

What i didn't learn in business school by jay barney paper

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MG 69016 MG 69016 What I Didn't Learn in Business School: How Strategy Works in the Real World A Book Report By: Kaitlin Bauer What I Didn't Learn in Business School: How Strategy Works in the Real World A Book Report By: Kaitlin Bauer 08 Fall 08 Fall 1.

What lessons do you learn from Justin's experience in terms of the limits of some of the core strategy frameworks you learned in theory (examine for example, Michael Porter's Five Forces and the challenges Justice faced in applying it, value chain analysis, the Resource Based View) Some of the concepts/models that are applied to strategic problems vary in meaning depending on the setting one is in whether it be in the actual real world or in the classroom.

These concepts applied like the five forces framework or present value analysis are just "tools" and it's up to the individual to determine how it should be used. As senior director, Ken McCombs states, "You can use a hammer exactly the way it's designed to be used, but instead of building something beautiful or durable, you can build a pile of junk. It's not the tool, it's how the tool is used; it's the skills, interests, and motives of the person using the tool that determine whether the outcome of an analysis is reasonable." (Barney 53).

Basically, these "tools" have to be applied appropriately in order to identify and develop an effective final strategy/overall result. An example of this would be in regards to the concept of core competency. In business strategy courses, this term is used in so many different ways, its actual meaning gets lost. Justin has a difficult time throughout the book adapting his

understanding of business concepts to their real-world application. In a way, he looks more into situations as if he were “ cracking the case” opposed to figuring out real world situations.

This seemed to be a theme of the book that Justin uncovers as he continues on his journey with HBS. According to Justin, the more valuable, rare, and difficult to imitate the activities your involved in are, the more likely those activities would contribute to a firms core competencies as seen within the VRIO framework (81). By being able to do this shows a huge breakthrough point for Justin because towards the beginning of the book, he was struggling to determine whether core competencies allow firms to expand and navigate through new potential markets.

As the book progresses, it starts to show how Justin is now able to determine what the real definition of core competency is as well as other concepts he had learned in school. To Justin, understanding the true meanings behind concepts was a breakthrough in thinking. “ Core competence wasn't just a buzz word for Justin now. VRIO or the other concepts was no longer just a lecture he has heard but are now tools that can be used to examine real-world strategies” (81).

As many say, he is now applying the knowledge he acquired from business school and is now applying those concepts to everyday business situations. An example of this situation is closely embodied in Justin and Vivek's conversation in regards to how technologies alone are not considered core competency but it's the actions taken to exploit these technologies that make them considered a core competency. If these technologies are

considered rare and hard to imitate, they can sometimes be a source of sustained advantage (146).

As you can see through this example, Justin has learned the true meaning behind the word of core competency and how it is used within the real world. Throughout the business school, we have learned the importance of utilizing strategy frameworks, which have been drilled into our heads in order to evaluate potential business decisions. The frameworks like Michael Porters Five Forces Analysis, NPV analysis, and VRIO among many others have deemed to be extremely useful and beneficial in organizing and arranging information provided for situations that can eventually lead to a recommendation in the end.

This book is a prime example of how certain situations like we've read in the many case studies; don't really depict the true nature of the situation in the real world. Justin's situation expresses to the reader that the real world isn't easy and how case studies don't really prepare you, as they should in the end. Justin has learned that in order to evaluate new markets, putting to use these frameworks is necessary but he has also learned that there is more to it than just applying these methods. First, Porter's Five Forces analysis method is used as an "initial step" in evaluating new markets.

This method is first introduced in the book during Justin and Scott Beckett's, VP and General Manager of Oil and Gas division at HGS, meeting in which they discussed their analysis of the men's white dress shirt industry. Beckett goes as far as using the Five Forces model to describe how all kinds of threats are high (Rivalry, Buyer Power, Substitutes, Entry, and supplier

Power). Justin quickly buys into Beckett's argument and how the men's white dress shirt industry is not a viable option for Plastiwear to enter.

This is an example of Justin deterring from his original views and altering them to agree with the other party, which cannot be necessarily correct in the situation regarding Beckett's view. As senior director, Ken McCombs states, the most attractive industries according to the five forces approach would have no rivalry, no close substitutes, no threats, and no powerful buyers or suppliers. This type of industry makes us go with lower risk markets, which are considered a monopoly, and is not likely to be a viable option for a firm.

