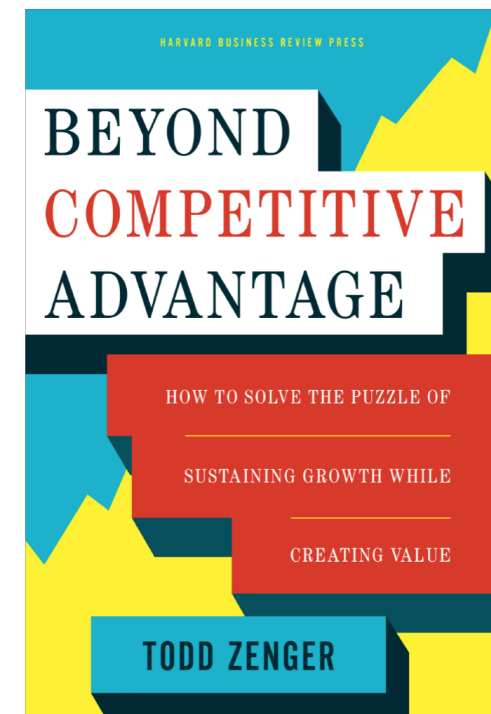
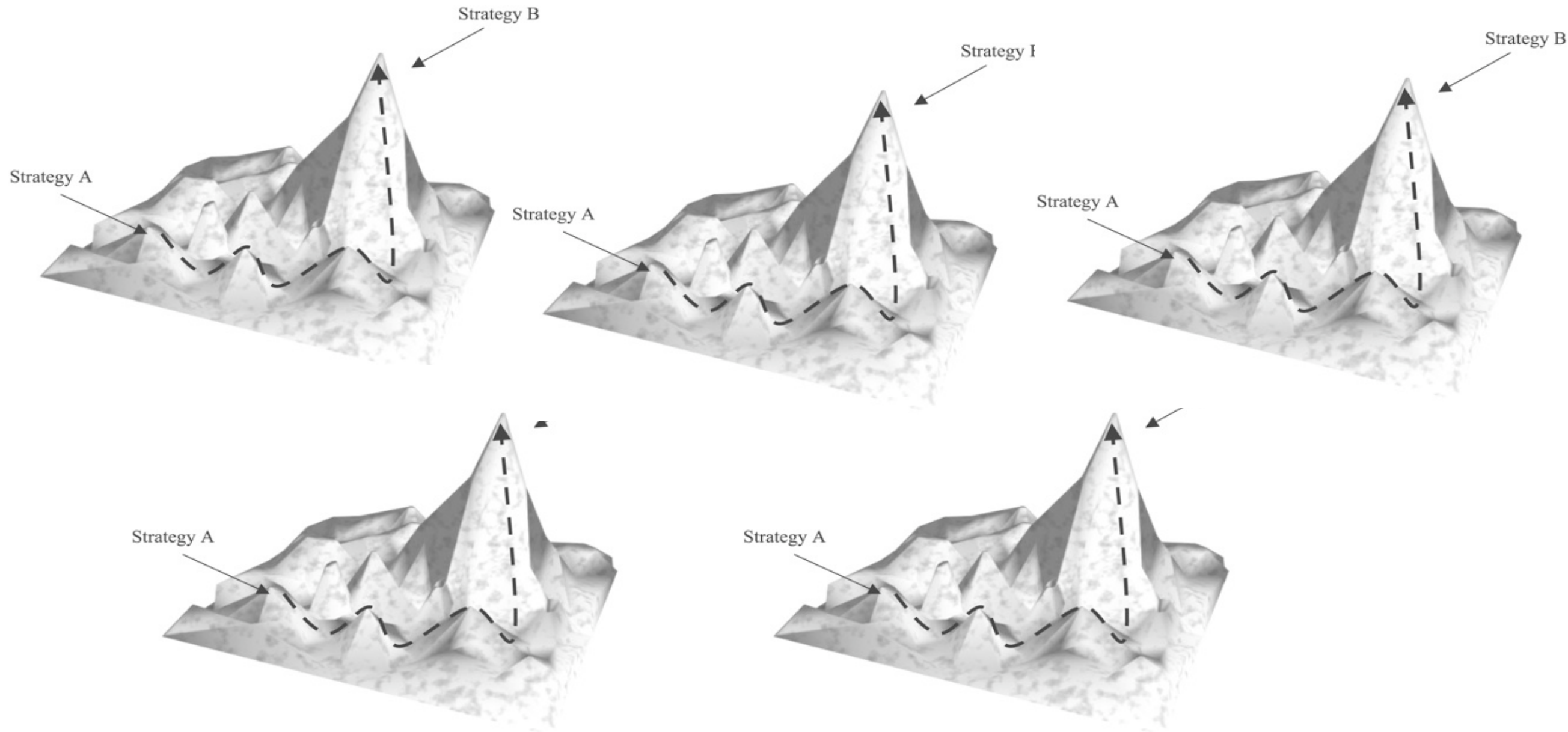


# Crafting a Corporate Theory of Value-Creating Growth

(Chapter 1)



# CONSTANTLY SEARCHING FOR NEW MARKETS AND NEW POSITIONS OF VALUE



# GROWTH AS CONTINUAL RECOMPOSITION

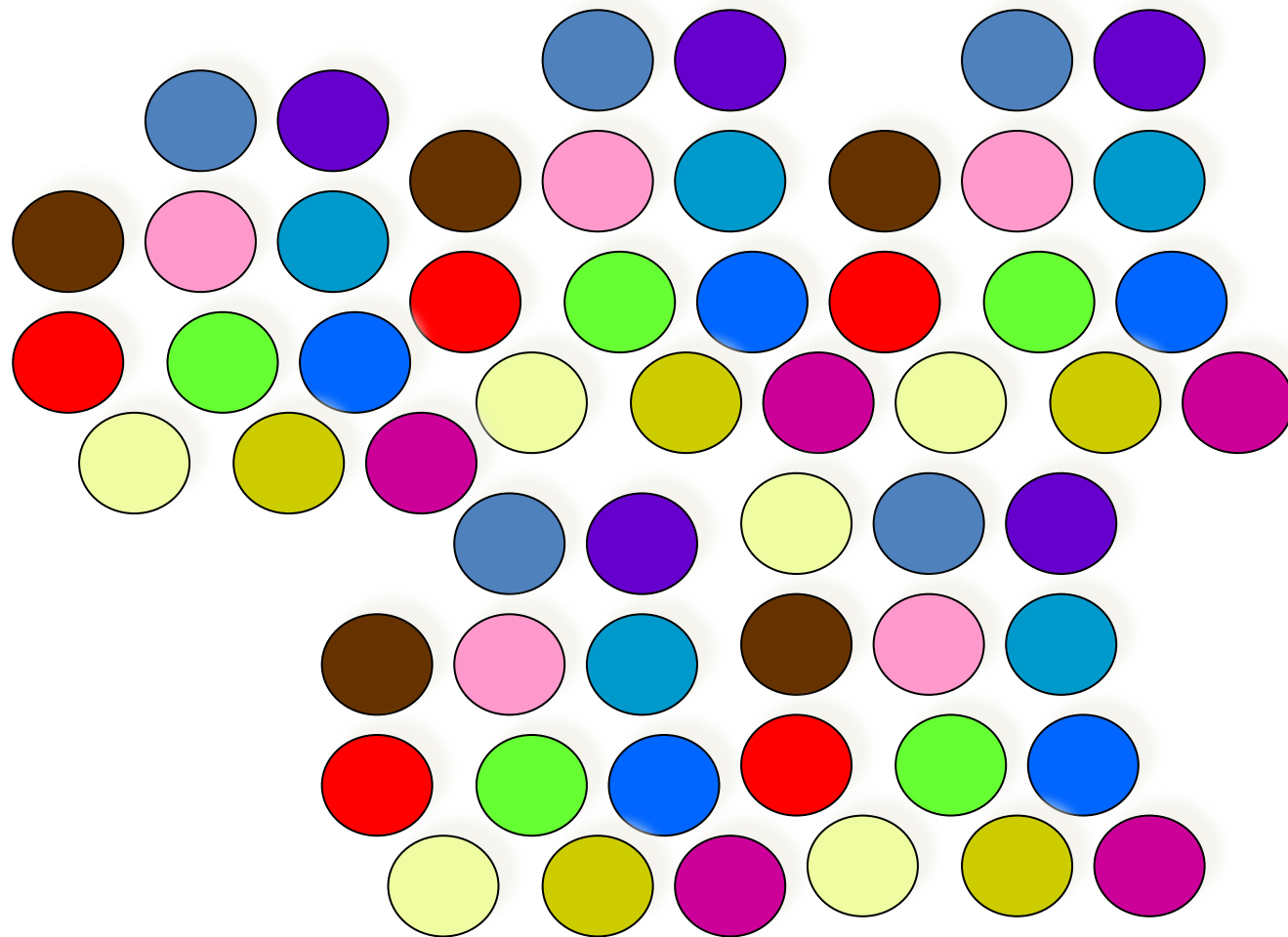


SOURCE "DO CAPITAL MARKETS APPRECIATE STRATEGY?" (2013)

