

## TESTS OF STRATEGY FROM THE LITERATURE

The following are examples of published tests of strategy. All are direct quotes from the sources. Comments are shown in [brackets]. In some there is minor reformatting for clarity. Chapter 8 points out that nearly all tests refer to the entire framework, not strategy or other individual components. Some of these tests are best used as fitness criteria as pointed out in Chapter 16 and some can be used as when evolving the strategy alternatives matrix (SAM) as described in Chapter 18 and Task Set 4.

### Tilles: How to Evaluate Corporate Strategy (1963)<sup>1</sup>

Is your strategy right for you? There are six criteria on which to base an answer. These are:

1. Internal consistency.
2. Consistency with the environment.
3. Appropriateness in the light of available resources. [Discusses money, competency, and physical resources.]
4. Satisfactory degree of risk. [Discusses risk with resources and the proportion of resources committed to a single venture].
5. Appropriate time horizon. [By this test, Tilles asks if the timeline for aspirations to be met is appropriate. As stated in Chapter 1, aspirations determine the time horizon, not strategy. This is consistent with Tilles's approach.]
6. Workability.

If all of these criteria are met, you have a strategy that is right for you. This is as much as can be asked. There is no such thing as a good strategy in any absolute, objective sense.

### Collis and Montgomery, Evaluating Corporate Strategy (1998/2005)<sup>2</sup>

Vision	<ul style="list-style-type: none"> <li>• Is there a clear and well-articulated corporate vision?</li> <li>• Are there SMART goals?</li> </ul>
Internal Consistency	<ul style="list-style-type: none"> <li>• Are the elements of the firm's corporate strategy aligned with one another?</li> <li>• Do they form a coherent whole?</li> </ul>
External Consistency	<ul style="list-style-type: none"> <li>• Does the strategy fit with the external environment?</li> <li>• Is the strategy sustainable against changing environmental and competitor strategies?</li> </ul>
Feasibility	<ul style="list-style-type: none"> <li>• Is the organization being asked to do too much in too short time?</li> <li>• Is the strategy too risky?</li> </ul>
Corporate Advantage	<ul style="list-style-type: none"> <li>• Does the strategy truly produce a corporate advantage?</li> <li>• Is value creation from that advantage ongoing?</li> </ul>

<sup>1</sup> (TILLES, How to evaluate corporate strategy, 1963). Seymour Tilles was a management consultant and founding partner of the Boston Consulting Group. Tilles anticipated many concepts at an early date, not only the evaluation of strategy, but about growth, the issues around the short-term focus of leaders, that leaders who are skilled at "putting out fires" and making "financial coups" are "not usually able to make the transition to the long look ahead," the problems with the short-term reward system, and more.

<sup>2</sup> (COLLIS/MONTGOMERY, Corporate strategy, 2005) p 200

### Rumelt (1979) Evaluation of Strategy: Theory and Models<sup>3</sup>

There are four discernible context-free tests, each following directly from the definition and purpose of a strategy, that a proposed strategy must pass:

**The Goal Consistency Test**—a proposed strategy must be rejected if it contains mutually inconsistent goals, objectives, and/or policies.

**The frame test**—the strategy must be rejected if it does not address those issues or problem areas which are crucially important within the chosen context. Assuming rivalry, the strategy must exploit asymmetries which constitute advantages within the chosen domains. [Rumelt's "frame" here is similar to his later term, "diagnosis," which is adopted in this book. It is not directly related to the concept of framework as used in this book.]

**The competence test**—the strategy must be rejected if the subproblems it poses do not lie within the realm of those that are solvable by demonstrated resources or organizational skills and competencies.

**Workability test**—the strategy must be rejected if the combined policies are infeasible from a resource point of view or if available knowledge indicates that the desired objectives will not be obtained by the policy set.

### Rumelt (1980) Evaluation of Business Strategy<sup>4</sup>

Of the many tests which could be justifiably applied to a business strategy, most will fit within one of these broad criteria:

**Consistency:** The strategy must not present mutually inconsistent goals and policies.

**Consonance:** The strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

**Advantage:** The strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity.

**Feasibility:** The strategy must neither overtax available resources nor create unsolvable sub-problems.

A strategy that fails to meet one or more of these criteria is strongly suspect. It fails to perform at least one of the key functions that are necessary for the survival of the business.

### Porter – Five Tests of an Excellent Strategy<sup>5</sup>

[Porter's tests are quite well known. And there are slight differences in references. This version is from a relatively recent publication.]