As the book progresses, Justin learns that this framework is only an "initial step" due to the limitations it offers. Despite these limitations, both managers and consultants often use it in strategy development. Justin realized that HGS wouldn't have many opportunities in any of its businesses given the highly competitive nature of the industries in which they compete. Although this is used in evaluating the competitive threats in an industry, it should be noted that it is not to be used to estimate the overall attractiveness of an industry which therefore doesn't tell you very much about strategic choice.

This put Justin in an "uncomfortable position" in regards to HGS's situation because he was still thinking there was one clear solution waiting at the end; he just had to "crack the case". Second, Net Present Value analysis (NPV) is a popular calculation to find what the expected returns on a project in question would be using information on things like past product extensions

or market entries. From that calculation, it gives an individual a feel for the riskiness of a new project which are then incorporated into casework which we have done repetitively throughout the MBA program.

However, Justin experienced the limits of the NPV framework that we have learned in theory through his meeting with Shirley Rickert, CFO at HGS. Through this meeting, he learned that NPV calculations in the real world aren't as cut and dry as they are when used in the classroom. Since these calculations are based on past activities especially in the area of innovative products like Plastiwear, it didn't really offer much guidance for future activities in these areas. Most of the time, the data is either not sufficient or overly sufficient in which you don't need the analysis.

Rickert also states that even though NPV is a powerful tool for objective strategic analysis, there is often managerial biases baked into the analysis that could either be intentionally but it is often done unintentionally. An example of this would be through Beckett's negative NPV calculations, which would therefore depict an overly risky project. Again, this framework can be used as one of the "initial steps" in the overall strategy formulation process. As Rickert states, "present value techniques-even when you are evaluating relatively straightforward investments-are just a way of keeping track of the financial implications of a strategy."

NPV is one way to keep score in the game but it's not the game. NPV is no substitute for having a strategy" (32). Third, the VRIO framework is finally used by Justin, which helps him be able to determine the viability of the Plastiwear business. The VRIO framework is used to determine whether or

not a certain strategy was likely to be a source of a sustained competitive advantage, which depends on the answer to four questions. First, Justin needs to discover ways that the Plastiwear strategy is valuable. Without value, it's noted that a strategy can't be a source of competitive advantage for the firm.

Second, HGS would need to possess unusual skills or other assets that this Plastiwear strategy must utilize. In other words, the strategy must contain "rarity" in order to have a point of difference for the firm. So "if many firms all have the ability to execute the same strategy, then that strategy will probably not be a source of advantage" (76). Hence, the need for a firm's strategy to be rare and different. Third, Justin looks into the possibility of whether or not a strategy can be imitated and if so, how long before other firms are likely to begin imitating pieces of the strategy?

Justin has "learned that firms' strategies can be difficult to imitate for several reasons. Some strategies can rely on assets that may be protected by patents, some required skills are needed that took firms years to develop, trusting relationships among a firm's managers or between firm and supplier/customer which can end up being difficult and time consuming and lastly, it is often difficult for competing firms to describe why a particular firm has an advantage. Therefore, that is why firms implement valuable, rare and costly to imitate strategies because this is what makes it possible for firms to gain more sustainable advantages" (77).

The last question Justin raises within this framework focuses on the organization and whether it has the ability to execute and protect its sources

of advantage. Justin reflects that within the classroom, he learned that certain structure and controls enabled a firm to realize the full potential of its strategies. However, by answering the first three questions enabled him to “crack the case” so this last question didn't require an answer. However, this framework led to the same conclusions that Livia had come to.

For example even if there was demand for HGS's shirt concept, there was no reason to believe that HGS embodied any special shirt-manufacturing skills. In other words, there was nothing rare in this area for HGS. Overall, Justin created his own matrix using the VRIO framework and through that he discovered the amount of information he didn't know about Plastiwear as well as the types of opportunities that might exist within the different stages of the Plastiwear value chain. Overall, these strategy frameworks finally gave Justin the clarity to organize his thoughts into a more comprehensive structure for analysis.

Especially in regards to the VRIO framework, Justin was finally able to see that the decision to implement Plastiwear was not dependent on the retail shirt market at all. He was finally able to see that the decision about Plastiwear was more about HGS's ability to exploit its competencies throughout the value chain where they could gain and sustain an advantage. One of the most important points made throughout the entire book, “If you ask the wrong question, about the wrong industry, it doesn't really matter what the answer is” (80).

