ing cause, and then construct a composite picture of the likely profit potential of the industry. . . .

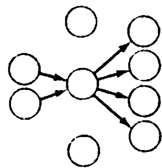
The key to growth—even survival—is to stake out a position that is less vulnerable to attack from head-to-head opponents, whether established or new, and less vulnerable to erosion from the direction of buyers, suppliers, and substitute goods. Establishing such a position can take many forms—solidifying relationships with favorable customers, differentiating the product either substantively or psychologically through marketing, integrating forward or backward, establishing technological leadership.

• GENERIC STRATEGIES*

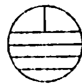
BY HENRY MINTZBERG

Almost every serious author concerned with "content" issues in strategic management, not to mention strategy consulting "boutique," has his, her, or its own list of strategies commonly pursued by different organizations. The problem is that these lists almost always either focus narrowly on special types of strategies or else aggregate arbitrarily across all varieties of them with no real order.

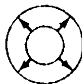
In 1965, Igor Ansoff proposed a matrix of four strategies that became quite well known—market penetration, product development, market development, and diversification (1965:109). But this was hardly comprehensive. Fifteen years later, Michael Porter (1980) introduced what became the best known list of "generic strategies": cost leadership, differentiation, and focus. But the Porter list was also incomplete: while Ansoff focused on *extensions* of business strategy, Porter focused on *identifying* business strategy in the first place. This article seeks to outline in an orderly fashion the families of strategies widely represented in organizations in general, divided into five groupings:



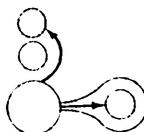
1. *locating* the core business, which will be shown as a single node—one circle —in a matrix of circles



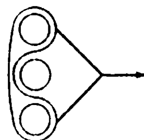
2. *distinguishing* the core business, by looking inside that circle



3. *elaborating* the core business, considering how the circle may be enlarged or developed in various ways



4. *extending* the core business, leading the circle to link up with other circles (other businesses)



5. *reconceiving* the core business(es), in effect changing or combining the circles.

These will be presented as a logical hierarchy, although it should be emphasized that strategies do not necessarily develop that way in organizations.

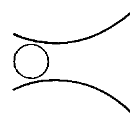
* Abbreviated version prepared for this book of Henry Mintzberg, "Generic Strategies: Toward a Comprehensive Framework," in *Advances in Strategic Management*, Vol. 5 (Greenwich, CT: JAI Press, 1988), pp. 1–67.

LOCATING THE CORE BUSINESS

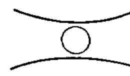
A business can be thought to exist at a junction in a network of industries that take raw materials and through selling to and buying from each other produce various finished products (or services). Figure 1, for example, shows a hypothetical canoe business in such a network. Core location strategies can be described with respect to the stage of the business in the network and the particular industry in question.

Strategies of Stage of Operations

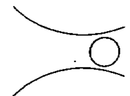
Traditionally, industries have been categorized as being in the primary (raw materials extraction and conversion), secondary (manufacturing), or tertiary (delivery or other service) stage of operations. More recently, however, stage in the "stream" has been the favored form of description:



Upstream Business Strategy: Upstream businesses function close to the raw material. As shown in the little figure, the flow of product tends to be divergent, from a basic material (wood, aluminum) to a variety of uses for it. Upstream business tends to be technology and capital intensive rather than people intensive, and more inclined to search for advantage through low costs than through high margins and to favor sales push over market pull (Galbraith, 1983:65–66).



Midstream Business Strategy: Here the organization sits at the neck of an hourglass, drawing a variety of inputs into a single production process out of which flows the product to a variety of users, much as the canoe business is shown in Figure 1.

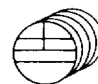


Downstream Business Strategy: Here a wide variety of inputs converge into a narrow funnel, as in the many products sold by a department store.

Strategies of Industry

Many factors are involved in the identification of an industry, so many that it would be difficult to develop a concise set of generic labels. Moreover, change continually renders the boundaries between "industries" arbitrary. Diverse products get bundled together so that two industries become one while traditionally bundled products get separated so that one industry becomes two. Economists in government and elsewhere spend a great deal of time trying to pin these things down, via SIC codes and the like. In effect, they try to fix what strategists try to change: competitive advantage often comes from reconceiving the definition of an industry.

