

An Exploratory Paper on Strategy Implementation: Industry Look at Some of the World's Most Profitable *and* Most Innovative Companies

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Abstract

We could have a great debate about which concepts, theories, or frameworks are the most effective when it gets to achieving profitable growth, particularly as it pertains to innovation. Despite the fact that some of these concepts and theories are more prominent than others, several have been proven to be effective when implemented by real organizations. This raises several questions regarding the selection criteria and the dynamics among these strategic frameworks. The purpose of this exploratory paper is to shed some light on the different strategy implementations at some of the most profitable *and* innovative organizations in the world. The high-level and practice-based research has revealed that successful organizations have formulated and executed different strategies and did not limit themselves to a single approach. In fact, some organizations have implemented several strategies simultaneously. The observed multi-strategy formulation and implementation suggests that strategic concepts, theories, and frameworks could be complementary in nature. While this paper is not intended to serve as a literature review, the findings were insightful in terms of the realization of multi-strategy implementation in organizations as well as directing new research to focus on the dynamics among different strategies.

Keywords: strategy, innovation, blue ocean strategy, strategic innovation, disruptive innovation

1. Introduction

Many conceptual frameworks and theoretical models have been developed with focus on business growth. For example, in management, Drucker introduced decentralization and simplification (Drucker, 1946); in marketing, Levitt discussed Marketing Myopia (Levitt, 1960), while Kotler popularized McCarthy's 1964 concept of the 4Ps marketing mix (Kotler, 2000; McCarthy, 1964); in innovation, Markides suggested that strategic innovation was behind many success stories of market penetration (Markides, 1997) and Christensen coined the term disruptive innovation to describe a type of innovation that creates a new market and value network (Christensen, 1997); in strategy, Porter developed the five forces to analyze competition (Porter, 2008), while Kim and Mauborgne preferred to exist the competition entirely in order to achieve profitable growth by implementing blue ocean strategy-BOS, (Kim & Mauborgne, 2000).

While these different concepts were developed to ultimately achieve profitable growth, the consensus on the basics of business growth is that a business can either grow through diversification (new product/new market), market development (existing product/new market), product development (new product/existing market), and/or market penetration (existing product/existing market); also known as Ansoff's Matrix (Ansoff, 1957). Interestingly, a mapping of the most prominent concepts and models for business growth reveals that they all funnel into those four areas, independently or jointly (see diagram 1).

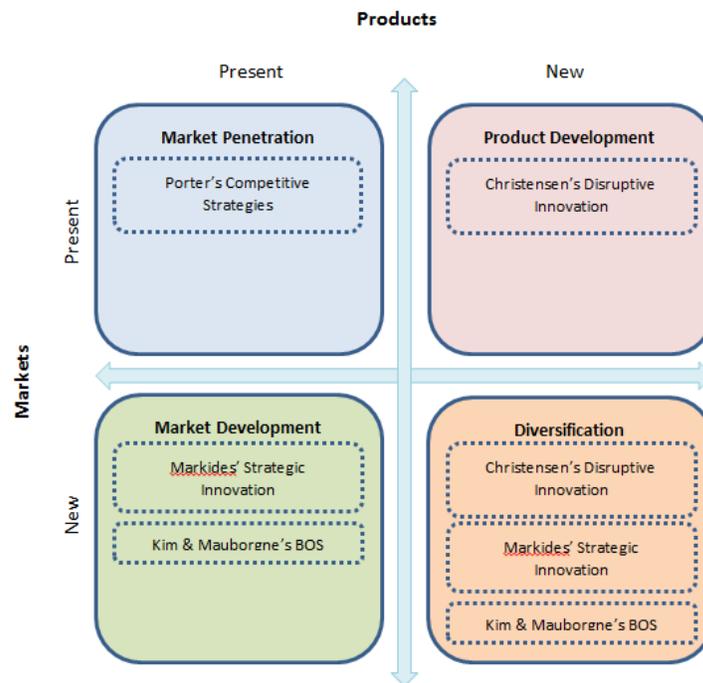


Diagram 1. Placement of strategic frameworks

For example, the work of Markides, Christensen, and Kim & Mauborgne on strategic innovation, disruptive innovation, and BOS respectively can be viewed through the diversification lens. Similarly, Porter's five forces can be viewed through market penetration lens. In some instances, these concepts overlap and reappear in other growth categories (ex, disruptive innovation can be related to product development and diversification). Because development of markets and products would most likely require an innovative approach, a special emphasis was placed on innovation in this paper. The overlap and reemergence of these concepts on Ansoff's Matrix triggered the following question: if these different yet overlapping frameworks are designed to stimulate profitable growth, do organizations tend to execute a single or multiple strategies in their pursuit for profitable growth? In an attempt to answer this question, a comparative analysis was used to gain some insight into business growth at some of the world's most profitable and innovative organizations.