HBR.ORG

# SUSTAINED VALUE CREATION REQUIRES CONSTANTLY DISCOVERING NEW COMBINATIONS AND COMPOSITIONS...

An infinite array of combinations



Your Firm

# DESIGN AS RECOMPOSITION

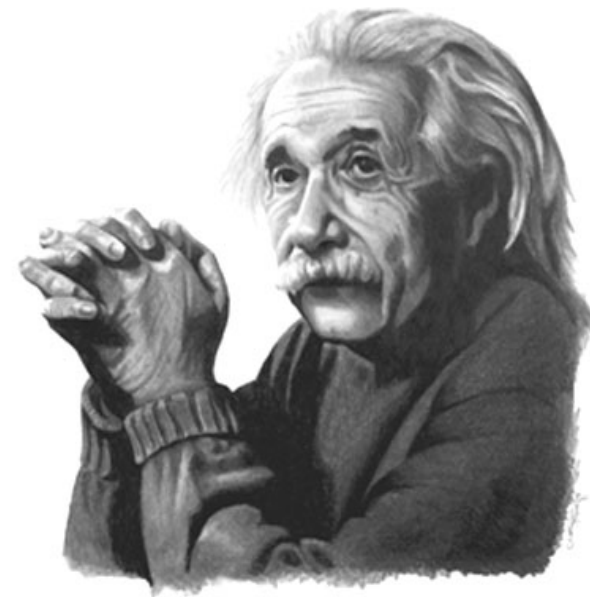
- ▶ "Designing a product is keeping 5,000 things in your brain, these concepts, and fitting them all together in kind of continuing to push to fit them together in new and different ways to get what you want," he said. "And every day you discover something new, that is a new problem or a new opportunity, to fit these things together a little differently."

- ▶ [Steve Jobs](#)

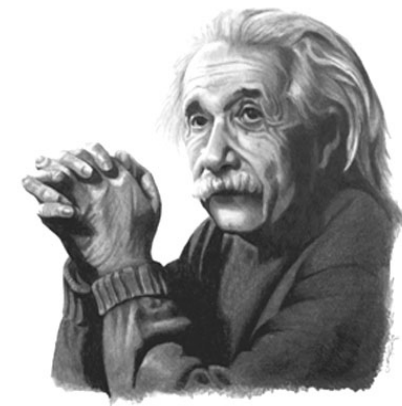
How can a strategic leader navigate this process of relentlessly creating value for shareholders and other stakeholders?

# What Is the Theory of Your Firm?

*Focus less on competitive advantage and more on growth  
that creates value. by Todd Zenger*

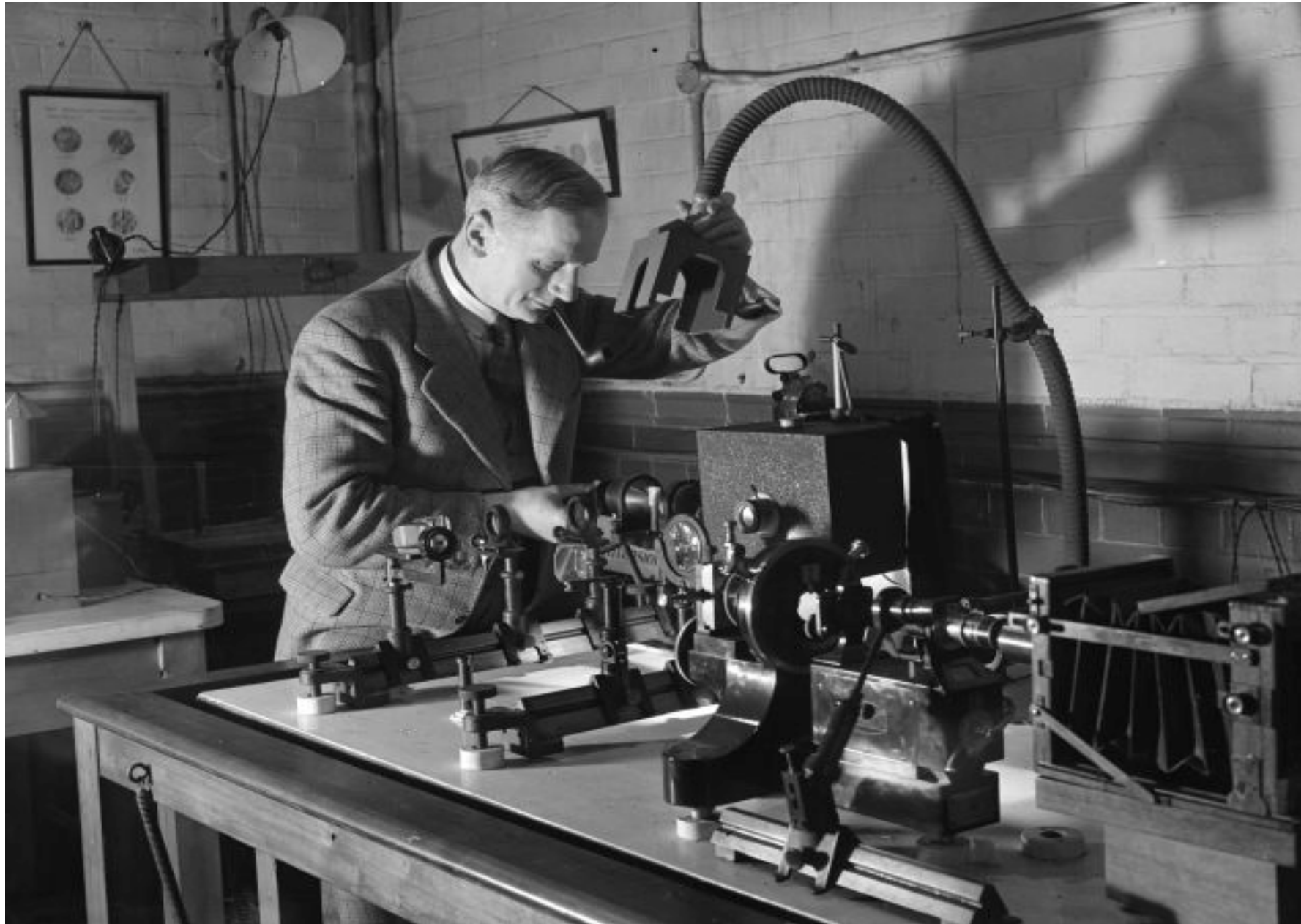


Just as powerful academic theories reveal better scientific experiments, and accelerate knowledge creation, powerful corporate theories reveal better strategic experiments, and accelerate value creation.





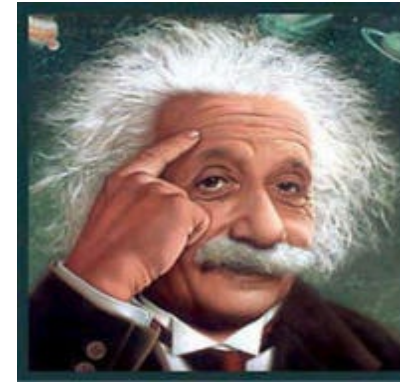
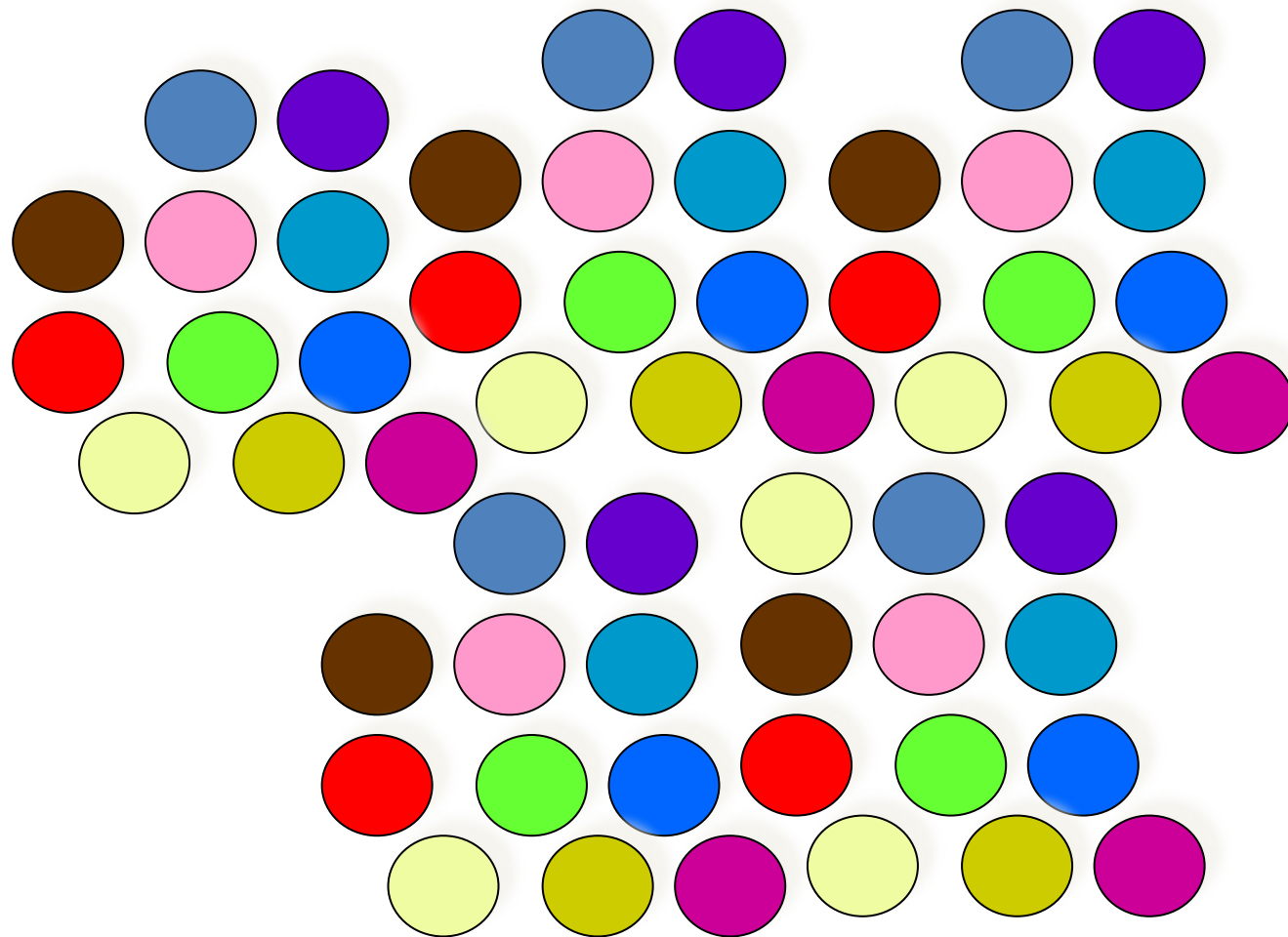
# *Strategies as experiments...*