DISTINGUISHING THE CORE BUSINESS

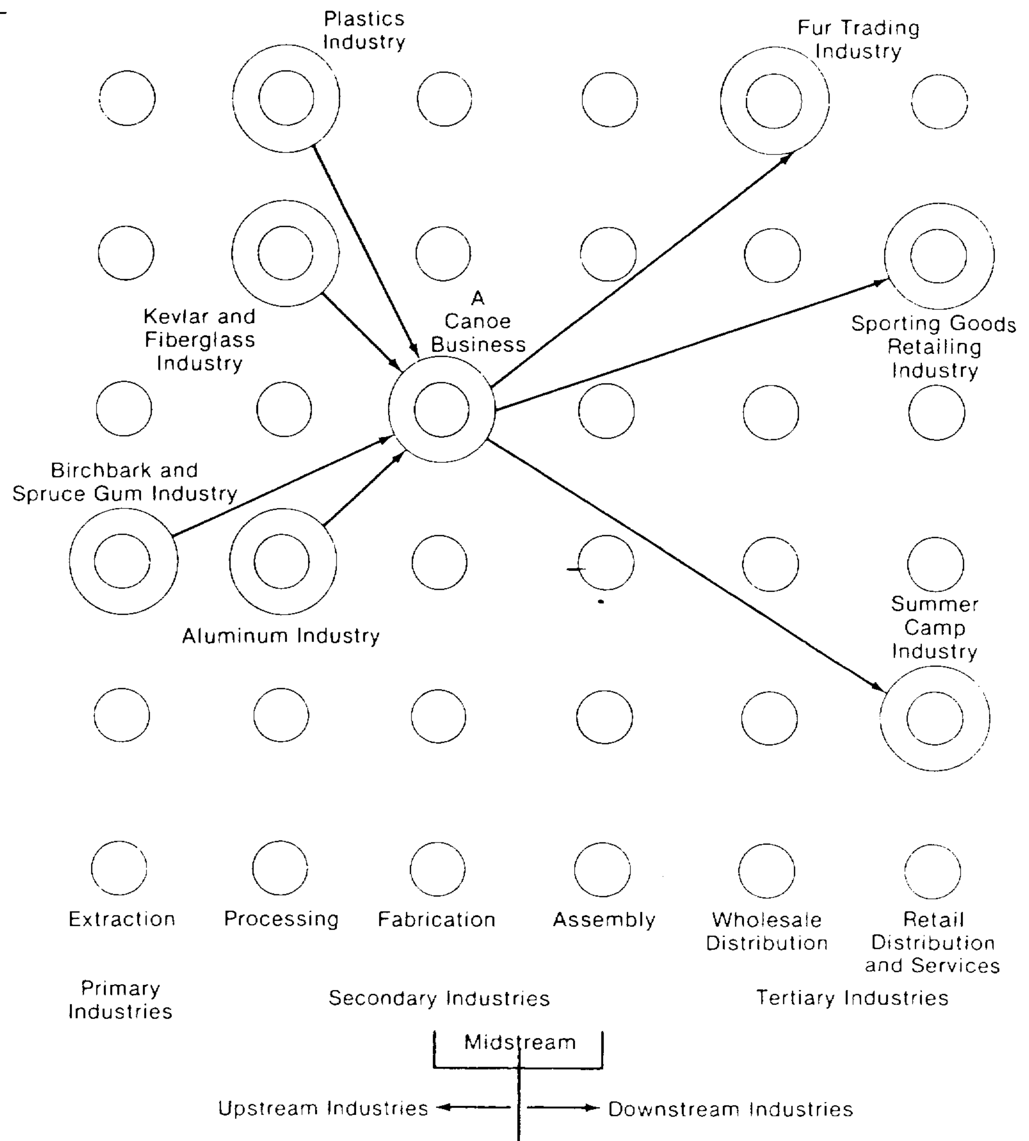


Having located the circle that identifies the core business, the next step is to open it up—to distinguish the characteristics that enable an organization to achieve competitive advantage and so to survive in its own context.

The Functional Areas

This second level of strategy can encompass a whole host of strategies in the various functional areas. As shown in Figure 2, they may include input "sourcing"

