CHAPTER 1
INTRODUCTION AND RESEARCH DESIGN

"No single subject has so dominated the attention of managers, consultants and management theorists as the subject of corporate strategy. For the top managers of big companies, this is perhaps understandable. Served by hordes of underlings, their huge desks uncluttered by the daily minutiae of business, they often consider setting strategy as their most valuable contribution. And it is also understandable that there is a great deal of debate about which strategies work best; business is, after all, complicated and uncertain. More puzzling is the fact that the consultants and theorists jostling to advise businesses cannot even agree on the most basic of all questions: what, precisely, is a corporate strategy?"

From *The Economist* newspaper Ltd, London, March 20, 1993 - *in* Mintzberg, Ahlstrand & Lampel, 2005:19

There is nothing either good or bad, but thinking makes it so.

(Shakespeare; Hamlet, II:2)

1.1 INTRODUCTION

John Kay puts it to the reader that "no self-respecting business today would be without a strategy" (*in* Mintzberg, Ahlstrand & Lampel, 2005:23). Yet, there is fervent debate going on about the definition of strategy – not only in academic literature, but also in practice and the modern organisation.

Nag, Hambrick and Chen (2007:952) ponder the apparent substantial success of strategic management both in practice and as research field, despite the fact that some strategic management scholars lament the field's disparate, ambiguous nature.

Strategy has come a long way since the emphasis fell on comprehensive, systematic, rational planning. In the past decades strategy has appeared in many guises and displayed a seemingly disparate and ambiguous nature. McGee, Thomas and Wilson (2005: *preface*) point out that many

contemporary authors in strategy have developed a rather dismissive approach to the work that has preceded their own perspectives. In their opinion the field of strategy has been strongly characterised by the almost total substitution of one frame of reference for another, as time has progressed. They cite as an example the models of rational planning that have been "dismissed and ignored" by later writers, who have emphasised a more emergent or "politically shaped view of strategy". These paradigmatic shifts cannot be ignored, yet, state McGee *et al* (2005: *preface)* these shifts are in practice difficult to spot, characterised as much by latest fads as by the fact that many authors have published books simply listing the various perspectives that can be taken toward strategy. McGee *et al* (2005:*preface*) claim that of all the concepts in management, strategy is the one that attracts the most attention and generates the most controversy. Almost everyone agrees that it is important. Almost no one agrees on what it is.

Mintzberg, Ahlstrand and Lampel (1998:8) share these negative sentiments on strategy theory when they assert that there is a "terrible bias" in today's management literature toward the current, the latest, the 'hottest'. They claim (Mintzberg *et al,* 1998:8) that this does a disservice

> not only to all those wonderful old writers, but especially to the readers who are all too frequently offered the trivial new instead of the significant old. We believe that time works on the literature and practice of strategic management much like it works on wine in barrels: it reveals what is excellent.

According to Nag *et al* (2007:935), strategic management represents a case of an academic field whose consensual meaning might be expected to be fragile, even lacking, and asking strategic management scholars to define

the field might elicit an array of responses. However, despite the seeming fragmentation, Nag *et al* (2007:936) believe that the field still has a collective identity and distinctiveness due to a strong implicit consensus about the essence of the field, even though there may be ambiguity about its formal definition.

The contentious issues up for debate in this study centre around the process of creating strategies. Two distinct and clearly opposite views can be discerned in the literature. A view associated with Henry Mintzberg, arguably one of the most trenchant critics of planning (Heracleous 1998:481), is 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. The distinction between deliberately planned and emerging strategies is critical for the advancement of a true definition of strategy in this study.

Various authors concur with the existence of emerging non-planned strategies, and have attempted to explain the distinction between planned and emerging strategies. Some have even suggested certain factors influencing the predominance of one mode of strategy creation over the other in organisations. But it is Mintzberg in particular who precipitated a debate about the true nature of strategy. This debate and the tenets thereof are discussed in the ensuing literature chapters.

The study seeks to uncover the true nature of strategy in South African organisations. The emphasis throughout the study is on the creation (formation) of strategy, whether separated by planning theorists from implementation or believed to be inseparably part of the implementation. Hence the study is concerned with crystallising from literature the main

streams of theoretical definitions of strategy, specifically uncovering what is believed to be the truth of formation/creation/making of strategy.

Some authors argue that a sequential process which separates formulation and implementation cannot be justified, since strategy formulation and implementation cannot always be separated – especially within the explanation of emergent strategies, which are held to be implemented on the go and not according to a previously formulated strategy (Mintzberg, 1985; 1990; 1994c; 1995, etc; Heracleous, 1998; Inkpen & Choudhury, 1995). Mintzberg, Quinn & Goshal (1995:xv) explain that, as in real life, formulation and implementation are "intertwined as complex interactive processes in which politics, organisational culture and management styles determine or constrain particular strategic decisions. And strategy, structure and systems co-mingle in complicated ways to influence outcomes". They leave room in their motivation for particular situations in which a separation of formulation and implementation can take place, such as in some totally new ventures or organisations facing predictable futures. Janczak (2005:66) emphasises that it is impossible to comprehend the difficulties encountered in formulating and implementing strategy if one ignores the fact that the conception of strategy and the process of making it a reality are inseparable in any organisational setting.

The term strategy-'making' is therefore used throughout (instead of alternatives such as 'creation' or 'development'). "Strategy formation" and "strategy-making" are used interchangeably, since the term "strategy formation" is used widely in academic literature. The term 'making' (or 'formation') implies not only *creating* a strategy but could also mean *operationalising* it or *putting it into practice*. 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.

1.2 BACKGROUND

1.2.1 Strategy-making

Despite the large number of books on the subject of strategy, congruence between areas of strategy definition is very difficult to find, say McGee *et al* (2005:*preface)*. Strategy remains one of the most contested and ill-defined concepts in management theory.

In view of this, Peters (2003:25) lauds Mintzberg's book, *The rise and fall of strategic planning*", published in 1994, as his favourite management book in the last 25 years, without contest. Peter's specific liking for this book stems from what he expresses as "the faith in long term strategy coming and going" over the past decades. Mintzberg's firm ideas on strategy break away from the mould that shaped the notion of strategy in the couple of centuries since Sun Tzu's book on military strategy, *The art of war* saw the light (translated in 1988, but containing ideas which permeated management literature long before then). Mintzberg's ideas, expressed in a host of articles and books that he authored or co-authored, some of which have been consulted for this study, started a fervent debate on the nature and definition of strategy which are discussed in depth in Chapter 2 of this study.

Strategy had previously usually been likened to planning by 'planning writers' such as Ansoff (1977), which Mintzberg (1994a:12) believes have "tended to confuse decision making with strategy making by assuming that

the latter necessarily involves the selection of a single course of action – the choice of an integrated strategy at one point in time".

Janczak (2005:64) claims that the terms 'strategic decision-making', 'strategic planning' or 'strategy' are all created as equivalent terms for a generic organisational phenomenon.

> At the core of strategy is a framework of fundamental alternatives. If we can identify the dimensions of this framework, we can describe the foundation of strategy. These dimensions are unique to each business and constitute a simple, understandable, powerful, and effective way to define an organization's strategic profile.

Mintzberg *et al* in *Strategy bites back* (2005:87), note that "strategic planning has not generally been presented as an *aid* to strategy making, or as *support* for natural managerial processes (including intuition), but *as* the former and *in place* of the latter". The view is furthermore expressed that the failure of strategic planning is the failure of formalisation. More specifically it is said to be "the failure of forecasting to predict discontinuities, of programming to provide creativity, of hard data to substitute for soft, of scheduling to handle the dynamics" (Mintzberg *et al*, 2005:89).

Other significant definitions of strategy that are explored centre around

- strategy as *analysis* (Porter, 1980);
- strategy as *strategic thinking* (Porter, 1991a; Heracleous, 1998; Graetz, 2002, Liedtka, 1998);
- strategy as *intent* (Prahalad & Hamel, 1990);

- strategy as a process of decision-making (Cyert & March, 1963; Chandler, 1962; Van de Ven, 1992; Janczak, 2005);
- and even *absence* of strategy as strategy (Inkpen & Choudhury, 1995).

An important stream of thought, championed by Mintzberg, that is used to describe strategy-making in this study, is the distinction between emerging versus deliberately planned strategies. Many authors (for example Hilse & Nicolai, 2004) agree that strategies are not always formally planned, but sometimes emerge through informal intent or vision. Mintzberg *et al* (2005:88) add that "learning, in the forms of fits and starts, discoveries based on serendipitous events, and the recognition of unexpected patterns, inevitably plays a key role, if not *the* key role, in the development of strategies that are novel".

Whereas the design theory (which is explained in Chapter 2) promotes the notion of a neat strategic analysis-choice-implementation process, the alternative process-based school of strategy stresses the primacy of the following (Grundy, 1998:43):

- incremental management (over and above "bolder, bigger strategies");
- cycles of deliberate and emergent change (as opposed to linear strategy development); and
- implementation and strategic thinking as inseparable versus discrete phases of strategic analysis and strategic action.

The outcome of strategy-making becomes visible in the ends and means constructed from the process. Ends and means are discussed in more detail in Chapter 3 as part of the discussion of emergent strategy. For now it

should suffice to explain them as the strategic objectives and outcomes (ends) and the tactical or operational outcomes (means) of the strategy-making process. The means-ends relationship makes certain characteristics of strategy visible (Lindblom, 1959:83). The distinction between means and ends has been used by Brews and Hunt (1999) to categorise different approaches to strategy-making along a continuum of specificity and flexibility of approaches. The study uses the same distinction in classifying approaches to strategy-making.

1.2.2 Strategy Research

The research efforts of the academic arm of strategy management can be roughly divided into a **content** and **process** tradition, say Hilse and Nicolai (2004:372). Content research concerns itself with the content of strategic decisions, especially with regard to the connection between performance and market position, resources provision, or specific constellations of company attributes and environmental conditions. Process research or strategy process theory, on the other hand, examines decision-making processes as well as their relation to the organisation and deals with planning methods, questions of implementation and so on (Lechner & Mueller-Stewens, 2002). Strategic understanding of process research can be very concisely described as a sequence of events (Hilse & Nicolai, 2004:373). Content is concerned with the type of strategic decision, while process focuses on its formulation and implementation (Cyert & March, 1963; Andrews, 1971). Pettigrew (1992) perceives that process research and strategy are essentially concerned with choice processes (strategic decision-making) and implementation processes (strategic change). Van de Ven (1992), in contrast, argues that strategy process research is diverse and cannot be contained within any single paradigm.

