

Google, Ikea and J&J: 3 strategic approaches to success

Is your corporate strategy based on hard data, institutional values, experience or all of the above? Here's a strategic framework agile enough to apply to real market conditions.

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In the article "[The Practice of Strategy](#)," Carlos Rey and [Joan E. Ricart](#) propose a framework to help harmonize business model innovation and company values while meeting market demands.

Strategy is all about the logic behind certain business choices. While one logic may seem "logical" to one individual, each logic is underpinned by a very distinct perspective, which can cause friction when those perspectives come together to develop a corporate strategy.

The authors identify three types of logic:

1. **Analytical logic:** This deals with cause and effect. For example, "an increase in customer satisfaction of 10% leads to a 6% increase in market share."
2. **Institutional logic:** This considers the company's values and applies them to the situation in question to make a decision. While you might think that analytical logic would play the greatest role in strategy, thinking about the appropriateness of a given strategy with regard to the institutional identity is also significant.
3. **Systemic logic:** This employs a mixture of experience and intuition. An example would be "the key to success in the automotive sector is having a strong brand."

These three logics go a long way toward understanding how three experts in the same company, based on the same facts and figures, could arrive at three entirely different conclusions about a strategy. This also explains how star companies may have taken vastly

different routes to success.

For example, Google's success can be seen as a product of analytical logic, Johnson & Johnson's as coming from their values (institutional logic) and Ikea's from a systemic logic. Each logic pertains to a larger perspective, which is how the practice of strategy unfolds.

- **The analytical perspective** is developed deliberately through reasoning and is based on hard data, economic trends and market forces. The strategies derived from this perspective are simple, specific and prescriptive. The analytical perspective, broadly speaking, has two dimensions: external (business environment, sector, market, threats) and internal (resources and capabilities).
- **The institutional perspective** is usually expressed through the company's mission statement, but it often remains symbolic or subconscious and acts as the default when the company's strategy is not explicitly defined. It is the institutional perspective that inspires people to put long-term corporate interests ahead of short-term gains.
- **The systemic perspective** is developed through a profound knowledge of the real workings of business. It often develops in an unplanned way as events unfold, and helps shape the business model.

No one perspective is enough to make a company successful, even for Google, Johnson & Johnson and Ikea. In fact, while each can be seen to excel at a certain perspective, it is the integration of all three that creates strong businesses. Take Ikea: its innovative business model has been accompanied by an ambitious business plan and solid institutional values. Ikea's competitive advantage lies in the alignment and combined excellence of the three types of strategic logic.

The authors explain this integration via their **Systemic-Institutional-Analytical, or SIA, framework**. In their model, consistency between the three strands is important. A company that performs well in one logic but contradicts itself in another is unlikely to triumph overall.

Examples of such inconsistencies might be a low-price strategy at a company with a premium business model, repeated layoffs at a company with values that emphasize trust, or a mission statement of "exceeding client expectations" at a low-cost discounter.

Putting it into practice

Working with a management team within a multinational energy company, the authors

applied their SIA framework. They defined the company's business model and those of its main competitors, then redefined the mission and values, and finally reviewed objectives and budgets. By the time the process was complete, an appetite for change and evolution was high among the management team.

The speed and agility in implementing the planned changes surprised both the authors and the participating managers. The method made the difference: rather than just defining the strategy and informing the team, the strategy had been defined taking all the different skillsets and strategic logics within the company into account. In this company, at least, the gap between strategic thinking and action narrowed dramatically.

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