FIGURE 1
Locating a Core Business as a Junction in a Network of Industries

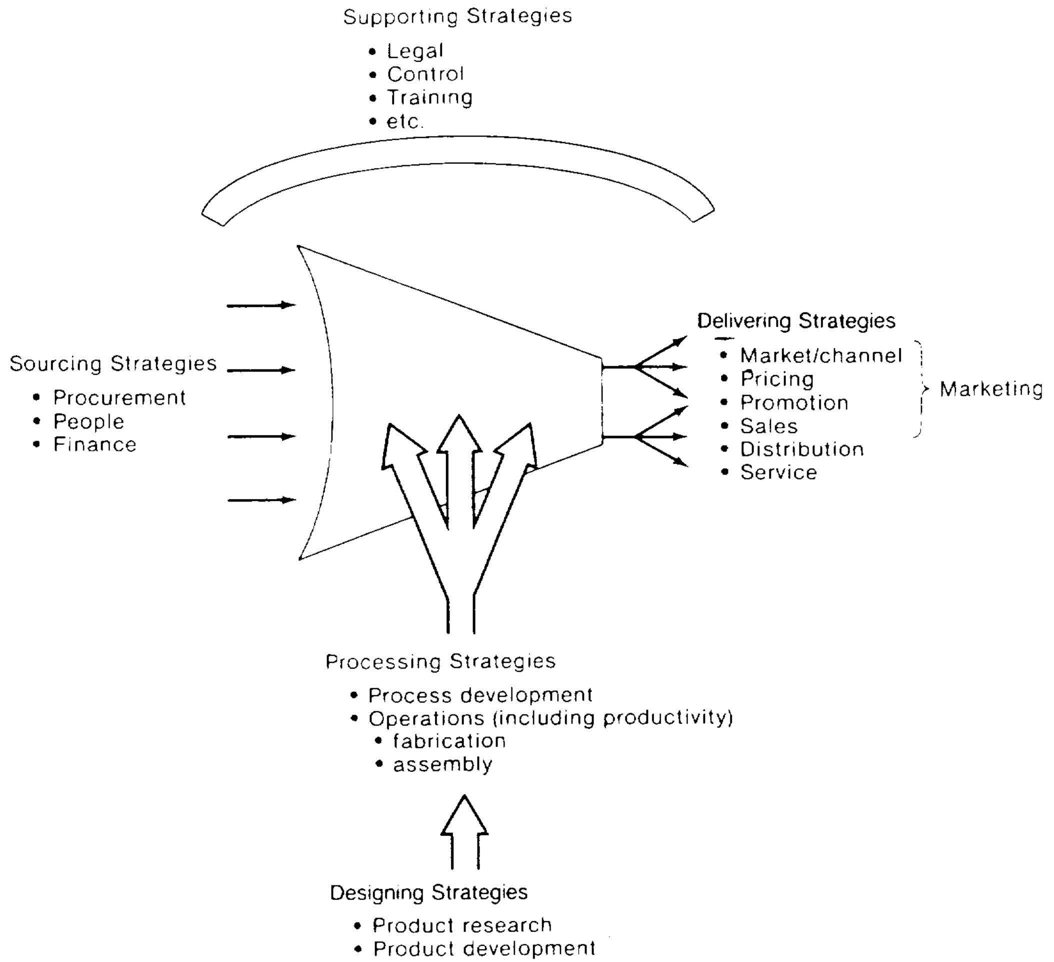


strategies, throughput "processing" strategies, and output "delivery" strategies, all reinforced by a set of "supporting" strategies.

It has been popular of late to describe organizations in this way, especially since Michael Porter built his 1985 book around the "generic value chain," shown in Figure 3. Porter presents it as "a systematic way of examining all the activities a firm performs and how they interact . . . for analyzing the sources of competitive advantage" (1985:33). Such a chain, and how it performs individual activities, reflects a firm's "history, its strategy, its approach to implementing its strategy, and the underlying economies of the activities themselves" (p. 36). According to Porter, "the goal of any generic strategy" is to "create value for buyers" at a profit. Accordingly,

> The value chain displays total value, and consists of *value activities* and *margin*. Value activities are the physically and technologically distinct activities a firm performs. These are the building blocks by which a firm creates a product valuable to its

FIGURE 2
Functional Areas, in Systems Terms



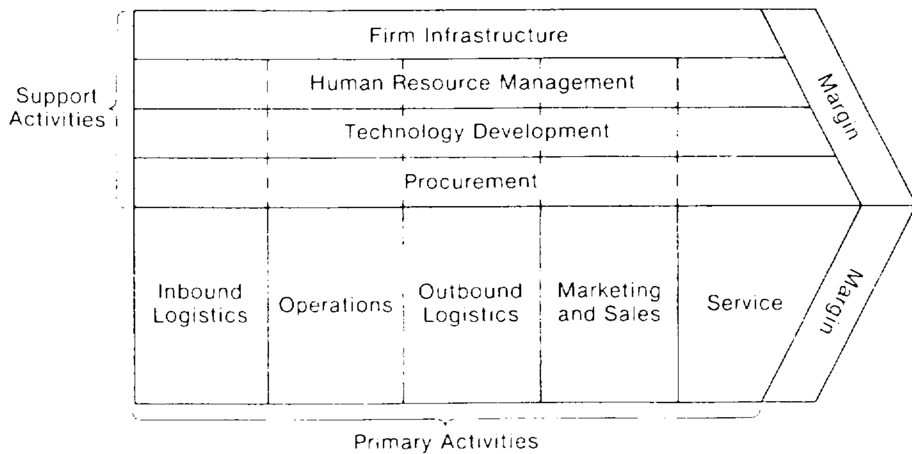


FIGURE 3
The Generic Value Chain
From Porter (1985:37).

buyers. Margin is the difference between total value and the collective cost of performing the value activities. . . .

Value activities can be divided into two broad types, *primary* activities and *support* activities. Primary activities, listed along the bottom of Figure 3 are the activities involved in the physical creation of the product and its sale and transfer to the buyer as well as after-sale assistance. In any firm, primary activities can be divided into the five generic categories shown in Figure 3. Support activities support the primary activities and each other by providing purchased inputs, technology, human resources, and various firmwide functions. (p. 38)[1]

Porter's Generic Strategies

Porter's framework of "generic strategies" has also become quite widely used. In our terms, these constitute strategies to distinguish the core business. Porter believes there are but two "basic types of competitive advantage a firm can possess: low cost or differentiation" (1985:11). These combine with the "scope" of a firm's operations (the range of market segments targeted) to produce "three *generic strategies* for achieving above-average performance in an industry: cost leadership, differentiation, and focus" (namely, narrow scope), shown in Figure 4.

To Porter, firms that wish to gain competitive advantage must "make a choice" among these: "being 'all things to all people' is a recipe for strategic mediocrity and below-average performance" (p. 12). Or in words that have become more controversial, "a firm that engages in each generic strategy but fails to achieve any of them is 'stuck in the middle' " (p. 16).

