

Industry Influences on Strategy Reformulation

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Summary

This paper emphasizes the contribution of 'borrowed experience' to strategy reformulation. The industry group is described as a particularly important arena in which niche-related problems and solutions are identified and tested. Industry-wide mistakes in environmental interpretation and strategic response provide interesting evidence of the importance of this contribution to organizational decision making.

An industry oriented view of strategy reformulation requires two kinds of research which are rarely conducted today. We need to know more about the pool of strategic concepts which a group of organizations holds in common at any given time. Spender's study of fork-lift truck rental companies is reviewed as an example of this kind of work. A second kind of needed research involves change in strategic concepts over time. A study of the perceived import threat to the appliance industry from 1950 to 1975 is summarized as an example of this second kind of research.

Why is there so much commonality among organizations? People in different organizations seem frequently to make very similar assessments of their environments and very similar strategic decisions. How can these similarities be accounted for when so many definitions of good strategy revolve around finding a unique, and hard to copy, position?

Common perceptions and common decisions are particularly interesting when later events suggest they were misguided. Consider the following examples:

In 1973-74 the sale of small cars went up in tandem with the first serious oil crisis. While U.S. manufacturers have responded somewhat differently to the need for fuel economy, as a group they deemphasized the importance of these events. It was not until 1980 that comprehensive new lines of smaller, more fuel efficient cars became available. Even now the best mpg ratings of these cars still fall short of the imports, which have captured 25 per cent of the market.

In 1970 many manufacturers of major household appliances felt two things would be particularly important to their future: the ability to deal with imports and the ability to capture contract (builder) sales which were expected to dominate the market. In the next decade, however, imports did not materialize and sales to builders did not rise appreciably.

In the late 1960s almost all commercial carriers in the airline industry began their first major equipment purchases since the introduction of jets in 1960. The move to 747s and other wide bodied planes was described as critical to the ability to serve a growing market, and as an important way to stimulate further demand (just as the introduction of jet travel itself had done in the early 60s). However, 1970 was one of the worst postwar years in the industry. Demand levelled off just as debt reached an all time high for most companies. Even when demand began to climb again, the larger planes proved uneconomical on all but the heaviest travelled routes.

Many policy texts would explain these shared interpretations and decisions as the result of the narrow range of alternatives appropriate for a given environment and the importance of matching competitive moves made by competitors, but definitions of strategy which concentrate only on the fit between organization and environment cannot answer all the questions suggested by these examples. How do people in different organizations come to perceive opportunity in such similar ways? How do they come to adopt similar paths to opportunity's achievement? Does countering the competition completely account for similar timing in strategic decisions? What accounts for shared mistakes in anticipating environmental change?

Over twenty years ago Selznick (1957) suggested that psychological theories of personality development could be expanded to account for the development of 'organization character'. We need a further extension still to account for 'industry character', or, more accurately, the common character of competitive groups. This account would outline the forces which lead organizations to adopt similar strategies despite the apparent advantages of trading on distinctive competence. Such an explanation requires some alteration in basic definitions of strategy and strategy formation.

STRATEGY AS A PATTERN OF ACTIVITY

Mintzberg *et al.* (1976) suggested that strategy can usefully be defined as a pattern made up both of intended and unintended elements. One depiction of the interplay of the intended and unintended is presented in Figure 1.

This view of strategy is valuable because it tries to account for the discrepancy between what we hope will happen and what does happen. A problem with the diagram, however, is that it is intrinsically synchronic. To think of the *ongoing* stream of decision making which interests many people in strategic management (including Mintzberg), we need some way of depicting the impact

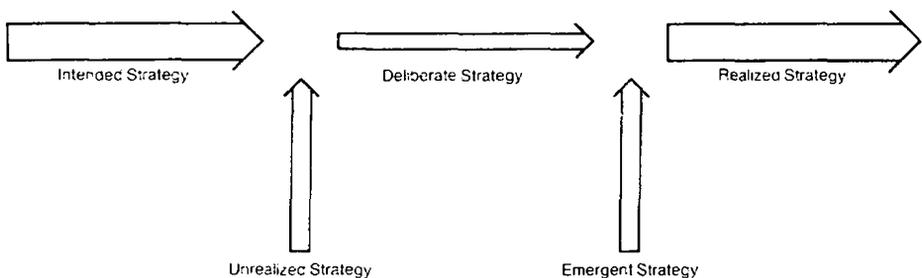


Figure 1. Mintzberg's (1978) view of strategic pattern is generated

of 'realized' strategy on intended strategy. We need, in short, to incorporate the possibility of learning (Duncan and Weiss, 1979).