# CORPORATE THEORY

- ▶ A logic that managers repeatedly use to select, reconfigure, and assemble from among a vast array of possible asset, activity, and resource combinations those complementary bundles that are value creating for the firm.... Corporate theory is not really *a strategy per se*, but rather a guide to the selection of *strategies*.

## An infinite array of combinations

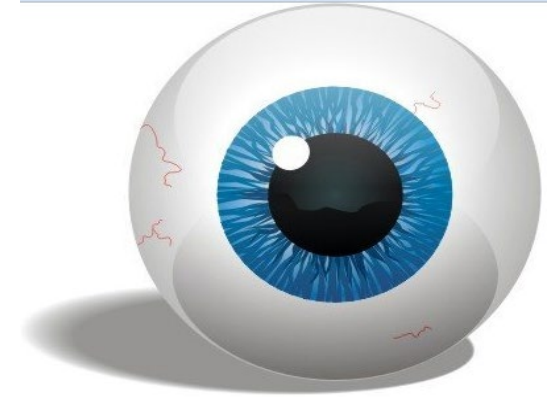


Your Firm

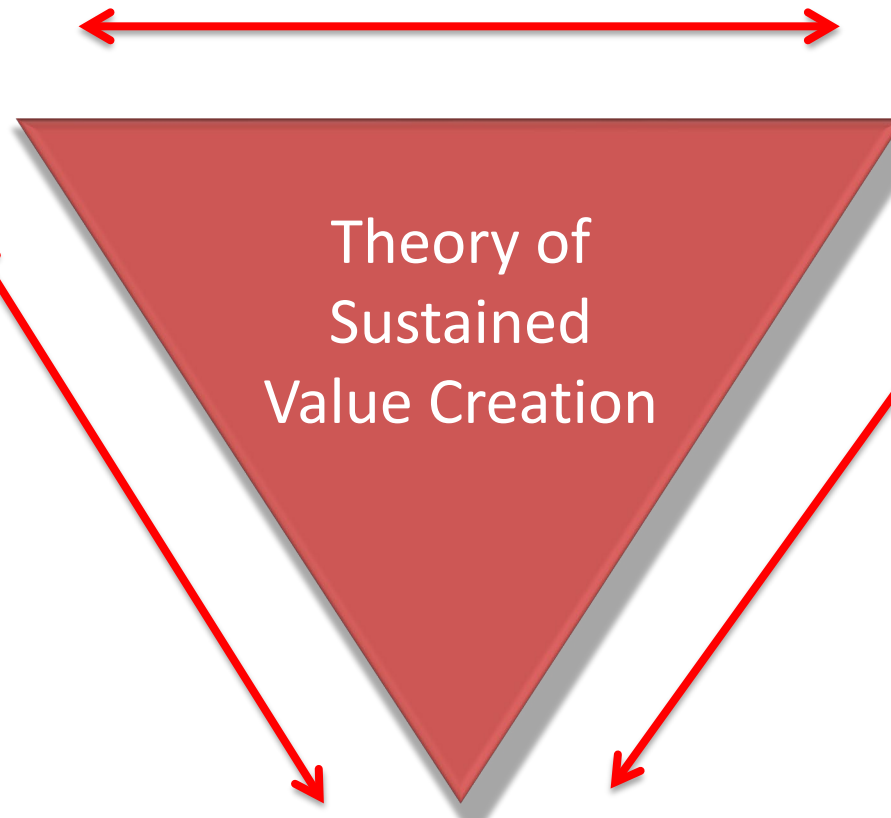
# Three Sights of a Corporate Theory



**Foresight** regarding evolution of industry, demand, technology, and customer tastes

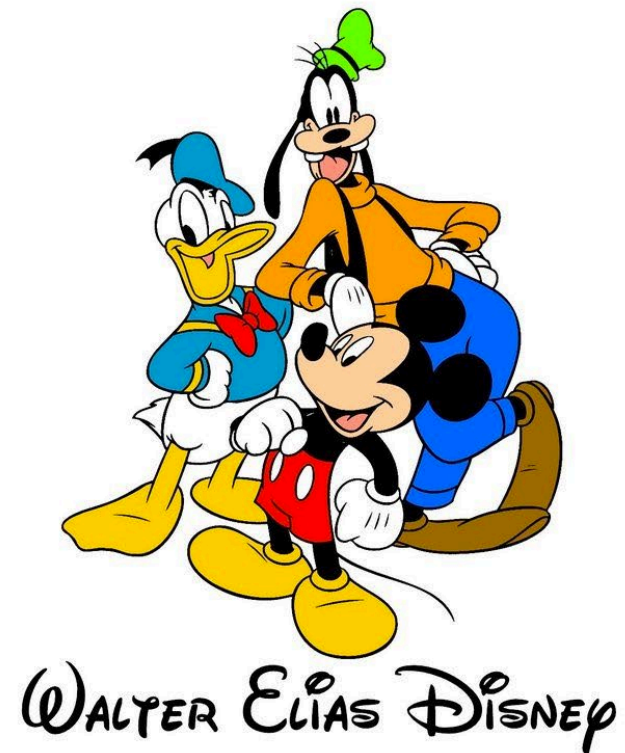