FIGURE 4
Porter's Generic Strategies
From Porter (1985:12)

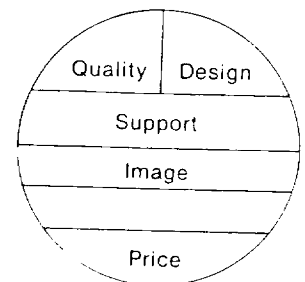
COMPETITIVE SCOPE		COMPETITIVE ADVANTAGE: Lower Cost	Differentiation
	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A Cost Focus	3B Differentiation Focus

[1] Our figure differs from Porter's in certain ways. Because he places his major emphasis on the flow of physical materials (for example, referring to "inbound logistics" as encompassing "materials handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers"), he shows procurement and human resource management as support activities, whereas by taking more of a general system orientation, our Figure 2 shows them as inputs, among the sourcing strategies. Likewise, he considers technology development as support whereas Figure 2 considers it as part of processing. (Among the reasons Porter gives for doing this is that such development can pertain to "outbound logistics" or delivery as well as processing. While true, it also seems true that far more technology development pertains to operations than to delivery, especially in the manufacturing firms that are the focus of Porter's attention. Likewise, Porter describes procurement as pertaining to any of the primary activities, or other support activities for that matter. But in our terms that does not make it any less an aspect of sourcing on the inbound side.) In fact, Porter's description would relegate engineering and product design (not to mention human resources and purchasing) to staff rather than line activities, a place that would certainly be disputed in many manufacturing firms (with product design, for example, being mentioned only peripherally in his text (p. 42) alongside other "technology development" activities such as media research and servicing procedures)

The strategies we describe in this section take their lead from Porter, but depart in some respects. We shall distinguish scope and differentiation, as Porter did in his 1980 book (focus being introduced as narrow scope in his later book), but we shall include cost leadership as a form of differentiation (namely with regard to low price). If, as Porter argues, the intention of generic strategies is to seize and sustain competitive advantage, then it is not taking the leadership on cutting costs that matters so much as using that cost leadership to underprice competitors and so to attract buyers.[2]

Thus two types of strategies for distinguishing a core business are presented here. First is a set of increasingly extensive strategies of *differentiation*, shown on the face of the circle. These identify what is fundamentally distinct about a business in the marketplace, in effect as perceived by its customers. Second is a set of decreasingly extensive strategies of *scope*, shown as a third dimension, which converts the circle into a cylinder. These identify what markets the business is after, as perceived by itself.

Strategies of Differentiation



As is generally agreed in the literature of strategic management, an organization distinguishes itself in a competitive marketplace by differentiating its offerings in some way—by acting to distinguish its products and services from those of its competitors. Hence, differentiation fills the face of the circle used to identify the core business. An organization can differentiate its offerings in six basic ways:

Price Differentiation Strategy: The most basic way to differentiate a product (or service) is simply to charge a lower price for it. All things being equal, or not too unequal, some people at least will always beat a path to the door of the cheaper product. Price differentiation may be used with a product undifferentiated in any other way—in effect, a standard design, perhaps a commodity. The producer simply absorbs the lost margin, or makes it up through a higher volume of sales. But other times, backing up price differentiation is a strategy of design intended to create a product that is intrinsically cheaper.

Image Differentiation Strategy: Marketing is sometimes used to feign differentiation where it does not otherwise exist—an image is created for the product. This can also include cosmetic differences to a product that do not enhance its performance in any serious way, for example, putting fins on an automobile or a fancier package around yogurt. (Of course, if it is the image that is for sale, in other words if the product is intrinsically cosmetic, as, say, in "designer" jeans, then cosmetic differences would have to be described as design differentiation.)

Support Differentiation Strategy: More substantial, yet still having no effect on the product itself, is to differentiate on the basis of something that goes alongside the product, some basis of support. This may have to do with selling the product (such as special credit or 24-hour delivery), servicing the product (such as exceptional after-sales service), or providing a related product or service alongside the

[2] In other words, it is the differentiation of price that naturally drives the functional strategy of reducing costs just as it is the differentiation of product that naturally drives the functional strategies of enhancing quality or creating innovation. (To be consistent with the label of "cost leadership," Porter would have had to call his differentiation strategy "product leadership.") A company could, of course, cut costs while holding prices equivalent to competitors. But often that means less service, lower quality, fewer features, etc., and so the customers would have to be attracted by lower prices. [See Mintzberg (1988:14–17) for a fuller discussion of this point.]

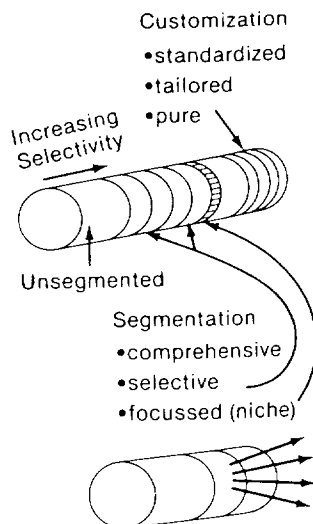
basic one (paddling lessons with the canoe you buy). In an article entitled "Marketing Success Through Differentiation—of Anything," Theodore Levitt has argued the interesting point that "there is no such thing as a commodity" (1980:83). His basic point is that no matter how difficult it may be to achieve differentiation by design, there is always a basis to achieve another substantial form of differentiation, especially by support.

