Foreword

by Joseph L. Bower

In his diaries of the Second World War, General Sir Alan Brooke, the chief of the Imperial General Staff, reported his frustration with Winston Churchill's impetuosity. When Brooke urged Churchill to consider contingencies in advance, the prime minister would shake his fist in Brooke's face and say, "I do not want any of your long-term policies, they only cripple initiative."

For many observers of business today, this contrast between the systematic planner and the "true leader" exemplifies what is wrong with corporate strategy as a concept. Some have even argued for a theory of "emergent strategy," which might be interpreted as a kind of antiplanning. Noting how little time chief executives seem to spend on long-term planning and noting the success of companies that learn from experience, these authors assert that it is learning rather than "intended strategy" that accounts for the fine results.

In the same vein, the tenor of most discussions of Japanese management is anti-long-term planning. To highlight the clearly important roles of organization and culture in Japanese companies, the economic aspects of strategy and ex ante intent are relegated to secondary roles. In such books a Churchillian spirit and the innovativeness of a committed team are celebrated as the foundation of corporate excellence. Often portfolio theories of resource allocation are caricatured as a passing fad.

Treatments of corporate strategy that deal with systematic formulation and articulation of company purpose have been found wanting by many close observers of management. The phrasing of the prescription, calling for a close fit between company resources and the opportunities presented by a changing competitive environment, does not seem to correspond to the awkward incremental process by which

strategy is actually developed. In a sense, the studies of strategy formulation and resource allocation have undermined the various normative theories of the process. The emphasis on organizational process and human psychology in descriptive studies seems to have diminished the role that analysis can or ought to play.

Hiroyuki Itami's book goes a long way to solving these problems. Written for Japanese managers, the book is a happy addition to the literature of management in the United States. By introducing a rich concept of "invisible assets," he provides an intuitively appealing way to recognize the vital contribution of accumulated experience and information to a corporation's strategic resources. Itami shows especially how commitment to a core concept of strategic purpose is reflected in invisible assets. His framework clarifies how corporate strategy, far from being a passive construct, is a necessity for a company that wishes to take advantage of technological change rather than be overtaken by it.

Itami's second important contribution is his emphasis on a dynamic fit between resources and the environment. He highlights the way in which the goals a leader sets forth for an organization should actually be *destabilizing*. If the goals are properly ambitious, the requirement that they be attainable forces the affected parts of the organization to grow and develop.

In this sense Itami has achieved something quite remarkable. With only a few additions to the vocabulary of conventional business economics, he has explained what it means to apply Robert Browning's famous adage of ambition—"a man's reach should exceed his grasp"—to corporations. The corporation that ignores this rule will die for lack of stimulus to achievement. In examining this somewhat romantic aim, Itami also explains many of the achievements of Japanese companies in the postwar period. This is especially important because so many treatments of Japan's national success focus on the triumph of the government's industrial and macroeconomic policies to the exclusion of the companies' strategies.

By treating the human assets of a business at length in strategic terms, Itami is able to emphasize the criticalness for corporate success of the operations and management work force. In an era when *Business Week* features "The End of Corporate Loyalty" as a cover story on the

restructuring of American companies, Itami provides a framework that can help researchers and policy makers both in and out of business consider the necessity of investing in invisible assets—the knowledge, skills, and experience of committed people.