**Cross-sight** regarding synergies among available assets, resources, and activities

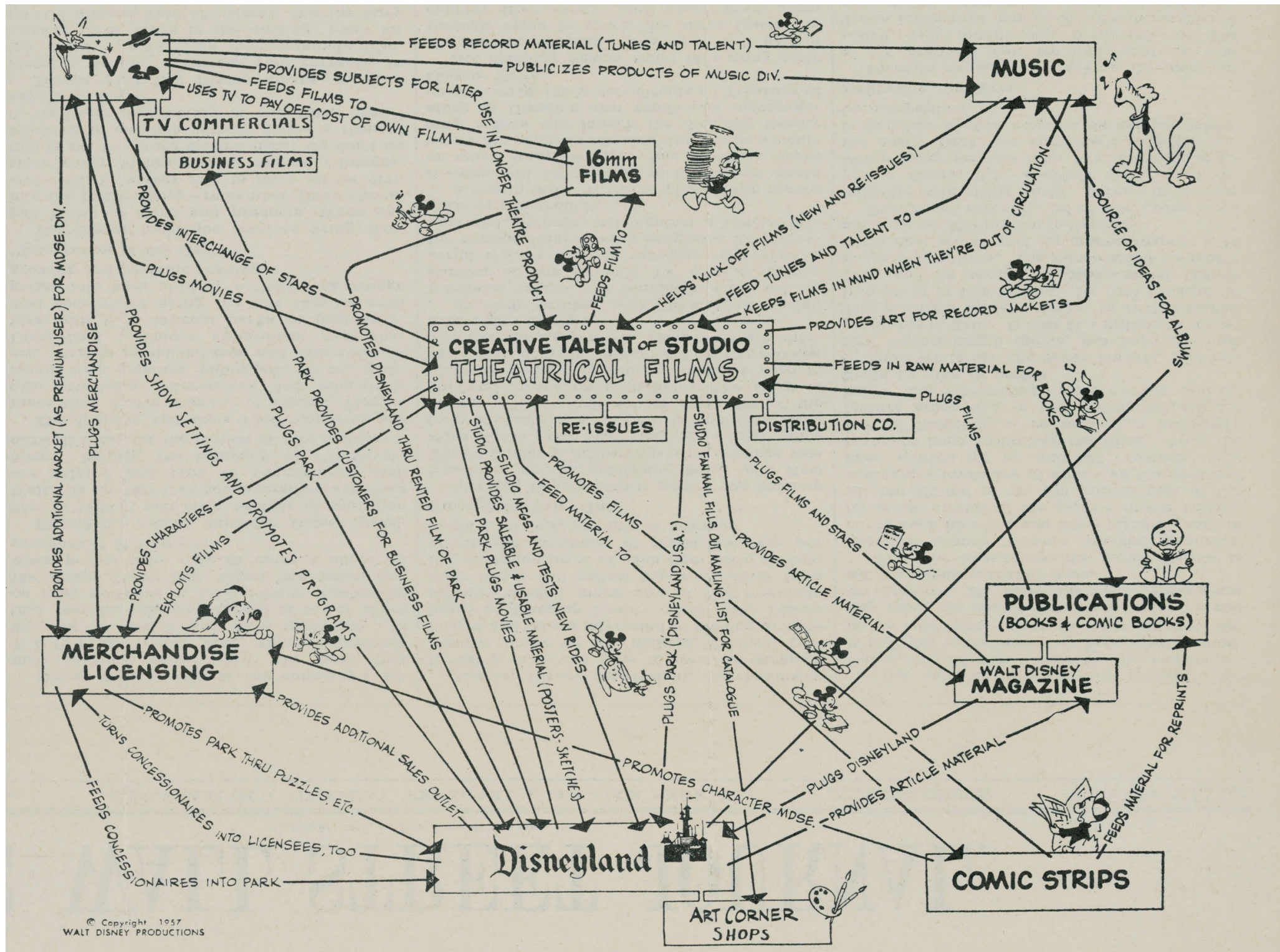


**Insight** regarding sustainably unique assets, resources, and activities within the firm

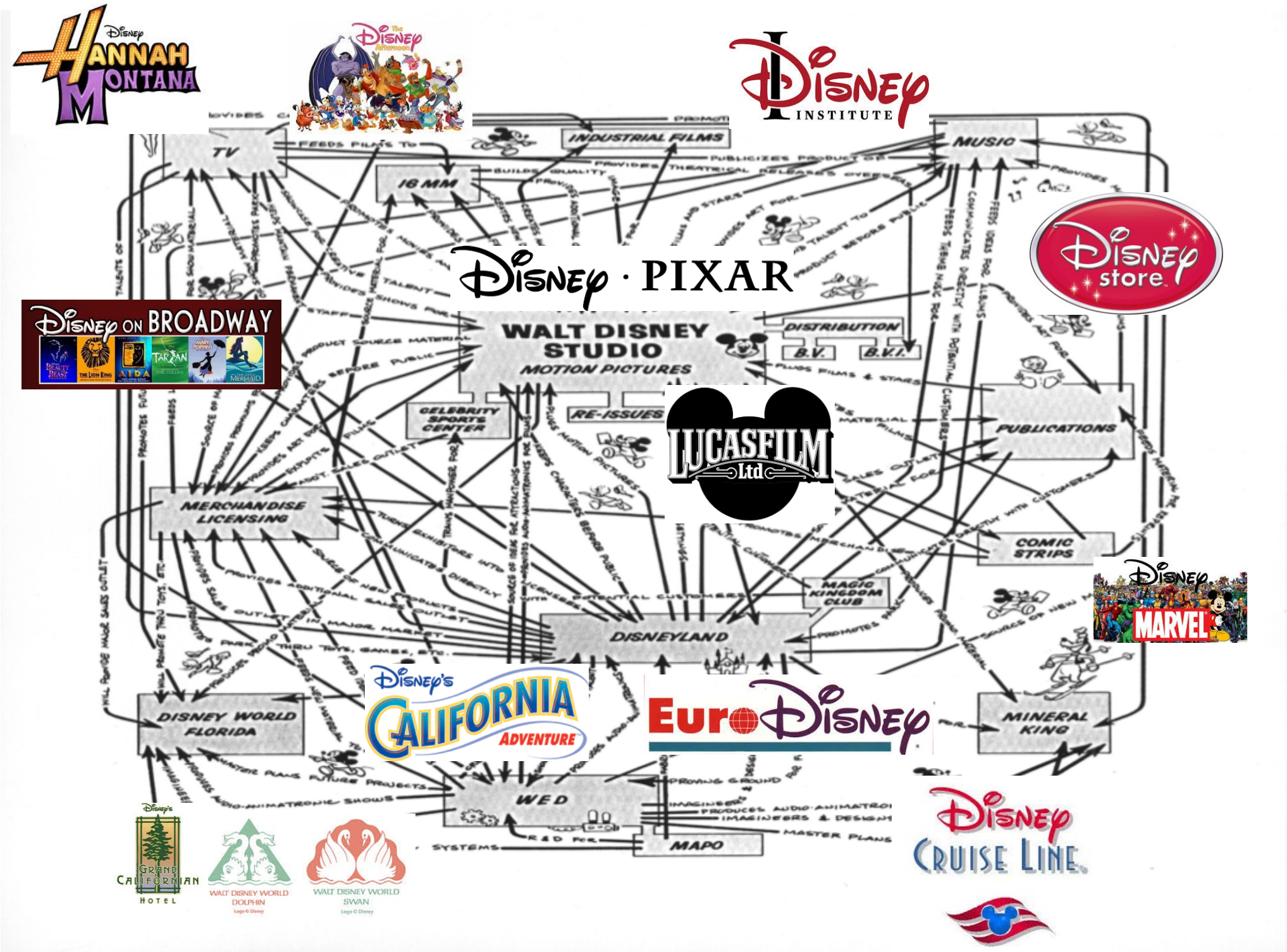
A brilliant business theorist..



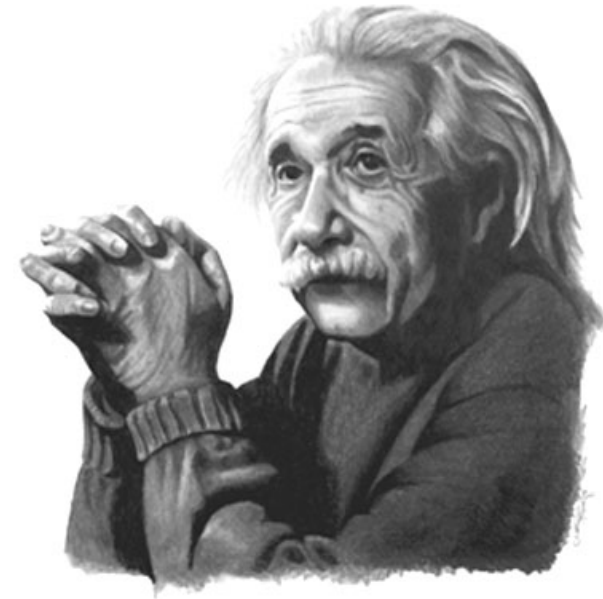








Disney  
ON  
BROADWAY

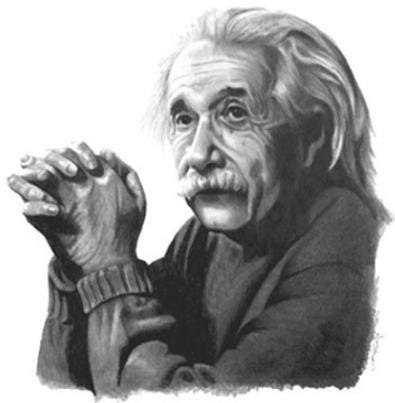


“whether you can observe a thing or not depends on the theory which you use” - Einstein