Quality Differentiation Strategy: Quality differentiation has to do with features of the product that make it better—not fundamentally different, just better. The product performs with (1) greater initial reliability, (2) greater long-term durability, and/or (3) superior performance.

Design Differentiation Strategy: Last but certainly not least is differentiation on the basis of design—offering something that is truly different, that breaks away from the "dominant design" if there is one, to provide unique features. While everyone else was making cameras whose pictures could be seen next week, Edwin Land went off and made one whose pictures could be seen in the next minute.

Undifferentiation Strategy: To have no basis for differentiation is a strategy too, indeed by all observation a common one, and in fact one that may be pursued deliberately. Hence there is a blank space in the circle. Given enough room in a market, and a management without the skill or the will to differentiate what it sells, there can be place for copycats.

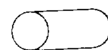
Scope Strategies



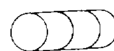
The second dimension to distinguish the core business is by the *scope* of the products and services offered, in effect the extent of the markets in which they are sold. Scope is essentially a demand-driven concept, taking its lead from the market—what exists out there. Differentiation, in contrast, is a supply-driven concept, rooted in the nature of the product itself—what is offered to the market (Smith, 1956). Differentiation, by concentrating on the product offered, adopts the perspective of the customer, existing only when that person perceives some characteristic of the product that adds value. And scope, by focusing on the market served, adopts the perspective of the producer, existing only in the collective mind of the organization—in terms of how it diffuses and disaggregates its markets (in other words, what marketing people call segmentation).

Scope is shown here as a third dimension on our circle, converting it into a cylinder.

The disks of this figure represent the variety and range of products offered; arrows emanating from the cylinder, as shown, can represent the variety and range of markets served, as we shall do later. Scope strategies include the following:



Unsegmentation Strategy: "One size fits all": the Ford Model T, table salt. In fact, it is difficult to think of any product today that is not segmented in some way. What the unsegmented strategy really means then is that the organization tries to capture a wide chunk of the market with a basic configuration of the product.



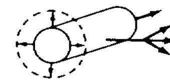
Segmentation Strategies: The possibilities for segmentation are limitless, as are the possible degrees. We can, however, distinguish a range of this, from a simple segmentation strategy (three basic sizes of paper clips) to a hyperfine segmentation strategy (as in designer lighting). Also, some organizations seek to be *comprehen-*

sive, to serve all segments (department store, large cigarette manufacturers), others to be *selective,* targeting carefully only certain segments (e.g., "clean" mutual funds).

Niche Strategy: Niche strategies focus on a single segment. Just as the panda bear has found its biological niche in the consumption of bamboo shoots, so too is there the canoe company that has found its market niche in the fabrication of racing canoes, or the many firms which are distinguished only by the fact that they provide their highly standardized offerings in a unique place, a geographical niche—the corner grocery story, the regional cement producer, the national Red Cross office. All tend to follow "industry" recipes to the letter, providing them to their particular community. In a sense, all strategies are in some sense niche, characterized as much by what they exclude as by what they include. No organization can be all things to all people. The all-encompassing strategy is no strategy at all.

Customizing Strategies: Customization is the limiting case of segmentation: disaggregation of the market to the point where each customer constitutes a unique segment. *Pure* customization, in which the product is developed from scratch for each customer, is found in the architecturally designed house and the special purpose machine. It infiltrates the entire value chain: the product is not only delivered in a personalized way, not only assembled and even fabricated to order, but is also designed for the individual customer in the first place. Less ambitious but probably more common is *tailored* customization: a basic design is modified, usually in the fabrication stage, to the customer's needs or specifications (certain housing, protheses modified to fit the bone joints of each customer, and so on). *Standardized* customization means that final products are assembled to individual requests for standard components—as in automobiles in which the customer is allowed to choose color, engine, and various accessories. Advances in computer-aided design and manufacturing (CAD, CAM) will doubtlessly cause a proliferation of standardized customization, as well as tailored customization.

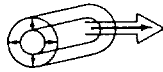
ELABORATING THE CORE BUSINESS



Given a core business with a distinguishing competitive posture, in terms of differentiation and scope, we now come to the question of what strategies of a generic nature are available to elaborate that core business.

An organization can elaborate a business in a number of ways. It can develop its product offerings within that business, it can develop its market via new segments, new channels, or new geographical areas, or it can simply push the same products more vigorously through the same markets. Back in 1965, Igor Ansoff showed these strategies (as well as one to be discussed in the next section) as presented in Figure 5.