One way of doing this is to change Mintzberg's diagram to show a continuous stream of deliberate strategic decisions which is never quite equivalent to the strategy realized through *post hoc* analysis. The discrepancy arises because of the presence of both inconsequential decisions (some of which are in the process of being dropped from deliberate strategy) and because of important but unintended actions (some of which are becoming recognized).

Further, as Mintzberg (1978) and others (Miller and Friesen, 1980) show, the pattern is hardly regular. Instead, organizations can be expected to go through periods (typically initiated by strong leadership) in which deliberate decisions dominate realized strategy, and other periods in which new additions become much more important than before. Thus Figure 1 might be redrawn as in Figure 2, which shows a period of little alteration in intended strategy followed by a period of activity in which many old concepts are dropped and many new concepts are added to the stream of strategic decisions.

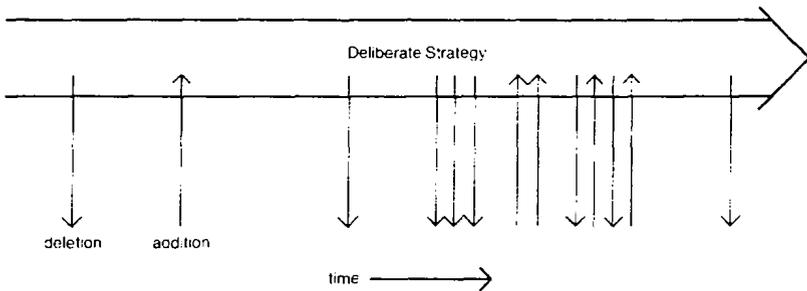


Figure 2. An alternative view of strategic pattern: generation

This illustration of strategic pattern can be used to specify in further detail the questions to which this paper is addressed.

1. When and why are some concepts dropped from an organization's strategy?
2. When and why do unintended additions join the stream of deliberate strategy?
3. Are there sources of new strategic ideas other than the observation and adoption of unintended actions?
4. Can the patterns of strategy in several organizations be linked to account for observed similarities in strategies, particularly within competitive groups?

Answers to these questions would go a long way toward accounting for the pattern of decisions which constitute an organization's strategy over time. Such an account is needed by those who adopt Mintzberg's definition of strategy. For, *once it is shown that a pattern of strategy can be identified, the next task is to ask how that pattern comes to take the form it does.*

PATTERN AS THE PRODUCT OF STRATEGIC 'FRAME'

Rumelt (1979) has suggested that the basic task of strategy is to frame an uncertain situation into more comprehensible subproblems or tasks which fall within the competence of the organization. The pattern of deletion and addition to deliberate strategy outlined in Figure 2 might be thought of

as the working through of these subproblems, for, as Rumelt indicates, strategy does not initially solve problems, it creates them. Strategy initiates a sequence of further decision making that cannot be foreseen completely.

The strategic frame is thus analogous to a theory in science. Choosing a theory leads the scientist to focus on certain problems. Research on these problems provides more information of the kind the theory makes critical. However, the result of this research often creates its own successors. As we know more, we can better identify what more we would like to know.

To understand a competitive situation with the help of a strategic frame might be thought of as similar to setting the organization on a path of collecting certain kinds of information, pursuing certain kinds of markets, and so on. The path is not determined by the strategic frame, but successive decisions are made much more likely by its initial form. These modifications evolve from underlying strategic assumptions in response to confirming or disconfirming subsequent experience.

