Perspective from Practice

Principles of Strategy: A Practice-Based View

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Editors' note: The SMR was pleased to conduct a set of launch conferences before its first published issue in 2020. One launch conference occurred at Columbia Business School in the summer of 2019 at which James Gorman, Chairman and CEO of Morgan Stanley served as the keynote speaker. An edited excerpt of part of his address appears below, in which he describes essential elements of his conception of strategy, or his principles of strategy. Kathryn Rudie Harrigan, Henry R. Kravis Professor of Business Leadership at Columbia Business School, and an organizer of this conference, provides reflections on the ways that this practice-based view of strategy reinforces academic perspectives on strategy and ways that it is unique. She concludes with observations on its implications for the field and future scholarship.

Address by James P. Gorman:

I thought I would touch on Morgan Stanley's history a little bit because you're a function of where you come from. Strategy is reflective of your genes and your DNA. There's a difference between being aspirational about what you'd like to be and what you'd like to be and what you actually are. I'll talk a little bit about that and then I have four or five, for want of a better word, principles of strategy. So in our history, we were founded in 1935 and we were founded because of Glass-Steagall when the country went into the Great Depression. It was believed at that point in time that banks that underwrite securities should not be the same ones who are taking deposits on lending, so the separation of lending from underwriting. I can't judge whether that was a good call or a bad call. A lot of these decisions get made by politicians because of what feels good rather than what necessarily is good, and if it felt good and that was necessary to restore some confidence then it is good. You can't be too pure about it.

In our first year we had 21 per cent of all underwriting in the country, in the first year of operation. Now, we had been born out of J.P. Morgan, so it's not entirely surprising, we basically took the underwriting business and set up an investment bank and from that period through to 1997 is what I call phase one of our firm. In that period, we sort of evolved the way the markets evolved. So we would underwrite deals, and we would be the sole underwriter. We didn't believe in syndicates; we were Morgan Stanley. We had a syndicate of one. Until suddenly some feisty competitors figured out how to break into that, particularly Salomon Brothers, so we had to take a broader view of what our role in life was. Secondly, if you're going to underwrite securities then you probably needed to have all clients' trade securities, and if you need to have trade securities you probably need an equity trading business, so equity trading was born.

If you're going to trade equities at any point in time if somebody wants to buy or sell or short or hedge a rate or a currency or a bond then the fact you can't just say, well, we don't do that, we just do equities, that wasn't really satisfactory for corporate treasurers or asset managers or pension funds and the like. So we started building a fixed income trading business to facilitate trading for clients. Then through all of this at the same time, if you're helping companies raise debt or equity, you're probably in the room telling them what they should be doing with that debt or equity which means you're giving strategic advice and if you're giving strategic advice, not just around their corporate financing but about the future direction of the company, you probably start talking to them about how to merge or acquire businesses or sell or shrink businesses. So that leads you naturally into corporate advice, M&A activities. Again, Morgan Stanley being the kind of institution it was, and it's pretty core to our DNA, did not believe in things like hostile takeovers until all of a sudden if you didn't do hostile takeovers you didn't have a market. So we got religion and decided that was okay, eventually.

So from 1935 to 1997 underwriter, becomes an equity trader, becomes a fixed-income trader, provides mergers' advice, and for a few of our clients who have a lot of money, they said, gee, what do we do with this money? We said, well, maybe we should help you manage it. So we set up a little boutique financial advisory business for very rich people. They said, what should that money be put into? We said, oh, why don't we create some product you could put it into. So we started building real estate and a gentleman called Barton Biggs built our asset management business so we could provide product to people who needed to own it to meet their financial goals. So that was, actually, a very rational, logical, evolution of an institution as a private partnership through 1986, realizing if you're going to be in these trading businesses you need a balance sheet; to have a balance sheet, you needed capital; to have capital, the punters didn't have enough, you needed outside capital. So you become public company in '86. That was Morgan Stanley and it worked very well. We were always number one, two or three at any point in time. We're always in the bulge bracket, whatever it was called at the point in time. We're always the top recruiting destination for people coming out of institutions like this and things worked along swimmingly.