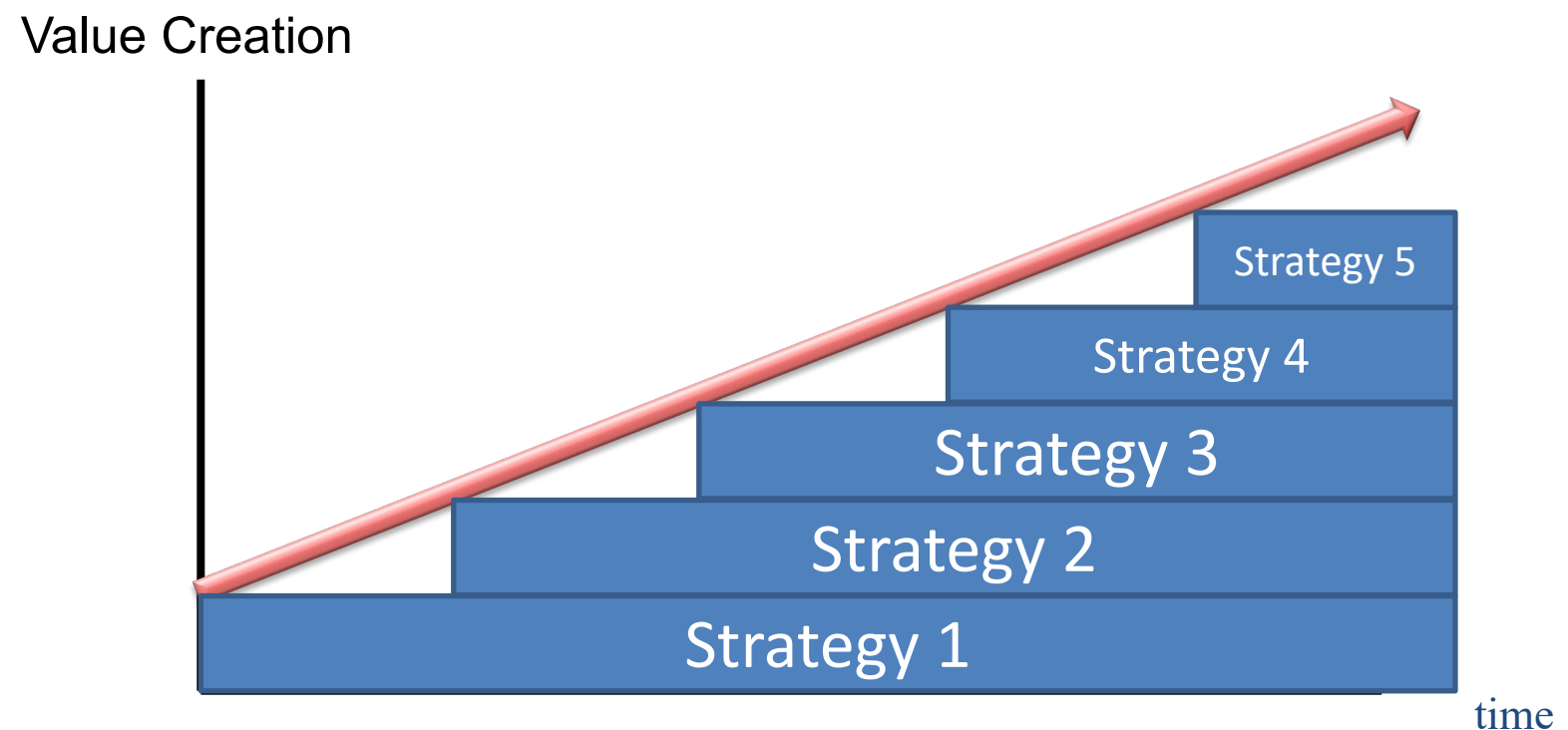




# Theories provide unique vision

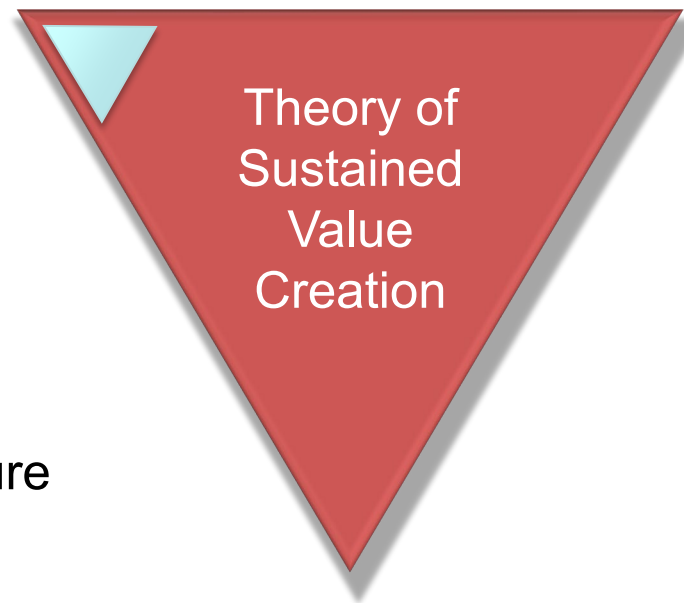


“whether you can observe a thing or not depends on the theory which you use” - Einstein



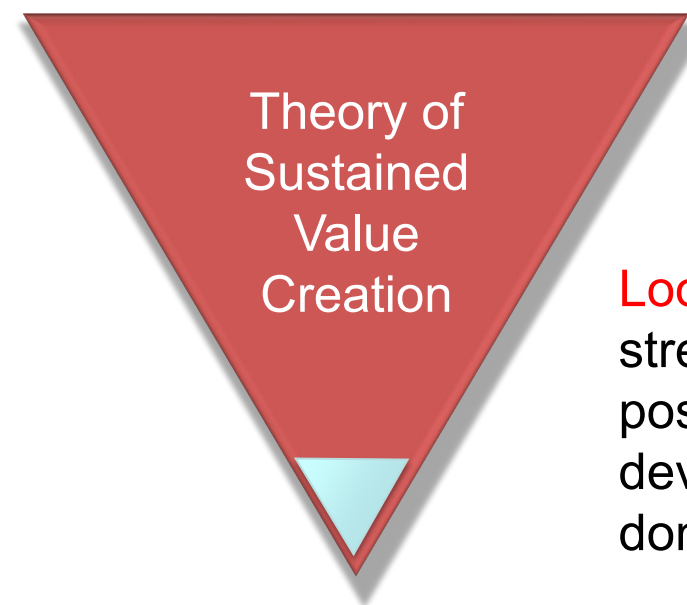
# *Three Sights of a Corporate Theory*

**Foresight** regarding evolution of industry, demand, technology, and customer tastes

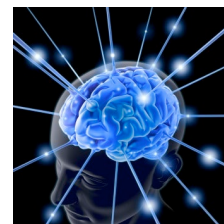


**Look ahead:** What future do we see that others can't?

# Three Sights of a Corporate Theory



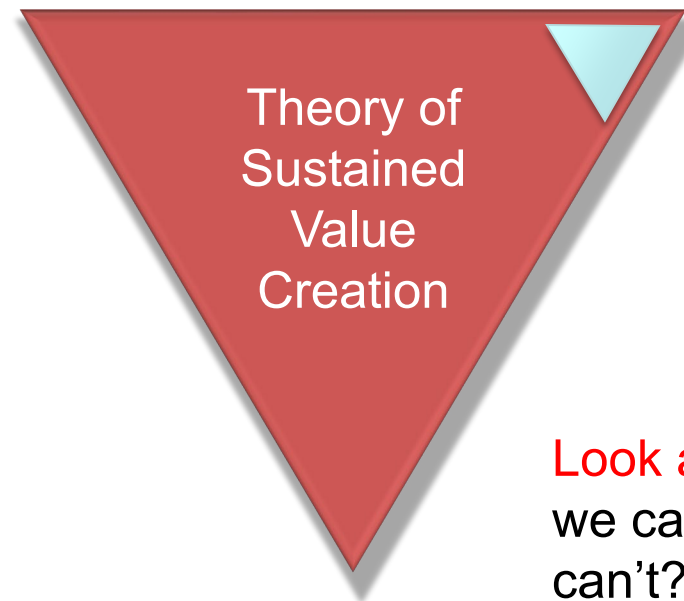
**Look within:** What strengths do we possess (or should we develop) that others don't (or can't)?



**Insight** regarding sustainably unique assets, resources, and activities within the firm

# Three Sights of a Corporate Theory

**Cross-sight** reveals unique value in available assets and opportunities.



**Look around:** Where is value we can unlock that others can't?

# 3D Vision

**Foresight** regarding evolution of industry, demand, technology, and customer tastes



**Cross-sight** reveals unique value in assets and opportunities



Theory of Sustained Value Creation



**Insight** regarding sustainably unique assets, resources, and activities within the firm

# DISNEY'S 3D VISION

**Foresight:** family friendly fantasy worlds will have vast appeal, with animation as an ideal vehicle for composing these.



**Insight:** had early lead in animation; animation could compose timeless, unique characters over which you have complete control.



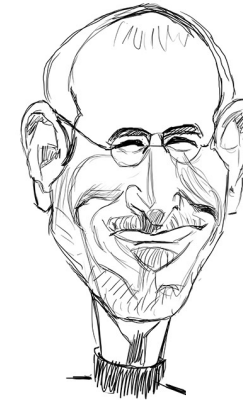
- **Cross-sight:** a broad array of entertainment opportunities could draw value from animated characters and fantasy worlds.

# BUILDING A THEORY



Open system

Speed, storage, price



For geeks only



Simplicity is the ultimate sophistication.

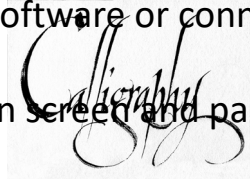


Closed system  
Design-elegance  
Ease of use  
Simplicity  
Ergonomics

- Unreliable
- Clunky to use
- A nightmare to install software or connect peripherals
- No connection between screen and paper




Introducing Apple II, the personal computer.





# APPLE'S 3D VISION

- **Foresight:** computers will become a consumer good, and consumers will appreciate the aesthetics and ease of use that accompany great design. 

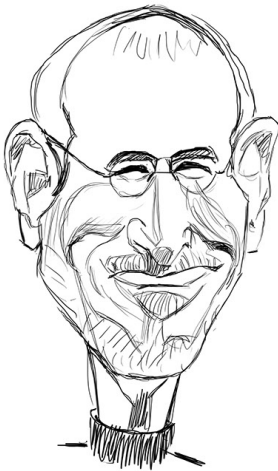
- **Insight:** Investments in design and aesthetics are critical; vertical integration and tight control are essential



- **Cross-sight:** Value in graphical user interface, bit-mapping, motion capturing device. Eventually....

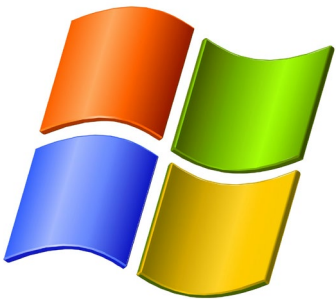




# RELENTLESS PRESSURE TO ABANDON THE THEORY



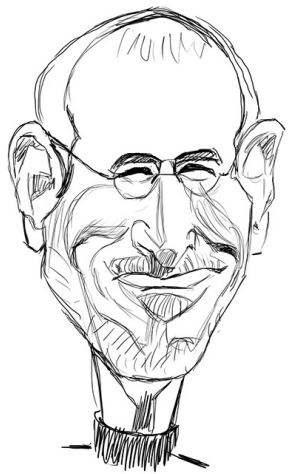
Banished from Apple for a decade.