Szulanski, Porac and Doz (2005:xiii) attribute the "enduring scholarly interest in the process of strategy-making" to "the abiding assumption that some ways of strategizing are more efficacious that others, and thus lead to higher firm performance in the long run; higher than luck alone would bring". They state that expressions of interest in and endorsements of the strategy process are abundant in the academic literature. It is therefore not surprising that "the quest to uncover stable principles of good strategy making has attracted much support and interest over the years" (Szulanski *et al,* 2005: xiii). Regnér (2005:189) agrees with this when he states that strategy content research has presented a systematic analysis on the basis of competitive advantage, and strategy process research has provided careful in-depth descriptions and examinations of strategy making. He asserts that strategy process views have provided rich and systematic descriptions showing that strategy-making involves a variety of contextual influences and actors in addition to analytical exercises and leadership by managers at the centre.

Prahalad and Hamel (1994:7) point out that debate about content and process has plagued strategy research. Despite evidence to the contrary (Bower, 1970; Burgelman, 1983), the impact of process on strategy and resource allocation is constantly underplayed. Prahalad and Hamel (1994:7) are of the opinion that scholars have either underemphasised the process and people issues in their pursuit of economic understanding of strategy, or the other way around. Seldom has there been a balance between the two.

Various authors have attempted to distinguish between the main strategy epistemologies, and categorised them in divergent ways, ranging from a mode of formalised, comprehensive planning to accidental strategy evolvement (these views are outlined in Chapter 2). The aim of this study is

to apply a basic continuum of the most divergent views on strategy-making to South African organisations in pursuit of the truth of strategy in practice. The focus is on uncovering how strategies are actually made in South African organisations and investigating factors influencing the way strategies are made (the so-called mode of strategy making). The linkage between the mode of strategy-making followed and perceptions of strategy effectiveness and employee satisfaction with strategy are also explored.

An important question to consider and an angle taken for this study is to investigate the relationship between what is considered as true for strategy making in literature and the way strategy is really put into practice in South African organisations.

1.2.3 Defining the constructs

The above sub-sections clarified some of the definitions to be used in this study. The construct definitions for constructs obtained in the study title: "Strategy-making approaches in South African Organisations" are the following:

Strategy-making:	Creating and operationalising (putting into practice) a strategy or strategies through a linear or non-linear, formal or informal process.
Strategy-making approach:	A mode followed to create and operationalise a strategy or strategies in an organisation.
South African organisations:	A South African organisation of unspecified form or size.

1.3 RESEARCH PROBLEM

It is evident from the background of the study that there is considerable lack of congruence on what strategy is between academic authors and practitioners of strategy about what strategy is. The literature study deals with the different perspectives on strategy and specifically strategy formation and crystallises and describes outcomes of strategies on a continuum. The ardent literature debate on the nature of strategy does not always provide clarity with regard to the face of strategy in organisations and specifically South African organisations. While the research problem is discussed in more detail in Chapter 5, the research questions that this study seeks to address are the following:

- What is the mode of strategy-making followed in South African organisations?
- How specific are the ends developed as part of the strategy-making process?

- How specific are the means developed as part of the strategy-making process?
- How flexible are the planning structures in terms of planning time frame and tolerance for change?
- Is there agreement on strategy performance and strategy-making in organisations?
- What are the factors influencing the degree of agreement among organisational members about strategy-making in their organisation?
- What influences the unconscious or conscious selection of a mode of strategy-making?
- Is there a correlation between strategy-making mode and profitability or organisational performance?
- To what extent do specific moderating factors influence strategy-making in organisations?

1.4 PURPOSE OF THE STUDY

The purpose of the study is to determine and describe the modes of strategy-making evident in South African organisations and to determine the extent to which certain factors moderate or influence the predominance of a particular strategy-making mode. The study also attempts to create awareness of the issues around strategy-making in South African organisations and the internal dynamics of the strategy-making process. The following are explored in an attempt to address the afore-mentioned research questions:

- Literature on the main streams of thought and/or research on strategy-making and the associated academic debate;
- Literature and related research on two extreme views on strategy-making, i.e. rational formal planning in which the strategy is

deliberately planned and the emergent strategy approach where strategy evolves as a result of organisational activities;

- Organisational inclination towards a specific mode of strategy formation;
- Factors moderating or influencing the mode of strategy formation in organisations.

1.5 RESEARCH OBJECTIVES

The primary and secondary research objectives of the study are presented below.

1.5.1 Primary objectives

The primary objective of the study is to:

- Investigate and describe the mode of strategy-making followed in South African organisations.

1.5.2 Secondary objectives

The secondary objectives of the study are to:

- Describe internal organisational dynamics (perceptions among managerial levels, training in strategy, age, education) influencing the perceptions on strategy-making;
- Determine if specific factors (as extracted from the literature) influence the advancement of a specific mode of strategy formation in South African organisations;
- Determine the influence of strategy-making approaches on organisational performance and profitability;
- Crystallise a theoretical frame for organising and describing strategy.

1.6 HYPOTHESES

The following hypotheses were formulated from the research objectives:

Null hypothesis 1(H1o): The actual mode of strategy-making in South African organisations cannot be clearly identified

Alternative hypothesis 1 (H1a): The actual mode of strategy-making in South African organisations can be clearly identified

The following secondary hypotheses are stated for the study:

H2o: Perceptions on strategy-making mode do not vary across managerial level

H2a: Perceptions on strategy-making mode vary across managerial levels.

H3o: There is no correlation between perceptions on strategy-making mode and strategy training of an individual

H3a: There is a correlation between perceptions about strategy-making mode and strategy training of an individual

H4o: There is no correlation between the size of an organisation and perception on strategy-making mode

H4a: The larger an organisation the more likely that the rational planning approach to strategy-making is followed

H5o: There is no correlation between stability of industry and the strategy-making approach followed

H5a: There is a correlation between stability of industry and the strategy-making approach followed

H6o: There is no correlation between the involvement of the CEO in strategy-making and the strategy-making approach followed

H6a: Organisations where the CEO determines the strategy are more likely to follow the rational planning approach to strategy

H7o: Strategy-making approaches do not influence organisational performance or profitability.

H7a: Strategy-making approaches influence organisational performance or profitability.

1.7 RESEARCH DESIGN FOR THIS STUDY

The study consists of a literature review and an empirical study. The literature review aims to survey secondary data sources (academic journals and books) to obtain the background on strategy theory and investigate the construct of strategy-making. It provides insight and understanding into the research problem as well as the necessary background to guide the empirical part of the study. The research strategy entails the approach followed in this descriptive and explanatory research (Saunders, Lewis & Thornhill, 2007:135). The research strategy included mixed model research combining qualitative and quantitative data collection techniques and analysis

procedures. This entailed a survey/questionnaire distributed among respondents to record responses for analysis, as well as personal interviews with CEO's or managers concerned with strategy in organisations. The data analysis made use of various analysis techniques to investigate the existence and direction of relationships. Figure 1.1 depicts the research design process that was followed:

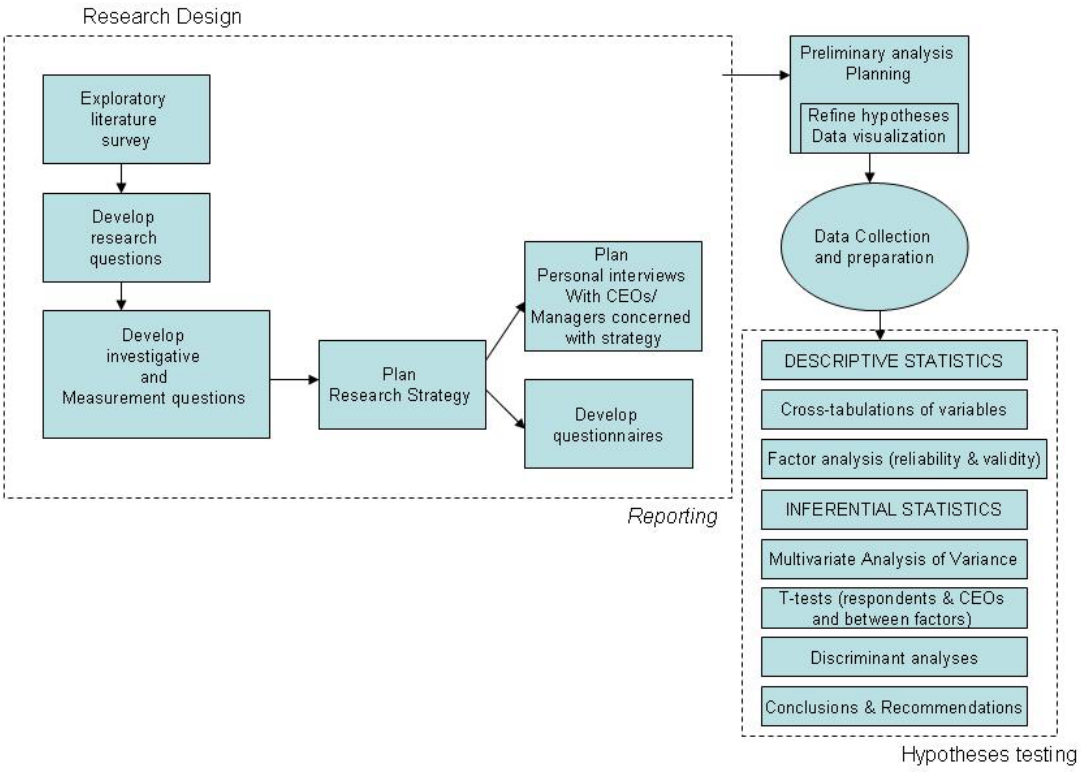


Figure 1.1 Research Design

(*Source:* Own compilation)

1.7.1 Sample selection and size

A sample had to be selected from the population of South African organisations. A non-probability purposive/judgmental sample has been used (meaning the sample was arbitrarily and subjectively selected (Cooper

& Schindler, 2001:166) using judgment to select cases that will best enable the researcher to answer her research questions and meet objectives (Saunders *et al*, 2007:230). Because strategy is regarded as a confidential and sensitive area of research in most organisations, the study was in some instances met with resistance from organisations that were approached to participate in the research (especially where organisations operated in highly competitive environments). Participating organisations were therefore selected arbitrarily based on the access that the researcher had to either the CEO (through prior established relationships or network contacts) or a strategically positioned manager who directly influenced strategy-making in the organisation. Despite the arbitrary selection the respondents and interviewees were still measured against sample selection criteria for inclusion in the sample. Interviews were held with 17 CEO's or managers involved in strategy and each were requested to distribute questionnaires evenly between management (top-, middle- and lower-level management) and non-management level employees in their organisations. Ten to twenty questionnaires (depending on the organisational size) were distributed per organisation in order to spread respondents across several organisations and increase research validity. Some questionnaires were also distributed among individual organisations from an organisational database to which the researcher had access. A total of 210 questionnaires (including 17 questionnaires captured after interviews with CEO's) were returned.