However, through the '70s and '80s, it was apparent that wealth accumulation in this country was much more distributed than it has been historically. So in the immortal words of *The Millionaire Next Door*, suddenly we realized that all over this country, somebody who had a sheet metal business or a travel agency or bought and owned a few hotels, they had a lot of money, you just didn't know about them. They didn't wear suits, they didn't live in New York City, but they had a lot of money. So if you can manage that money for them, that was a nice business to be in. Merrill Lynch figured that out and Merrill Lynch, Pierce, Fenner & Smith was created under Charlie Merrill to, basically, manage America's millionaires' money and the Northern Trusts Investments were managing the really rich people with Morgan Stanley, but there weren't that many of the rich people and they would tend to be like walking institutions. They'd have you manage the money but for very low fees.

So this was a huge new pool. Well, what did Merrill Lynch do? Strategically, they said, if we're managing money, we're managing things like people who want IPO shares. Why wouldn't we be able to pitch for the IPO on the basis that we can place all of those stock in our clients' hands? Wow. Suddenly, you had creation of product, manufacturing product, institutional securities married to retail securities. So what does Merrill Lynch do? They went and bought White Weld, they went and bought Smith New Court, a great equities business in London, they went and bought A. G. Becker, a top M&A business. They basically said, we're going to be Morgan Stanley but we're going to be better because we have this huge retail thing. So Morgan Stanley management woke up one morning in 1997 and said, crap! Merrill Lynch is now lead underwriter in everything. If you get the *Wall Street Journal* and go back to the tables in the mid-90s, literally, everything, the whole thing, they owned it all. We were becoming a dinosaur.

We had to adapt. Boy, we'd have to stoop down into retail America and they did, and they merged with Dean Witter. Dean Witter which had previously been part of Sears department stores known, rather disparagingly, as stocks and socks. They had little booths at the back of the Sears stores. They created a credit card business which is now a $30 billion business called Discover Financial Services. So they weren't entirely stupid and Morgan Stanley merged with them in 1997, that was chapter number one. Chapter number two was that the industrial logic behind the merger was fabulous, the cultural dissidence, it was a disaster. You took the bluest blood, white shoe, New York people, merged them with this huge retail institution that was selling credit cards and had all this asset management product that was only their product so a completely closed system, and lots of management turmoil. We'll probably talk about some of that.

So that was chapter number two. It was, basically, a failed merger. A brilliant, strategic, industrial logic with a massive failure on culture and it set our firm back a decade. It resulted in a literal coup, where it's so-called grumpy eight who are eight of the good and the great who'd run Morgan Stanley for decades came with an M&A banker to disrupt and have the CEO thrown out, and they succeeded. The good news was they were restoring the culture, the bad news was now we move into phase three which begins with the new management coming in 2005, as everybody said, wow, while we've been screwing around with stocks and socks, Goldman has been screwing around with multi-billion-dollar proprietary trades. They're making lots of money and have much bigger houses on the water in the Hamptons than we do. We want to do that; that's much more fun. And we did, in 2006. 2005, 2006, 2007 and 2008 became very aggressive, we dialed up our risk enormously and you know what happened next, that a little thing called a financial crisis came along.

So in a sort of cultural revulsion, caused us to go down a strategy which was not actually our strategy, right in the teeth of the most fierce financial crisis since the one that gave birth to the original Morgan Stanley. So the one that gave birth to Morgan Stanley in 1935, all but destroyed it in 2008. In fact, our market cap fell to $6.7, ended the day on a billion shares outstanding, so it's $6.7 billion dollars in value and, indeed, in 2006 it was valued at about $85 billion. So the thing spoke for itself; it was a disaster. So phase three was reasserting ourselves aggressively. The good news was this time we got the culture bit right, but we didn't get the strategy bit right, we had it arse about. Last time we got the strategy right, the culture wrong. This time, the culture right, the strategy wrong. That was a problem. Nearly went out of business. Now we enter phase four. Now what do you do? You've got a market cap of… It bounced back after the end of day to about $10 billion.

