

UNPLUGGED

How Much Does Strategy Matter, Really?

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Strategy researchers maintain (often implicitly) that strategy is important (Bowman & Helfat, 2001; McGahan & Porter, 1997; Rumelt 1991). However, they have not yet articulated the degree of importance relative to other presumably important things.¹ The purpose of this study was to close this gap in the strategy literature once and for all by asking and answering the following research question: how important is strategy, really?

We start off modestly by comparing the importance of strategy with other subject areas in business schools, such as finance, leadership, accounting, marketing, and economics. Next, acknowledging (reluctantly) that there are important things outside business schools, we compare the importance of strategy with other academic fields. Finally, acknowledging (even more reluctantly) that there are important things even outside of academia altogether, we compare the importance of strategy with other important things in life.

To test our hypotheses, we combine traditional analytical techniques, such as counting and making diagrams, with cutting-edge analysis of really Big Data. More specifically, we use Google Ngram Viewer to search all books published in English from 1800 to 2007 for selected words. The idea here is that the market for words is highly efficient (Coase, 1974), which implies that the number of times a word appears in the corpus a given year is a perfect measure of its importance.

The rest of the article proceeds as follows: first, we develop hypotheses, and then we test them. Finally, we conclude that our intuition was correct; thus, strategy is really, really important.

¹ Indeed, recently we have seen the launch of two new journals, *Strategy Science* (edited by Dan Levinthal) and *Strategic Management Review* (edited by Michael Leiblein and Jeffrey Reuer), aimed at maintaining strategy's place as a core management discipline.

Hypotheses and findings

Hypothesis 1: Strategy is important

We operationalize this hypothesis by comparing strategy with other major subject areas in business schools. We consider H1 supported if strategy is equally or more important than its business school rivals: leadership, marketing, accounting, finance, and economics.^{2,3}

Strategy is about what to do and what not to do. Because the other fields within a business school restrict their attention to doing or not doing specific things, they can all be considered subsets or special cases of strategy. In other words, strategy should be more important than all the others. Also, we believe that the authors would have made different life choices if any of the alternatives were more important.

As shown in Figure 1, the results of the empirical test of Hypothesis 1 reveal that H1 is supported. Strategy is not only the most important subject area within business schools but also more important than finance, accounting, and economics combined. This may come as a surprise to many researchers within those fields, but confirms what the rest of us (in strategy) have always suspected. The somewhat impressive importance of leadership and marketing is probably a reflection of their fairly close affiliation with the strategy.

² See below for discussion of some newer, trendy subjects, such as entrepreneurship, innovation, and ethics, which we consider relatively unimportant.

³ A non-anonymous reviewer claimed that operations research is missing here. We nonchalantly consider this a branch of mathematics, which is analyzed below. We do this because it is beyond the scope of this study for the authors to learn enough mathematics to make a finer distinction between papers with mostly incomprehensible Greek symbols, and those with incomprehensible words and charts.

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Hypothesis 2: Strategy is really important

Moving beyond the confines of the business school, we next compare the importance of strategy in non-business disciplines, such as medicine, physics, chemistry, and math. We consider H2 supported if the strategy is equally or more important than its non-business school rivals.

We believe that strategy is likely to be really important (support for H2) because the other academic fields are taught in primary schools, while strategy is often not taught until students are into their 20s and have entered university. It is even taught (in executive programs) to students in their 40s and 50s – well beyond the optimal age for learning a new cognitive skill (Janacek et al., 2012) – which is rarely the case for math and chemistry. This strongly suggests that the other academic fields are fairly trivial, bordering on infantile.

As shown in Figure 2, strategy is, indeed, really important. Strategy is not only more important than the other four but also actually more important than medicine, physics, chemistry, and math combined. This provides a strong empirical support for Hypothesis 2.

