

# Is Strategy Making a Difference?

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**I**F YOU WANT A THOUGHT-PROVOKING insight into strategy, try an apparently simple test. First, take your company's most recent Annual Report and examine the descriptions of where your organization is now and where it is going. Then track back through previous years to find where today's position is articulated in some form of strategy. So ... how did your organization get to where it is today?

McGill's Henry Mintzberg<sup>1</sup> points out that not all *intended strategies* are realized, and not all *realized strategies* were intended. Realized strategy is often *emergent* in nature. While Mintzberg's view of strategy usually strikes a chord with managers, they often struggle with his different 'strategies'. However, they usually identify three sources of strategic outcome:

- Implementation of earlier strategic intent.
- Deliberate responses to issues emerging within the competitive environment.
- The results of the actions of people, working in ignorance of the strategy or of how they contribute to its implementation.

The first covers Mintzberg's *intended and deliberate strategies*. The second can still usefully be labelled *emergent strategy*, as it is based on responses to *emerging* opportunities and threats. They are the result of deliberate decisions to marshal and focus resources in order to pursue a new direction, modifying or replacing some aspects of earlier strategic intent, a process which Mintzberg refers to as *strategic learning*.

The third, however, might best be labelled *strategy in action*, as it is the result of the actions of many people throughout the organization, rather than the intentions of a few at the top. It modifies the outcomes of earlier strategic intent, without the "knowing, deliberate decisions" described above. It rarely becomes formalized as strategy and so, rarely results in strategic learning.

These labels, and what lies behind them provide the building blocks of a new model of strategy as a dynamic process. This process involves ... the formation of strategic intent, the alignment of action with intent, and the response to emerging issues, as well as the learning which is deeply implicated in all three (Fig. 1).

We can use this model for discussing three common strategic questions:

- How should strategic intent be formed?
- How to align action with intent?
- How to become responsive to emerging issues?

## Strategy Formation

Different strategic schools tend to emphasize either analysis or visioning as the source of strategic intent. However, two other factors can have at least as much influence. Firstly, people do not enter the process as empty vessels. They bring their prior learning, assumptions and beliefs. Secondly, strategy formation usually involves a group of people, with real issues at stake, so it can be subject to the influence of both the social dynamics of the group and the political dynamics of the organization. Strategy formation, therefore, involves four elements: analysis, visioning, assumptions and socio-political dynamics (Fig.2).

Cranfield's Gerry Johnson suggests that strategic decisions are best explained in terms of political

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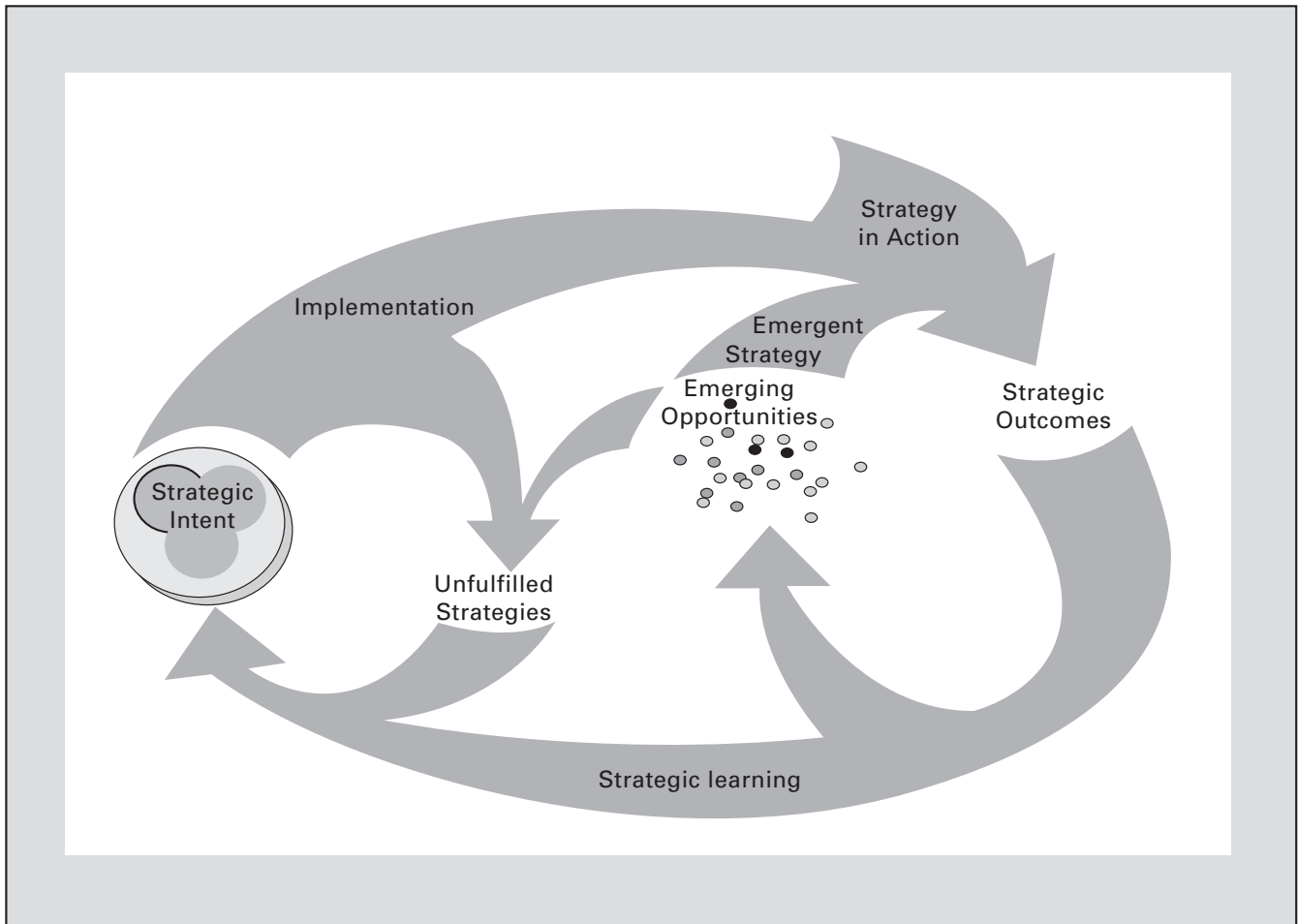