But what happens when these modifications are not successful? If the problems which a strategic frame identifies are not satisfactorily solved, if profitability and/or other desired outcomes are not forthcoming, then a new frame is needed. Extending Rumelt's appeal to the scientific analogy, a 'revolution' of the kind Kuhn (1970) describes is required.

One of the companies whose history follows and elaborates upon this description is Volkswagen. From 1948 to the late 1960s the company pursued what Mintzberg (1978) calls a 'gestalt' strategy. Although some strategic changes were made, they were modest elaborations of the basic strategy worked out in the early postwar years. Then, in a changing environment and under changing leadership, the company went through a period of confusion. New product concepts, new marketing methods, new plant locations and new leadership were part of this period. Finally, by perhaps 1974, the company reestablished itself with a strategic frame that again is proving to be highly successful.

In the interim period of the late 1960s and early 1970s Volkswagen appears to have operated without a strong strategic frame (Mintzberg, 1978). Many previously important aspects of the company's strategy were dropped (such as Germany-based production and primary reliance on one model) and many new concepts added (including increased autonomy for Volkswagen of America). These changes were so substantial they cannot easily be considered modifications of VW's old strategic frame. They are better described as the experimental building blocks of a new frame. In the scientific metaphor, Volkswagen was searching for a theory which could generate new, solvable problem definitions.

Major variations in the pattern of strategic decisions thus can be seen as created by major changes in strategic frames. The pattern changes most dramatically as the organization moves from operating within a frame to operating between frames. Within a strategic frame, deletions and additions are analogous to normal science problem solving, between frames these activities appear to take on the searching, erratic, contradictory, and belief-driven characteristics Kuhn (1970) described as extraordinary science.

It is possible to imagine sheltered organizations without strong organizing frames, or organizations that live and die within one frame, or organizations which are so unstable that a frame is never established. But, for most organizations, periods of relative calm, in which both strategy makers and the environment operate in predictable ways, are punctuated (Weick, 1979) by periods of greater uncertainty in which the stream of deliberate strategy is in much greater flux.

It should also be suggested more explicitly than Mintzberg did in 1978 that the fine grain of strategic pattern is created by the characteristics of individual deletions and additions to strategy. The content of each individual concept in the stream of deliberate strategy, and the timing of its entry and exit, must be attended to if strategic pattern is to be understood in detail.

THE CONTRIBUTION OF BORROWED EXPERIENCE

If we ask questions about the specific additions and deletions to a stream of decision making, a curious gap appears in the accounts offered by Mintzberg (1978), Rumelt (1979), and many others who write about strategy formulation. Their accounts appear to emphasize only the alterations which arise out of the company's own problem-solving and experience.

Such descriptions of strategic pattern are too self-contained. Direct experience is not the only stimulus to change in the stream of deliberate strategy. Some additions and deletions are likely to be made on the basis of past experience in other decision situations. Similarly, the contribution of strategic concepts from other organizations—both within and beyond the industry—must be accounted for. These sources can be seen as a means of adding 'borrowed experience' to the activities directly initiated by a strategic frame.

Strategic concepts are transferred from past analogous experience

There is considerable evidence from cognitive psychology that experience has a major impact on subsequent thinking. One example of the importance of previous experience for strategy formulation can be found in recent advice from several business leaders to the Chrysler Corporation (Miller, 1979). Among those interviewed was Romney, the former head of American Motors, and Goodwin, the former head of Johns-Manville. The advice each offered was a direct reflection of his own past. Romney suggested that Chrysler needed to find a single viable car and promote it; Goodwin suggested that Chrysler needed to find a 'tough management consultant', probably from outside the industry, to help reinterpret the company's strategy. In both cases the transfer of previously successful experience (Romney's with Rambler in the late 1950s, Goodwin's as the psychology professor who revitalized Johns-Manville) was made with little apparent adaptation to the unique circumstances facing Chrysler.

