

Strategy-making approach matters a great deal

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Abstract: Purpose – More than ever, businesses need to get their strategy right. Part of achieving this is the approach to strategy making that is chosen. The purpose of this paper is to describe how strategy making happens on the continuum of deliberate practice versus emerging strategy.

Design/methodology/approach – Through in-depth interviews with “strategy informants” (CEO’s) in businesses and questionnaires to respondents (managers) in the same organizations, statistical techniques have helped us draw interesting conclusions about their strategy making approaches, its elements and factors moderating the choice of strategy making approach. Through factor analysis, the construct of strategy making is informed by three concepts namely: “performance consensus”, “ends and means specificity” as well as “ends and means flexibility”.

Findings – “Ends and means specificity” was associated more with the deliberate strategy approach while “ends and means flexibility” was associated more with the emerging strategy approach. “Performance consensus” was neutral and therefore relevant to both approaches. Approaches also show differences depending on the following characteristics: “Degree of risk taking preferred”, “comfort with stability and predictability” as well as “primarily autonomous or individual behavior preferred”. Finally, strategy making approach is moderated by “firm size”, “CEO influence” and “environmental uncertainty”.

Originality/value – Knowing the appropriate strategy making approach gives managers flexibility. There is no need to choose one approach above the other but rather to be aware of benefits that can be derived from both. The fast changing environment places pressure on the use of emergent strategy, therefore performance consensus is critical contributor to successful use thereof.

Keywords: Strategizing, strategy making, decision making,

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Changing business environments alter the way organisations fundamentally conduct business. One area of management which has always been characterised by controversy and diverse approaches based on seemingly exclusive fundamental theories, is the area of strategy.

In this article the essence of strategy is not questioned. Since strategy theory should be in constant conversation with practice to stay relevant and significant, we are of the opinion that scholarly enquiry about strategy should pause at the reality of strategy in practice. The belief is that strategy should reflect demands of the organisational environments and as such be shaped by business realities. Strategy for organisations in a fast changing and challenging world should be dynamic and does not necessarily look like academic theories statically propose.

Strategy-making (strategising) is as important as the eventual strategy selected and depends heavily on the context. The construct of strategy-making is explained briefly from an academic perspective and then practically explored based on feedback from industry.

There are two main and seemingly opposing views on strategy-making which crystallises from literature as a continuum with on the one extreme a more formal process approach to strategy-making and on the other an approach where strategy is the result of an adaptive process and strategies evolve as circumstances warrant and certain organisational patterns become clear.

The term 'strategy-making' is used (instead of alternatives such as 'creation' or 'development' or formulation). The term 'making' (or 'formation') implies not only *creating* a strategy but also incorporates *operationalising* it or *putting it into practice* (Harrington, Lemak, Reed & Kendall, 2004, p. 17). The latter part of the definition is important because the nature of emergent strategies is precisely that they are not necessarily deliberately planned (or created for that matter) but *come into being* somewhere along the way. Figure 1 shows the opposing ends of the continuum with several other elements to consider when strategy-making is defined.

Differentiating between deliberate and emergent strategies by adapting Mintzberg's analogy:

Deliberate strategy making is "Biblical" in its approach: it appears at a point in time and is governed by a set of rules, fully formulated and ready to implement.

Emergent strategy making is "Darwinian" in its approach: an emerging and changing strategy that survives by adapting as the environment itself changes.