	Existing Product	New Product
Existing Market	Penetration Strategies	Product Development Strategies
New Market	Market Development Strategies	Diversification Strategies



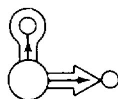
Penetration Strategies: Penetration strategies work from a base of existing products and existing markets, seeking to penetrate the market by increasing the organization's share of it. This may be done by straight *expansion* or by the *takeover* of existing competitors. Trying to expand sales with no fundamental change in product or market (buying market share through more promotion, etc.) is at one and the same time the most obvious thing to do and perhaps the most difficult to succeed at, because, at least in a relatively stable market, it means extracting market share from other firms, which logically leads to increased competition. Takeover, where possible, obviously avoids this, but perhaps at a high cost. The harvesting strategy, popularized in the 1970s by the Boston Consulting Group, in some ways represents the opposite of the penetration strategies. The way to deal with "cash cows"—businesses with high market shares but low growth potential—was to harvest them, cease investment and exploit whatever potential remained. The mixing of the metaphors may have been an indication of the dubiousness of the strategy, since to harvest a cow is, of course, to kill it. (See the Seeger reading in Chapter 11).

Market Development Strategies: A predominant strategy here is *market elaboration,* which means promoting existing products in new markets—in effect broadening the scope of the business by finding new market segments, perhaps served by new channels. Product substitution is a particular case of market elaboration, where uses for a product are promoted that enable it to substitute for other products. *Market consolidation* is the inverse of market elaboration, namely reducing the number of segments. But this is not just a strategy of failure. Given the common tendency to proliferate market segments, it makes sense for the healthy organization to rationalize them periodically, to purge the excesses.

Geographic Expansion Strategies: An important form of market development can be geographic expansion—carrying the existing product offering to new geographical areas, anywhere from the next block to across the world. When this also involves a strategy of geographic rationalization—locating different business functions in different places—it is sometimes referred to as a "global strategy." The IKEA furniture company, for example, designs in Scandinavia, sources in Eastern Europe among other places, and markets in Western Europe and North America.

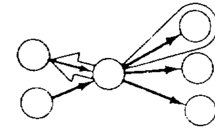
Product Development Strategies: Here we can distinguish a simple *product extention* strategy from a more extensive *product line proliferation* strategy, and their counterparts, *product line rationalization.* Offering new or modified products in the same basic business is another obvious way to elaborate a core business—from cornflakes to bran flakes and rice crispies, eventually offering every permutation and combination of the edible grains. This may amount to differentiation by design, if the products are new and distinctive, or else to no more than increased scope through segmentation, if standardized products are added to the line. Product line proliferation means aiming at comprehensive product segmentation—the complete coverage of a given business. Rationalization means culling products and thinning the line to get rid of overlaps or unprofitable excesses. Again we might expect cycles of product extension and rationalization, at least in businesses (such as cosmetics and textiles) predisposed to proliferation in their product lines.

EXTENDING THE CORE BUSINESS



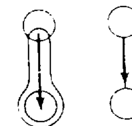
Now we come to strategies designed to take organizations beyond their core business. This can be done in so-called vertical or horizontal ways, as well as combinations of the two. "Vertical" means backward or forward in the operating chain, the

strategy being known formally as "vertical integration," although why this has been designated vertical is difficult to understand, especially since the flow of product and the chain itself are almost always drawn horizontally! Hence this will here be labeled chain integration. "Horizontal" diversification (its own geometry no more evident), which will be called here just plain diversification, refers to encompassing within the organization other, parallel businesses, not in the same chain of operations.



Chain Integration Strategies: Organizations can extend their operating chains downstream or upstream, encompassing within their own operations the activities of their customers on the delivery end or their suppliers on the sourcing end. In effect, they choose to "make" rather than to "buy" or sell. *Impartation* (Barreyre, 1984; Barreyre and Carle, 1983) is a label that has been proposed to describe the opposite strategy, where the organization chooses to buy what it previously made, or sell what it previously transferred.

Diversification Strategies: *Diversification* refers to the entry into some business not in the same chain of operation. It may be *related* to some distinctive competence or asset of the core business itself (also called *concentric* diversification); otherwise, it is referred to as *unrelated* or *conglomerate*, diversification. In related diversification, there is evident potential synergy between the new business and the core one, based on a common facility, asset, channel, skill, even opportunity. Porter (1985:323–324) makes the distinction here between "intangible" and "tangible" relatedness. The former is based on some functional or managerial skill considered common across the businesses, as in a Philip Morris using its marketing capabilities in Kraft. The latter refers to businesses that actually "share activities in the value chain" (p. 323), for example, different products sold by the same sales force. It should be emphasized here that no matter what its basis, every related diversification is also fundamentally an unrelated one, as many diversifying organizations have discovered to their regret. That is, no matter what *is* common between two different businesses, many other things are not.



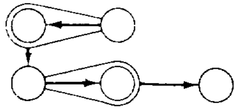
Strategies of Entry and Control: Chain integration or diversification may be achieved by *internal development* or *acquisition*. In other words, an organization can enter a new business by developing it itself or by buying an organization already in that business. Our little diagrams show the former as a circle growing out from the core business to envelope the new business, the latter as an arrow coming out from the core business to connect to the new but already established business. Both internal development and acquisition involve complete ownership and formal control of the diversified business. But there are a host of other possible strategies, as follows:

Strategies of Entry and Control

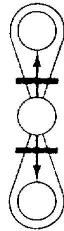
Full ownership and control	• Internal Development • Acquisition

Partial ownership and control	• Majority, minority
	• Partnership, including
	  • Joint venture
	  • Turnkey (temporary control)

Partial control without ownership	• Licencing • Franchising • Long-term contracting