1.7.2 Importance and benefits of the study

The study synthesises diverse literature and theories around strategy-making. The survey of the secondary data from academic journals serves to highlight issues that have been addressed for the past almost two decades, but that have not yet found their way into South African teaching (a

proposition that should be tested in subsequent research) or practice. Mintzberg (1990:197) points out that the design school model (i.e. with the emphasis on analysis tools) not only dominates the world of pedagogy - either in its pure form, or as the foundation of the thinking behind the planning and positioning schools - but also dominates beliefs in practice. He believes that the 'one best way' thinking is alive and well in the practice of strategic management, and it dictates how strategy must happen in organisations. This study aims to open up the different possibilities for making strategy in organisations and also for possible marriage between different strategy-making approaches.

This is the first South African study of its kind investigating and describing what happens in South African organisations in terms of strategy-making. This could inform organisations on what the current practice is regarding strategy-making, provide a basis for comparison and suggest situations in which a certain approach to strategy-making is likely and feasible. This study opens up possibilities for future strategy research such as comparing academic offerings in terms of strategy with the organisational reality of strategy-making.

1.8 CHAPTER OUTLINE

CHAPTER 2	*The academic debate on strategy-making*	This chapter outlines and explains the main tenets of the debate on strategy-making. It centres mainly on the two opposing approaches to creating strategy, namely the rational planning and the emergent strategy approach. Academic views on strategy-making are associated with and discussed in relation to the two opposing approaches/modes. A continuum of strategy-making approaches is crystallised.
CHAPTER 3	*Divergent approaches to strategy-making*	This chapter outlines and discusses in more detail the most important theoretical streams in the evolution of theory on strategy-making. It furthermore discusses the two main extremes to the continuum of strategy-making approaches/modes in detail, namely the rational planning and emergent strategy approaches.
CHAPTER 4	*Moderating factors*	This chapter focuses on the various advantages or disadvantages associated with a specific mode of strategy-making and links these to influencing/moderating factors. It highlights factors that play a role when a specific strategy-making mode is followed (whether through deliberate

		decision by management or as a result of how strategy plays out in organisations).
CHAPTER 5	*Research design and methodology*	This chapter presents the research problem, objectives and hypotheses. The methodology in terms of data collection and data analysis.
CHAPTER 6	*Research findings*	This chapter highlights the empirical findings in terms of the demographic information and other descriptive and inferential statistics. The chapter presents all the research findings obtained by means of statistical analysis, including results of factor analysis, correlation analyses and chi-square tests, Mann-Whitney t-tests, Multivariate ANOVA, Linear and Logistics discriminant analysis and MARS regression analysis.
CHAPTER 7	*Conclusion*	The final chapter summarises the study and empirical findings. It concludes the research by revisiting the research objectives, hypotheses, limitations of the study, contributions to science and areas for further research.

1.9 ABBREVIATIONS

The following abbreviations are used in this study:

CEO: Chief Executive Officer

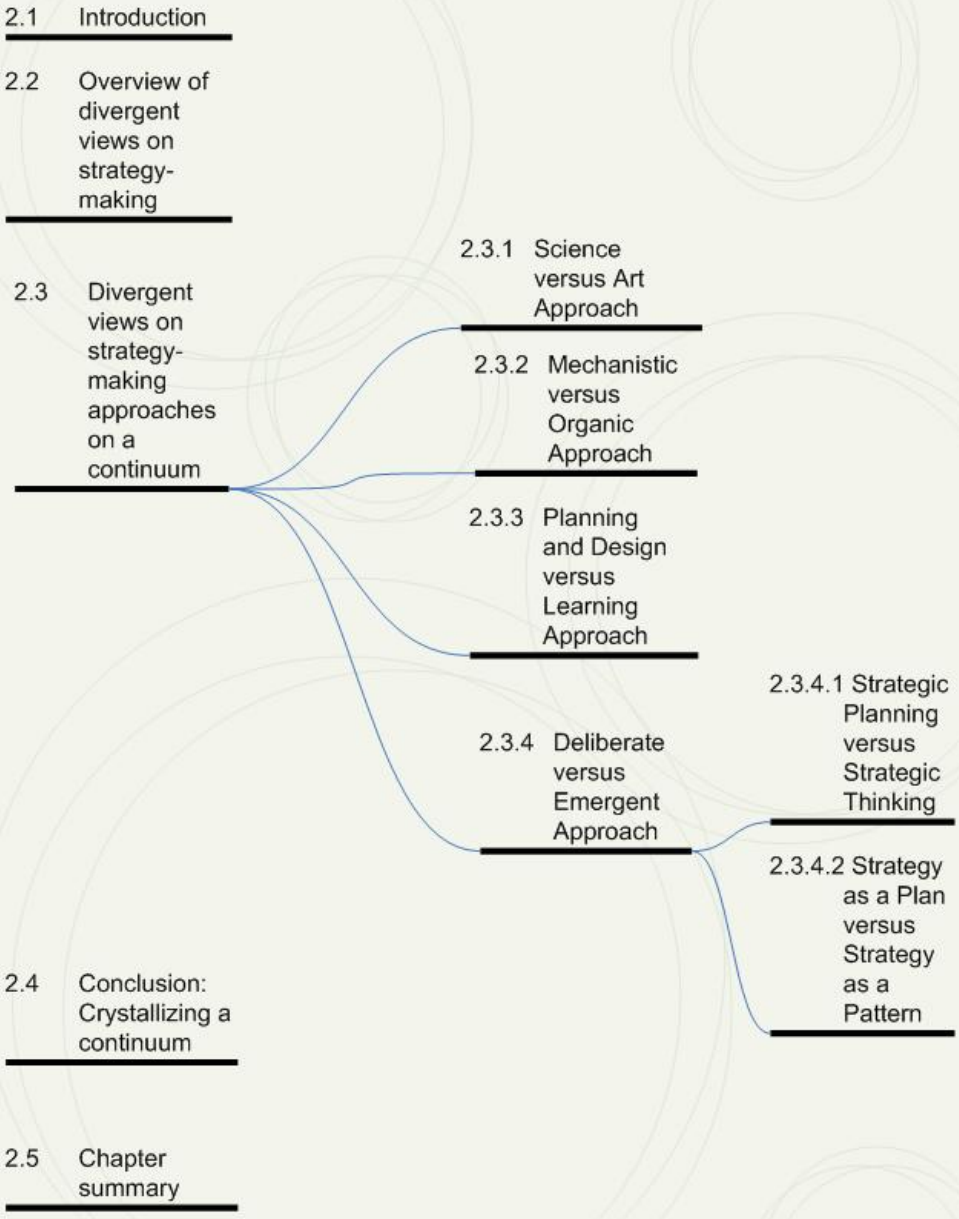
The following terms are used interchangeably throughout the thesis document:

Mode	Approach
Strategy-making	Strategy formation
Rational planning	Formal, comprehensive planning
Moderating factor	Influencing factor or moderator
Questionnaire	Survey
Universe	Population

1.10 REFERENCING TECHNIQUE

The Harvard referencing technique is used in this study.

CHAPTER 2
THE ACADEMIC DEBATE ON STRATEGY-MAKING



CHAPTER 2
THE ACADEMIC DEBATE ON STRATEGY-MAKING

Enduring effective strategy-making subscriptions are rare, or some would claim impossible. Indeed, a prescription that would guarantee supra-normal profits consistently, would de-facto become the strategic management field's own version of the proverbial money machine. As a result, the field as a whole seems to have ebbed in and out of favour with practitioners…Anchored in the gloom and doom of the public condemnations of the field we emerged from that workshop convinced that we were fortunate to be witnessing the beginning of an energetic and widespread resurgence of interest in process-related topics, a resurgence which had transcended national boundaries and that was occurring all around the world.

Szulanski, Porac and Doz (2005:xiv)

2.1 INTRODUCTION

Louis Alvarez, Nobel Laureate, once said: "This is the course in advanced physics. That means the instructor finds the subject confusing. If he didn't, the course would be called elementary physics" (*In* Mintzberg *et al* 2005:13).

Who would think that the same sentiment could be applied to the field of strategy? Most of us were taught in our strategy courses at university and in MBA classes that strategy is quite straightforward. You set the vision, clarify your business scope with a concise but comprehensive mission statement, do some analysis on the organisational environment, select strategies from a host of possible strategy options and *voila*…a strategy ready to be implemented. Then you enter the organisation, ready to dazzle with your

superior knowledge on strategy….but with some amazement you find out that strategy happens a little differently from how you were taught. It might be that the lines of responsibility or accountability are unclear. It might be that the strategy is for top management's eyes only and you just do as you are told … never knowing where your piece of the action fits into the bigger picture. It might even be that you discover that the best way of dealing with your customers or doing things in your industry is by trial and error.

Makins and Steele (2006:76) verbalise such concerns in a simple question, "Is strategic planning completely useless?" They maintain that strategic planning does not really influence most companies' strategy.

> …we will demonstrate that the failure of most strategic planning is due to two factors: It is typically an annual process and it is most often focussed on individual business units. As such, the process is completely at odds with the way executives actually make important strategy decisions, which are neither constrained by calendar, nor defined by unit boundaries. Not surprisingly, then, senior executives sidestep the planning process.

Inkpen and Choudhury (1995:313) even suggest that "strategy absence need not be associated with organizational failure…Deliberate building-in of strategy absence may promote flexibility in an organization…Organizations with tight controls, high reliance on formalized procedures, and passion for consistency may lose the ability to experiment and innovate."