Hypothesis 3: Strategy is really, really important

Next, we shift our attention to matters outside academia altogether. Obviously, we cannot perform explicit comparisons with each member of this non-academic set, so we have selected a few representative benchmarks. According to some, success depends on beauty (Price, 2008) or brains (Bingham & Davis, 1924), or some combination thereof. Our first test of H3 will hold if strategy is more important than both beauty and brains. As shown in Figure 3, strategy is more important than both beauty and brains, which we

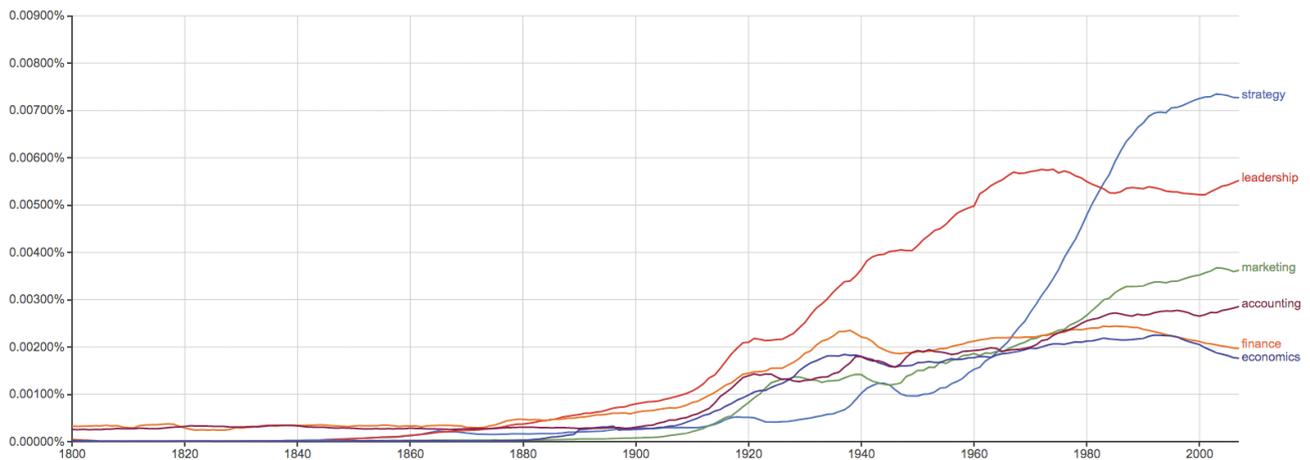


Figure 1. Strategy vs. other business school subject areas

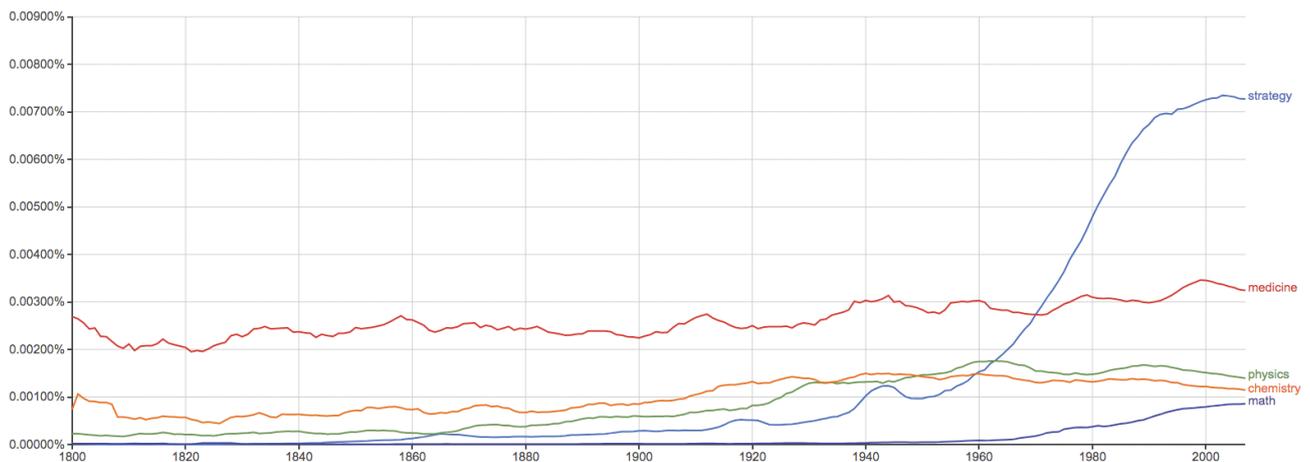


Figure 2. Strategy vs. non-business school subject areas

interpret as preliminary support for strategy being really, really important (H3).