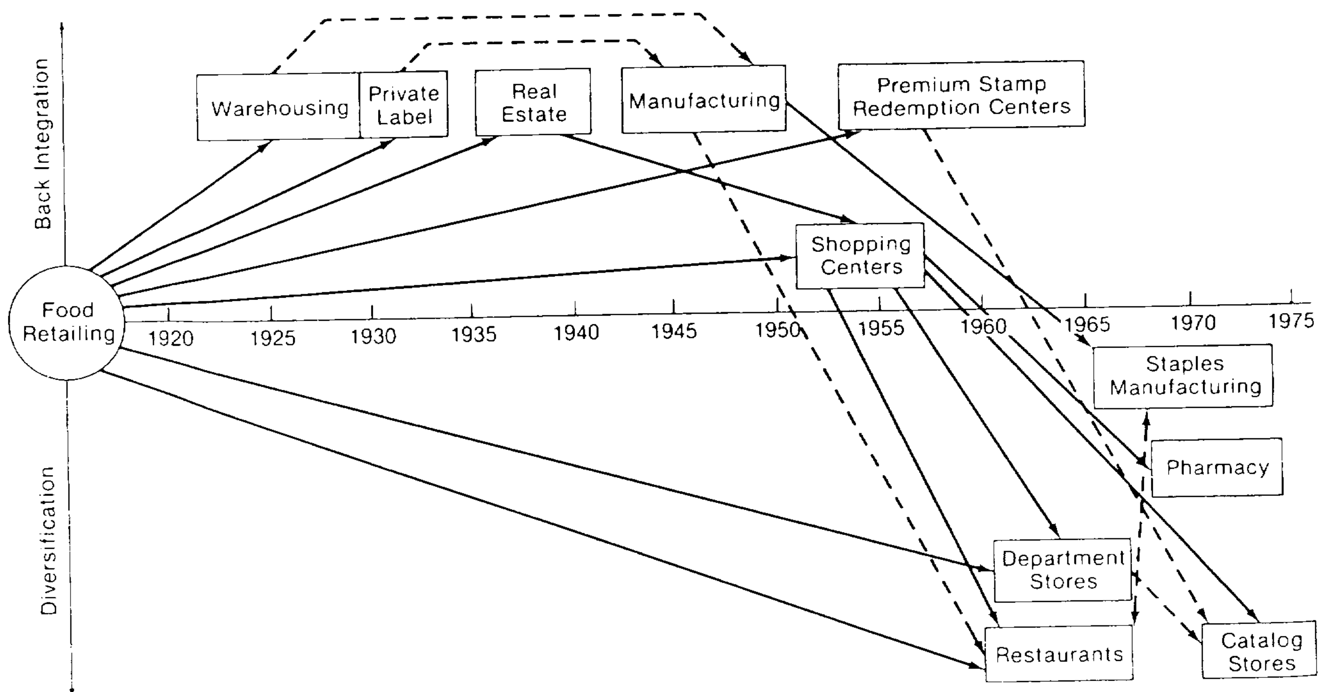


Combined Integration-Diversification Strategies: Among the most interesting are those strategies that combine chain integration with business diversification, sometimes leading organizations into whole networks of new businesses. *By-product diversification* involves selling off the by-products of the operating chain in separate markets, as when an airline offers its maintenance services to other carriers. The new activity amounts to a form of market development at some intermediate point in the operating chain. *Linked diversification* extends by-product diversification: one business simply leads to another, whether integrated "vertically" or diversified "horizontally." The organization pursues its operating chain upstream, downstream, sidestream; it exploits preproducts, end products, and by-products of its core products as well as of each other, ending up with a network of businesses, as illustrated in the case of a supermarket chain in Figure 6. *Crystalline diversification* pushes the previous strategy to the limit, so that it becomes difficult and perhaps irrelevant to distinguish integration from diversification, core activities from peripheral activities, closely related businesses from distantly related ones. What were once clear links in a few chains now metamorphose into what looks like a form of crystalline growth, as business after business gets added literally right and left as well as up and down. Here businesses tend to be related, at least initially, through internal development of core competences, as in the "coating and bonding technologies" that are common to so many of 3M's products.



Withdrawal Strategies: Finally there are strategies that reverse all those of diversification: organizations cut back on the businesses they are in. "Exit" has been one popular label for this, withdrawal is another. Sometimes organizations *shrink* their activities, canceling long-term licenses, ceasing to sell by-products, reducing their crystalline networks. Other times they abandon or *liquidate* businesses (the

FIGURE 6
Linked Diversification on a Time Scale—the Case of the Steinberg chain
From Mintzberg and Waters (1982:490).



opposite of internal development), or else they *divest* them (the opposite of acquisition).