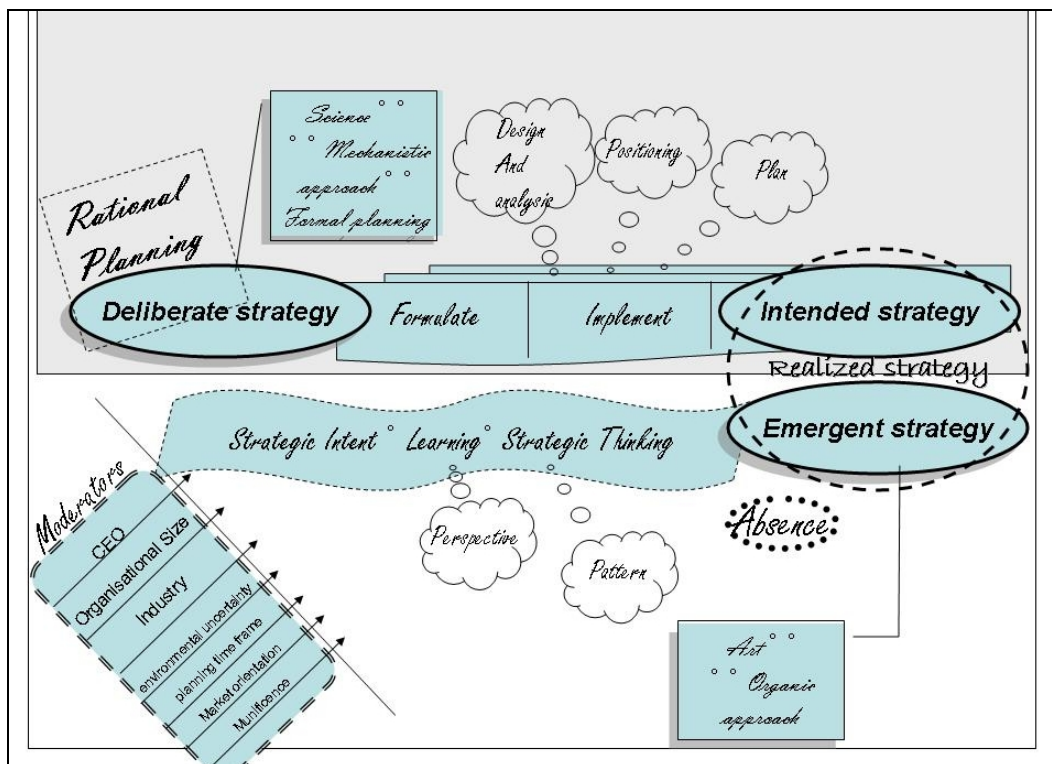


Figure 1 Deliberate and emergent strategy continuum framework (Maritz, 2009)

The two approaches are positioned as alternative approaches. These are descriptive of opposing views on strategy-making but are not mutually exclusive. The deliberate view and emergent view should be viewed as *ends of a continuum with multiple elements* (Parnell, & Lester, 2003, p. 291). The deliberate end of the continuum refers to a more rational and comprehensive approach, while the emergent view, on the other end, refers to a more incremental and trial-and-error type of approach. Organisations tend to follow a specific approach or a combination of the two (this is substantiated by our findings as explained later).

The choice of approach is moderated by certain factors (named "moderators" in the figure). In other words aspects such as the prominence of the CEO, the organisational size, industry and organisational life cycle may influence the approach an organisation follows to form its strategy (Maritz, 2009). This is further explored later in the article.

Strategy-making approaches can therefore be in the form of three broad outcomes, namely:

1. Intended strategies, which are planned but not necessarily realised;
2. Deliberate or realised strategies, which are intended strategies that have been realised; and
3. Emergent strategies, where the pattern that was realised was not expressly intended.

Henry Mintzberg, arguably one of the most trenchant critics of planning, says that planning cannot produce strategies because it is a programmatic, formalised and analytical process; it is rather what happens after strategies are decided, discovered or simply emerge.

We recently completed an extensive research of 200 respondents over 20 companies, including CEO's and managers dedicated to the area of strategy, about strategy-making in practice. A forthcoming article reports the detail results to the academic community. The purpose of this particular article is to share some of the findings with the community of business managers and strategy practitioners, who are often faced with these complex situations and need practical guidelines for quicker responsiveness.