1.1 Notes on Research and Data Analysis

The objective of this practice-based research was to understand strategy deployment and strategic enablers that contributed to the success of several powerful organizations. To this extent, financial data and product information were reviewed with emphasis on iconic products/services. This exploratory paper is not intended to serve as a literature review. This work is an introductory and industry-based look in order to shed some light on what strategies were implemented resulting in profitable growth for organizations. In addition to the annual and financial statements of the selected companies, data on growth, competitive analysis, and innovation were also obtained from lists published by Statista, Forbes, and Boston Consulting Group-BCG. These sources were selected because of their reputable contribution and wide use in the industry as well as the appropriateness of the computation methodologies used to generate the lists (the exclusion of Forbes will be explained later). The selected lists from each source were Statista's "50 Most Profitable Companies in the World", Forbes' "Most Innovative Companies in the World", and BCG's "50 Most Innovative Companies in 2014". Firstly, the analysis started with Statista's published list of the world's leading companies-by profit. Originally, the list included 50 organizations, for simplicity, the top 15 organizations were included in the analysis. Secondly, since the lists from Forbes and BCG were focused on innovation, they were cross-referenced for consistency. Table 1 below shows a summary of the lists and the methodologies used to compute the ranks.

Table 1. Reviewed lists

Name of List	Publisher	Year	Computation Methodology
Most Innovative Companies in the World	Forbes	2015	Ranked according to the bonus given by equity investors based on the educated hunch that the company will continue to come up with profitable new growth.
50 Most Innovative Companies of 2014 (most recent to date)	BCG	2014	Ranked according to global innovation survey results administered to executives on their thoughts of innovation in their organizations.
50 Most Profitable Companies in the World, 2015	Statista	2015	Ranked according to profits made in fiscal year 2015.

Surprisingly, when the Forbes and the BCG lists were cross-referenced, only 6 companies appeared on both. Those included Tesla Motors, salesforce.com, Unilever, Amazon, Fast Retailing, and Starbucks. This observation (in addition to a number of well-known organizations in the innovation domain like Apple and Google not appearing on the Forbes list) raised a question about the rationale behind the ranking computations of the Forbes list. Further analysis revealed that the innovation ranking used to generate the list was done according to an educated hunch that companies will continue to come up with profitable new growth. Because the results shown on the Forbes list seemed subjective, the research continued with data from BCG and Statista. Among the industries included in the analysis was telecommunication, banking & financial services, oil & energy, automotive, and technology.

2. Profitability

In terms of profitability, Statista's "50 Most Profitable Companies in the World" revealed that more than 50% of the \$864B profit generated for 2015 was made by the top 15 companies. Further research revealed that the predominant sources of profitable growth in those companies varied; each company was profitable differently. In other words, companies' means of profitability varied from product development to diversification as can be seen from Table 2.

Table 2. Top 15 most profitable companies in the world

Company	Profit (\$B)	Predominant means of Growth/Profitability
Vodafone Group	\$ 98.86*	Market development, rapid global expansion in emerging markets, organically funded acquisitions, focus on one industry (mobile phone)
Industrial & Commercial Bank of China	\$ 44.44	Product development, advantages from government policy changes, operational efficiencies, innovated processes
Apple	\$ 39.51	Product development, diversification, innovative products and offerings, customer loyalty, disruptive technological innovation, competitive strategy
China Construction Bank	\$ 36.71	Increase in demand for infrastructure loans and online banking, product development, market development, integrated operation framework, integrated business model, multifunctional service capability, operational efficiency
Exxon Mobil	\$ 32.52	Market development, market penetration, integrated business model, balanced portfolio, global integration of business lines and functional organizations
Agricultural Bank of China	\$ 28.92	Increase in demand for large scale loans, integrated operation framework, integrated business model, advantages from government policy changes
Bank of China	\$ 27.33	Market development, 'Silk Road' innovation, advantages from

			government policy changes
Wells Fargo	\$	23.06	Diversification, technological innovation, customer orientation, customer loyalty, cross-selling
Microsoft	\$	22.07	Diversification, innovation, competitive strategy, market development, market penetration, product development, effective partnerships
J P Morgan Chase	\$	21.22	Diversification, customer orientation, customer loyalty, cross-selling, simplification, franchise-base
Samsung	\$	21.10	Product development, market development, diversification, market penetration, innovation, late mover advantage, competitive strategy, expansion beyond market boundaries
Berkshire Hathaway	\$	19.87	Diversification, balanced portfolio, value investing, acquisitions
Chevron	\$	19.24	Diversification, innovative technologies, market development, operational efficiency, focus on cost-efficient reserves,
China Mobile	\$	17.71	Market penetration, operational efficiency, late mover advantage
Toyota	\$	17.67	Product development, innovation, operational efficiency (focus on quality and continuous improvement), customer orientation