Then, returns and faces relentless pressure to abandon theory.



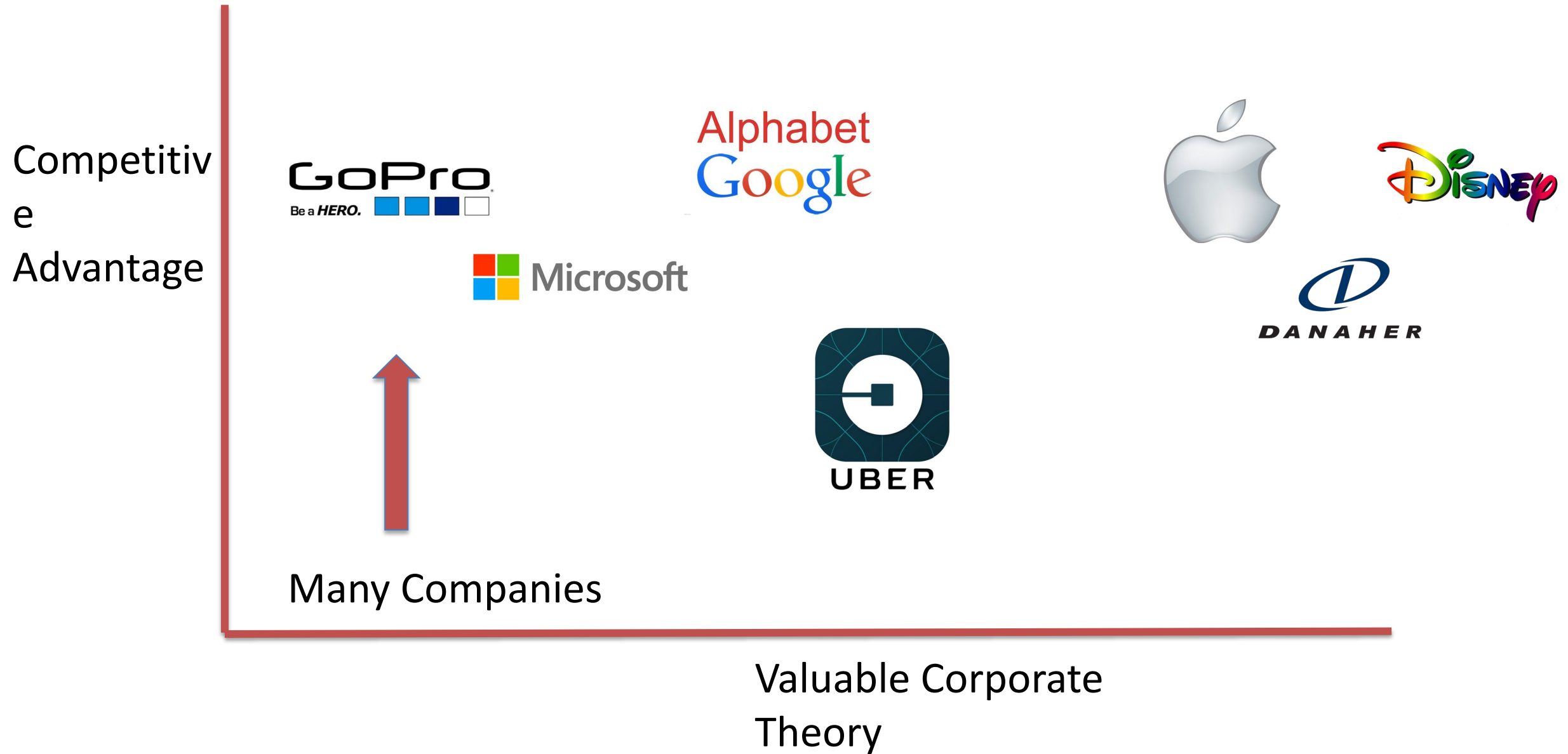
Firm	Corporate Theory
Disney 	<p>Disney sustains value creating growth by developing an unrivaled capability in family-friendly animated and live action films and then assembling other entertainment assets that both directly support and draw value from the characters and images developed within these film assets.</p>
Apple 	<p>Consumers will pay a premium for easy to use, reliable, and elegant computing products (and other consumer electronics), which Apple will deliver and market through an unrivaled design capability achieved through relatively closed systems, significant vertical integration, and tight design control.</p>

# ATTRIBUTES OF VALUABLE THEORIES

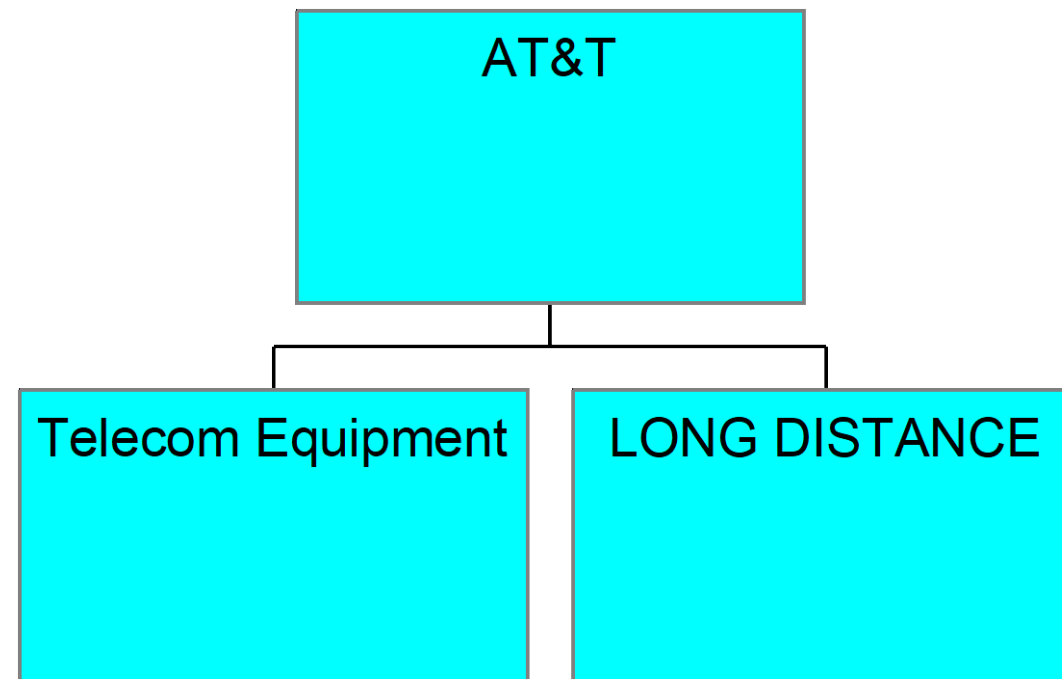


- ▶ Novel—you can see value others can't.
- ▶ But, general—Solves an array of problems; continues to reveal new problems.
- ▶ Clear—Tells you what not to do.

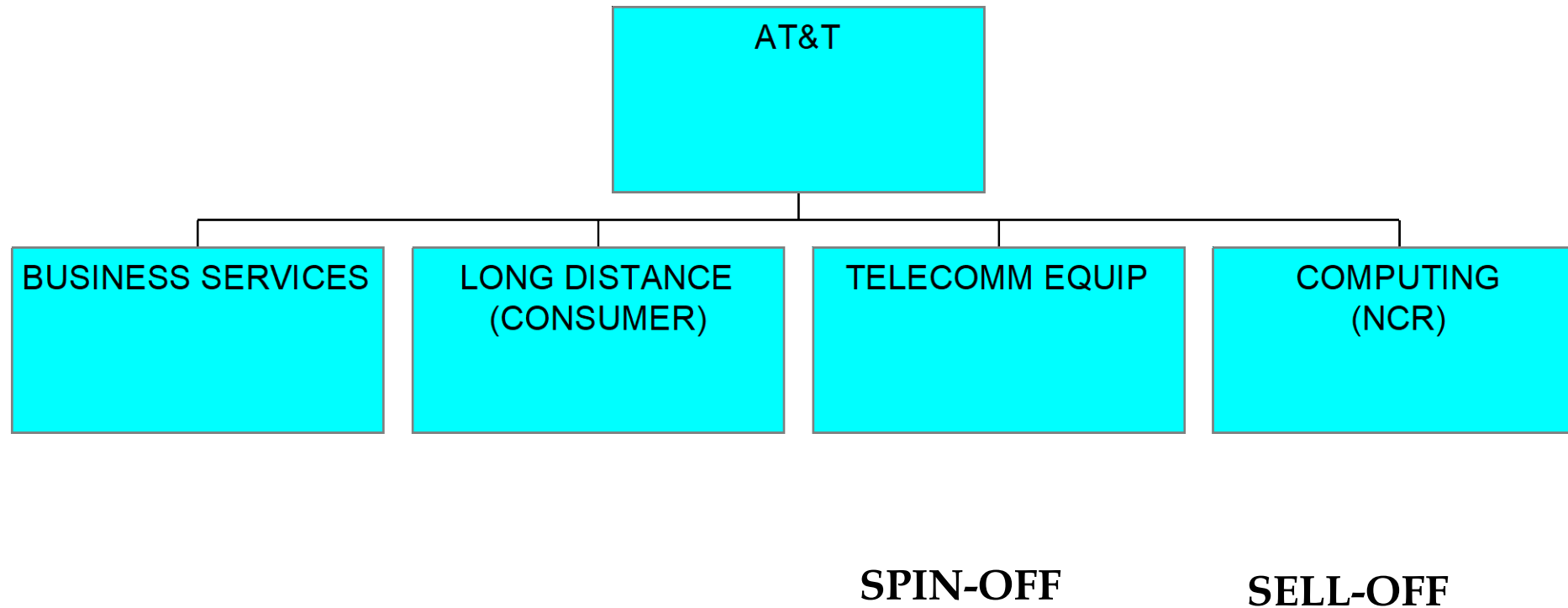
A valuable theory is simple, elegant, easily articulated, but continues to reveal new problems to solve and a fruitful path to solving them (cross-sight)