Veldsman (2007:41) submits that there is a strategic fatigue evident in organisations due to strategising not keeping pace with the accelerating changes which necessitates reinvention of strategising itself. Other

researchers also argue in line with Veldsman (2007) for a fresh perspective on strategy-making. Weeks (2007:295) notes that prediction lies at the core of traditional strategic management theory. In this sense a possible future within a specific context is predicted and acted upon in terms of implementation of strategies. Weeks (2007:306) submits that context is the 'rosetta stone' for determining the appropriate approach to strategy-making.

Whatever the case may be, pondering on strategy leaves one with an inevitable discovery – it is not quite as simple as you were taught. It might even be called "advanced strategic management" (as Alvarez (*In* Mintzberg *et al* 2005:13) puts it) if one considers the theory versus practice or even just the vast theoretical discussions in academic literature.

Why the emphasis on the creation of strategy, when "failure is almost always attributed to implementation" (Mintzberg *et al*, 2005:32)? The answer lies in the question of whether strategy formation and implementation can really be separated. The debate about strategy formation is exactly that: a debate about the true definition of strategy, aptly explained by Mintzberg *et al* (2005:32):

> Our strategies were clever, say the formulators; the problem is with the dumbbells in implementation. But the dumbbells might reply that if you formulators are so clever, how come you didn't formulate strategies that we dumbbells were capable of implementing. The problem, however, may lie deeper in the very separation of formulation and implementation. Unlike buildings, strategies do not get finished. They are works-in-progress, always changing. So their structures have to be fluid, their walls permeable. Executives cannot just hand them over to other for implementation the way architects hand over plans to builders

> for construction. Strategies, in other words, have to live, and so people concerned with them, had better be able to deal with them intimately, continuously…Real strategies are about living customers and dynamic markets and evolving technologies, not about abstract strengths, weaknesses, threats, and opportunities.

The debate as it unfolds centres around the being of strategy: why strategies when finally implemented (so-called realised strategies) sometimes differ from intended strategies. These strategies that realise but were not intended, are referred to as emergent strategies. Hilse and Nicolai (2004:375) explain the two extremes as follows: "In extreme cases, strategies occur through a 'grass roots model' where strategic initiatives that have been distributed within the organisation and have nothing in common with the intended strategy 'grow rampant'. The other extreme would be a comprehensive, deliberate strategy where the intended strategy is completely realized". (This distinction between deliberate, emergent and realised strategies are explained in this chapter and also in Chapter 3.)

The debate is also about how strategies come (and should come) to life in organisations, with proponents on various sides prescribing and describing issues around strategy with conviction and passion.

In this chapter strategy is defined in terms of strategy-making; the main pinnacles of the debate on strategy-making are then discussed and the arguments outlined. The chapter ends with a diagram that attempts to capture the main continuum and highlight significant issues. Chapter 3 then sees the two main streams fleshed out and described in more detail and then a basic epistemology crystallised.

2.2 STRATEGY DEFINED: AN OVERVIEW OF DIVERGENT VIEWS

In the sixth century BC, Sun-tzu (later translated as Sun Tzu) in his works on military art and science, defined strategy as a **vehicle for planning** when he stated that "Leaders plan in the beginning when they do things," and "Leaders consider problems and prevent them" (Sun Tzu, 1988:17). And further (1988:42):

> Assessments are the first order of business in military operations. But General Cao Cao says that assessments should be *made at headquarters* – this is because it is imperative *to first assess* the wisdom of the leaders, the strength of the opponent, the lay of the land, and the number of troops; then when the two armies confront one another, the adaptations to be made are *determined by the leadership in a manner consistent with these regulations*. Discipline means that *regulations are strict and clear.* The Way means *inducing people to have the same aim as the leadership*, so they will share death and share life, without fear of danger. This means *guiding them by instruction and direction.* [Own italics].

Throughout early literature on strategy some salient thoughts expressed by these early works have been re-emphasised and established as theoretically true for strategy. The notion of planning and the importance of the CEO or leader typify the early beliefs about strategy. Many authors, such as Quinn (1980) and Cummings and Wilson (2003), have traced the military genesis of the term strategy from the Greeks and the Macedonians. The word *strategos* began as a term describing a commanding role in the army (a general, for example), and by the time of Alexander the Great (330 $_{BC}$) had become the word which described the successful deployment of troops to overcome the enemy and to the system of governance which facilitated this

planning. It is this combined notion of **planned deployment and governance** which pervades the so-called planning schools of strategy (McGee *et al* 2005:9). Authors such as Chandler (1963) and Ansoff (1965; 1972) epitomise the translation of this planning orientation to the strategic conduct of business and the view of the general manager as a 'strategist' (coining the phrase 'strategic management' in 1972). Ansoff (1965) provided a blueprint for planning an organisation's objectives, expansion plan, product-market positions and resource allocation, and his book *Corporate Strategy* has since been called the bible of strategic planning (Koch 2000:6).

Szulanski, Porac and Doz (2005:xiii) refer to Hofer and Schendel's (Schendel & Hofer, 1979) 'pioneering definition' of strategy as being **'processual'** in character, emphasising the development and utilisation of strategy. McGee *et al* (2005:7) attribute the definition most common in the planning literature to Chandler, in what is called his landmark book, *Strategy and Structure* (McGee *et al*, 2005:7). This definition characterises strategy as "the determination of the basic long-term goals and objective of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (Chandler, 1963:4).

The typical strategic plan manifested itself in the 1970s in the form of a corporate or business plan, detailed to a T, which served as a **blueprint for conducting all business operations**. The military idea of strategy had managers talking about 'attacking' and 'capturing' markets, 'defeating' rivals, 'winning over' customers. However, the analogy between generalship and running a firm was abandoned when businessmen realised that, "slaughtering your opponents and outselling them had little in common," contend Mintzberg, Ahlstrand and Lampel (2005:20). According to them, corporate strategy in the 1960s had come to mean a complex and

meticulously wrought plan based on detailed forecasts of economies and specific markets. Mintzberg *et al* (2005:21) are of the opinion that this approach to strategy fell into disrepute because:

- Many people blamed it for over-zealous diversification in the 1970s and the creation of poorly performing conglomerates.
- Japanese firms, which seemed to eschew detailed planning, cast further doubt on its usefulness in the 1970s.
- Sudden changes in the environment, such as oil price rises, meant changes to the 'handsomely bound corporate strategy', which rendered the plan insufficient.

An important development in the history of strategy was, according to Koch (2000:6), the founding in the 1960s of the Boston Consulting Group (BCG). The BCG combined intellectual innovation and boardroom consulting, and combined market analysis (with specific analytical tools such as the Experience Curve and Growth/Share Matrix) and research with financial theory to produce the micro-economic analysis of competitors and their relative costs that formed the bedrock of subsequent strategy (Koch, 2000:7).

In the 1980s **competitive advantage**, a term coined by Harvard academic Michael Porter, became prominent and changed the definition of strategy. Szulanski *et al* (2005:xiii) mention Porter's (1996) expression of "*preoccupation with the leadership and organizational challenges* of managing the process". Porter emphasised that competitive strategy is about being different (i.e. **competitive positioning**) and achieving strategic coherence in organisational strategy. It means deliberately choosing a different set of activities to deliver a unique mix of customer value.

However, a strategic position is not sustainable unless there are trade-offs with other positions, hence the need for strategic decisions.

According to Porter (1985), competitive strategy is all about the activities an organisation undertakes to gain a competitive advantage in a particular industry. These activities (and objectives) are determined by the strategic decision on the particular competitive advantage which the organisation is attempting to achieve. The competitive advantage of an organisation is the answer to the question, "what competence/advantage should the organisation use to distinguish it from its competitors?". The competitive advantage should 'elevate' the organisation from its competition (Morschett, Swoboda & Schramm-Klein, 2005:1).

Strategy is about combining activities that are complementary and reinforcing. The strategic coherence among many activities is fundamental not only to achieving competitive advantage, but also to the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to match a particular sales-force approach, match a process technology or replicate a set of product features. Positions built on a series of coherent activities are far more sustainable than those built on individual activities (McGee *et al*, 2005:7).

Porter (1985:12) combined the organisation's 'scope of operations' and competitive advantage to derive three generic types of competitive strategies. He proposed and applied specific **analytical techniques** to determine the organisation's position within the industry. Researchers in support of Porter's 'positioning' theory on strategy point out that organisations siding with one of these generic competitive strategies outperform their rivals (Dess, Lumpkin & Taylor, 2004:142).

However, there are some authors who criticise Porter's theory as too basic and oversimplified in terms of the positioning options (Mintzberg, Quinn & Ghoshal 1995; Miller 1992; Gilbert & Strebel 1987), and as having little impact on how organisations go about formulating strategy (Mintzberg, Ahlstrand & Lampel, 2005:21). Reasons cited for this by Mintzberg *et al* (2005: 21) are:

- His work is not prescriptive/descriptive enough.
- His vast checklists provide little guide to what firms should actually do, or avoid doing.

In 1980 milestone research conducted by Quinn had set a new direction in strategy literature. Quinn (1980) published the results of a study on how big firms actually went about formulating strategy. He found that they *proceeded by trial and error*, constantly revising their strategy in the light of the new experience. He termed this phenomenon, **logical incrementalism**. On planning, Quinn (1980:14) concluded: "My data suggest that when well-managed major organizations make significant changes in strategy, the approaches they use frequently bear little resemblance to the rational, analytical systems so often described in the planning literature."

Quinn (1980:40-41) offered two reasons for the planning's own inclination to be incremental:

1. Planning was carried out bottom-up by managers responding to the narrow needs of the units' products, services, or processes within a long-standing framework of assumptions.
2. Plans were properly designed by most management to be flexible, "intended only as frameworks to guide and provide consistency for

future decisions made incrementally during shorter term operating cycles".