Justin discovers that in order to “crack the real world business case”, you need to be asking the correct questions about the correct industry. He learns

that since real life situations are not cut and dry like traditional business case studies done within the classroom, there tends not to be case questions at the end. However, it is Justin's responsibility to figure it out. This can be tied back to Justin's first client meeting as well as interviews. Justin learned that by knowing what questions to ask is key, which will help, lead you to the answer you need.

Lastly, to touch on some of the struggles that Justin had experienced throughout the book was that of teamwork. As we have learned in the classroom, teamwork is a crucial and valuable method used within the real world, especially in business. It seemed to me that since Justin was a recent MBA graduate, he was still stuck in "school mode" in which he treated his new job as if it were a case analysis he was doing within the classroom. He quickly learned that in the real world, it is vital that a team works together to ensure that the analysis is completed in the correct way, all the way through.

As a new member of a team, working with and learning from the other members is extremely important to personal development and growth. It is also important to note that it was probably extremely difficult in this scenario because all these members of the team have never worked together before. Having the ability to understand that it really takes time to be able to learn each member's personal strategies in completing the task at hand is critical. It difficult though in certain scenarios, like this one when there is a short time p to reach a final conclusion.

Being able to really learn the traits and personal strategies of your team can be hindered due to certain set time ps. 2. Which key organizational and

human level factors can you identify as obstacles to implementing the strategy formation process the way it appears in theory? [Hint: Consider individual motives, personal interests, stakeholder interests and political behavior]. Having the ability to implement the strategy formation process the way it appears in theory is deemed to be a very rare occurrence.

The real world is filled with individual motives, personal interests, stakeholder interests as well as political behavior. In regards to individual motives and personal interests, different individuals of an organization might have different motives about the future of the companies given their role and this difference leads to different outcomes. In regards to stakeholder interests, Justin learned this through first-hand experience at HGS. Understanding and learning whom the key stakeholders are is both critical to Justin and the rest of the team hence a "team interest".

Supporting stakeholders and strategy makers is an essential component of strategy implementation. According to Livia, she realizes that in order to successfully move ahead with whatever recommendation they think is best, they will have to make sure to address the interests of the key players in the company. To do that, knowing the difference between interest and influence is critical (6). Also, by knowing who the key players are in the company gave the team "the ability to figure out who could either help implement HGS's recommendation or who could stop them from being implemented" (6).

This was huge for the team. Having a good sense of the political landscape is critical because the "goal here is to use both the overall analysis and change management skills to transform those parties that are likely to resist

recommendations into becoming supporters”(6). Some of these factors can intertwine in a way in which political behavior and personal interests have the possibility in clashing. An example of this is seen in Justin’s meeting with Shirley in which she describes how some of the strategy frameworks used can be manipulated to enhance someone’s already existing point of view.

In organizations, personal benefits might come ahead of organizational benefits depending on the situation. In looking at both ends of the spectrum, optimists might be seeing a strategy as an extension of their current businesses whereas pessimists might not since their view is based on the department’s benefits and not the organization’s. An example is discussed during Justin and Shirley’s meeting on defining the importance of NPV in the real world.

She stated that the most optimistic calculations view for NPV were done by the scientists involved with the invention of Plastiwear in comparison to the most pessimistic calculations view for NPV which were determined by the department heads who would be losing funding if the project went through. An example of this view is discovered during the meeting between Justin and Scott Beckett. As you can see, really “ cracking the case” and coming to a conclusion is a bit more difficult then what we have learned in the classroom.

Real life scenarios have an infinite number of figures that can be found, and therefore, the personal interests of the people doing the research influences what numbers are used within the calculations. Lastly, both the optimistic and pessimistic views seemed to put into question an individual’s motivation in regards to decision making. This was just distasteful to Justin which made

him both confused and a little naive that the motivation of personal interests could overpower organizational interests in the decision making process. Later on when Justin meets with

Jerry Tucker, scientist credited for the invention of Plastiwear, he discusses how pleased he is that Plastiwear could be a huge success. However, he points out that “ problems with modern companies is that we really aren't managed for owners but we're managed to make the lives of the managers comfortable” (102). I found this point pretty interesting because this would mean the managers are in a way contradicting the importance of why knowing who the key stockholders are and why that is such a critical factor to know within your team if in the end. the managers are looking out for their self-interest and self-motives.