FIGURE 1. Strategy: a dynamic process.

processes rather than analytical procedures.<sup>2</sup> He contends that the mental maps of managers influence their perception more than formal analysis, and these mental maps are reinforced through the culture of the organization to become what we refer to as *paradigms*. Paradigms can become so deeply ingrained that they are invisible and unquestioned ‘truths’. Johnson suggests that both intended and realized strategies are likely to be configured within the parameters of the paradigm: “... we need to distinguish between the paradigm and the strategy”.

The trouble is that deeply held paradigms have significant implications for the formation of strategy, particularly if the changes needed are substantial. Paradigms dull organizational senses. Hamel<sup>3</sup> talks about “listening to new voices” but... with strong paradigms who will listen?

Harvard’s Chris Argyris<sup>4</sup> describes learning in terms of a double loop process, which involves uncovering and challenging the assumptions and beliefs that have been formed and reinforced through prior learning.

Managers, Argyris argues, are likely to listen to

new voices and hear their message only if they are open to uncovering and challenging their own

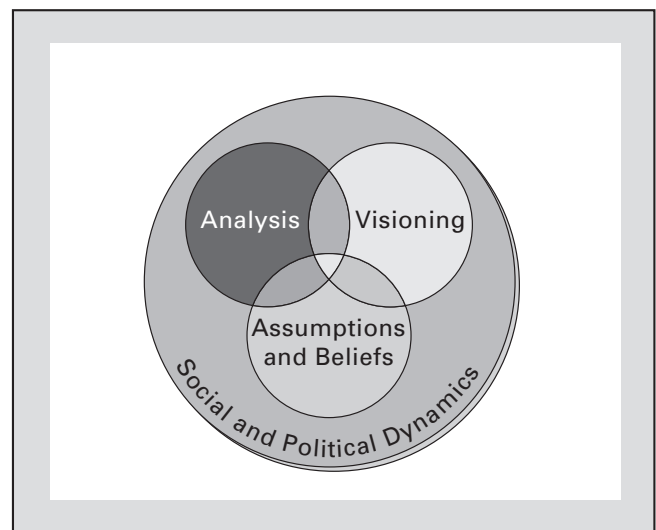


FIGURE 2. Elements in strategy formation.

assumptions and beliefs. Strategy formation thus becomes a learning process for managers and the organization. Managers must recognize and then challenge their own assumptions and beliefs, and those paradigms held collectively by the organization.

Analysis can provide managers with objective data which may challenge those beliefs, while the creative tension between the data and the beliefs can stimulate fresh and innovative thinking. These new 'visions' can in turn be subjected to analysis for a reality check (Fig. 3).

Finally, analysis can provide objective data to combat any political forces that may influence the process and the outcomes. These forces often exist when new strategies require restructuring at a senior level or when they threaten to undermine existing power bases. Analysis, therefore is at the core of strategy formation, but it is by no means the whole story.

The key is to develop analytical processes and follow-up dialogues which do not collude with and reinforce the paradigm, but encourage and enable it to be questioned and challenged. An outside agent can bring added value and rigour to the process: by resisting pressure to collude, by holding the tension when challenging the paradigm, and by surfacing and facilitating the resolution of political undertones. A role is very different from the typical data gathering and number crunching of strategy consultants.

Successful strategy formation, therefore, involves carefully balancing and blending the four elements

of analysis, visioning, assumptions and socio-political dynamics.

## Aligning Action with Intent

It is one thing to communicate a clear understanding of the vision and strategy, but quite another to align with the strategy the diverse forces that drive the actions of employees. Four such forces stand out as having great influence on the decisions and actions of people. These forces can be so powerful that they can drive behaviour that is actually contrary to the declared strategy:

### 1. What people think they are rewarded for

This is not necessarily as simple as it sounds. A database company sought growth through high margin value added products and services, such as consultancy, training, support and maintenance. But, the sales force were rewarded for monthly database licence sales. They quickly discovered that to sell 'commodity' database licences in a saturated market with a relatively fixed price book they had to give away additional services, such as consultancy, training, support and maintenance.