Mintzberg (Mintzberg, Pascale, Goold & Rumelt, 1996:79) highlight the significance of the 'new' line of thought, which complements the above-mentioned incremental approach, when he points out that "no other article published in the management literature has had quite the impact of Richard Pascale's piece on the 'Honda Effect'. It is, in a sense, a perfect juxtaposition of two versions of the same story – how a Boston Consulting Group report explained the Honda Motor Company's dramatic success in the American motorcycle industry, compared with how the Honda executives who managed that process explained it themselves." Pascale (1984:4) relays some of the ambiguity surrounding the term *strategy* by starting with the Webster dictionary definition that defines it as a "large-scale planning and direction of operations" and carrying on to analyse the term as applied and used in the business context, by using Bower's definition (1970:7): "…it pertains to a process by which a firm searches and analyzes its environment and resources in order to:

- select opportunities defined in terms of markets to be served and products to serve them; and
- make discrete decisions to invest resources in order to achieve identified objectives."

Pascale (1984:48) continues by explaining that strategy is more than a conventional noun to the "vast and influential population" of executives, planners, academics, and consultants. It embodies an implicit model of how organisations should be guided and it consequently pre-configures our way of thinking. Strategy formulation, says Pascale, is therefore:

- generally assumed to be driven by senior management, whom we expect to set strategic direction;
- has been extensively influenced by empirical models and concepts, and
- is often associated with a laborious strategic planning process that, in some companies, has produced more paper than insight.

However, the term strategy does not have a globally homogeneous meaning. Pascale (Mintzberg *et al*, 1996:80) points out that the Japanese (in contrast to their European and American counterparts) are a bit distrustful of a single strategy. In their view peripheral vision is sacrificed when strategy is focussed on a single idea and appears to be single-minded, for in their view any idea that focuses attention does so at the expense of peripheral vision. Peripheral vision is regarded as essential to discern changes in the customer, the technology or competition, and is the key to corporate survival over the long haul. The Japanese, furthermore, don't use the term 'strategy' to describe a crisp business definition or competitive master plan. They think more in terms of **strategic accommodation**, or **adaptive persistence**, underscoring their belief that corporate direction evolves from an incremental adjustment to unfolding events. Rarely, in their view, does one leader (or a strategic planning group) produce a bold strategy that guides a firm unerringly. Far more frequently, the input is from below. It is the ability of an organization to move information and ideas from the bottom to the top and back again in continuous dialogue that the Japanese value above all things. As this dialogue is pursued, what in hindsight may be 'strategy' evolves. In sum, 'strategy' is defined as "all things necessary for the successful functioning of organization as an adaptive mechanism" (Pascale 1996:90).

The above view of the Japanese as portrayed by Pascale (1984; 1996) was seen as highly controversial and stimulated lively discussion. Mintzberg, Ahlstrand and Lampel (2005:22) note that an incremental approach sounded a lot like "muddling through (i.e. no strategy at all)", but nevertheless built on this 'haphazard' (Denning, 1973:26) approach to planning in their later work on **emergent versus deliberate strategies.**

Another influential strain of theorising about strategy in the 1980s has stressed expanding an organisation's skills and competences and finding markets in which to exploit these skills (McGee *et al*, 2005; Mintzberg, Ahlstrand & Lampel, 2005). Prahalad and Hamel (1990) also influenced how strategy is viewed today. They conceptualise strategy in terms of **strategic intent**, which they define as providing overarching strategic direction. McGee *et al* (2005:6) say that strategic intent is, in essence, about winning a competitive game. This leads to a focus on strategy as a process of reinforcing intent by developing the core competencies of an organisation and leading and managing change. They also propose the viewpoint of strategy as **stretch and leverage**, in which the strategist sees the advantage of breaking the strategic frame and leveraging the critical core competences in an innovative and distinctive manner. The concept of strategy as innovation is dominant in their thinking and they maintain that innovation facilitates winning in the competitive game (Prahalad & Hamel, 1990).

Nag *et al.* (2007) came up with an **academic definition of strategy** which they believe encompasses all the relevant elements of the construct. This definition emanated from the following empirical process:

- First, they selected 447 abstracts of articles appearing in major management journals;

- These were rated by acclaimed scholars as to whether they represented strategic management articles. Strategic management articles and non-strategic management articles were grouped.
- Strategic management articles were then analysed for distinctive strategy lexicon, which in turn allowed the authors to derive an implicit consensual definition.
- To determine the validity of the definition, the elements of the definition were examined to determine if they would allow for the discrimination of strategic management and non strategic management abstracts (which the elements did).

The definition can be stated as (Nag *et al.* 2007:944)":

> The field of strategic management deals with the major *intended and emergent initiatives* taken by *general managers* on behalf of owners, involving utilization of resources, to *enhance performance of firms* in their external environments [own italics].

The above definition is especially important to this study for the reference to "intended and emergent" initiatives (discussed in this chapter and Chapter 3) as well as the reference to performance and the influence of the environment of strategy-making (discussed in Chapter 4).

2.3 DIVERGENT APPROACHES TO STRATEGY-MAKING ON A CONTINUUM

At the heart of the development of a strategic definition lies a debate concerning the nature of strategy. Defining strategy proves not to be a simple task but encompasses all the divergent views on what strategy really is, how it is made and how it is put into action in organisations. It is

precisely these divergent and often opposing views on strategy in general, and strategy-making specifically, that is explored in the ensuing account of the debate on the nature of strategy formation.

To the same extent that defining strategy is a complex task, classifying and categorising the different views is a vast and expansive quest. This section scrutinises the tenets of strategy-making from the point of view of opposing views:

- the Science versus Art approach;
- the Mechanistic versus Organic approach;
- the Learning versus Planning and Design schools,
- and finally focus on outcomes in the deliberate versus emergent strategy view; and
    - the associated stance of strategic planning versus strategic thinking

2.3.1 Science approach versus Art approach

Parnell and Lester (2003:292) argue that the art versus science debate is one of the most "fundamental issues in strategy formulation". They are of the opinion that the art–science discussion is not merely an academic dispute, since the perception of the strategy phenomenon, and more specifically the formulation of strategy, is a key building block of strategy. Therefore they postulate that one's view of *how* the strategy process should function is inseparable from one's view of *what* the strategy should be (i.e. content). The difference between the art and science interpretations of strategy is therefore substantial.

"According to the art perspective, the lack of environmental predictability and the fast pace of change suggest that the inherent value of strategic

planning is limited. Instead, strategists should incorporate substantial creativity and intuition in order to design a comprehensive strategy for the firm (Ford & Gioia, 2000). In contrast, followers of the science perspective see the business environment as largely objective, analysable and predictable to a great extent. As such, strategic managers should follow a systematic process of environmental, competitive and internal analysis and build the organisation's strategy on this foundation" (Parnell & Lester, 2003:292).

Koch (2000:81) relates the idea of strategy that should be 'crafted' rather than 'planned' to the recognition of the difficulty of predicting the future and the importance of respecting market feedback rather than sticking to a plan above all else. As such, strategy should be a creative and intuitive interaction between a firm's aspirations and results in the marketplace.

Parnell and Lester (2003:292) argue, in line with other academics (such as Prahalad, 1995:iii; Farjoun, 2002:562) that most of strategy literature has "traditionally favoured the science or planning model, whereby strategic managers are encouraged to systematically assess the firm's external environment and, based on perceived strengths and weaknesses, evaluate the pros and cons of myriad alternatives before formulating strategy. The search for causal relationships and objectivity are central to the planning model. "

The strategy-as-a-science approach holds that strategic managers should be trained, highly skilled analytical thinkers who digest vast amounts of data and are able to translate those into a desired strategy or direction for the firm. Conversely, when strategy is viewed as an art, strategists or, as Parnell and Lester call them, strategy artists, are craftsmen, able to master detail

by interpreting the finer detail, who try to construct the strategy as a potter moulds clay, that is by visualising the outcomes associated with certain alternatives and then charting a course of action based on holistic thinking, intuition and imagination (Parnell & Lester, 2003:292; Mintzberg, 1987).

`Strategy scientists' tend to downplay the role of imagination and creativity in the strategy process and are generally not perceptive of alternatives that emerge from any process other than a comprehensive analytical process. Conversely, 'strategy artists' view strategic planning exercises as time poorly spent and may not be as likely as the scientist to make the necessary effort to maximise the value of the formal planning process (Hamel, 1996; Hoffman, 2001).

Idenburg (1993:133) defines strategic management as the "constructive change of situations by organizations of people". He concludes that based on this definition it would be invalid to compare strategy with the artist's struggle to produce pottery from his materials. This is because, according to Idenburg (1993:133), the future is not inevitable, but can be influenced if we know which objectives to pursue in order to achieve a desired position.

Parnell and Lester (2003:293) finally contend that there is substantial evidence to suggest that strategy is both an art and a science. They argue that while, on the one hand, following a comprehensive process of strategy development and implementation is more likely to improve prospects of success for businesses in stable environments, on the other hand, the creative dimensions of strategy, such as brainstorming, should not be eschewed in unstable environments where innovative solutions are required. They add: "Strategic managers should follow a systematic strategic

management model, while recognizing that the steps in the model are neither all-encompassing nor specifically sequential" (2003:293).

Regnér (2005:190), in his examination of 'strategy logic', i.e. the general process and management characteristics that generate a certain strategy outcome, criticises the 'strategy as an art' approach as avoiding the question of strategy logic. This approach, in his view, runs the risk of precluding critical examinations of the actual mechanisms and procedures involved by relying on intuition and feelings, which are difficult to examine. He believes that the reason research responded with this tactic is that managers often fall back on referring to 'gut feelings' to explain why a particular strategy outcome finally presented itself. Art is an important part of the answer in more uncertain situations, argue Szulanski and Amin (2000), in line with Parnell and Lester's explanation (2003:293).

2.3.2 Mechanistic approach versus Organic approach

Farjoun (2002:561) categorises the development of strategy in two broad 'progressions'. He is of the opinion that the categories arose in an attempt to answer questions such as: What is strategy? What is strategy related to, and how? How is strategy selected and managed? How should it be? Farjoun thus distinguishes two streams of research, namely the mechanistic and organic perspectives. He borrowed these terms from Burns and Stalker (1961, *in* Farjoun, 2002:562) who in turn "borrowed … terms to suggest that different contexts call for different clusters of conceptual, explanatory, prescriptive, and methodological models. We too view the terms as describing points on a continuum rather than a dichotomy of pure types. We find the term organic particularly suitable to our purposes since it combines notions of process, unity, and vitality". The main differences between the mechanistic and organic perspectives are explained in table 2.1:

Table 2.1: Mechanistic versus organic perspective

	Mechanistic perspective	Organic perspective
Context	Stable and predictable environment, early stages of the field's development	Dynamic and uncertain environment, early stages of the field's development
Key influences	Newtonian mechanistic logic ideas prevailing in the behavioural and economic disciplines in the field's formation	New ideas in natural and social sciences, organic developments in strategy (strategy process research, evolutionary and process models, interactive and integrative research) and selected mechanistic ideas

(*Source:* Farjoun, 2002:567)

These two broad 'progressions' of the development of strategy are distinguished more by epistemological differences than by chronological order (Farjoun; 2002:562). The first development consisted of several interdisciplinary-based and stand-alone middle-range theories, mainly SCP (Structure-Conduct-Performance), SSP (Strategy-Structure-Performance) and RBV (Resource Based View). These theories were used to explain variations in strategy and performance. Strategy itself has been mainly viewed as a posture and a plan. The design model and the SWOT (strengths, weaknesses, opportunities, and threats) model have been used as the main models of strategic management and strategic choice respectively.