The account of strategy formulation outlined in Figure 2 must be interpreted as responsive to such past experiences. In fact, the company is a pool of many people's beliefs, observations, and theories—all formulated in a diverse set of prior encounters. Deliberate strategy draws upon this pool of concepts as a short cut and/or substitute for new experience.

Strategic concepts are borrowed from industry experience

Outsiders with whom the company is in contact offer another pool of experience which can influence strategy. Suppliers, customers and competitors in particular are in a position to affect the stream of deliberate strategy because their experience is directly relevant to the organization. These organizations have established similar or related niches in the environment, and the subproblems with which any one deals are quite likely to be relevant to the others. Thus, a new marketing idea is closely watched by competitors and if successful is often adopted or modified. A product suggestion made by a customer can similarly have a major impact on strategic thinking. Here too, we must interpret deletions and additions to deliberate strategy outlined in Figure 2 as responsive not just to the direct 'experiments' of the organization but as responsive to the experiments of others as well.

Strategic concepts originate with others in the broader environment

Many companies participate in more than one industry. This experience, and the experience of other companies outside the industry, can influence strategy. The mass media, and specialized publications like *Fortune* and *Business Week*, are primary transmitters of experience across industries. Consultants diffuse perceptions and practices (Capon, Farley and Hulbert, 1980). More broadly, 'generic' (Porter, 1980) situations, such as declining demand (Harrigan, 1980), unite companies across industries.

THE IMPORTANCE OF SHARED EXPERIENCE WITHIN AN INDUSTRY

Of all the potential influences on the stream of deliberate strategy it can be argued that experience accumulated at the industry level is particularly important. This argument is made explicit with reference to the Venn diagram in Figure 3.

Of the many concepts available in the broadest environment of experience, the industry group 'activates' only a small number, indicated as area 1. Other concepts shared by members of the group are derived from the experience of industry members and are not readily available to those outside the industry (area 2). The strategy of any individual member of this industry group

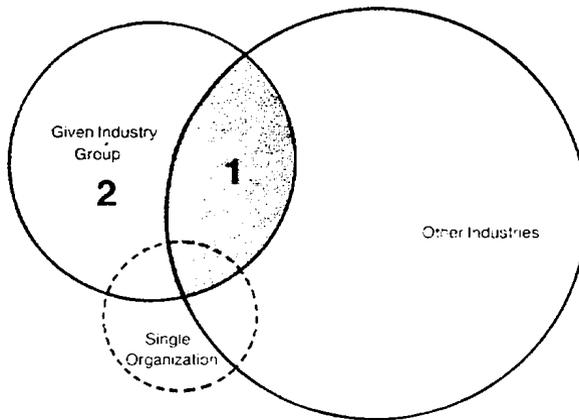


Figure 3. Overlap in strategic concepts

includes many of the concepts from both sets, as indicated by the dotted line intersecting these two areas. The rest of the dotted line indicates that the individual organization also draws upon the broad environment for some strategic ideas not widely used by others in the industry, and it generates from direct experience a pool of more unique concepts which differentiates it from all others.

While the concepts which are most likely to contribute to a unique strategy fall outside the industry, shared ideas from area 2 offer a set of concepts with particular potential. Dialogue between organizations which face similar or related niches in the environment is capable of generating a particularly rich set of strategic concepts. It is this set of concepts that has both the variety and the niche-specific focus to allow more sophisticated variants of strategy to emerge.

The individual strategist might well be compared to a geologist friend of mine setting off for a study site in the Rockies: 'It's not that the site itself is so intrinsically interesting,' he said. 'It's that the same site has been used for so many other studies. The theories I have constructed there are more sophisticated than any others I have developed because they begin with the work of a dozen dissertations.'

So too, it might be speculated, organizations in a cohesive industry group have access to the efforts of their fellows to construct strategic frames which best fit the circumstances of their niche. The organization in such a group can draw from the relevant (though not completely applicable) experience of other companies to create strategies more sophisticated than it can generate from its efforts alone. Although hampered by other's attempts to keep strategic decisions secret (a ploy not

unknown in scientific endeavour), much is available from observation (Huff, 1979). The individual organization does not itself have to do all the work of testing, rejection and addition. Further, the competitive nature of this group contributes to rapid and broad generation of ideas. The occurrence of borrowing and adaptation is a powerful stimulus to generate new ideas.