*Figure includes Vodafone's sale of its 45% stake in Verizon Wireless to Verizon Communications.

Looking at these companies, their sources of profitable growth varied. None has limited their tool kit to one strategy regardless to the industry. For example, Vodafone relied heavily on market development in emerging regions while Wells Fargo diversified heavily pivoting on cross-selling. In the same token, Apple continued to benefit from pioneering the mobile device space while Samsung enjoyed benefits from the late mover advantages in addition to maintaining a balanced portfolio of businesses. Even within the same industry, company's strategies varied. For example, while ExxonMobil prides itself in being barrel-focused, Chevron approaches the oil and gas industry more steadily with focus on cost-efficient reserves. A closer look reveals that many deployed a combination of strategies including competitive strategies, innovation strategies, differentiation strategies, and BOS. Clearly, some have competed, some innovated, some did both, while others did "business as usual". The only common thread among them was that while they seem to have done a variety of things simultaneously, they did it well.

3. Innovation and Profitability

BCG's list of most innovative companies was compared to Statista's list of the most profitable companies; 15 companies appeared on both. However, when BCG's list of "Steady Innovators" (a subset of the most innovative list that includes the most innovative companies for the past seven consecutive years) was compared against Statista's list, only 10 companies remained making them the world's most profitable *and* most innovative companies in the world. Those were: Apple, Google, Samsung, Microsoft, IBM, Toyota, GE, Intel, P&G, and Walmart. See Table 3.

Table 3. Most steadily innovative & profitable companies in the world

Most Steadily Innovative & Profitable Companies in the World
Apple
Google
Samsung
Microsoft
IBM
Toyota
General Electric
Intel
Proctor & Gamble
Walmart

A discussion on innovation can easily take different routes as scholars have developed several conceptual frameworks. For example, there is Christensen's disruptive innovation, Markides' strategic innovation, and Kim & Mauborgne's value innovation. A question worth asking is what kind of innovation is linked (or associated) to profitability in the case of these 10 companies? Or did these companies execute a multi-approach to innovation? In searching for answers, further analysis was done on the most predominant innovative products/processes of those companies to understand the nature of those innovations. The goal was to examine the type of innovation pursued by those companies with an analytical lens for any patterns.

To this extent, the most innovative products/services were examined against disruptive innovation, strategic innovation, and value innovation. In cases where there is sufficient data that supports the execution of a particular innovation type, explanation was provided. In some instances where no sufficient data was found, this was indicated on the table using "no sufficient evidence/data found". For example, when examining Google's search engine as an innovative product, research revealed that the search engine was a disruptive innovation to traditional research libraries and the internet industry. However, no sufficient data was found supporting that Google pursued strategic innovation or value innovation with the search engine. As the examination continued, it was intriguing to learn that most companies had an overlap of more than one innovation type. In fact, the overlap of different innovations was the common theme in the findings. The compiled list (shown in Table 4) is by no means intended to be comprehensive; it was only developed to shed some light on some of the existing overlaps.

For example, Apple's most known innovations can be divided into 3 groups: tech devices (iPad, iPod, iPhone, MacBook Air, and iTunes), the business model, and the user interface (although this is integrated in the first two). Among all three groups, all three types of innovations were present. In developing and manufacturing the tech devices, Apple has disrupted the digital music industry with iTunes, strategically innovated their products by redefining their business model as a developer of user interface (versus, for example being a tech gadget maker), and created blue oceans pivoting on value innovation by looking across multiple industries (for example, music and technology).