This research article tried to answer three questions:

- Can the modes of strategy-making (deliberate or emergent) be identified by respondents? If so,
- What are the elements used by respondents to distinguish between the modes?, and finally
- What mode of strategy-making (if any) is prevalent/dominant?

This led us to propose the conceptual framework for strategy-making shown in Figure 1. The framework is then explored to describe the elements of strategy-making and explore implications for managers concerned.

The major contribution of this article is to assist managers, consultants and support practitioners in approaching the changing context of business through added insight into the alternative processes for strategy-making. We try to simplify the highly complex strategy-making process for application at all levels.

The research process

After scrutinising the literature, twenty semi-structured interviews were conducted with CEO's (strategy informants) from South African organisations to establish the dominant approaches to strategy-making in their organisations. Combining this information with the extensive literature study a questionnaire was formulated and distributed with the assistance of the CEO's to be completed by managers (respondents) from the companies where the CEO's were interviewed.

Data was subjected to several analyses to make sense from it leading to the framework elements discussed next.

The strategy-making approach framework with its elements

From the analysis it was found that strategy-making has three main elements (each with its own variables critical to the approach) to consider when measuring strategy-making (see also Figure 2). The three elements that respondents identified were:

- **Performance Consensus** which explains agreement among managers and organisational members on effectiveness of and satisfaction with the organisational strategy-making approaches and consequent strategies as well as organisational performance. For example, if consensus is linked to performance then one may argue that some competitive strategies lend themselves to greater agreement among managers (Baum, and Wally, 2003, p. 1108). For this reason, consensus may be high among segment controllers where everyone seems to understand the niche being targeted by the business, but be low among first movers where the essence of the strategy is not always well understood (Parnell, 2000, p. 33).
- **Ends and Means Specificity** which explains the specificity of organisational ends as well as the specificity of organisational means.

'Ends' can be defined as 'the major, higher level purposes, mission, goals or objectives set by organisations, each of which (should there be more than one) significantly influences the overall direction and viability of the firm concerned'; and 'Means' can be defined as 'the patterns of action which marshal/allocate organisational resources into postures that, once implemented, increase the probability of attaining organisational ends'.

- **Ends and Means Flexibility** which explains the flexibility of planning structures, tolerance for change and flexibility of planning time frame as opposed to organisational rigidity.