The material available for incorporation from the competitive group takes more than one form, however. At one level, *the industry provides a repertoire of possible strategic frameworks*. The strategies of other organizations within a competitive group help each organization make sense of the environment and their opportunities to operate within it.

Two kinds of strategic frames stand out in the total repertoire contained by an industry group as particularly useful to its members. Chief among these are the 'exemplar' strategies which are taken as particularly successful ways of operating. First Ford and then GM had strategies which thus served as examples in the automobile industry; perhaps Volkswagen holds that status today. In the airline industry, Delta's strategy, accompanied by their consistently high returns, has become more and more prominent as one of *the ways to do business*.

A second kind of instruction from the industry repertoire involves an anomaly. Companies like Head Ski in the early 50s and American Motors in the late 50s by their unexpected success revealed contours in the environment of great interest to others in the industry. Such companies illustrate opportunities which are not well known before a new strategic frame demonstrates their existence. Similarly, organizational failures, such as Sears' recent attempt to attract a different customer mix, also reveal risk and pitfalls which are not well charted before a particular strategic frame leads to activities which illuminated their nature.

It is not surprising that the individual organization in search of a strategic frame might pay particular attention to the alternatives found within its industry group. Nor should we necessarily agree with Mintzberg (1978) that borrowing from others is a poor substitute for original effort. Though many strategies are possible, a great number are unlikely to succeed. A strategy whose survival potential is demonstrated is highly attractive.

Adoption is not, however, the only way in which industry experience affects the organization. *Industry experience generates a pool of concepts which can serve as the building blocks for new strategic frames*. While complete strategic frames or 'gestalts' may influence other organizations' strategies, each organization is uniquely endowed, and good strategies often do exclude imitators. Industry experience may thus have its greatest impact on the strategy of the individual organization at the concept level. The strategies of others can be disaggregated and recombined in new strategies. For example, many companies have adopted a route structure which links 'feeder' routes with more profitable long runs, following the experience of companies like United and Delta.

It is not just that organizations borrow one another's experiences, however. Attention to a competitor's strategies can suggest new ideas. Few airlines have been able to adopt Delta's non-union labour force, for example, but although they may not be able to deunionize, they are aware of the advantage Delta gains by assigning its non-union employees to varied tasks in peak demand periods, and they may be able to bargain for more flexible job definitions in their own union contracts. In effect, the competitive group is engaged in an ongoing exchange. Experience in one organization stimulates new ideas in others. Adaptation of other's ideas can be instructive for the originator, as well as third parties, thus initiating a series of idea transfers.

More broadly, *the industry is defined by shared or interlocking metaphors or worldviews*. Behind the concepts, and the frames which link them into larger wholes, are the taken-for-granted assumptions which most describe a cohesive industry's character. These assumptions serve as the rough foundation for most of the different strategic frames found within the group. They are 'meta-strategic'. Until 1970, for example, members of the airline industry assumed they were a growing

industry fed by growing demand. Until 1974 they took regulation as an established fact of life. In the automobile industry of the 50s (lingering into the 80s) meta-strategic assumptions included shared beliefs about American desires for luxury, speed, and size.

The relationship suggested here is again found in the philosophy of science. Morgan (1980) gives it one expression when he suggests that a scientific paradigm encompasses several different 'schools of thought', each of which is associated with a specific set of 'tools and texts' which allow problems to be solved. So too in industry, there seem to be overarching industry interpretations and assumptions which are broad enough to encompass a variety of strategic frames developed by individual companies, and each strategic frame is associated with somewhat different procedures for solving problems.

IDENTIFYING THE STRATEGIC GROUP

The concept of a strategic group, whose members follow similar though non-identical strategies, has been well established (Hatten and Schendel, 1977; Hatten, Schendel and Cooper, 1978). The evidence for such groups, however, has been based on variables chosen by the researcher, and some admittedly important strategic variables have been neglected due to the absence of data (Hatten and Schendel, 1977: 99). When the research question involves the changing pattern of deliberate strategy, the relevant concepts must come from the organizations themselves.

