

# Perspectives on strategy - Turning AOL around

Case duration (Min): **45-60**

Strategic Management (SM)

**Perspectives on strategy****Worldwide****Case summary:**

Charts the downfall of AOL and the attempts to turn it around by a new CEO in 2009. Focuses on strategy and the mission. What the new CEO did in the first 100 days.

**Learning objectives:**

Explain what is meant by the term 'strategy'.

Identify different perspectives on strategy.

Explain the role of the mission in formulating and implementing strategy.

**Case problem:**

Managing in conditions of rapid change and in the face of international competition requires the international organization to identify sources of superior business performance and then form and implement a strategy that exploits these sources of superior performance. Strategies need to be based on understanding customer needs, competition, and the internal strengths and weaknesses of organisations.

## Company

Internet Service Providers

**AOL**[www.aol.com](http://www.aol.com)

America Online, LLC (commonly known as AOL) is an American global Internet services and media company, operated by Time Warner. Founded in 1983, it has franchised its services to companies in several nations around the world or set up international versions of its services. AOL is best known for its online software suite, also called AOL that allowed millions of customers around the world to access the world's largest "walled garden" online community and eventually reach out to the internet as a whole. With regional branches around the world, the former American "goliath among Internet service providers" once had more than 30 million subscribers on several continents. In January 2000, AOL and Time Warner announced plans to merge. Since its merger with Time Warner, the value of AOL has dropped significantly from its \$240 billion high. Its subscriber base has seen no quarterly growth since 2002. AOL has since attempted to reposition itself as a content provider similar to companies such as Yahoo! as opposed to an Internet service provider. AOL CEO Randy Falco announced, on October 15, 2007, plans to lay off 2000 employees worldwide by the end of 2007, beginning "immediately". In 2008, Case wrote about a tale of failure on multiple fronts: short-term thinking, bad technology, bungled product development, a dramatic miscalculation of what drives page views on its own site, and a risk-averse culture more prone to imitation than innovation. "At the simplest level, AOL's troubles in the past couple of years are the story of a business without a vision...". AOL's earlier mission statement stated, "to build a global medium as central to people's lives as the telephone or television... and even more valuable". By 2000, that vision had been accomplished, and no next-stage aspiration had risen to replace it claims Case (2008). AOL wrote a new mission statement in 2006: "To serve the world's most engaged community." In March, 2009 - Tim Armstrong, Google Senior Vice President, was named Chairman and CEO of AOL. In making the announcement Mr. Bewkes (outgoing Chairman and CEO) said: "Tim is the right executive to move AOL into the next phase of its evolution."

Case, D. (2008) 'Dead Man Walking', Fast Company, Wed Mar 19, 2008, From Issue 124 | April 2008 [www.fastcompany.com/magazine/](http://www.fastcompany.com/magazine/) accessed 23 October 2009

#### Pre class activities...

- 1 Visit the AOL site and gather information about the company, **20-30**  
its products and services

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

## Title/ Media type

## URL/ Media description

AOL CEO: Why I took the job>

[http://money.cnn.com/video/technology/2009/07/23/f\\_bst\\_aol\\_ceo\\_armstrong.fortune](http://money.cnn.com/video/technology/2009/07/23/f_bst_aol_ceo_armstrong.fortune)

### Film

Tim Armstrong tells Fortune's David Kirkpatrick why he left Google to try to revive AOL.

Turning AOL around.

[http://money.cnn.com/video/technology/2009/07/23/f\\_bst\\_tim\\_armstrong\\_aol.fortune](http://money.cnn.com/video/technology/2009/07/23/f_bst_tim_armstrong_aol.fortune)

### Film

AOL CEO, Tim Armstrong, about his first 100 days on the job.

### NOTES:

## Case study questions...

| Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Pre/During/After class |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>1 STARTING OUT:</b><br>If you were Tim, what would be your priorities, actions and plans for the first 100 days in your new role as CEO at AOL?                                                                                                                                                                                                                                                                                                                                                               | During                 |
| <b>2 STRATEGY CONCEPT:</b><br>In the first film clip, Tim mentioned strategy on several occasions. Discuss what is meant by strategy (definition not type) with reference to the five perspectives of strategy (5P's: Plan, Pattern, Ploy, Position and Perspective).                                                                                                                                                                                                                                            | During                 |
| <b>3 STRATEGY:</b><br>Strategy may be confined to the minds of senior managers or may be articulated in the vision, mission (statement of purpose), business model (statement of approach to revenue generation) or strategic plan (goals and the required resources and approach to goal attainment). Discuss the benefits of articulating the strategy in formal statements and plans.                                                                                                                         | During                 |
| <b>4 MISSION</b><br>What is a mission and what is its purpose? Critically evaluate AOL's early mission statements and then create a new one for the next five years. What makes a good mission statement?<br><br>AOL's earlier mission statement stated, "to build a global medium as central to people's lives as the telephone or television... and even more valuable". By 2000, that vision had been accomplished. AOL wrote a new mission statement in 2006: "To serve the world's most engaged community." | During                 |
| <b>5 MISSION</b><br>Armstrong held his 100-days-at-AOL meeting toward the end of July 2009. During the event, he unveiled AOL's new mission statement: "To inform, entertain and connect the world." Evaluate this mission – how does it compare with your own?                                                                                                                                                                                                                                                  | During                 |
| <b>6 STRATEGIC MANAGEMENT</b><br>Armstrong stated, in the second film clip, that the first 100 days was really about strategy – if we don't have the right strategy we're not going to win. What is meant by strategic management and what are the key elements of it? With regard to the elements and process of strategic management, evaluate the actions of Armstrong during his first 100 days.                                                                                                             | During                 |

# Answers...

## MISSION

a statement of the overriding direction and purpose of an organisation

## SWOT ANALYSIS

Analytical tool used by strategists, which assesses strengths, weaknesses, opportunities and threats.

