THE POWER OF ONE: THE STRATEGY DIAMOND FRAMEWORK

Organizations need a coherent strategy to achieve their objectives. In “Are You Sure You Have a Strategy?,” Donald C. Hambrick and James W. Fredrickson present an eminently practical approach to developing a clear strategic plan. They identify five elements of strategy: arenas—where a firm should be active; vehicles—how it can enter the arenas; differentiators—how it can win in its markets; staging—sequence and speed of moves; and, at the core of their framework, economic logic—how the firm plans to obtain its returns. Together these five facets form a strategy diamond framework.

The diamond framework can be used to develop strategies in multibusiness enterprises at all organizational levels and across markets or products. This note demonstrates how the framework yields insights that managers and executives need in order to make critical strategic decisions. The power of a single integrated approach lies in its transformative ability to unite a firm with one template based on a common language and shared lexicon.

First, we will examine the components of the diamond framework and then show specific applications. These include how to create an integrative organizational strategy, how to plan for strategic change over time, and how to apply the framework both for competitor analysis and for comparison of your firm’s strategy with those of your partners and other stakeholders.

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Successful strategies have a central economic logic organized around one question: how will we obtain our returns? The other four elements of strategy in the diamond framework (Figure 1a) answer these equally important questions: What value-creation stages will we enter (arenas)? By what means will we establish a presence in a product category or market (vehicles)? How will we set ourselves apart from competitors to attract customers (differentiators)? How will we implement resources, funding, and staffing, and what initiatives will we undertake, and in what sequence, for execution (staging)?

Figure 1a. The strategy diamond framework.

Source: All figures created by case writer.

The strategy of the Swedish global furniture company IKEA can be captured in the diamond framework. Figure 1b identifies each of IKEA’s five strategy elements.3

3 Hambrick and Fredrickson.
The diamond framework can be used to conceptualize and guide change in strategy over a period of time. The Gillette Company is an example. Gillette’s Super Bowl launch of the Sensor razor in the early 1990s turned the company around after a decade of relative stagnancy. Just as important, the Sensor launch provided a platform and model for the Gillette MACH3 Sensitive Men’s Razor and women’s product lines that followed. Gillette altered its strategy both before and after launch, demonstrating the malleability and practicality of the framework. Figure 2 compares pre-Sensor and post-Sensor strategies. The case of Gillette’s strategy shift is a model for companies planning for strategic change.
Firms may use the diamond framework to compare divisions or levels and to unify their strategy across units. Together these applications constitute what we call the strategy cascade, a process methodology for strategic integration and transformation. The hotel and hospitality firm Marriott International provides an instructive example of the strategy cascade in action.

With 3,700 hotels, including the Ritz-Carlton properties, Marriott International has built a leading global brand since the company’s founding in the 1960s. A period of decline began in 2001 (Marriott’s World Trade Center hotel was destroyed in the terrorist attack on September 11 in New York City) and the subsequent global recession. In 2012, Marriott International’s new CEO laid out a six-point strategy for change in all business segments, including a focus on capturing customers from generation Y and the post-baby boomer group (those born from 1980 to 2000). The firm’s e-commerce group, responsible for digital services and mobile products, was central to the strategy.

Figure 3 illustrates how Marriott International linked its corporate strategy to that of its e-commerce unit.\(^4\)

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Figure 3. Strategy cascade: Marriott International and Marriott’s e-commerce group.

**Marriott International**
- Diverse portfolio of hotel brands
- Gen Y & business travelers
- Worldwide
- Digital products: web, mobile, tablet

- Continuous tech innovation
- Rapid international expansion (China)
- New brand launches in the next 2-3 years
- Tech platform improvements next 3-5 years

- Premium prices for premium brands
- Minimal financial risk due to hotel franchise model
- Lowest costs through economies of scale
- Efficiencies from replication

**e-Commerce Group**
- Digital products: web, mobile, tablet
- Gen Y & business travelers
- Worldwide

- Continuous tech innovation
- Focus on mobile and tablet products in near term
- Tech platform improvements next 1-3 yrs

- Bow of digital products
- #1 iPhone travel application in App Store
- Digital services throughout the guest journey (from pre- to post-booking)
- 42 million Marriott Rewards members

**Staging**
- Economic Logic
- Arenas

**Vehicles**
- Focus on Gen Y segment
- Franchise relationships
- Global growth
- Organic growth by improving marketing effectiveness
- Innovate faster via internal system upgrades

**Differentiation**
- Large portfolio of preferred brands
- Best-in-class customer service
- Digital services throughout the guest journey (from pre- to post-booking)
- 42 million Marriott Rewards members

**Logic**
- Economic
- Arenas

**Vehicles**
- Focus on Gen Y segment
- Increase customer loyalty
- Organic growth by improving marketing effectiveness
- Innovate faster via internal system upgrades

**Differentiation**
- Premium prices for premium brands
- Low costs through economies of scale
- Efficiencies from replication and broad distribution

**Vehicles**
- Breadth of digital products
- #1 iPhone travel application in App Store
- Digital services throughout the guest journey (from pre- to post-booking)
- 42 million Marriott Rewards members
Marriott’s e-Commerce Group vis-à-vis Its Competitors

Companies may also use the diamond framework to compare their strategies (or a division’s strategy) with those of their competitors. Figure 4 shows how Marriott’s e-commerce group related to two rivals—InterContinental Hotels Group (IHG) and the online travel service Expedia—along the five dimensions of the strategy diamond.