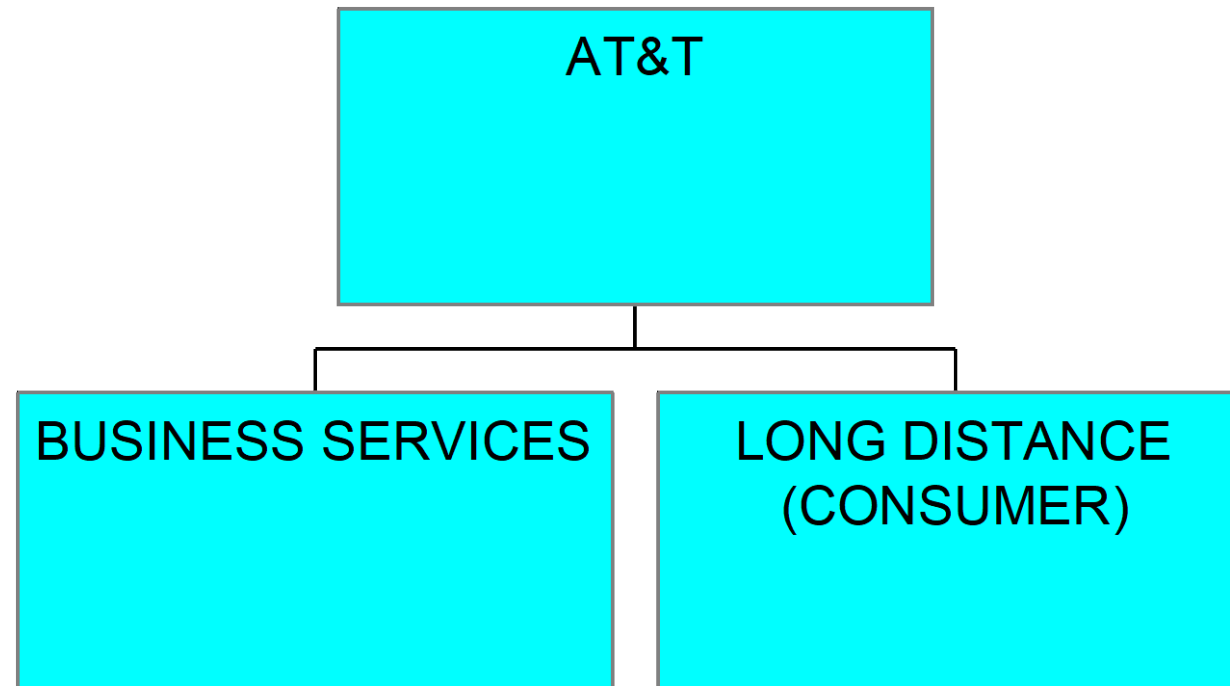
# THE CONSEQUENCES OF NOT HAVING A THEORY...



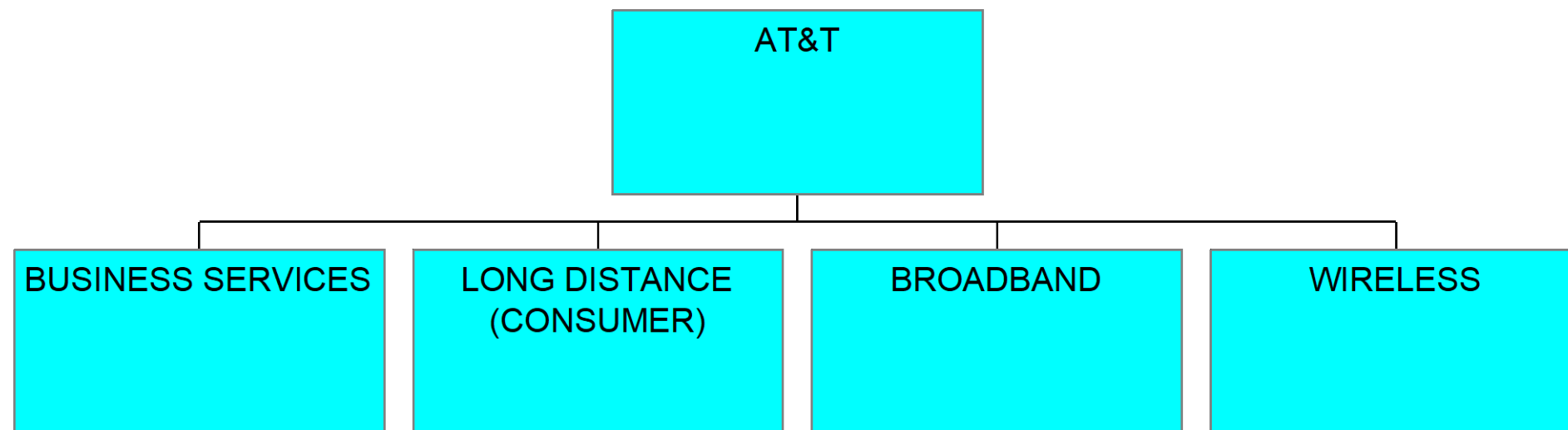
# OR, AT LEAST NOT A GOOD ONE...