We were extremely fragile, every time there was a sneeze we got very ill. We had massive strategic problems, cultural problems, alumni problems because everybody running the stock was now a tenth as wealthy on the stock as they thought their 30 years had created. So you can imagine, this was not a happy environment. At which point I became CEO. So we did a few things which was phase four and we'll talk more about this in the questions, but it was essentially around how do you first repair the damage. Forget big strategy, forget culture, forget leadership, forget all the stuff you're trained to think about and just focus on that which matters right now. That which matters right now, we might go out of business if we don't deal with certain things like Department of Justice. So I negotiated with Eric Holder when he was attorney general. He wanted a $15 billion settlement from us. I pointed out to them that that was enormous money relative to our capital base. Our capital base was $40 billion at that point. One of the deputy attorney generals in D.C. said, we don't understand what you're talking about, why it's such a big number, you've had $800 billion. No, I said, that's balance sheet, that's not capital. Then there was a little bit of a difference here. We ended up settling it for $2.7…

So deal with the problems, start thinking, what is a viable strategy in the new world having become a bank company, which the government did to us and Goldman Sachs. We took a major investor in Mitsubishi Bank that now owns 24 per cent of us and we did the largest acquisition in the history of wealth management and I think the largest, probably in the last 15 years, anywhere in the world, which was to buy Smith Barney. That set us up for a period where we could be successful.

Would we be successful was a function of how well that acquisition went, whether we could keep our investment bankers still joyfully employed, whether the stock would recover, whether Moody's would downgrade us to sub-investment grade or not, whether the regulators would squeeze us so hard that we'd have perennially, permanently impaired returns. There were many things around, would you be successful? But we at least could see that we could be successful and then it gets back to now execution and driving the organization. That's where we'd been through the four phases and now, we're in a phase where I'd say we're confidently and not arrogantly, hopefully saying that we have become successful. Now what? And that's a very interesting and different lens to look through a position of strength. So that's the short history of Morgan Stanley.

In terms of strategy, there are four or five things that I would share with you and this is not the way to think about strategy in text book strategic thinking, it's just core beliefs I have. Number one: it's very easy to see what somebody else is doing and being successful in that and say, I want that. And it's very hard to be honest to yourself and say, yes, but you're not actually good at it. You have no expertise. It's like a glittering prize but it's not yours for the taking. I used to have a director on our board, a British guy, who was a real Asia lover and he travelled Asia all the time and loved the emerging markets and he loved Standard Chartered. He said, Standard Chartered is in the fastest growing markets in the world, it's one of the fastest banks in the world, the CEO was head of the Davos Committee for years, they're riding high, they're on the front page of all the newspapers. He said, why aren't we bigger in those markets? I said because Standard Chartered has been there for 30-40 years, they have local management, they have local credit experience, they've local licenses, their members have local exchanges, they have local boards. They know this stuff.

All we have is money and ambition. We are unlikely to do better at it than them and separately, strategically, I don't happen to like the business model. I don't know how much you know about banking but Standard Chartered, basically, leant money in emerging markets to largely mid-tier corporates and that is a highly correlated… The chance of emerging markets in North Africa going down at the same time as South Asia going down as Central America going down are reasonably highly correlated. So there's a decent chance everything goes bad at the same time and they didn't have a big deposit institution. So I didn't like them strategically, but it was more of what I call strategy through envy. The mere fact somebody else is good at something doesn't mean you can be. You can observe it, you can try and learn from it, but imitate it at your peril.

The second thing I would say is every organization has a measure of catastrophic risk, things that could derail you through ambition or lack of attention. For a bank, obviously, catastrophic risk is liquidity. Maybe you've all seen Jimmy Stewart's *It's a Wonderful Life*. The people go to the teller and say, I want my money back, and he's trying to explain, no, Mrs. Jones, your money is actually in Mr. Roger's home, that's his mortgage and… No, but I want my money back. No, but your money is not physically here, we only keep like three, five per cent of your money here. But it's my money, give it back. And suddenly everybody hears they haven't got the money, they're all lining up and all of a sudden you have a run on the bank, and they run out of money, and that's called a liquidity crisis. Exactly the same thing for institutions like us. So identify your catastrophic risk and try and eliminate it. We did that by selling 24 per cent to the largest depository institution, I think in the world, they've 70 per cent more deposits than any US institution so they're unlikely to have a liquidity problem, which is MUFG Bank. If they do it's because Japan fell into the Pacific Ocean, so it's as good as you can get, apart from government backing.

The third thing about strategy is recognize that you'll make strategic errors and recognize that things will, particularly in businesses like ours that are very volatile, things will hurt. But size the pain - it's a little tied to catastrophic risk - size the pain at a level that you can absorb it.