RECONCEIVING THE CORE BUSINESS(ES)

It may seem strange to end a discussion of strategies of ever more elaborate development of a business with ones involving reconception of the business. But in one important sense, there is a logic to this: after a core business has been identified, distinguished, elaborated, and extended, there often follows the need not just to consolidate it but also to redefine it and reconfigure it—in essence, to reconceive it. As they develop, through all the waves of expansion, integration, diversification, and so on, some organizations lose a sense of themselves. Then reconception becomes the ultimate form of consolidation: rationalizing not just excesses in product offerings or markets segments or even new businesses, but all of these things together and more—the essence of the entire strategy itself. We can identify three basic reconception strategies:

Business Redefinition Strategy: A business, as Abell (1980) has pointed out, may be defined in a variety of ways—by the function it performs, the market it serves, the product it produces. All businesses have popular conceptions. Some are narrow and tangible, such as the canoe business, others broader and vague, such as the financial services business. All such definitions, no matter how tangible, are ultimately concepts that exist in the minds of actors and observers. It therefore becomes possible, with a little effort and imagination, to *redefine* a particular business—reconceive the "recipe" for how that business is conducted (Grinyer and Spender, 1979; Spender, 1989)—as Edwin Land did when he developed the Polaroid camera.[3]

Business Recombination Strategies: As Porter notes, through the waves of diversification that swept American business in the 1960s and 1970s, "the concept of synergy has become widely regarded as passé"—a "nice idea" but one that rarely occurred in practice" (1985:317–318). Businesses were elements in a portfolio to be bought and sold, or, at best, grown and harvested. Deploring that conclusion, Porter devoted three chapters of his 1985 book to "horizontal strategy," which we shall refer to here (given our problems with the geometry of this field) as *business recombination* strategies—efforts to recombine different businesses in some way, at the limit to reconceive various businesses as one. Businesses can be recombined tangibly or only conceptually. The latter was encouraged by Levitt's "Marketing Myopia" (1960) article. By a stroke of the pen, railroads could be in the transportation business, ball bearing manufacturers in the friction reduction business. Realizing some practical change in behavior often proved much more difficult, however. But when some substantial basis exists for combining different activities, a strategy of business recombination can be very effective. There may never have been a transportation business, but 3M was able to draw on common technological capabilities to create a coating and bonding business.[4] Business recombination can

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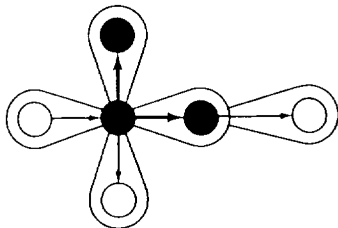
[3] MacMillan refers to the business redefinition strategy as "reshaping the industry infrastructure" (1983:18), while Porter calls it "reconfiguration" (1985:519–523), although his notion of product *substitution*, (273–314) could sometimes also constitute a form of business redefinition.

[4] Our suspicion, we should note, is that such labels often emerge after the fact, as the organization seeks a way to rationalize the diversification that has already taken place. In effect, the strategy is emergent. (See Chapter 1 on "Five Ps for Strategy.")

also be more tangible, based on shared activities in the value chain, as in a strategy of *bundling*, where complementary products are sold together for a single price (e.g., automobile service with the new car). Of course, *unbundling* can be an equally viable strategy, such as selling "term" insurance free of any investment obligation. Carried to their logical extreme, the more tangible recombination strategies lead to a "systems view" of the business, where all products and services are conceived to be tightly interrelated.



Core Relocation Strategies: Finally we come full circle by closing the discussion where we began, on the location of the core business. An organization, in addition to having one or more strategic positions in a marketplace, tends to have what Jay Galbraith (1983) calls a single "center of gravity" (see his article in Chapter 6), some conceptual place where is concentrated not only its core skills but also its cultural heart, as in a Procter & Gamble focusing its efforts on "branded consumer products," each "sold primarily by advertising to the homemaker and managed by a brand manager" (1984:13). But as changes in strategic position take place, shifts can also take place in this center of gravity, in various ways. First, the organization can move *along the operating chain,* upstream or downstream, as did General Mills "from a flour miller to a related diversified provider of products for the homemaker"; eventually the company sold off its flour milling operation altogether (Galbraith, 1983:76). Second, there can be a shift *between dominant functions,* say from production to marketing. Third is the shift *to a new business,* whether or not at the same stage of the operating chain. Such shifts can be awfully demanding, simply because each industry is a culture with its own ways of thinking and acting. Finally, is the shift *to a new core theme,* as in the reorientation from a single function or product to a broader concept, for example when Procter & Gamble changed from being a soap company to being in the personal care business.

This brings us to the end of our discussion of generic strategies—our loop from locating a business to distinguishing it, elaborating it, extending it, and finally reconceiving it. We should close with the warning that while a framework of generic strategies may help to think about positioning an organization, use of it as a pat list may put that organization at a disadvantage against competitors that develop their strategies in more creative ways.

• DEVELOPING COMPETITIVE ADVANTAGE*

BY XAVIER GILBERT AND PAUL STREBEL

Different industries offer different competitive opportunities and, as a result, successful strategies vary from one industry to another. Identifying which strategies can lead to competitive advantages in an industry may be done in three main steps:

1. *Industry definition:* This involves defining the boundaries of the industry, learning its rules of the game and identifying the other players.

* This article was prepared especially for the first edition of this book, and was also published with modifications in *The Handbook of Business Strategy: 1986–1987 Year Book,* William D. Guth (ed.), (Warrer, Gorham and Lamont, 1986), used with the permission of Xavier Gilbert and Paul Strebel.