is most elegant. Several writers have pointed out the need for management constructs that are flexible and integrative—and, by implication, spare. As James March argued (Coutu, 2006, p. 86):

A scholar’s knowledge cannot address a concrete, highly specific context, except crudely. Fundamental academic knowledge becomes more useful in new or changing environments, when managers are faced with the unexpected or the unknown. It provides alternative frames for looking at problems, rather than solutions to them.

Gavetti, Levinthal, and Rivkin (2008, p. 1019) expand on March’s point: "In order to understand the nature and roles of various modes of cognition, we need some coarse categories that help organize the many modes of cognition. Currently, the field has little more than a laundry list of such modes."

My categories are crude and coarse, and the parallels that I have identified are imperfect. Yet, the commonalities—within, as well as between, categories—are compelling. Even if the match is, say, only 70%, the likeness is worth drawing because it reveals

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<th>COOPERATION</th>
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<td>Martin (2009) Types of thinking</td>
<td>Intuitive</td>
<td>Analytical</td>
<td>Design</td>
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deep connections that otherwise would have remained opaque. After all, few strategic decisions are ever made with more than 70% of the relevant information available; otherwise, they would be programmable and, therefore, nonstrategic. The implication for academics is to appreciate qualitative patterning, since construct similarity matters no less than difference. Yes, nuance is important, but to a point. As Pfeffer (1993, p. 616) has written about organizational science: “The field encourages the development and advancement of differences and separate agendas, rather than attempts at integration or resolution.” And according to Powell, Lovallo, and Fox (2011, p. 1371), “the crucial problem in behavioral strategy is not a shortage of good research, but a lack of conceptual unity.” In sum, we increasingly need to know how things hang together. The implication for managers is to think more abstractly, since that is where leverage lies. As articulated by Flynn (2007, pp. 10–11):

Our ancestors in 1900 were not mentally retarded. Their intelligence was anchored in everyday reality. We differ from them in that we can use abstractions and logic and the hypothetical to attack the formal problems that arise when science liberates thought from concrete situations.

In other words, where payoff is concerned, concepts trump content. I have offered an approach to abstraction and patterning that is grounded in the three types of Venn diagram. With this framework in mind, managers can approach strategizing without encountering a guru-fueled Tower of Babel. As I assert in The Geometry of Strategy (Keidel, 2010, p. 11), "Every social system is a book, but the more organization...you have between the ears, the less you need to read between the covers."

References