So here's how I think about my pain threshold: We have $70 billion of capital. I look for things that could cause us half of one per cent of capital. So that's $350 million. We're going to lose $50 million on stuff, we're complicated, we're big, we trade all over the world. That's okay; we can absorb that. We make about $180 million in revenue every day so we can absorb $50 million hits every now and then. $350 million hits, that's on my watch. So I regard my job as trying to find ways in which we can lose $350 million and getting rid of them. Either stocking the business, hedging the exposure, buying some insurance around it, selling some of it off, doing something to eliminate that possibility.

Now, it doesn't mean we're always going to be right, but it means we're certainly not going to have a $10 billion loss, which is what we had on one trade in the financial crisis. We had $32 billion of capital; we wrote off $10 billion on one trade. Eleven people sitting together around computers put on a trade that cost us one third of our capital we'd built in 85 years. So I said, that will never happen again. Now, maybe we will lose $350 million, maybe $500 million at some point. It would be hard, frankly, given the way we're structured, but we will not lose billions of dollars.

Maybe the last thing I'd just say about strategy is Barclays Bank put in a new CEO in about probably 2012 or 2014. A very good guy who I got to know, Antony Jenkins, and the chairman they put in was somebody who'd been chairman of our international business, Sir David Walker. He's sort of a grand old man of London, Bank of England and all this stuff. Perfect combination. Retail banker, grand old man, former chairman of Morgan Stanley.

They came out and all they did in the first six months was talk about culture, because Barclays was widely perceived to have a corrosive culture at that point after the Bob Diamond period. They might have been right about the culture, but if you talk about culture before you have a viable strategy, nobody's listening. Despite the intellectual engagement, the emotional engagement is, but am I going to have a job? That's what people are actually thinking about. Even the smartest people in the world. They're not interested in hearing about how we're going to give back to our communities and all the various ways which Morgan Stanley has… We do the right thing, we treat people with respect, we want a diverse organization. All the things that are part of building a culture. That's great, if I have a job. If I don't have a job, it's just your company over there talking to yourselves. So, to me, strategy has to come first. You have to put in place the bones of a strategy that people can understand and follow, hopefully, you're successful at it and as you get more and more successful, you reaffirm the core cultural values that underline that strategy and keep it on its path. The third piece is you put in place the leadership to ensure that as the world changes around you and your strategy has to evolve, they have the capability to evolve the strategy by embracing the core cultural values. So think of it as strategy, culture, leadership. Strategy, culture, leadership. Most people think about leadership, culture, strategy, and it's all about who's the best CEO candidate. You have the best CEO candidate for a company that doesn't have a viable strategy, they will fail. So that's the sequence that I would share with you.

Commentary by Kathryn Rudie Harrigan:

Mr. Gorman shares with us the hard-won rules of his “practice” based view of strategy. Gorman’s rule #1 concerning strategic choice *(strategy as envy)* is not taught in business school, but it should be. His core assessment that copying another firm’s strategy can be a mistake reflects an academic problem with overgeneralization when discussing firms’ strategy options. (After all, the “Five-Forces” model predicts only an opportunity’s average profitability potential. It says nothing about an opportunity’s strategic fit within a firm’s context or culture.) Gorman Rules #2 and #3 (an organization’s tolerance for risk and its turnaround priorities) reflect a relative de-emphasis of the importance of strategy within business school curricula—as the subject matter no longer represents the integrative viewpoint that once reconciled the diverse constraints introduced by other subject areas. Notably strategy has been decoupled from its financial context (Rule #2) as well as its sensitivity to customer differences within different potential markets that firms might enter (Rule #3).

Strategy as Envy. The dynamics of profit-making opportunities that Mr. Gorman describes are rarely covered within typical business school strategy curricula. Case studies may prepare students for diversification into relatively small and incremental growth opportunities, but they are rarely adequately prepared for the type of sea change described in Mr. Gorman’s explanation of how quicksand almost destroyed a time-honored firm that was the arbiter of valuation when raising capital in the 1980s.

Morgan Stanley lost its financial assets, its social capital, banking reputation and 80 percent of its market value by diversifying into activities that were at odds with its moral compass and tolerance for risk-taking. Entry into Morgan Stanley’s core market by unruly competitors should have signaled to them that new types of customers now existed in numbers large enough that they might become attractive opportunities to serve.