Table 4. Strategy implementation at the 10 most profitable & innovative companies in the world

Company	Product/process	Disruptive Innovation	Strategic Innovation	Value Innovation-BOS
Apple	iPad, iPod, iPhone, MacBook Air, iTunes)	Disrupted the digital music and tech industries.	Apple identified gaps in the strategic positioning maps of multiple industries and decided to fill them before anyone else. Apple changed the rules of the game.	Looked across alternative industries and strategic groups with industries to deliver a valuable product to customers.
	Business model	no sufficient evidence/data found	Apple redefined the business by altering the mental model of the company. Apple no longer was a manufacturer of computers but a developer of user interface.	Integrated multiple industries into the model
	User interface	no sufficient evidence/data found	The newly redefined business model as a developer of seamless user interface enabled Apple to change the rules of the technological gadgets game.	innovated value in user interface by providing simple, intuitive, and friendly processes to customers through multiple devices.
Google	Search engine	Disrupted research libraries and the internet industry (other competing search engines), and printed directory (Yellow Pages).	no sufficient evidence found	no sufficient evidence/data found
	Gmail	no sufficient evidence found	Google identified gaps in the strategic positioning map of the	no sufficient evidence/data found

			internet industry with respect to electronic mail. Gmail was developed to fill the need gap for more email functionality, storage and search.	
Google Earth	no sufficient evidence/data found	sufficient evidence/data found	no sufficient evidence/data found	Created blue ocean in satellite-based services by deploying open technologies and innovating value for customers. Independent developers utilize the open technology to add their own layers to Google Earth for various purposes. The software enables mainstream customers to utilize highly sophisticated satellite-based navigating system at no charge.
AdSense	Disrupted traditional marketing and retail industries by allowing advertisers to reach their target audience more precisely via the internet		Google identified gaps in the strategic positioning map of the digital marketing industry. It developed AdSense with technologies to enable advertisers to reach target audience more precisely.	Created blue ocean in digital marketing
Android OS	Disrupted the mobile handset industry		no sufficient evidence/data found	Created blue ocean in mobile platforms by deploying open technology. Today, over 310 devices on built on Android OS
Google Maps	Disrupted the GPS market		no sufficient evidence/data found	Innovated value for customers by combining all the features of high end GPS in addition to seamlessly integrating the customer's mobile features (like contact list, preferred locations, etc.) to offer a highly personalized customer experience.
Samsung	TRIZ (problem-solving methodology to approach for invention-related tasks).	Although TRIZ did not disrupt other technologies, it is a powerful tool to leverage disruptive innovation by adopting a systematic approach to innovation.	no sufficient evidence/data found	TRIZ methodology is an enabling tool to create blue oceans of product innovations.
Galaxy S6 Edge	no sufficient evidence/data found	sufficient evidence/data found	no sufficient evidence/data found	Looked across the

		evidence/data found		functional appeal of the customer to offer an innovative feature that enables the user to access certain features of the phone without unlocking the screen.
	OLED Curved TV	no sufficient evidence/data found	Samsung redefined its business model by being the first to identify a new customer want (an organic and eye-friendly screen shape for optimum viewing environment)	Looked across the functional and emotional appeal of the customer to offer an organic and eye-friendly shape of the curved display. The degree of curvature of the display contributes to an optimum viewing environment.
	Built-in heart rate monitor in Galaxy S5	no sufficient evidence/data found	no sufficient evidence/data found	Looked across functional and emotional appeal of customers to provide a practical feature that helps customers in improving their life.
Microsoft	Encarta	Disrupted academia by offering professionally edited digital encyclopedias	no sufficient evidence/data found	no sufficient evidence/data found
	Microsoft DOS	Disrupted the computer industry by introducing the 16-bit OS for personal computers	no sufficient evidence/data found	Created blue ocean in personal computer operating systems
	Windows	The original operating system grew inadequate to those of minicomputers and mainframe (ex, Unix); its migration to Windows (from DOS) shaped the computer industry	no sufficient evidence/data found	Created blue ocean in personal computer operating systems
IBM	Personal Computers	Disrupted computers and typewriter industry	IBM redefined its business as a provider of mainframe computers	Created blue ocean in personal computers
	Watson	Disrupted health industry by providing artificial intelligence-based computer system that is able to process information and provide management decision	no sufficient evidence/data found	Created blue ocean by looking across multiple industries (technology and health) to provide a computer system that is willing to provide health-related answers.