While some people, notably McKelvey (1980), argue that it will be possible to identify organizational 'species' on the basis of shared concepts, my own view is that a given organization can be visualized most usefully as part of several, non-hierarchical, intercommunicating groups. Two primary referent groups for a shelter workshop, for example, might be other facilities for rehabilitating the handicapped and other companies which make the same products. Human service organizations in the same geographic region, facing the same social, political and regulatory environment, might offer a third source of strategic ideas. In the many companies which participate in multiple industries, the industry group may be matched in influence by other divisions in the parent company.

While outlining such groups does not seem empirically insurmountable, a further complication is introduced if we think of these groups over time. For the problems framed by strategy at one time may lead to primary reliance on one group as a source of world view, possible strategic frames and strategic concepts, while a later strategy may lead to primary identification with the other groups, and, in defining the groups which contribute to strategy, it may well be necessary to look for small groups of regularly communicating colleagues rather than relying on common sense distinctions among industries: change in the stream of deliberate decision may be triggered by only a few of the many organizations in a competitive group.

While all this awaits a good deal more theoretical and empirical elaboration and testing, the mistakes briefly outlined in the introduction of this paper seem to provide one kind of immediate evidence for the importance of industry level contributions to strategy. It can be argued that people in different organizations perceive opportunity in similar ways primarily because they do not have enough direct experience to form a unique appreciation of many aspects of their environments. They borrow, exchange and mutually construct views of external circumstances. They borrow and modify ways to 'frame' these circumstances. This shared sense making leads to similar perceptions of environmental conditions and similar strategic decisions. While similarities spread across the population of organizations, the experience of organizations in the same industry is especially relevant because it takes place in a similar environment. Thus, the greatest commonalities are found within the cohesive strategic group.

A RESEARCH AGENDA

The above account of what strategy is and how it is formulated suggests several areas for further research. Two types of research are particularly interesting. First, it would be useful to know more about the strategic concepts that are available at a given time to competitive groups as important building blocks of strategy. (Most industry studies do not provide this level of information, since the authors aim toward producing a synthesized third party impression of the industry.) Second, it would be useful to know more about how concepts shared by a competitive group change over time, thus encouraging change in the strategies of member organizations. Although relatively little work of this nature has been done, two studies can be summarized as examples of the kind of research needed.

Research on shared industry concepts at one point in time

J. C. Spender (1977, 1980) has proposed an account of managerial judgement which emphasizes industry-wide commonalities.

My proposition is that managerial judgement, observable in the way strategy-makers characterise their possible sub-environments, can be related to the shared experiences of those working within a single industry. Managerial judgement becomes, in part, the application of knowledge derived from the experiences of subsocial groups, in the same way that empirical science reflects the shared experiences of Western society. (1977:9)

Spender's depiction is a circular one in which the 'sub-environment characteristically chosen by Industry A' affects the manager of a given organization, 'whose rationality is limited in a way shared with others in Industry A'. Two hypotheses suggest the direction of confirmatory research within this framework:

(H.1) Managers working within one industry and responsible for organizational strategy-making will characterize their firm's environments similarly, and,

(H.2) Any similarities found between managers within a single industry will also illustrate clear differences between industries (Spender, 1977:10).

Spender's study of three industries in England provides initial support for these hypotheses. In fact, he found 'an altogether surprising degree of homogeneity amongst the constructs being applied by managers' (1977:17) within each of the industries he studied. He suggests, on both theoretical grounds and the evidence of his study, that it should not be an overwhelming task to identify the constructs which dominate the attention of an industry group at any given point in time. Perhaps 12-15 concepts in general are sufficient to generate 'closure' and permit action. These concepts are not random or isolated, but form a gestalt-like whole, not unsimilar at the industry level to Rumelt's (1979) strategic frame.