1. A **unique** value proposition compared to other organizations
2. A different, **tailored** value chain
3. Clear **tradeoffs**, and choosing what not to do
4. Activities in the value chain that **fit together** and reinforce each other
5. Strategic **continuity** with continual improvement in realization

### Leader Harbor (Thomas Zweifel): 10 Tests of Superior Strategy<sup>6</sup>

These tests are different in that several are tests of framework implementation. Several can be worded to be useful in design. For instance, instead of "Can employees decide quickly..." rewrite as "will employees be able to decide quickly..."

1. Can employees decide quickly, and on their own, which opportunities are (or are not) directly on the organization's purpose line?
2. Do managers know what threats might lead to the failure of the organization?
3. Are vision and the big picture present in day-to-day action?
4. Are day-to-day actions correlated to the vision and the big picture?
5. Do people experience the future as a personal, compelling opportunity?
6. Can top and middle managers readily remember the organization's status in all key performance indicators?
7. Do employees watch and track the same indicators as their superiors do?
8. Are project teams and divisions transparent (rather than ridden by turf wars and power plays) so that all one sees is their actions and results?
9. Do participants at meetings offer ideas freely? And do they get support for them?
10. Do promises and requests (not opinions, excuses, complaints or blame) dominate meetings?

<sup>3</sup> (RUMELT, Evaluation of Strategy: Theory and Models, 1979).

<sup>4</sup> Rumelt, *The Evaluation Of Business Strategy*: in (JAUCH/GLUECK, Business policy and strategic management, 1980)

<sup>5</sup> Strategy and the Internet.2001; (PORTER, Strategic Thinking: Implications for Turkish Companies, 2009)

<sup>6</sup> (ZWEIFEL, 10 Tests of Superior Strategy, 2009)

## Hambrick & Fredrickson: Key Evaluation Criteria for Testing the Quality of Your Strategy (2001)<sup>7</sup>

1. Does your strategy fit with what's going on in the environment? Is there healthy profit potential where you're headed? Does your strategy align with the key success factors of your chosen environment?
2. Does your strategy exploit your key resources? With your particular mix of resources, does this strategy give you a good head start on competitors? Can you pursue this strategy more economically than competitors?
3. Will your envisioned differentiators be sustainable? Will competitors have difficulty matching you? If not, does your strategy explicitly include a ceaseless regimen of innovation and opportunity creation?
4. Are the elements of your strategy internally consistent? Have you made choices of arenas, vehicles, differentiators, and staging, and economic logic? Do they all fit and mutually reinforce each other?
5. Do you have enough resources to pursue this strategy? Do you have the money, managerial time and talent, and other capabilities to do all you envision? Are you sure you're not spreading your resources too thinly, only to be left with a collection of feeble positions?
6. Is your strategy implementable? Will your key constituencies allow you to pursue this strategy? Can your organization make it through the transition? Are you and your management team able and willing to lead the required changes?

## McKinsey Consulting: Have You Tested Your Strategy Lately? (2011)<sup>8</sup>

Test 1: Will your strategy beat the market?

Test 2: Does your strategy tap a true source of advantage?

Test 3: Is your strategy granular about where to compete?

Test 4: Does your strategy put you ahead of trends?

Test 5: Does your strategy rest on privileged insights?

Test 6: Does your strategy embrace uncertainty?

Test 7: Does your strategy balance commitment and flexibility?

Test 8: Is your strategy contaminated by bias?

Test 9: Is there conviction to act on your strategy?

Test 10: Have you translated your strategy into an action plan?<sup>9</sup>

## Bartholomees, Theory of War and Strategy—Tests of Strategy (2010)<sup>10</sup>

One can test a possible strategy by examining it for suitability, acceptability, and feasibility. Those three nouns test each of the three components of strategy.

**Suitability** tests whether the proposed strategy achieves the desired end—if it does not, it is not a potential strategy.

**Acceptability** tests ways. Does the proposed course of action or concept produce results without excessive expenditure of resources and within accepted modes of conduct?

**Feasibility** tests means. Are the means at hand or reasonably available sufficient to execute the proposed concept?

A strategy must meet or at least have a reasonable expectation of meeting all three tests to be valid, but there is no upper limit on the number of possible solutions. The art becomes the analysis necessary to select the best, or most efficient, or least risky.

<sup>7</sup> (HAMBRICK/FREDRICKSON, Are You Sure You have a Strategy?, 2001).

<sup>8</sup> (BRADLEY et al., Have you tested your strategy lately?, 2011)

<sup>9</sup> This test is surprising because McKinsey defines strategy as an action plan (Chapter 1).

<sup>10</sup> Bartholomees, A Survey of the Theory of Strategy, in (BARTHOLOMEES JR, The US Army War College Guide to National Security Issues. Volume 1: Theory of War and Strategy, 2010) p16.