The rational planning view assumes that people act in a structured and rational manner, says Idenburg (1993:134). This therefore means that the approach is rather mechanical in character. Farjoun (2002:562) calls the first movement in the development of strategy theory the **mechanistic perspective,** for it provides a set of conceptual, explanatory, and prescriptive

models that are unified by the Newtonian mechanistic logic as their shared epistemological basis. This perspective remains "vital to the development of strategy research, teaching and practice. It has established the centrality of key constructs, questions and theoretical relationships, and its prescriptive orientation reflects the field's commitment to help firms improve their functioning and performance, and to address managerial concerns" (Farjoun, 2002:562).

Farjoun (2002:562) highlights the subsequent development category, calling it the **organic perspective.** Prompted by the limitations of the mechanistic perspective, and inspired by the advent of new ideas in social and natural sciences, the field's second broad progression saw the emergence and spread of organic developments. Key developments included research on strategy formation and implementation (Quin, 1981; Mintzberg & Waters, 1985), and the recognition of reciprocal and interactive relationships between strategy and other constructs (Henderson & Mitchell, 1997). These research streams have introduced new and eclectic views of key constructs, questioned the rational process model of strategy and offered new views of strategy formation. The focus of the organic perspective shifted from strategic choice to strategic change. Collectively, the organic developments represented an important shift in the underlying assumptions of the mechanistic perspective concerning discrete strategy formation as planned actions (Farjoun, 2002:563). Ansoff (1987:506) likened to organic approach to the incremental change process (associated with Quinn (1980) and explained in sub-section 2.3.4). He defines this as "serendipitous evolution" within the process of strategy emergence (also explained in sub-section 2.3.4).

Farjoun (2002:565) claims that despite differences in content and emphasis, the field's main issues – the nature of strategy, its relations, and the ways it is managed and selected – are addressed in the mechanistic perspective in a constant and mutually reinforcing manner. A view of strategy as a position or posture implies (as is evident from Porter's (1985) models) that strategic choice is mostly a selection between static configurations. Farjoun (2002:565) asserts that the prime reason for the coherence is the shared but largely implicit views on, *inter alia*, time and flow of strategy processes. Strategic management is viewed as a one-time sequence of formulating and implementing a single choice rather than a continuous process. Strategy formulation and implementation activities are condensed in time and their duration is inconsequential.

The subsequent theories on strategy alongside the progress made in the field in particular content areas are explained by Farjoun (2002:566) as yielding complementary yet questioning ideas that partially adapted the prevailing approaches at a more fundamental level.

2.3.3. Planning and Design approach versus Learning approach

Brews and Hunt (1999:889) refer to a "bitter debate" taking place between "two prominent strategy academicians" who considered the question vital to the theory and practice of strategy, i.e. What types of planning should firms utilise in their strategy formation behaviours? The two prominent authors in question are Igor Ansoff, defending the planning school, and Henry Mintzberg, defending the so-called learning school.

In an article that started the debate between these two proponents of opposing views, Mintzberg claimed that literature on strategy since the 1960s has naturally divided itself into distinct schools of thought

(1990:171). Three of the schools are prescriptive in orientation, treating strategy formation as a process of conceptual design, of formal planning, and of analytical positioning.

The first three prescriptive schools of thought, labelled by Mintzberg (1994a:3) the **design school**, **planning school**, and **positioning school**, also gave rise to much academic debate. At its simplest, the design school proposes a model of strategy-making that seeks to attain a match, or 'fit', between internal capabilities and external possibilities (Mintzberg *et al,* 1998:24). Economic strategy is seen as the match between qualifications and opportunity that positions a firm in its environment (Christensen, Andrews, Bower, Hamermesh & Porter, 1982:164).

The planning school, which originated at the same time as the design school, focuses on strategy as a plan with formal procedures, formal training, and formal analysis, guided by a specialised strategic planning department with direct access to the chief executive (Mintzberg *et al*, 1998:48). Conceived in the early 1980s, the positioning school accepted most of the premises underlying the planning and design schools, as well as their fundamental model, but it added content in two ways. It did so by emphasising the importance of strategies themselves, not just the process by which they were formulated, as well as focusing on the content of strategies in a more prescriptive manner, i.e. prescribing specific strategies available to organisations and the contexts in which each seemed to work best (Mintzberg *et al,* 1998:82).

The other schools deal with specific aspects of the process in a descriptive way, and are labelled the **entrepreneurial school** (concerned with strategy formation as a visionary process), the **cognitive school** (as a mental

process), the **learning school** (as an emergent process) and the **environmental school** (as a passive process). Finally, there is a school labelled the **configurational school**, which is integrative and seeks to delineate the stages and sequences of the process but also helps place the findings of these other schools in context (Mintzberg, 1990:172). These schools of thought are discussed in further detail in Chapter 3.

Salmador and Bueno (2005:271) define the two opposing categories (namely design and learning schools) as follows:

> From a knowledge perspective, the former (design school) focuses on the role of formal analysis, planning and formal, strategic choice as essential activities that provide strategy-makers with the data essential for their task, highlighting the role of explicit knowledge. The latter emphasizes the role of the gathering of experience. This school has long since adopted an implicit-knowledge and learning perspective in describing how strategies are formed (e.g. Burgelman, 1983; Mintzberg & McHugh, 1985; Quin, 1980 *in* Salmador & Bueno, 2005:271), stressing the importance of tacit knowledge.

Mintzberg (1990:172) critiques the design school, which he describes as "ostensibly the simplest and most fundamental view of strategy formation […] as a process of informal conception – the use of a few essential concepts to design 'grand strategy.' Of these concepts the most essential is that of congruence or match". He mentions Christensen, Andrews, Bower, Hamermesh, and Porter as the best-known proponents of the design school. The Christensen *et al* book entitled *Business policy: text cases* (Christensen, Andrews & Bower, 1978) is mentioned as the authoritative textbook representing the dominant voice of the design school of thought. Igor

Ansoff's book *Corporate Strategy* (Ansoff, 1965) is also mentioned as an influential and successful publication based on many of the same concepts as the design school but "more in the spirit of the planning school".

Mintzberg (1990:181) notes that although the design school approach made a "profound contribution" to strategy, "it has never been good enough". He continues to dissect its premises and comes to the conclusion that it describes but one approach to strategy formation, and "even that one sometimes exhibits a level of generality and a tone of inevitability that seems overly simple in places and, at times, dogmatic". His critique of the design school revolves around one central theme: its promotion of thought independent of action, strategy formation above all as a process of conception, rather than as one of *learning* – as can be clearly seen in a fundamental step in the formulation process, the assessment of strengths and weaknesses. He states (Mintzberg, 1990:184):

> The problems of making strategy essentially bring us back to the need to view strategy formation as a learning process, at least in some contexts. Sure, strategies must often be made explicit, for purposes of investigation, coordination, and support. The questions are: when? and how? and when not? There is undoubtedly a need for closure at certain points in an organization's history, moments when the process of strategy formation must be suspended temporarily to articulate clear strategies. But this need should not lead us to believe that it is natural for strategies to appear fully developed all of a sudden, nor should it allow us to ignore the periods during which strategies must evolve.

Another problem with the design school (as with the planning school), according to Mintzberg (1990:184), is the separation of formulation and

implementation. Mintzberg questions whether the formulation-implementation dichotomy, central to the design and planning schools, is a valid distinction for conceptual, analytical and even pedagogical purposes. He doubts whether people concerned with strategy (including students) should *think* (or behave) in terms of formulation and implementation.

Mintzberg *et al* (1998:36) express the opinion that this separation is convenient for the case-study classroom, where students can formulate even if they cannot implement. They continue to criticise the case-study method which, although a powerful device for bringing a wide variety of experience into the classroom for descriptive purposes, can become "terribly dangerous" when used for prescription – to teach a process by which strategies should be made.

Mintzberg (1990:187) notes several instances in organisations where this dichotomy collapses because of learning taking place along the way. In this regard Mintzberg criticises Andrews for dismissing organisational learning and regarding it as "opportunism" even though he does recognize the intertwining of formulation and implementation in *practice*. Says Mintzberg, making this distinction *conceptually* led Andrews to underestimate the importance of such learning individually, and collectively, over time, in strategy formation.

Ansoff (1991:450) justifies his reaction to Mintzberg's critique of the design school on the basis of defending one of the prescriptive schools (the one to which he belongs, being the planning school) in an effort to "set the record straight and thus salvage a lifetime of work which has received a modicum of acceptance by practicing managers". Ansoff names what he calls 'Henry's prescription' as **implicit strategy formation**, in which the strategy need not

be a part of the manager's concern, except under special circumstances. Managers should allow strategy and capabilities to evolve organically, through trial and experience, and focus their attention on the operating efficiency of the organisation. Thus, continues Ansoff (1991:454), Mintzberg "prescribes a world free of explicit strategy formulation and free of strategic managers".

To this criticism Mintzberg replies (1991:463), "I do not commit the planning school 'to the garbage heap of history' (only to the role of programming strategies already conceived), and I do not deny the role of cognition in the learning process or argue that strategies should never be made explicit. To critique is not to dismiss, but sometimes only to try to push back into appropriate context".

However, Ansoff (1991:459) states that as "a person who has spent over 40 years of his life as a manager, consultant, educator, and close observer of the business scene", he cannot accept Mintzberg's model as a description of strategic management reality. He concludes that empirical research shows that "Mintzberg's prescriptive model is a valid description for organizations which seek to optimize their performance in environments in which strategic changes are incremental and the speed of the changes is slower than the speed of the organizational response".