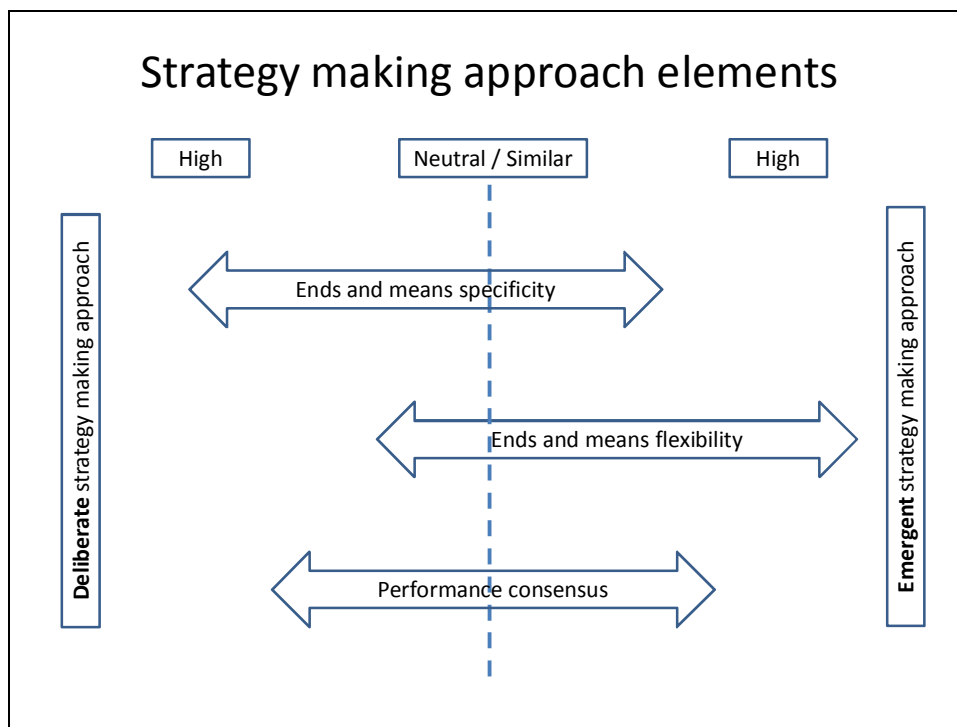


Figure 2 Strategy-making elements and their relative position associated with each approach

(Source: Own compilation)

Looking at these elements, instinctively one would associate the deliberate strategy approach with high ends and means specificity, low ends and means flexibility and high performance consensus compared to the emergent strategy approach with low ends and

means specificity, high ends and means flexibility and low performance consensus (Wooldridge & Floyd, 1994, p. 47). However, this does not show in practice.

The findings suggested that ends and means specificity as well as ends and means flexibility corresponds with the continuum extremes but not performance consensus (as shown in Figure 2). Performance consensus remains a neutral element and can be either high or low regardless of the strategy-making approach followed. It may be influenced by any of the moderators discussed in the next section.

Generally informants were not able to clearly state their strategy-making approach at the start of the interviews. After discussion of the elements they were able to determine their dominant approaches to strategy-making. Eventually the questionnaire contained many single variables that respondents evaluated individually to meaningfully judge the approach elements.

Dominant approach to strategy-making

We hypothesized that the sample firms would lean more towards deliberate strategy-making approach. Underlying this assumption was partly the idea that most academic learning of strategy focuses on the rational process approach to strategy formation (i.e. the deliberate approach), and partly the consulting experience of the researchers showing the opposite. The sample averages and modes for the elements across all respondents' feedback showed that:

- Ends and Means Specificity had a high value in line with a more deliberate approach.
- Ends and Means Flexibility had a high value. This showed that organisations had more flexible planning structures and time frames in line with a more emergent approach.
- Performance consensus showed high values on average.

Based on the statistics underlying the above, the dominant **approach to strategy-making** can therefore be described as:

- Emergent (rational) with *high ends and means specificity*, but
- *High flexibility* of planning structures and tolerance for change, as well as
- *High performance consensus* on strategy effectiveness and general satisfaction with strategy.

It was also clear that there were absolute positions on the strategy-making continuum. Several respondent firms appeared to have components of both, which rather increased than reduced the complexity of their strategy-making process.

The approach to strategy-making (within organisations) was furthermore enlightened through three observations in the data showing significant differences between opposing **approach characteristics**, namely:

- *Degree of risk taking preferred*: Performance Consensus is significantly different between respondents selecting low versus high degree of risk taking. The analysis showed that agreement on effectiveness of strategy (performance consensus) leads organisations to be more tolerant towards high risk-taking. In other words, if organisational members agree on the effectiveness of their strategies and if they are satisfied with and agree on strategy-making approaches followed, they tend to take greater risks.
- *Comfort with stability and predictability*: Ends and Means Specificity and Ends and Means Flexibility were found significantly different for respondents selecting "comfort

with stability and predictability” versus those selecting “comfort with ambiguity and instability”. Thus comfort with stability and predictability leads organisations to determine highly specific ends and means and be less flexible (hence following a rational approach to strategy-making). This finding is hardly surprising since the predictability is associated with the rational planning approach (described by high specificity and low flexibility). As such this finding corresponds with the literature on rational planning.