Marriott International operated in a complex competitive landscape consisting of hotel chains such as IHG and online travel aggregators such as Expedia. The most direct comparison in Figure 4 is between its e-commerce unit and Expedia due to their similar organizational types.

Examining just one of the vehicles of Marriott’s e-commerce group and Expedia suggests how a firm may apply the diamond framework vis-à-vis a competitor.

Marriott’s e-commerce group aimed to innovate faster but first needed to update its core infrastructure—a $50 million, three-year project. As part of an older company, the e-commerce unit was responsible simultaneously for maintaining legacy systems and planning for innovation. By contrast, Expedia, a comparatively new firm (founded in 1996 by Microsoft), benefited from a sound technology infrastructure that allowed for quicker innovation and adaptability to changing markets. In addition, Marriott’s e-commerce group was burdened by the direct relationship with the hotel brands and owners in the Marriott chain, unlike Expedia, which could innovate without having to satisfy a diverse set of hotel brands and owners.5

Identifying and comparing each facet of the five dimensions of the strategy diamond, as in this example, is central to the process of strategic competitive analysis using the framework.

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5 Smiley.
Figure 4. Marriott’s e-commerce group vis-à-vis its competitors.
Appendix

THE POWER OF ONE: THE STRATEGY DIAMOND FRAMEWORK

Templates for Applying the Strategy Diamond Framework

The prototype of the strategy cascade is shown here. Figure A1 illustrates how multiple levels (e.g., corporate, business, and unit) support each other. Note that strategy is a relative concept: one level’s strategy is another’s tactics. In this context, the business level supports corporate strategy for multibusiness, and research and development supports overall corporate strategy, and so on. The effectiveness of strategy alignment is revealed using this multilevel comparison of strategy diamonds.

Figure A1. Strategy cascade.

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1 In Walt Disney Co., we find an example of the strategy cascade applied. From its origins as an animated-film company, Disney evolved into a multibusiness conglomerate with theme parks, hotels, media, and merchandising. Though diverse, each of the units centered on family entertainment and reinforced the strategy of the others as well as the overall corporate strategy. By integrating in one strategy the various entities it had acquired or developed over the years, Disney devised a unified plan across all business units and levels.
Successfully implementing a strategy depends not simply on identifying and using appropriate execution levers. The firm must also align the strategy across its various markets through interrelated and consistent policies. **Figure A2** is a template for strategy alignment.

Figure A2. Strategy alignment

Competitor (or partner) analyses may be conducted in a variety of ways (e.g., using the market commonality/resource similarity approach). The diamond framework stacks up partners or competitors along each of the five diamond elements, as suggested in **Figure A3**. The arena represents market overlap—competitors are after the same customers using similar products. Your firm may pose this question: which of my rivals’ strategy diamonds is most similar to ours? The answer can be used to infer the degree of threat. Applying the framework for this kind of comparative analysis will help your organization identify points of attack or predict a rival’s next move, while revealing your own distinctive strategy.

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Comparing your firm’s diamond framework with a partner’s gives you insight into how to add value for your collaborator—be it distributor, supplier, or another entity. Thus you might compare staging issues between your firm and a partner. For example, as sourcing partners of brand companies, technology OEMs in Taiwan know that what is important to the strategy of the client is essential to them as well, while in the United States, Hewlett-Packard, for example, has forged similar links with its sourcing partners. For managers and executives developing a strategy, the value of the company-versus-partner comparison is simple: gaining the input of partners differentiates our products (or services) from those of our competitors.

Figure A3. Strategy comparison between a firm and a competitor or partner.

As discussed previously, the diamond framework is an effective tool for thinking about a change in strategy and how to implement it. Managers charting a new strategic direction for their companies will encounter obstacles that must be overcome for successful implementation. The strategy diamond comparison can help firms identify barriers to change along the levers of execution, as suggested in Figure A4. These may include organization structure, decision and information processes, rewards, personnel, and symbols.³

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The ability to create a coherent, unified strategy is central to any organization’s success. But it is only the first step. The strategy diamond framework is a tool for managing strategy “from soup to nuts”—from development to execution, over time, through changes, past barriers, and relative to rivals and stakeholders. Each of the five facets of the framework is equally important to the cohesiveness and ultimately the effectiveness of the strategy. Aligning arenas, differentiators, staging, vehicles, and economic logic will produce an integrated approach that harnesses the power of one strategy for your organization.