Toyota	Small/reliable cars	Disrupted the automotive industry (especially the big 3 market) by offering smaller, lighter, and more reliable cars. Toyota entered the US market with small volumes but now it is competing against the big 3 with vehicle classes ranging from economy to luxury.	no sufficient evidence/data found	no sufficient evidence/data found
	Prius		no sufficient evidence/data found	Toyota redefined its business model to become an integrator of gas and electric-based engines. Created blue ocean in the hybrid vehicle market by looking across multiple industries (energy and automotive). The company pioneered the concept of alternative fuel cars.
	Kaizen	Disrupted multitude of industries as a continuous improvement methodology. Developed by Toyota, other OEMs didn't grant it much attention. As the benefits of Kaizen unfolded in cost reduction and quality improvement, the methodology moved up in the market shaping the automotive industry as competitors strive to outperform Toyota.	no sufficient evidence/data found	no sufficient evidence/data found
GE	MAC400 and MACi (low cost ECG machines)	Originally developed by GE as a low-cost ECG alternative for its emerging markets in China and India. Significant growth of both products drove GE to invest \$6B in order to implement the design for developed markets through the Healthmagination Initiative in 2009.	no sufficient evidence/data found	Created blue ocean in uncontested market space in developing regions.
Intel	Microprocessors	Fundamentally altered the structure of the personal computer industry despite the	no sufficient evidence/data found	no sufficient evidence/data found

		humble beginnings.		
P&G	Crest Whitestrips	Disrupted the dental health industry to targeting noncustomers through offering a low-cost teeth-whitening product that historically has been offered by dentists at a much higher cost.	P&G redefined its business model by focusing on a new segment of customers (those who are interested in in-home teeth whitening) as the right customer for the Crest Whitestrips product.	Created blue ocean by looking across industries (dental and personal hygiene) to provide a cost-effective product for teeth-whitening.
Wal-Mart	Business model	Disrupted the retail industry starting with a single store based on offering more for less strategy.	no sufficient evidence/data found	Created blue ocean in large discount retail by offering the lowest cost for products in good-sized stores

As mentioned earlier, Google disrupted the library and the internet industry with the search engine, strategically innovated email (with Gmail), and created uncontested space with its Android OS; a deployment of open technology enabling hundreds of various devices in multiple industries to operate on Android. With AdSense alone, all three innovations are demonstrated. The software 1) has disrupted the traditional marketing industry, 2) was strategically innovated by identifying gaps in the strategic positioning map of the digital marketing industry and the development of technologies that enable advertisers to reach target audience more precisely, and 3) was a source of value innovation to digital marketers creating by that uncontested space in online advertisement.

Samsung is another example where research revealed unconventional ways of demonstrating the different types of innovations. For example, although Samsung's innovations do not seem - at first glance - to have disrupted any industries, TRIZ (a problem-solving, analytical, and forecasting methodology for invention-related tasks) is essentially an enabling tool of disruptive innovation. Developed by Samsung, the TRIZ methodology enables innovators to predict trends in product innovation. Similarly, TRIZ is an enabling tool for the creation of blue oceans as it facilitates the process of product innovation and hence, tapping into uncontested market space. Further, the OLED Curved TV was strategically innovated as Samsung redefined its business by being the first to identify a new customer want (an organic and eye-friendly screen shape for optimum viewing environment). Finally, Galaxy S6 Edge is a demonstration of value innovation as the company looked across the functional and emotional appeal of customers by providing a practical and eye-friendly feature that enables them to access phone features without unlocking the home screen. The list also shows Microsoft's Ecarta, DOS, and Windows; IBM's personal computers and Watson; Toyota's small cars, Prius, and Kaizen; GE's MAC400 and MACi; Intel's microprocessors, P&G's Crest Whitestrips; Wal-Mart business model.

4. Concluding Remarks

In short, different companies across multitude of industries formulated and executed different strategies and innovation disciplines. Even within the same industry, companies implemented different concepts and frameworks. What is important is that these concepts and theories are not competing against one another; the business world is far more multifaceted for one size to fit all (Fox, 2013). Barriers to entry, market conditions, state of economy, consumer trends, maturity of industries, and organizational structures among other factors increase the complexity of the business environment. In that respect, should companies compete all the time? Should they innovate all the time? Or should they develop markets all the time? The answer probably to all of these questions is *no*. So what is the best strategy to grow the business? What is the best way to play the growth game? In reality, the answer that no business manager wants to hear is: *do what works for the organization*. But we know it has to be done different than other players (Porter). Organizations have options; they can change the rules of the game (Markides) or disrupt the game (Christensen). However, with time, other players in the market will be in a position to fiercely compete, the organization can then choose to exit the game and play a different one elsewhere (Kim & Mauborgne). In light of that, direction for new research should focus on examining the dynamics among the different strategic and innovation frameworks. The objective of the research should be to examine any conditions that would cause a company to select one strategy over the other or pursue a multi-strategy approach. It is also recommended that new research explores any preferred sequences for strategy formulation and implementation.

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