Religion and sex are also considered to be important, although not necessarily by the same people. Nevertheless, we continue our investigation of H3 by comparing the importance of strategy with religion and sex. As it turns out (see Figure 4), strategy wins over sex; however, it is tied with religion (0.0073% of all words for both). Because our hypothesis is formulated as 'equally or more important', we consider this support for H3.

Hypothesis 4: Strategy is the most important thing there is

Thus far, we have not identified anything more important than strategy. This leads us to ask whether there is anything more

important than strategy. If such a thing exists, it seems likely that it would be related to the most basic of human needs, such as food, water, and air. Some critics will argue that strategy and air, heated to a certain temperature, are related, but we treat them separately.

Figure 5 shows the results of our final comparisons. The findings of this study here reveal that there are things more important than strategy, and this probably include the basic requirements for human existence. Our interpretation is straightforward: you cannot strategize if you are dead. While tangential to our theorizing, we are somewhat surprised that water turns out to be more important than air, especially in the short run. This might indicate that scholars in medicine and physiology have grossly exaggerated the importance of oxygen and breathing.

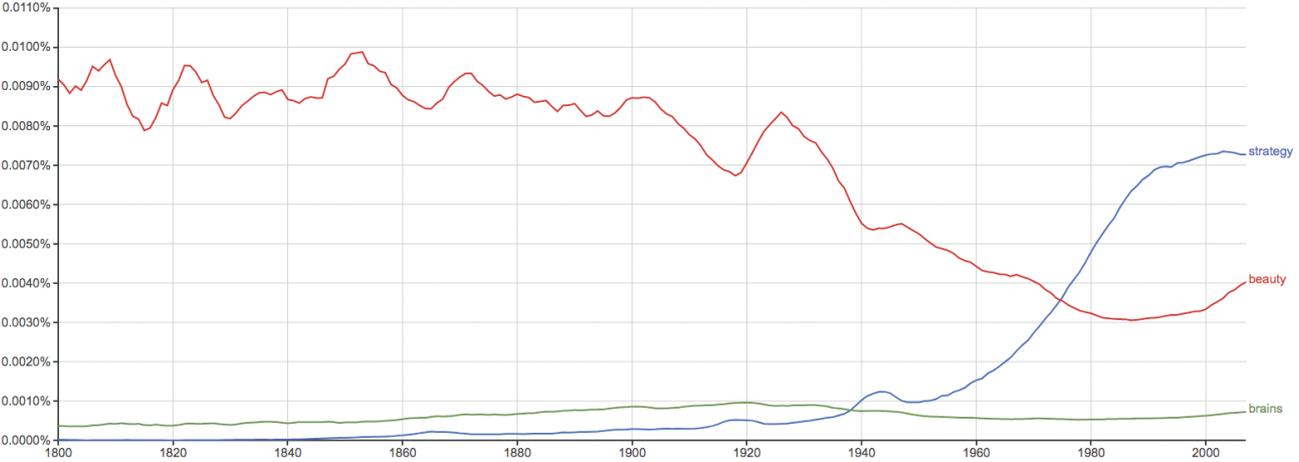


Figure 3. Strategy vs. beauty and brains

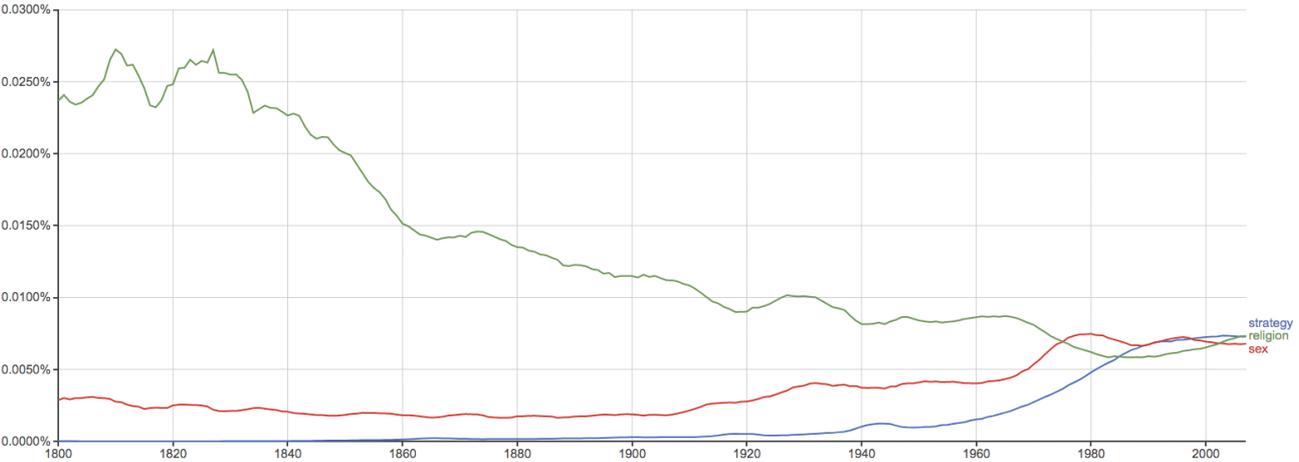


Figure 4. Strategy vs. religion and sex

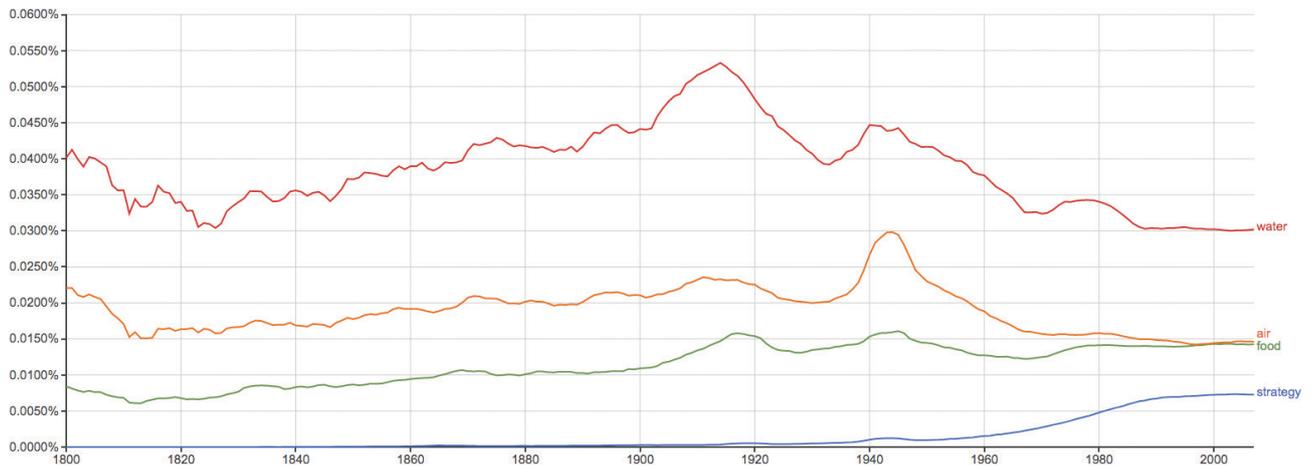


Figure 5. Strategy vs. basic needs

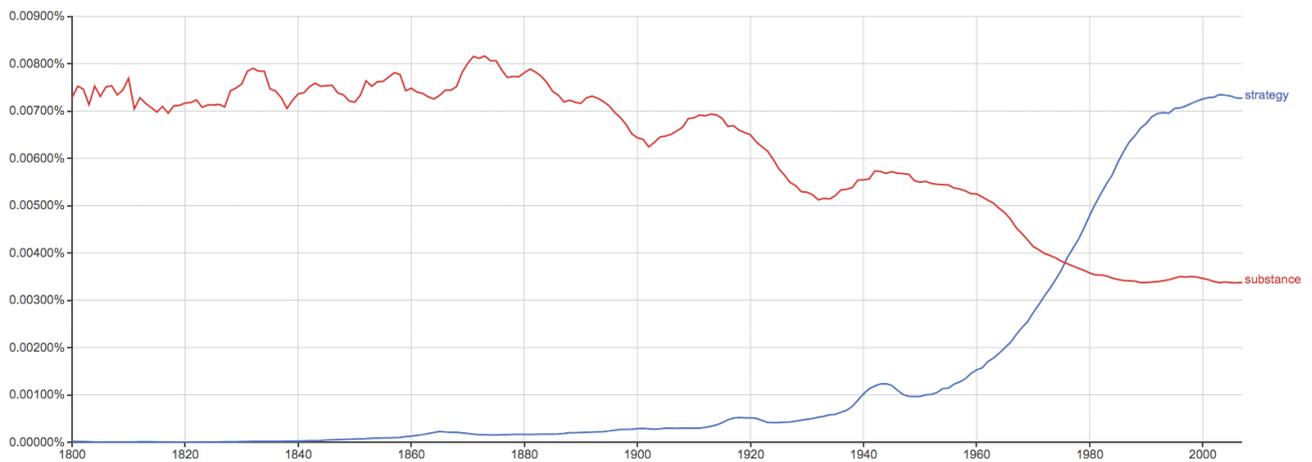