### 2. What people think they are measured on

A food manufacturing company had a long tail of low margin commodity products that needed to be rationalized. But, two key measures, overhead recovery and capacity utilization drove Operations to push anything through the machines so long as it kept them running and spread the overhead costs, regardless of the impact on the rest of the business.

### 3. What the boss appears to see as important

A financial services system provider had several strategic priorities. But, the divisional director was interested in growth not delivery. His constant challenging on growth targets led managers to win undeliverable business, so the growth was unsustainable.

### 4. What they did yesterday

Days of repetition can become months, even years. What a sobering thought ... that the strategic outcomes of many organizations may be the result of the efforts of people simply doing what they did yesterday—a kind of institutional inertia.

Many techniques have promised, in one way or another, to align action with intent, from MBO to MBWA. Yet, just a few simple steps can have quite an impact:

- ❑ Firstly, to help people recognize the relevance of their contribution to the overriding objectives of the organization.
- ❑ Secondly, to agree clear objectives—expectations of people in terms of priorities and performance.
- ❑ Thirdly, to link measures and rewards to those things that are important for strategic change, as

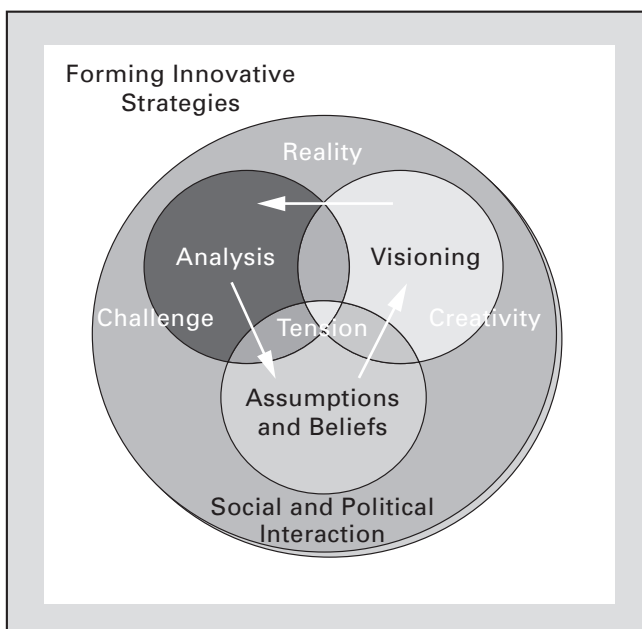


FIGURE 3. Forming innovative strategies.

well as those important to operational performance.

- Fourthly, to provide regular review with consistent, focused rigour.

It should be remembered that simply aligning action with intent can be dangerous. The company's competitive advantage may be the result of *action*: responding to customer, supplier, delivery, quality problems; rather than *intent*: such as to be a world class service company. Aligning action with intent may serve to reduce success rather than increase it. It may be better at times to consider aligning intent with action—aligning strategy with the core competencies of the organization.

## Response to Emerging Issues

The process of response to emerging issues is not dissimilar to the psychological response to external stimuli: sensing, awareness, motivation to act, movement or action. Sensing and awareness are often seen in organizations as data gathering and analysis, but this is only part of the process. Sensing begins at the boundaries and is the role of everyone, whether they are interfacing with customers, suppliers, regulators or market analysts, etc. However, they have to believe that it is part of their role and that they will be listened to.

Strategic awareness is much more than simply analysing the data. It requires the ability to differentiate between operational and strategic emerging issues. Strategic awareness requires both insight and foresight, *and* it requires the courage to move to the

next stage which may mean challenging the current strategy.

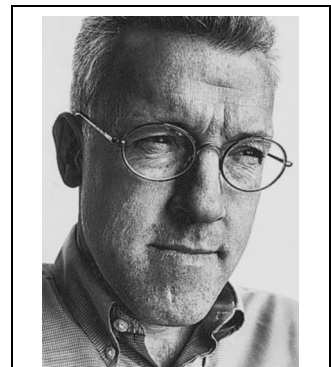
The ability to respond to emerging strategic issues requires more than just flexibility within the organization. Richard Pascale uses the term *agility* to describe “the sustainable capacity for change”.<sup>5</sup> Agility carries connotations of both poise and balance as well as flexibility and responsiveness. It suggests that emergent strategy requires considered, managed change which is equally mindful of the need for continuity. Above all, organizational agility requires managers never to think they have finally “got it right”.

## The Essence of Strategy?

- **Strategy appears to be a learning process:** a double loop learning process which seeks to challenge assumptions and beliefs, to shift paradigms and create visions of the future.
- **Strategy appears to be an action process:** a dynamic, directed yet responsive, action process with poise and balance.
- **Strategy appears to be a behavioural process:** a set of non-political behaviours—listening, challenging and being open to challenge.
- **Strategy appears to be a holistic, continuous process:** which we disintegrate through theories, models, frameworks and labels, in order to understand and talk about; but which we have trouble re-integrating as an interactive and interdependent whole.

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