In the fork-lift truck rental industry, for example, Spender identified 16 themes through interviews with various company heads. These themes involved fleet composition, type of rental contract, repair/replacement policy, capital and cash flow decisions, fleet size and depot location, territory expansion and so on. While there were alternative choices to be made in some areas, these alternatives were widely recognized. Further, managers shared a sense of how decisions in one area constrained choices in others.

Spender also notes that the themes which dominated an industry can be expected to shift over time. Competition, for example, did not arise as a separate theme in the interviews just reported.

because (he speculates) of rapid expansion in the industry. Similarly, interest and inflation rates, which would have appeared in an earlier account of the industry, were not of primary concern at the time of his interviews.

Research which follows Spender's lead might identify strategic concepts which occupy an intercommunicating group without requiring that every organization in the group be involved with every element or theme. Thus study of a competition group of six members might identify six major themes and their attendant strategic concepts as noted in Table 1. The composite set of concepts is the pool of shared concepts available to members of the group at the time of the study. Concepts with question marks in the table are those which are included in only one organization's strategy. If other organizations are aware of this alternative, it too is considered part of the set of available concepts.

Table 1. Identifying the set of concepts shared by an industry group

Organization	α	Theme β	Δ
1	a, a', b	d, e	f, f'
2	a, a', b, b'	d, e, e'	
3	b	e	
4	b, b'	e	
5	a, c	e	g, g'
6	a	e	
Industry set	$a, a', b, b', c?$	$d, e, e'?$	$f?, f'?, g?, g'?$

Research on the changing nature of a single concept

The pool of concepts shared by a competitive group can be expected to change as the deliberate strategy of member firms undergoes deletion and addition. To follow the life history of one or more of these shared strategic concepts, requires a somewhat different research strategy than that required to identify strategic concepts. Direct interviewing of many people over long periods of time would be desirable, but it would be cumbersome and costly. An alternative source of data on changing concepts is provided by industry publications from the time period of interest. I have used this source of data to trace the history of one concept important to the appliance industry -- the import threat mentioned in the introduction.

The data come from two industry publications, *Merchandising Week*, which is aimed primarily at retailers, and *Appliance*, which is aimed at manufacturers. A direct count of articles dealing with imports, including subject, placement, and length, was supplemented at five year intervals from 1950 to 1975 with a more detailed search of articles and editorials on other subjects (industry forecasts, product development, etc.) for information about the import situation. In addition, for these years all articles directly dealing with imports are being content analysed by two coders using categories suggested by Toulmin (1972). The purpose of this part of the study is to identify any changes in the kinds of claims being made about imports, and changes in the kind of evidence and arguments used to support and clarify such claims.

The preliminary findings from this study show diffuse, early references to the importation of refrigerators, washers, stoves and other 'white goods' -- the focus goods of the study. The earliest mention of foreign manufacturers in *Merchandising Week* (for the period studied) appears to be the result of a personal interest of the editor, who on a long trip to Europe wrote a series of

editorials about European manufacturers which include a few references to the possibility of future imports to the United States. Other scattered references include reports on foreign exhibitors at trade fairs and foreign retailing practices.

Crystallization of the import *threat* in this publication appears in 1960, initiated by a long special report giving 'the first complete answer to the most frequently asked question in the industry: Can the Japanese invade the electronic houseware industry?' The many articles published during this year apply the invasion metaphor to many different appliances, including white goods, and almost always extrapolate from the experience a few years earlier of Japanese dominance of transistor radios, as well as other non-electronic goods. These articles also report on a wide variety of ways to respond to the import threat (export American know-how, maintain innovation, focus on price competition, export to the growing European market, increase automation, and so on).

Within a year or two, however, concern with imports is considerably subdued. Most major manufacturers appear either to have initiated some kind of cooperative arrangement with foreign companies (who manufactured components, or sourced completed products for U.S. companies) or established foreign subsidiaries of their own. These arrangements, some import quotas, the 'growing pains' of foreign companies, and increased competition among foreign companies appear to have been sufficient to de-emphasize the import topic as a major theme in the industry. Factual reports of import/export figures and new product development improve during this period, however, especially with the addition of regular foreign-based reporters.

