*Strategic Management*, 9e: Chapter 11 study guide

Survival-based strategy

**Definition:** Survival-based theories of strategy regard the survival of the fittest in the competitive marketplace as being the prime determinant of strategy.

The nature of survival-based strategies

Essentially, the survival-based process begins with the concept of *natural selection* first introduced in the nineteenth century by Charles Darwin to explain the development and survival of living creatures. He argued that survival was a constant battle against the environment. The species most likely to survive were those best suited and adapted to their surroundings. On this basis, adaptation to the environment is the main strategy that needs to be developed in a business context. Those that fail to change quickly enough will be the ones that select themselves for extinction.[[1]](#endnote-1) The fittest companies survive because they are selected based on the demand for their goods or services and the profits that they make.[[2]](#endnote-2)

In the survival-based process there are two mechanisms in operation: *adaptation* to the environment and *selection* among those present for survival.

Using these two processes, together with principles and concepts from sociology, researchers have analysed the way that some industrial companies have developed.[[3]](#endnote-3) They noted that, of the top 500 companies listed in *Fortune* magazine in 1955, only 268 were still listed in 1975: 46 per cent had disappeared, merged or otherwise declined over the 20-year period. They suggested that *adaptation to the environment* was the preferred mechanism for change in many companies because it was less painful than selection. This was influenced by a built-in inertia about change in many industrial situations (see the *Exhibit on Inertia* below).

Most strategy literature takes an *adaptive* perspective as its starting point in developing strategy options. Importantly, some survival-based strategists argue that this may not be sufficient. It may be necessary to add a *selection* perspective. There may come a time, precisely because of the inertia in the industry, when some organisations do not or cannot adapt quickly enough to the changes in the environment and will not survive against the powerful forces ranged against them. Nevertheless, there may be an element of chance in selecting precisely who will disappear. For example, some European telephone companies may adapt to the changed environment of the new millennium, while others will change too slowly, and the pressures on them will be so great that they will not survive in their present form and will have to amalgamate with more efficient or luckier enterprises.

From a strategy *selection* perspective, the industry environment is the main determining factor of strategy development and survival. There is only a limited amount that individual companies can do in the time available before changes arrive. The only companies for which this may not apply are those that already have substantial market power and can influence the way their markets develop. However, even these may be overtaken by events – for example, in the case of European telecommunications, the advent of new communications technologies such as 5G mobile or the World Wide Web.

1. Alchian, A A (1950) ‘Uncertainty, evolution and economic theory’, *Journal of Political Economy*, Vol 58, pp 211–221, first proposed this. 2010 company annual report and accounts of the following companies: Deutsche Telekom, France Telecom, British Telecom, Telecom Italia, Vodafone, Telefonica. The market data used in the case comes from the Vodafone annual report. [↑](#endnote-ref-1)
2. Hofer, C W and Schendel, D (1986) *Strategy Formulation: Analytical Concepts*, 11th edn, West Publishing, St Paul, MN. This book used the same approach in the 1970s and 1980s. [↑](#endnote-ref-2)
3. Hannan, M and Freeman, J (1977) ‘The population ecology of organisations’, *American Journal of Sociology*, Vol 82, March, pp 929–964. [↑](#endnote-ref-3)