Also, I think it is important to note in regards to the end all goal in regards to both organizational and human level factors, Jerry states that “ truly innovative leaders must take the gamble of whether or not their product is a success or failure and if you aren't willing to be risk loving, you can never know true excellence” (102). 3. How would you have navigated some of the minefields that Justin and his team faced? I thought this was very beneficial to read because as soon to be MBA graduates, we too will be navigating through similar minefields that Justin faced personally as well as the minefields his team faced.

I can closely relate to Justin's drive and commitment to succeed throughout the course of this book because I to want to apply everything that I have learned in the classroom and make it happen out in the real world. However,

it very interesting to read that the frameworks we have learned don't lead you to the final conclusion which is what we learned while in school. They are more of "stepping stones" in the process. I can especially relate to Justin's experience in trying to understand the difference between what is learned in the classroom and what is learned out in the real world.

Going into the workforce with an open mind I believe will help the transition phase go smoother than Justin's. He was focused on "cracking the case" and when he couldn't, he got frustrated. It is also important to be able to separate passion without the need of emotion. Someone once told me that this concept is like a double edge sword. You must be able to show the passion for your work without letting emotion come into play. Justin was viewed as a "total rookie" because since he put a lot of effort and work into the presentation, Ken and Livia did not let him present his findings because it was evident of his emotional attachment (193).

A more specific example of this concept would be when Justin showed his passion in trying to "crack the case" to figure out a solution but he let his emotion come into play when he allowed himself to get frustrated. Another example that new graduates can relate to is when you are going for a job interview for your dream job. During the interview, you want to show your passion and why you want this job by giving off confidence and desire for that role. However, even if you want this job so bad, you let your emotion get involved hence you get emotional during the interview.

This doesn't project the professionalism you need to have within the business environment. By knowing the difference between the two and being

able to keep those two factors separate is a key takeaway before going out into the real world. 4. What key lessons do you learn about strategy from the novel? How “ neat” is the process in real life? In *What I Didn't Learn in Business School: How Strategy Works in the Real World*, it clearly explains that strategy is not neat in the real world, it actually is more complex.

As an MBA student, we complete numerous amounts of case studies on a daily basis and are usually supplied with questions to consider toward the end of each case. Its not that simple in the real world although many wish it were. In order to develop the questions that need to be analyzed further in order to “ crack the case” or to even develop some solution that could be a possibly good strategy, an extreme amount of work and analysis goes into determining and creating this.

From those questions, as MBA students we usually then determine what the recommendation is and how we are going to implement that into the existing business environment. In the real world, its more complicated in that it goes beyond answering the questions, which will lead to making a final recommendation, which then leads to how you are going to do it. In the real world, you need to embrace a complete strategy, not just a small segment focus. I also learned that strategy is about the large scope of things.

It not just about evaluating one or two potential decisions and deciding which one is best in regards to the situation. Strategy formulation needs to consider all interests of both the players and the firm's core competencies in order to be successful. When Justin realized that “ he wasn't just trying to crack the case but how he was actually helping to shape the future of a

corporation-and all those who depended, or who might depend”(150) is a prime example of how during strategy formulation, interests of both the players and the firms core ompetencies were considered and recognized by members of the team which would in the end deem them to be successful. 5. Should organizations engage in the sort of formal strategy formation processes we study in Business School? With a complete and focused formal strategy formation processes, organizations won't be successful. They will be deemed not successful because they lack the vision and direction needed in order for future growth.

Real world strategy implementation might not be as simple as what we do in business school, but the concept is basically the same. In the classroom, the curriculum is designed in a way that with the frameworks learned can also be applied out in the real world. As discussed in one of the previous questions, being able to understand the difference between what is learned in the classroom to what is learned out in the real world is critical because when in the real world, things are not as cut and dry like they are in a traditional case study analysis.

To answer the overall question whether an organization should engage in this process, I think it is extremely beneficial for businesses to have because not only does it provide a clear vision and direction but it also helps to create a clear understanding of the core competencies a company has. Even though the process that us MBA students have studied in school doesn't directly apply to that of the operating business environment in the real world, I think

of it as a good “ stepping stone” that is helping prepare the young incoming workforce prior to them even entering into the real world.

By giving business students years of practice in this semi formation process will help them when they eventually enter into the real world. It will minimize the amount of overall shock and even possibly some change as well. Overall, it provides a framework and outline for things to consider in strategy building. Work Cited Barney, Jay B. , and Trish Gorman. Clifford. What I Didn't Learn in Business School: How Strategy Works in the Real World. Boston: HarvardBusiness Review, 2010. Print.