## BRAND

The sum of the characteristics of a product or service perceived by a user.

## EMPLOYEE INVOLVEMENT

Represents an opportunity for employees to become involved beyond the normal scope of their job in decision making and/or running the business.

## CEO

Chief executive officer

## CONTENT

Content is the design, text and graphical information which forms a web page. Good content is the key to attracting customers to a web site and retaining their interest or achieving repeat visits.

## STRATEGIC MANAGEMENT

Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action

## Question/ Answer

### 1 STARTING OUT:

If you were Tim, what would be your priorities, actions and plans for the first 100 days in your new role as CEO at AOL?

Now watch the film clip – Tim could either have started with action or by listening; he could have imposed his strategy top down or he could have involved others (participative process). He might have tried to get the current operation more efficient or focus on effectiveness (goals and strategy). He focused on organizational purpose – the mission, and had the employees create this (wide involvement).

### 2 STRATEGY CONCEPT:

In the first film clip, Tim mentioned strategy on several occasions. Discuss what is meant by strategy (definition not type) with reference to the five perspectives of strategy (5P's: Plan, Pattern, Ploy, Position and Perspective).

The field of strategic management cannot afford to rely on a single definition of strategy. Strategy requires multiple definitions to fully appreciate its implications. Accordingly, Mintzberg (1987) proposes five definitions – strategy as plan, ploy, pattern, position, and perspective-and analyzes how these definitions interrelate. Mintzberg suggests there is confusion surrounding the term strategy, which is often ill-defined. He explicates five definitions in order to remove confusion and enrich our ability to understand and manage the processes by which strategies form. Explicit recognition of multiple definitions can help practitioners and researchers alike to manoeuvre through this difficult field.

**STRATEGY AS PLAN** Some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with the situation. By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposely. They may, in addition, be stated explicitly, sometimes via informal documents (conception preceding action).

**STRATEGY AS PLOY** Strategies may be general or specific (ploy). Ploys may also be regarded as tactics, a competitive move.

**STRATEGY AS PATTERN** If strategies can be intended they can also be realised. Strategy as pattern encompasses the resulting behaviour – a pattern in a stream of actions (consistency in behaviour, whether or not intended).

**STRATEGY AS POSITION** A means of locating an organisation in its environment (choice of niche). It can be considered in relation to competitors or simply with respect to markets or an environment at large. Strategy is creating situations where revenues may be generated and sustained.

**STRATEGY IS PERSPECTIVE** An ingrained way of perceiving the world. It is the organisation's driving force, shared worldview, philosophy, culture collective mind and ideology.

### 3 STRATEGY:

Strategy may be confined to the minds of senior managers or may be articulated in the vision, mission (statement of purpose), business model (statement of approach to revenue generation) or strategic plan (goals and the required resources and approach to goal attainment). Discuss the benefits of articulating the strategy in formal statements and plans.

Strategy is a device that unifies, constrains, coordinates and motivates the members of an organisation. Organisations are a consciously co-ordinated social unit, created by groups in society to achieve specific purposes, common aims and objectives by means of planned and co-ordinated activities.

#### 4 MISSION

What is a mission and what is its purpose? Critically evaluate AOL's early mission statements and then create a new one for the next five years. What makes a good mission statement?

AOL's earlier mission statement stated, "to build a global medium as central to people's lives as the telephone or television... and even more valuable". By 2000, that vision had been accomplished. AOL wrote a new mission statement in 2006: "To serve the world's most engaged community."

**Mission - a statement of the overriding direction and purpose of an organisation**  
Organisations find it helpful to have some clear explicit statement of their purpose and; the broad, long-term tasks that the organisation wants to accomplish are outlined in the mission. The development of the mission statement is a useful starting point for strategy development. It can be circulated and discussed, provides a sense of direction and focus and draw the organisation together. The purpose of the mission statement is to communicate what the company stands for and where it is heading. A mission statement answers the question, "Why do we exist?" and articulates the company's purpose both for those in the organization and for the public; it identifies the reason for being and may define the organization's primary customers, the products and services they produce, and the geographical location in which they operate. Effective mission statements generally have the following attributes and content:

- ☐ Simple, declarative statements, easily articulated and remembered
- ☐ Realistic
- ☐ Can define not only what a company's business goals are, but also the methodologies it chooses to get there.

#### 5 MISSION

Armstrong held his 100-days-at-AOL meeting toward the end of July 2009. During the event, he unveiled AOL's new mission statement: "To inform, entertain and connect the world." Evaluate this mission – how does it compare with your own?

Answers will vary dependent upon student's response to previous question.

#### 6 STRATEGIC MANAGEMENT

Armstrong stated, in the second film clip, that the first 100 days was really about strategy – if we don't have the right strategy we're not going to win. What is meant by strategic management and what are the key elements of it? With regard to the elements and process of strategic management, evaluate the actions of Armstrong during his first 100 days.

**Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action**  
Strategic management is about analysis, creation/ choice and implementation. Armstrong focussed on analysis, looking for strategy points, strengths, the structure, source of revenue and cost. He then focussed on the organizations purpose as a precursor to planning.

#### Case study references

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Mintzberg, H. (1987) 'The Strategy Concept I: Five Ps For Strategy', California Management Review, 30/1 (Fall 1987), p. 11 - 24.

Thompson, J L. and Martin, F. (2005) 'Strategic Management', Ed. 5. Cengage Learning EMEA.