Ansoff refutes Mintzberg's arguments on the basis of the methodological weakness of the arguments, and contradiction of factual evidence. Mintzberg (1991:464) reacts by stating that "science" has always been the "great smokescreen of the rationalists, worked to a fine art by many economists who have used all kinds of fancy methodologies to prove the details of their arguments while obscuring the fundamental premises on which they are

based". Mintzberg differs from Ansoff (and by implication the Planning and Design School) on where the process of conception of a strategy (the creative process) and the process of implementation start and end, and believes that these are intertwined. "You call it 'strategic learning'. I have no problem with that so long as you don't pretend it can be formalized. And in return I'll promise never to claim that planning shouldn't be formalized," says Mintzberg to Ansoff (1991:465).

In his turn, Ansoff (1991:460) criticises Mintzberg for his insistence on the universal applicability of the existential learning model, which leads to assertions which contradict observable reality; and failure to specify the relevant context for his model. He concludes that "by abstracting a set of coherent concepts from Mintzberg's model it is possible to show that the 'emerging strategy' model is a valid prescription for success in incremented environments, a valid description of poorly performing firms in discontinuous environments, and a valid description of the behaviour of a majority of not-for-profit organizations". Ansoff (1994:31) writes in a later article: "my overall reaction to Henry's paper is that his understanding of planning was frozen in 1964. The original version of strategic planning is no longer with us…. It did not die but has been transmuted into several different forms of strategic planning".

Not all authors agree with the kind of mutually exclusive thinking mirrored in the Ansoff- Mintzberg debate relayed above. *Both* incremental learning *and* deliberate planning are needed, says Goold (Mintzberg *et al* 1996:100), "I see no contest between planning and learning, rather collaboration." Furthermore, Goold holds that there are clear prejudices on both sides of the planning versus learning debate. He asserts that the process approach to strategy has "brought out aspects of strategic management that may

previously have been neglected. But there is equal danger in going too far in the other direction."

Anderson (2000:184) notes that there has been a tendency to de-emphasise the role of strategic planning in recent years and instead focus on management autonomy and organisational learning. He notices that despite the opposing views of contemporary scholars, most firms continue to plan for the future, which reveals a need to review the effects of strategic planning in conjunction with managers' autonomous actions. According to Anderson, past research on the performance effects of strategic planning has been inconclusive, and evidence of the strategic importance of adaptive actions taken by lower-level managers remains somewhat anecdotal. He states (2000:184):

> Some [contemporary scholars] argue that autonomous actions are imperative to strategic adaptation, while planning inhibits change. Conversely, others argue that centralized planning is needed to co-ordinate responsive actions and spur adaptive strategic thinking.

In an effort to clarify the above dilemma, Anderson (2000:184) reports on a research programme investigating the dual performance effects of strategic planning and autonomous actions in the strategy formation process. The results of this research indicate that strategic planning has positive performance effects across industries, and exists in tandem with autonomous actions, where managers make responsive decisions that enhance performance under changing environmental conditions.

2.3.4 Deliberate versus emergent strategy approach

From the above debate on learning versus formalised planning and design flows the distinction between deliberate and emergent strategies.

Mintzberg (1991:464) writes about the planning school:

> Certainly every particular story I have heard about the process …informs me that it often starts out as a rational, deliberate process, which almost inevitably fails, but when it does occasionally succeed, it ends up as an emergent one of painful learning. Just consider Michael Porter's 'facts' on the incidence of failure and acquisition decisions. Maybe the rational models were *too* successful – in their incidence of adoption rather than the consequence of adoption.

Andrews (Christensen, Andrews, Bower, Hamermesh & Porter, 1987:84), proponent of the design school, notes that there should be a balance between focus and flexibility, between a sense of direction and responsiveness to changing opportunities. Corporate strategy need not be a straitjacket. Room for variation, extension, and innovation must be provided. He is, however, careful to avoid association with what he calls 'extreme incrementalism', which he describes as "reactive improvisation, muddling through, or following one's nose" (Christensen *et al,* 1987:83). Andrews holds the view that it is essential to plot a course into the future and stays committed to deliberateness.

Mintzberg *et al* (1998:179) trace the evolution of the learning school through phases of

- **disjointed incrementalism** (describing strategy-making as a fragmented process in which decisions are made to solve problems rather than to exploit opportunities);
- **logical incrementalism** (associated with Quinn (1980:15): "The real strategy tends to evolve as internal decisions and external events flow together to create new, widely shared consensus for action among key members of the top management team");
- **strategic venturing** (strategy and strategic change are seen to happen in the proposals or ventures championed by individual strategic actors, not necessarily in positions of senior management); and finally
- **Emergent strategy** (linked to strategic learning, because it acknowledges the organisation's capacity to experiment).

In the instance of emergent strategies, strategy may suddenly be rationalised to mean something very different from what was originally intended. Farjoun (2002:568) calls this development, the notion of deliberate versus emergent strategies, 'most significant', along the lines of complementing prevailing approaches to strategy. This distinction between the different outcomes of the strategy process stems from the frequently cited definitions of realised, emergent and deliberate strategies made by Mintzberg in numerous articles and books that he authored or co-authored (Mintzberg & Waters, 1985; Mintzberg, 1990; Mintzberg, 1994a; Mintzberg, Ahlstrand & Lampel, 1998; Mintzberg & Lampel, 1999; Mintzberg, Ahlstrand & Lampel, 2005). According to Mintzberg *et al* (2005:26–27), strategies can either be regarded as a plan ("some sort of consciously intended course of action") or a ploy ("a specific 'manoeuvre' to outwit an opponent") or a pattern ("strategy as consistency in behaviour, whether or not intended") or position ("location in its environment") or perspective ("inside the heads of the strategists").

From these definitions crystallise the three broad strategic outcomes, those of:

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 (Mintzberg *et al,* 1998:9).

The emergence of strategy has to do with the actions taken by middle managers within the organisation, so strategic initiatives may arise without the executives' awareness (Mintzberg; 1978; 1994a). Similarly, Jelinek and Schoonhoven (1990), in their study of high-technology firms, found the judgment of supervising managers essential to the development of new innovations. Andersen (2004:263) recalls other authors that have discussed the importance of middle managers' strategic involvement (Wooldridge & Floyd, 1990; Floyd & Wooldridge, 1992; 1994; 1996; O'Neill & Lenn, 1995). Andersen (2004:263) accordingly conceptualises strategy formation as "shared cognition among the individuals that enact the strategy" (Pennings, 1985 *in* Andersen, 2004:264), "on-going learning from organizational activities" (Normann, 1985 *in* Andersen, 2004:264), and a "social learning process" (Burgelman, 1983).

Andersen (2000:188) notes in an earlier article investigating the effectiveness of strategic planning that

> while proponents of strategic planning claim that planning is required to guide new initiatives and co-ordinate adaptive strategic actions, it has been argued that reliance on centralized strategic planning processes is

> insufficient. A significant number of investment decisions emerge and get approved by lower level managers. These resource commitments subsequently influence the corporation's strategic development. It has also been suggested that the strategy process evolves around ongoing learning from the resource-committing actions taken by managers in different parts of the firm.

Although middle management involvement is advanced as an essential element of the strategy formation process by some authors (Floyd & Wooldridge, 1994; 1996), Andersen (2004:264) notes that it has not yet been fully integrated into the discussion of planned and emergent strategy. Wooldridge and Floyd (1992) noted that firms in their study used both planned and emergent styles of strategy-making, while all firms seemed to operate in dynamic international industries. Andersen's study extends research by integrating the strategic planning process in the analysis of decentralised strategic emergence.

It is Parnell and Lester's (2003:292) opinion that Mintzberg derived his view on deliberate versus emergent strategies from the notion of strategy as a science versus strategy as an art – allowing for more flexible emergent strategies. They suggest, however, that most scholars continue to proceed on the assumption that deliberate strategies are preferred and emergent strategies invariably result from ineffective planning and/or environmental unpredictability.

Peters (2003:308) explains his stance toward strategy-making differently, but still stays close to the concept of emergent strategies. He summarises his opinion of what can be defined as management 'excellence', scanning the period since he became an active management specialist (i.e. 1962 to 2002,

the publication date of his book). He delineates the areas by categorising them according to typical 'biases' he identified. He recalls that in the early decades of the 20th century, management came to "worship … *The Plan* to the exclusion of almost everything else. Business management became a playground for abstractions. The numbers ruled. Analysis ruled. All right-thinking dudes wanted to be 'strategic planners'. *Think* your way to success. *Out-think* the competition…*The best plan wins!"* (2003:308). Peters continues to explore the subsequent decades and claims that the 1980s saw companies questioning excessive planning and meetings and the consequent lack of accomplishment and adjustment. Peters' stance toward strategy formation can be regarded as a positioning in favour of emergent rather than systematically planned and analysed strategies – a position that he defends in the following way (2003:308):

> Forty years into my professional career, I believe one thing with absolute certainty: Those who win are those who…try stuff (quickly)…and then try something else (quickly). All with little fuss or muss…I labelled [this] approach 'Do it. Fix it. Try it.' Which later became 'a bias for action.' Bias for action. I'll stake my life on it. Gladly.

However, not everyone is in agreement with the view that strategies emerge over time, believing rather that strategies should be carefully planned (Ansoff, 1991; Christensen *et al,* 1987). In this regard, Andrews (Christensen *et al*:553) regards emergent strategy as 'erosion', as in the following:

> Strategy will evolve over time, no matter what. It will be affected by consequences of its implementation. But the elucidation of goals can transcend incrementalism to make it a series of forays and experiments

> evaluated continuously against stated goals to result in the deliberate amendment of strategy or in the curtailment of strategic erosion.

Boyd (1991:353) is also clear on his belief in the benefits of formalised planning:

> … previous studies found modest correlations between planning and nine performance measures. Extensive measurement problems suggest that these findings underestimate the true relationship between planning and performance.

2.3.4.1. Strategic planning versus strategic thinking

The distinction between deliberate and emergent strategies is also the distinction between strategic thinking versus strategic planning, in that both require distinct thought processes (Graetz, 2002:456). Planning concerns analysis: establishing and formalising systems and procedures, while thinking involves synthesis: encouraging intuitive, innovative and creative thinking at all levels of the organisation (Mintzberg, 1994b, 1994c; Heracleous; 1998).