Then, in 1970, the import issue arises in a new form. Younger buyers, smaller families, apartment living, and second homes helped create a rapidly growing market for compact appliances. Foreign manufacturers who had participated in the American market through local firms are reported in 1970 to be 'making a concerted effort to gain a foothold in the U.S. market' by bringing out expanded lines of compact appliances (similar to those marketed in the home country) under their own labels. The threat of foreign imports thus again became a theme of prominent concern to the industry.

In summary, the theme of import threat undergoes two metamorphoses: the first when companies established new foreign relationships, the second when the compact market reopened a new threat. In the terminology introduced above, the environmental interpretation *a* (importers may dominate white goods markets, just as they have transistor radios), became *a'* (there are many ways to ameliorate the import threat, especially cooperative ventures); then *a''* (the growing compact market is very susceptible to foreign invasion).

A more detailed study along similar lines might track more concepts and look for their interaction over time, as schematized in Figure 4. Industry impacts on the flow of such concepts are likely to be particularly noticeable before companies amass much direct experience (point *a*) or

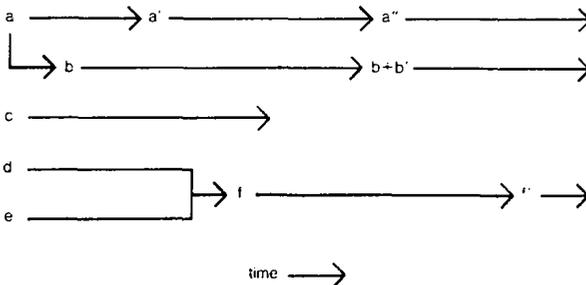


Figure 4. Schematic depiction of interactions over time

when new events change established relations (point *a'*). Additional studies should be able to show how a concept thus interactively developed at the industry level influences the flow of deliberate strategy in a member organization.

CONCLUSION

The beginning of this paper raised several questions about the nature of strategic patterns: when and why are concepts dropped and added to strategy? What are the sources of these ideas? Responses to these questions can now be summarized.

First, concepts are dropped from the stream of deliberate strategy under circumstances which at the extreme seem to be quite different. When the organization has established a satisfactory strategic frame (Rumelt, 1979), concepts dropped from strategy might be thought of as experiments which did not provide satisfactory results. If too many single experiments are unsuccessful, however, the frame itself may be called into question. The result may be an active period in which many concepts are dropped from the stream of deliberate strategy in a short period of time.

New ideas added under these conditions are very different from the new ideas which are added to strategy under an established strategic frame. When a new strategic frame is sought, the concepts added to the stream of strategy offer alternatives to fundamental concepts. They are often inconsistent as a set, reflecting tentative and untried possibilities. The concepts involved are much more numerous than during the periods in which an acceptable strategic frame is in place.

Within or between frames, unintended actions which are recognized as successful can supplement the deductive process, but, organizations also borrow experience from analogous past experiences of their own and of other organizations.

The industry group establishes an arena in which this shared experience can find an especially rich variety of expression. The scientific metaphor used throughout the paper loosely links the cohesive industry group to a scientific discipline. At the broadest level members of the same industry 'discipline' share a common world view. Specific theories (strategic frames) generated within this world view interact. Specific ideas are borrowed and adapted. It is suggested that this interaction may be critical to the development of good strategy - because it allows the single organization to treat the experiments of others as extensions of their own experience. The result is a family resemblance among strategies.

Emphasis on the industry group as an important element in the development of sophisticated strategic frames is one of the most interesting aspects of this account of strategy formulation. It provides a counterpoint to the argument that good strategies must be built on critical asymmetries. Without negating the importance of asymmetry, this paper suggests that the discovery of strategies which successfully *distinguish* the organization from others may be the product of interacting with them. Research which focuses on the pool of concepts available from the industry group, and on the life histories of single concepts in the stream of deliberate strategy, is needed to explore further this view of strategy formulation.

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