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How Strategy Shapes Structure

by W. Chan Kim, Renee Mauborgne

When executives develop corporate strategy, they nearly always begin by analyzing the industry or environmental conditions in which they operate and the strengths and weaknesses of the players they are up against. They then set out to carve a distinctive strategic position from which they can outperform their rivals by building a competitive advantage. The underlying logic here is that a company's strategic options are bounded by the environment. In this structuralist approach, structure shapes strategy. But as Kim and Mauborgne, the authors of *Blue Ocean Strategy*, point out, history reveals plenty of situations in which firms' strategies shaped structure - from Ford's Model T to Nintendo's Wii. For the past 15 years, the authors have been developing this reconstructionist approach into the blue ocean strategy, which reflects the fact that a company's performance is not necessarily determined by an industry's competitive environment. In this article they explain the key differences between the two approaches, identify the circumstances under which each one is appropriate, and discuss cases of blue ocean strategies. The authors conclude by observing that most large and diversified businesses operating in multiple industries will need to learn to apply both approaches, depending on the strategic needs of their various units.