- *Primarily autonomous or individual behaviour preferred*: Ends and Means Specificity is significantly different for respondents selecting “primarily autonomous or individual behaviour” versus those selecting “primarily cooperative, interdependent behaviour”. The analysis showed that organisations where primarily autonomous or individual behaviour is favoured less specific ends and means are determined. This is a surprising finding since cooperative and interdependent behaviour is associated with the emergent approach in literature (Wooldridge & Floyd, 1994 p50). However, it could be argued that higher levels of cooperation and interdependent behaviour require a more coordinated and more specific approach to strategy-making, such as the rational approach. Specific ends and means are then required to coordinate cooperation among organisational members.

The following relevant conclusion can be drawn from the results of the informant interviews:

The majority of informants (67%) indicated that an emergent approach to strategy was followed where emergence of strategies are encouraged, but with discipline typically built into strategy-making through deliberate ends and means. In the interviews informants indicated certain types of practices employed in their organizations. These practices focus mainly on operations, marketing and product innovation and as such correspond with emergent strategies (see also insert).

According to Parnell (2000 p38) first level strategies (associated with deliberate strategy) are generally governing orientated or more predictive in nature such as direction setting, first mover or contemplative as a second mover. Second level strategies (associated with emergent strategies) by contrast, are more practical and pragmatic, suggesting more specific ways in which the organisation can be positioned relative to its competitors.

Moderators of the strategy-making approach

Figure 1 also shows several moderators to the strategy-making approach eventually used by the firm. While exhaustive discussion is not possible, we briefly point out those moderators that were relevant in this research.

- *Size of the firm* – was the only moderating factor impacting the strategy-making approach and that could be successfully measured. The larger the organisation, the more its approach leaned towards deliberate strategy-making. This makes sense as larger organisations suffer more from communication, control, complexity and rigidity issues. There is higher demand for ends and means specificity, less potential for ends and means flexibility and mostly some performance consensus problems. Smaller organisations are much more flexible in their ends and means and as long as performance consensus is fairly high, the emergent strategy-making approach would be more relevant.
- *CEO influence* – refers to the individual’s philosophy, risk propensity, drive and more. Many studies report relationships between strategy-making and the CEO, but this study did not confirm any.
- *Environmental uncertainty* – The more stable the environment the more strategy-making will lean towards the deliberate approach. In fact, emergent strategy-making develops in response to this environmental change. The environment referred to can

include elements such as industry maturity, speed of change, stability of technology and information availability.

Other factors such as industry (type), planning time frame, market orientation and munificence of resources may also moderate the strategy-making approach selected.

Management implications and guidelines

This study has some important guidelines for managers, practitioners and even consultants namely:

- Do not abandon one approach for the other – rather be aware of the benefits of both and use appropriately or in synthesis – each has advantages and disadvantages.
- The demand for the emergent strategy-making approach is increasing due to rapid environmental changes over which firms have little control.
- Emergent strategy-making may demand higher performance consensus due to its inherent higher flexibility and lower specificity of ends and means. With low performance consensus strategic intent and direction can be jeopardised and organisational performance ultimately influenced.
- Self analysis of the strategy team for degree of risk taking, comfort with stability and predictability and whether primarily autonomous and individual behaviour is preferred, is critical as this might influence the team's choice of strategy-making approach.

The study therefore showed that reflecting only on one aspect or extreme of strategy-making to the exclusion of other views when conducting strategy research or training, distorts the truth and reality of strategy-making and cripples the application of strategy in general.

Study limitations and future research

Limitations of one study serve as challenges for future research. Firstly, the search for averages and composite description may be irrelevant or even harmful. Individual firms should be investigated as such. Despite this an interesting picture was discovered, illustrating the status of strategy-making. Secondly, no empirical data is presented in this paper but it is being reported to an academic journal for that purpose.

The study also explored the relationship between organisational dynamics such as managerial level and perceptions on strategy-making mode, the influence of certain factors on the selection of a strategy-making approach as well as the link between organisational performance and profitability and strategy-making approaches. These findings and conclusions will be presented in future articles.

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