What is a firm like Morgan Stanley to do when it seems to be a dinosaur? The profitability potential of the "suitless market" that Mr. Gorman described certainly appeared to be higher than that of its core customers since the potential customers tolerated higher fees. Perhaps there was an opportunity for some firm. But was a game-theory inspired, "tit-for-tat" type of diversification really justified for Morgan Stanley? Was that the appropriate response that is contained within strategy textbooks? (Actually, it is plausible that strategy courses may have suggested that a firm "enter a competitor's back yard to harass them" as a competitive strategy maneuver. Guerilla strategy tactics were taught within some strategy courses.) Rule #1 reminds us that strategy should be unique and appropriate to each firm, so copying competitors seems wrong—regardless of how attractive the opportunity appeared to be.

Rarely do strategy textbooks recommend that leading firms should welcome interlopers by shrinking their market shares when they are at the top of the Schumpeterian Wheel. (Making an appropriate competitive response would be suggested by textbooks instead and that response would be aggressive.) Therefore, the temptation for a herd of lemmings to dive off a cliff is easy to understand if those lemmings were MBAs. Strategy textbooks value growth. They do not offer adequate cautions concerning how far managers should reach when striving for the multi-dimensional dominance by which their competitors are judged.

Catastrophic Risk. Although Morgan Stanley simply followed the pack of unruly (but seemingly successful) competitors who had broached the moat separating it from other types of financial-service firms, Morgan Stanley's managers failed to consider that the underlying business models of the firms that it envied were inappropriate for their firm's way of doing business—as well as for its culture. Such "fit" considerations were not raised by strategy text books since the teaching of strategy is often uncoupled from financial topics like risk.
Morgan Stanley had the bluest of blood and whitest of shoes among the conservative investment bankers of the 1980s, but in order to grow into the new opportunities that the partnership identified, it became a publicly-traded firm. Having investors instead of partners meant accepting new performance criteria and compensation practices that would later exacerbate the nature of Morgan Stanley's risks. (This is an aspect of competition that strategy textbooks also give short shrift). In the short-term (until 1997), its growth path via diversification was incremental and

organic as Morgan Stanley responded to demand shifts within a customer group that it knew well. Morgan Stanley had diversified cautiously into opportunities that it understood—embracing risks that it could tolerate—until its leadership traded risk for the sake of growth in a way that proved to be catastrophic because they ignored Gorman Rule #1.

The coup that ended the firm's "Dean Witter era" caused Morgan Stanley's leaders to aggressively increase leverage, increase the riskiness of products offered, enter the sub-prime mortgage business and make expensive acquisitions. Its managers were so delighted to return to their former self-image that nobody questioned the risks that were inherent in the strategy that restored Morgan Stanley to the top of the competitive heap. Ultimately their capital was damaged by the subprime mortgage crisis and its process-driven trading unit was caught in the collapse of a short-squeeze bubble that destroyed $300 million in one day. Morgan Stanley became the largest creditor helped by the Troubled Asset Relief Program (TARP) during the 2008 financial meltdown. Subsequently Morgan Stanley lost its managerial autonomy by becoming a traditional bank holding company that is regulated by the Federal Reserve System. Traditional strategy courses do not prepare MBA candidates for such a reversal of fortune.

Strategy First, Then Culture, Then Leadership. Business school students are generally shielded from the downside of firms' strategic decisions. They may learn in the denouement following a case discussion that firms' cultures clashed when a disastrous acquisition was consummated. But time is not devoted to the process of turning around a bad decision and righting a craft that is taking on water.

Traditional strategy textbooks have no sense of urgency because they do not address the crucial topics of turnarounds, downsizing and business failure. The penalty for taking catastrophic risks is unexpected and no clues are offered regarding how to proceed in the face of disastrous outcomes. In a turnaround context, the immediate challenge was to "stop the bleeding," followed quickly by the imperative to "fix problems that threaten a firm's survival." That is the challenge that Mr. Gorman addressed. ("Forget big strategy. Forget culture. Forget leadership. Forget everything you're trained to think about and just focus on that which matters *right now*.")

Morale was at its nadir at Morgan Stanley and fast action was required of the organization. Its strategy had to be clear and simple enough to bring the firm back from the precipice while retaining the despondent managers needed for its implementation. Mr. Gorman emphasizes the importance of having a viable strategy. "Viable" means a realistic plan that providers of capital will fund and employees will follow. Gorman Rule #2 defined how much risk is acceptable (so decision-making can be delegated). Gorman's Rule #3 says the organization must get moving first again (via a viable strategy); cultural adjustment will follow. He humbly implies that viable strategy is more important than having the best possible CEO candidate at the helm.