Figure 6. Strategy vs. substance

Robustness test

We suspect that the findings in this study are likely to provoke colleagues in other scholarly fields, and we must brace ourselves for attacks driven by jealousy and reluctance to face the undeniable evidence presented above. A frequent charge against strategy research is that it lacks substance, and critiques might argue that this might inflate the results of our analysis as it is a word that is easily ‘thrown around’. To fence of this kind of critique, we conduct a robustness check by comparing the importance of strategy with substance. As evident from Figure 6, strategy is also twice as important as substance, which indicates that this potential critique is without substance.

Conclusion

The purpose of this research study was to empirically test how important strategy really is. From our empirical analyses, we

conclude that strategy is really, really important; however it is not the most important thing that exists. Food, air, and water were found to be slightly more important than strategy. However, we believe that this might change over time, given that food, water, and air are all really old concepts (and their provision may be radically disrupted by three-dimensional printing), while strategy is still young and has yet to reach its full potential.

Our analysis is not without some limitations. One of the concerns is endogeneity. Because each author of this article researches, writes, and teaches about strategy, their choices and actions – indeed, their very existence – could be causing strategy to be more important than it otherwise would be.⁴ Unfortunately, we are unable to specify a full causal model or perform a randomized controlled trial for proper

⁴ Readers fortunate enough to be experts in critical theory may recognize this as a version of the performativity critique (Spicer et al., 2009).

identification. However, it is unlikely that the importance of strategy was affected by the authors' behavior before they began their professional careers, or *a fortiori*, before they were born. None of the authors began their professional career before the mid-1990s, when the importance of strategy was already clearly established based on our tests, so we do not believe that the results are contaminated by endogeneity. However, strategy did become significantly more important during the 1960s, the decade in which the two most senior authors were born; so, it is possible that forward-thinking, rational agents began writing more about strategy during that time, anticipating the later prominence of the authors of this article.

Moreover, to keep the analysis tractable we ignore newer, faddish business-school subjects, such as entrepreneurship, innovation, and ethics. We believe that these subjects are unlikely to be important elements of the business-school curriculum after their current funding model expires. However, a simple comparison of strategy and entrepreneurship using the techniques above reveals that strategy is more than 30 times as important as entrepreneurship.

Future work might compare the actual business practice rather than theories about business. For example, a researcher might find that while strategy is much more important than entrepreneurship, 'entrepreneur' is more than four times as

important as 'strategist'. We leave that exercise for a lower tier, practitioner outlet.

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