# AT&T CONTINUED...



# FURTHER EXPERIMENTS...

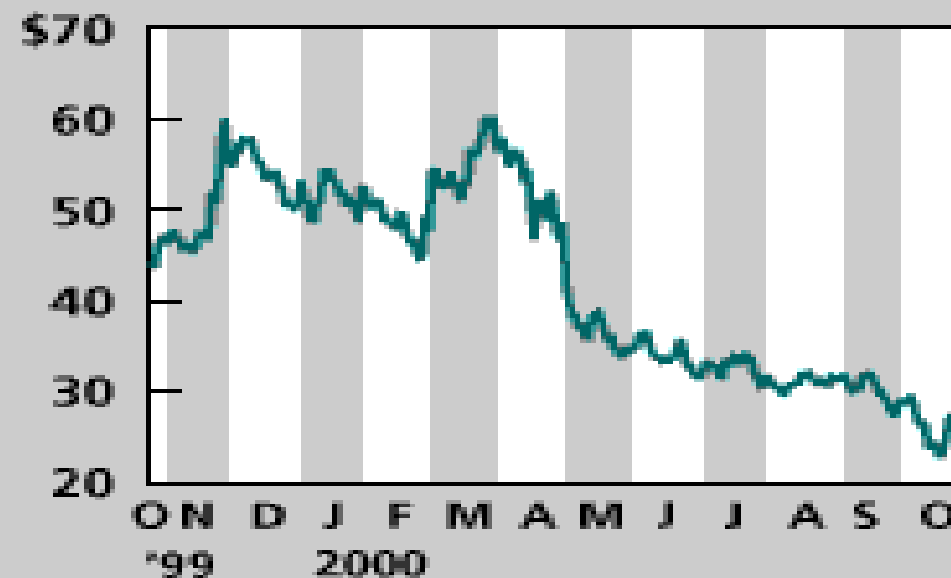




# DESCENDING INTO A VALLEY...

## HOLD THE PHONE

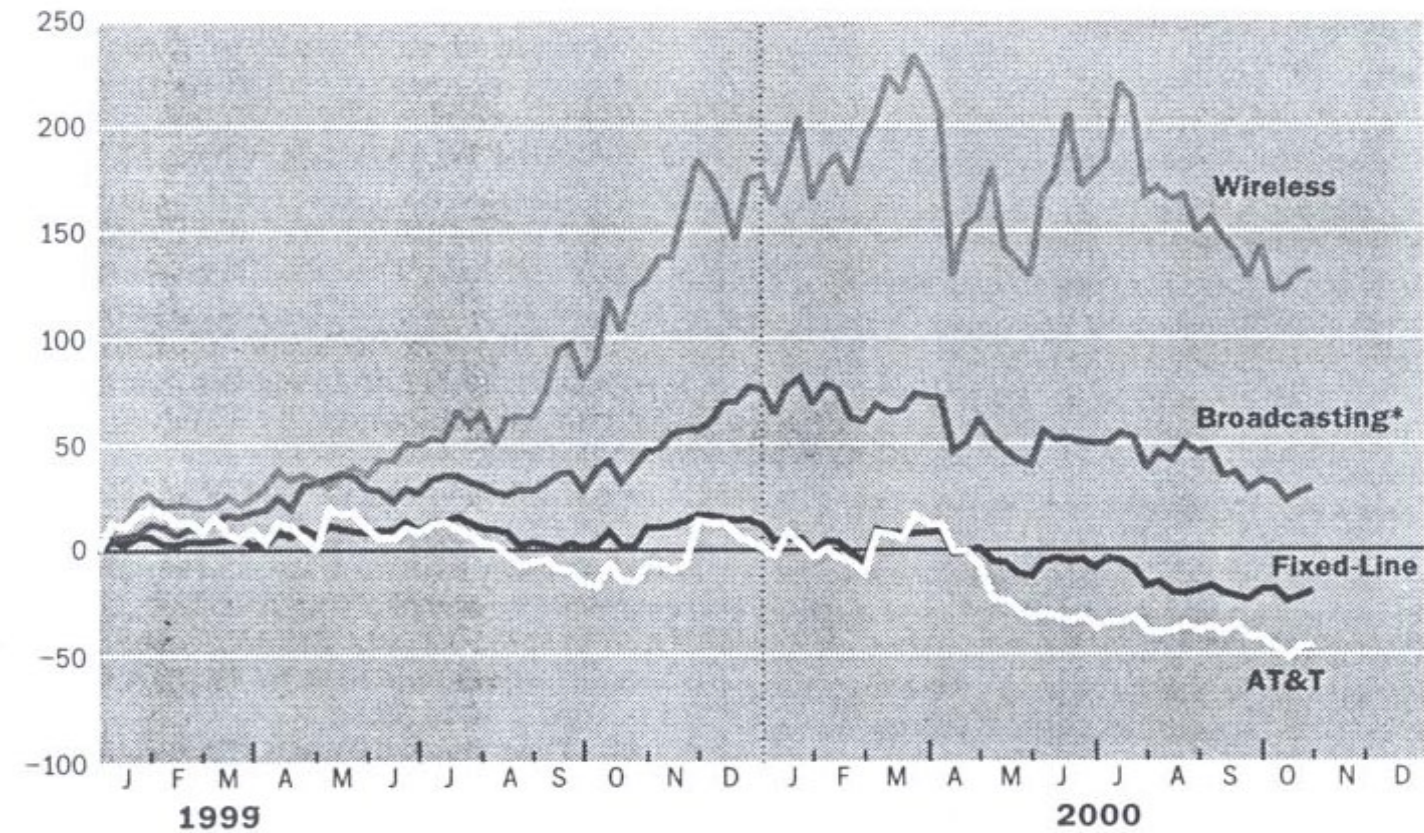
AT&T's stock has skidded more than 50% this year because of weakness in its long-distance and other businesses. (See Smart Money column.)



Source: *Baseline*

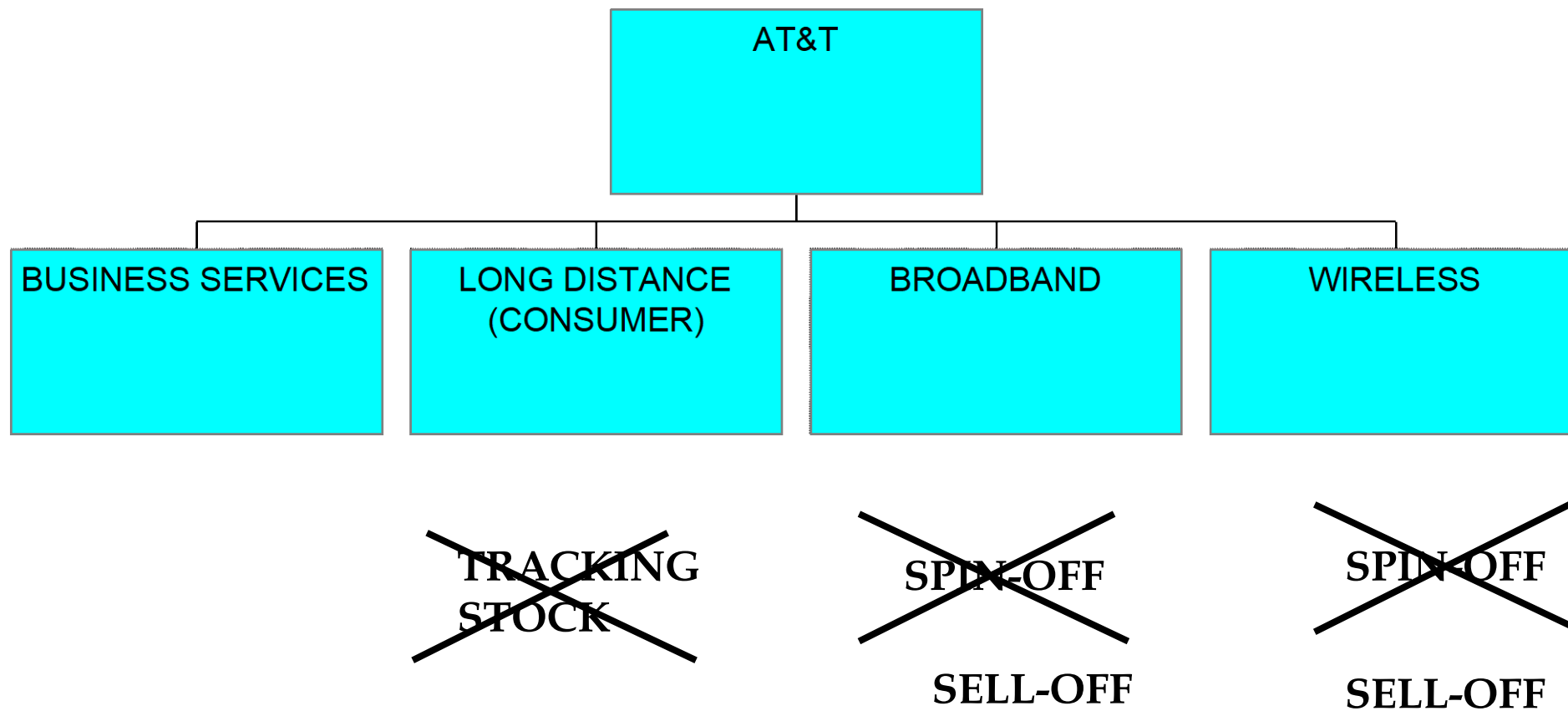
## Pure Plays Beat the Conglomerate

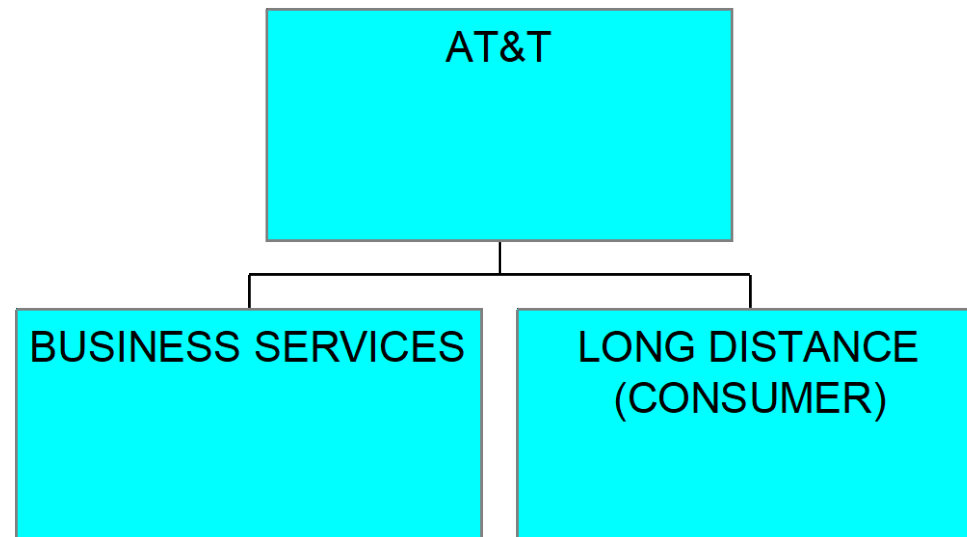
Comparative performance of AT&T shares and the Dow Jones U.S. Indexes for broadcasting\* and fixed-line and wireless telecommunications; percentage change in weekly closes from Jan. 1, 1999.



\*Includes cable television

Sources: Reuters, Dow Jones Indexes







## Steven Colbert Describes AT&T's Corporate Strategy

# KEY TAKEAWAYS

- ▶ Strategic leaders compose “theories” that provide ongoing vision – a path to sustained value creation
- ▶ Valuable theories are novel. What do you see that no one else can see or access?
- ▶ Valuable theories reveal foresight, insight, and cross-sight.
- ▶ Strategic actions are experiments consistent with your theory.
- ▶ Sustained value creation requires more thinking and not just more doing.

HARVARD BUSINESS REVIEW PRESS

# BEYOND COMPETITIVE ADVANTAGE

HOW TO SOLVE THE PUZZLE OF  
SUSTAINING GROWTH WHILE  
CREATING VALUE

TODD ZENGER