A viable strategy is a risk averse one that is idiosyncratic to a firm's history of successes. It presumes that a firm will be comfortable in serving its best customers and will avoid customers that are too risky to serve. It assumes that investors will trust management to make prudent decisions while eliminating catastrophic risk-taking activity. Thus Rule #3 returns strategy to its primacy as the integrative role within firms.

Implications for Strategy Textbooks and Research. Many important topics are lacking (or have not been given teeth) when discussing strategy in textbooks and business school curricula because of overgeneralization. A typical starting point may be to use a Venn diagram to review the intersection of what a firm is good at, what a firm likes to do, and what it can earn profits by undertaking, but the detail underlying these important criteria is thin and must be general in nature (by necessity).

Case studies are frequently used to illustrate the granular considerations of whether a firm is well-matched to serving an opportunity. Unfortunately, even the best strategy cases are static. While a firm determines whether it has advantage in serving a particular group of customers, the rest of its context will be changing with increasing velocity so its product-market choices are never in equilibrium with everything else that must be considered. Strategy textbooks should better prepare managers for inevitable changes in opportunities by illuminating what remains constant in forging a viable strategy versus what is in flux.

Strategy should be more aligned with the study of market segments. Mr. Gorman suggests that the customers that Morgan Stanley served most effectively were compatible with the firm's DNA. Its aspirational strategies were often unsuitable for its heritage and its culture deviated to satisfy managers' avaricious expectations. Strategy textbooks should reconcile the selection of customers (and acceptance of their implicit success requirements) with performance expectations (and the penalties for not attaining them). Firms cannot attain optimality on all criteria and textbooks should stop suggesting that they can do so. Some customers cost more to serve than others; acceptable risk must be a constraint in finding a viable strategy.

Strategy textbooks should address appropriate responses to the loss of advantage from traditional sources, *e.g*., advantage from knowing customers within local or regional locations that may be wiped out by e-commerce. Updated strategy curricula should put a special emphasis on how to use the homophily between customer traits and those of their vendors to reinforce company culture instead of constraining it from making appropriate strategic changes.

Strategy should be more aligned with the study of operations. Since product origination and fulfillment can be achieved in such a wide variety of ways, strategy textbooks should reduce trepidation about working with partners in virtual arrangements and within supply chains to improve a firm's operating success within ecosystems. Indeed, decisions to fund internal innovation activity may become examples of outliers when firms are faced with a ready array of contract research and contract manufacturing firms who stand ready to ease a client's strategic flexibility. Strategy textbooks should discuss the trade-offs of using these various business arrangements as a means of implementing firms' strategy.

Strategy should be more aligned with relevant financial topics. Strategy textbooks should emphasize how viable a firm's proposed strategy will look to providers of capital. Risk should be discussed more overtly. Textbooks should address the consequences of pursuing a strategy that is not viable (and the trade-offs implicit in funding risky trajectories). Strategy textbooks should explore the implications of managing for cash versus market share or other longer-term performance criteria. Discussions of competitive strategy should factor in the effects of diverse vendors' financial objectives when firms vie for customer patronage; textbooks should suggest how tactics vary when different financial objectives are foremost in competitors' strategies.

Strategy should study business failures as well as successes. Competitor comparisons are especially desirable to illustrate how seemingly equal firms with diverse histories and endowments fare unequally within similar product-market matches. Strategy textbooks should probe why firms' results were unequal by becoming more granular in their exposition of what works within a particular competitive context in order to isolate the effects of exogenous and endogenous forces on successes and failures.

Finally, strategy should be presented in a way that will enable it to resume its role as the linchpin for firms' activities. In academia, diverse subject matter vies for attention; students are easily distracted by their short-term employment concerns and require reinforcement of strategy's primacy. Keeping strategy central within a business school curriculum frequently requires pressures from its external constituents. That is why strategy researchers must always maintain their respective lifelines to business managers by analyzing and writing about the business challenges that their firms face. Managerial expertise is the scarcest resource within many firms—not because personnel have not received training to perform their immediate jobs, but rather because they do not understand how fragile a firm's strategy can be if it is inappropriate. Students must be trained to parse viable strategies from aspirational ones that are simply wrong for the firms under study.