More than a decade ago the need to re-examine strategy paradigms was brought to the fore (Prahalad & Hamel, 1994:6), especially where strategic thinking was concerned:

> Many of the assumptions that were embedded in traditional strategy models may be incomplete and/or outdated as we approach the new competitive milieu. We will argue that the need for strategic thinking and behavior among managers has never been more urgent. This reality should force us to re-examine the traditional strategy paradigms.

Liedtka (1998, *in* Graetz, 2002:456) posits five major attributes of strategic thinking:

Strategic thinking reflects a systems or holistic view that appreciates how the different parts of the organisation influence and impinge on each other as well as their different environments.

1. Strategic thinking embodies a focus on *intent*, in contrast with the traditional strategic planning approach that focuses on creating a fit between existing resources and emerging opportunities.
2. Strategic thinking involves thinking in time; strategic thinkers understand the interconnectivity of past, present and future.
3. Strategic thinking is hypothesis driven. Hypothesis generating and testing is central to strategic thinking activities, with the critical question being "What if?" followed by "If…then?". Strategic thinking spans the analytic-intuitive dichotomy that Mintzberg refers to in his definition of thinking as synthesis and planning as analysis.
4. Strategic thinking invokes the capacity to be intelligently opportunistic, to recognise and take advantage of newly emerging opportunities.

Heracleous (1998:482) recognises that strategic thinking and planning are distinct, but interrelated and complementary thought processes. Prahalad and Hamel (1994:6) believe that much of the criticism of the field of strategy may be valid, but that critics often miss the point. "We believe that the need for strategic thinking… is greater than ever," state Prahalad and Hamel (1994:6). They agree that the concepts and tools of analysis that formed the backbone of the strategy literature (1965–85) needed a basic re-evaluation in order to pave the way for new ideas. They argue that the need to challenge strategic thinking and behaviour among managers' 'traditional strategy paradigms' has never been more urgent.

Heracleous (1998:482) points to the difference between strategic planning and strategic thinking. Whereas strategic planning, in his view, is analytical and convergent, strategic thinking is synthetic and divergent. In a book entitled *The rise and fall of strategic planning*, Mintzberg (1994a) argues that there are other ways besides planning to 'make' or formulate a strategy. Mintzberg (1994a:2) claims that establishing a place for analysis in strategy formation, rather than restricting it to a narrow strategic planning process, and confounding analysis with 'rationality' – calling it *inter alia* 'systematic', 'objective' and 'logical' – has narrowed our view of the world.

Harari (1995) and Altier (1991) both express the view that strategic planning should be scrapped completely and strategic thinking, referring to a creative, divergent thought process, should be used in its stead. In support of this view, Hilse and Nicolai (2004:373) notice that researchers are increasingly suggesting that strategic planning should be abandoned completely.

Inkpen and Choudhury (1995:313) say about rigidity in strategy planning: "An absence of a rigid pattern of strategic decision-making may ensure that 'noise' is retained in organizational systems, without which strategy may become a specialized recipe that decreases flexibility and blocks learning and adaptation." As such it is strategic thinking that enhances decision-making, whereas strategic planning constraints creative and innovative decision-making.

2.3.4.2 Strategy as a plan versus strategy as a pattern

Mintzberg (1994a:23) uses for purposes of illustration the difference between the answer to the question: "What is strategy?" and the description of strategy application in an organisation. He points out that in answer to the question: "What is strategy?" one will almost certainly be told that strategy is a plan, or something equivalent. Then when the same people are asked to describe the strategy practices in their organisation, they will probably be happy to answer the question although their answer may contradict their own definition of the term. It turns out that strategy is one of those terms that we define in one way, yet apply/use in another. Mintzberg (1994a:23) distinguishes between two main definitions here, namely:

1. Strategy as a plan, and
2. Strategy as a pattern.

This distinction between plan and pattern is depicted in figure 2.1 below.

Strategy as a pattern refers to strategy being translated as consistency in behaviour over time. Organisations can therefore be seen to develop plans for the future and also evolve patterns out of their past. He consequently claims that the difference between the two main definitions is the difference between an *intended* strategy and on the other hand the *realised* strategy. This supports Peters' (2003:24) notion of the impossibility of the five-week plan (let alone the five-year plan); "You're lucky if you can write a five-week plan that makes any sense…after five weeks."

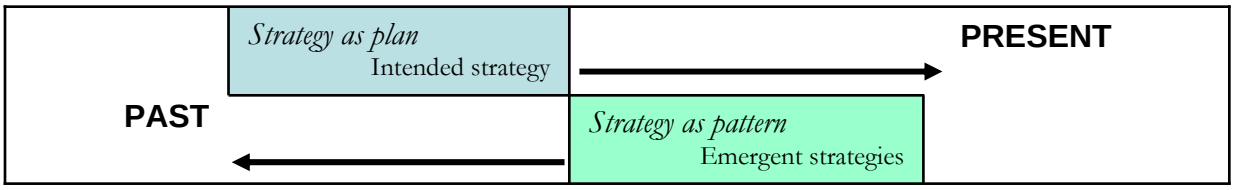


Figure 2.1: A difference between strategy as plan versus strategy as pattern
(*Source:* Adapted from Mintzberg, Ahlstrand & Lampel, 1998:12)

Harrington, Lemak, Reed and Kendall (2004:17–19) propose that the deliberate view and emergent view discussed above should be viewed as *ends of a continuum with multiple elements.* This is in line with thinking expressed by Mintzberg and McHugh (1985) and Mintzberg and Waters (1985). 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 (Harrington *et al,* 2004:17).

2.4 CONCLUSION: CRYSTALLISING A CONTINUUM

Figure 2.2 has been crystallised from the above explanation of various divergent views of strategy-making extremes. It illustrates a continuum of strategy-making approaches based on the broad distinction between deliberate and emergent strategies. It also denotes influencing factors (referred to as 'moderating factors' (moderators)) which are be discussed in more detail in Chapter 4. The debate consequent upon these differences of opinion are elucidated within these two broad categories, namely rational planning approach versus emergent strategy approach, as opposite ends of a continuum of strategy-making approaches.

The end representing the deliberate strategy approach is henceforth referred to as rational planning, for the following reasons:

- 'Rational planning' is a term widely used in literature and refers to formalised, comprehensive planning of which the outcome is intended or deliberate strategies.
- 'Rational' is preferred over 'formal' due to the more descriptive meaning of the word, given by Oxford dictionary as "(of behaviour, ideas, etc.) based on reason rather than emotions: *a rational argument/choice/decision* rational analysis/thought"* (Hornby, 2005:1205)

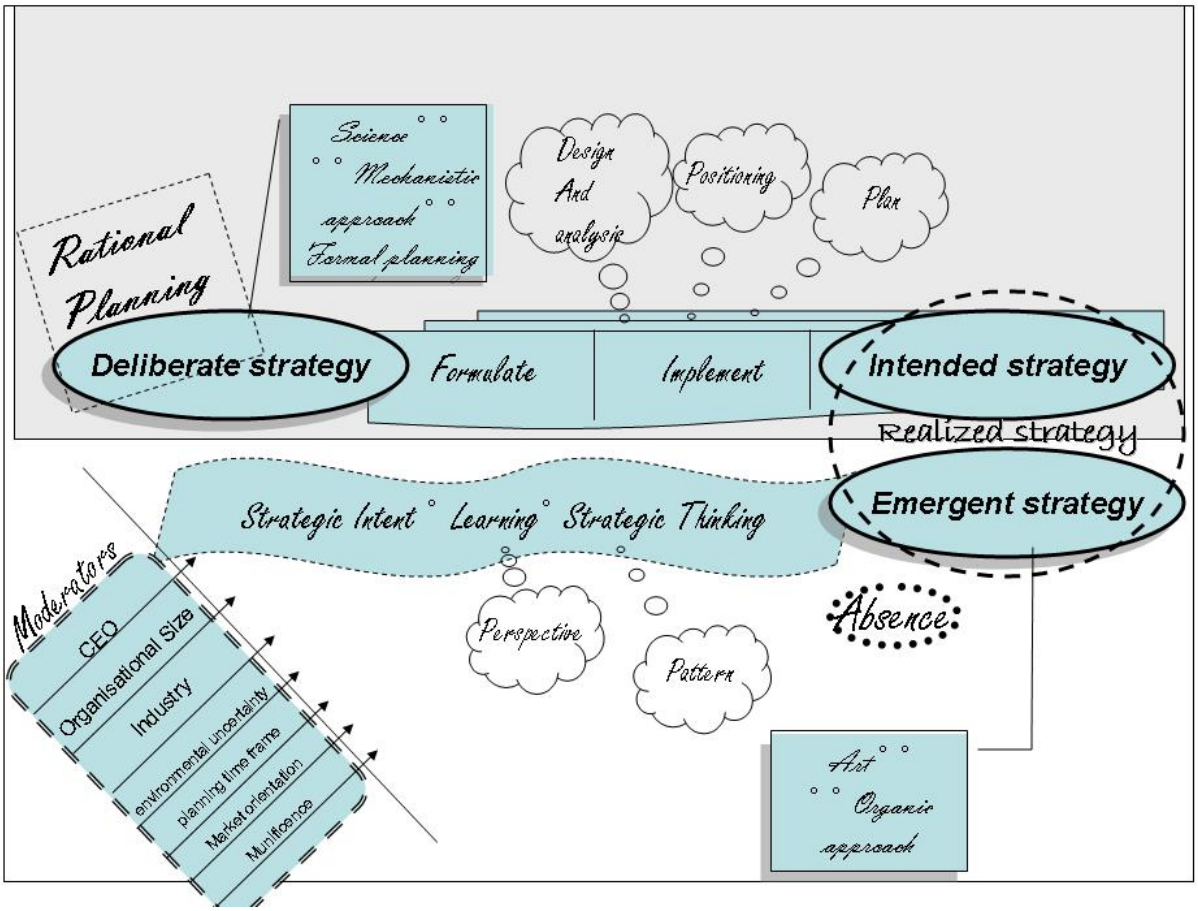


Figure 2.2 Two extreme approaches to strategy-making (rational planning versus emergent strategy)

(*Source:* Own compilation)

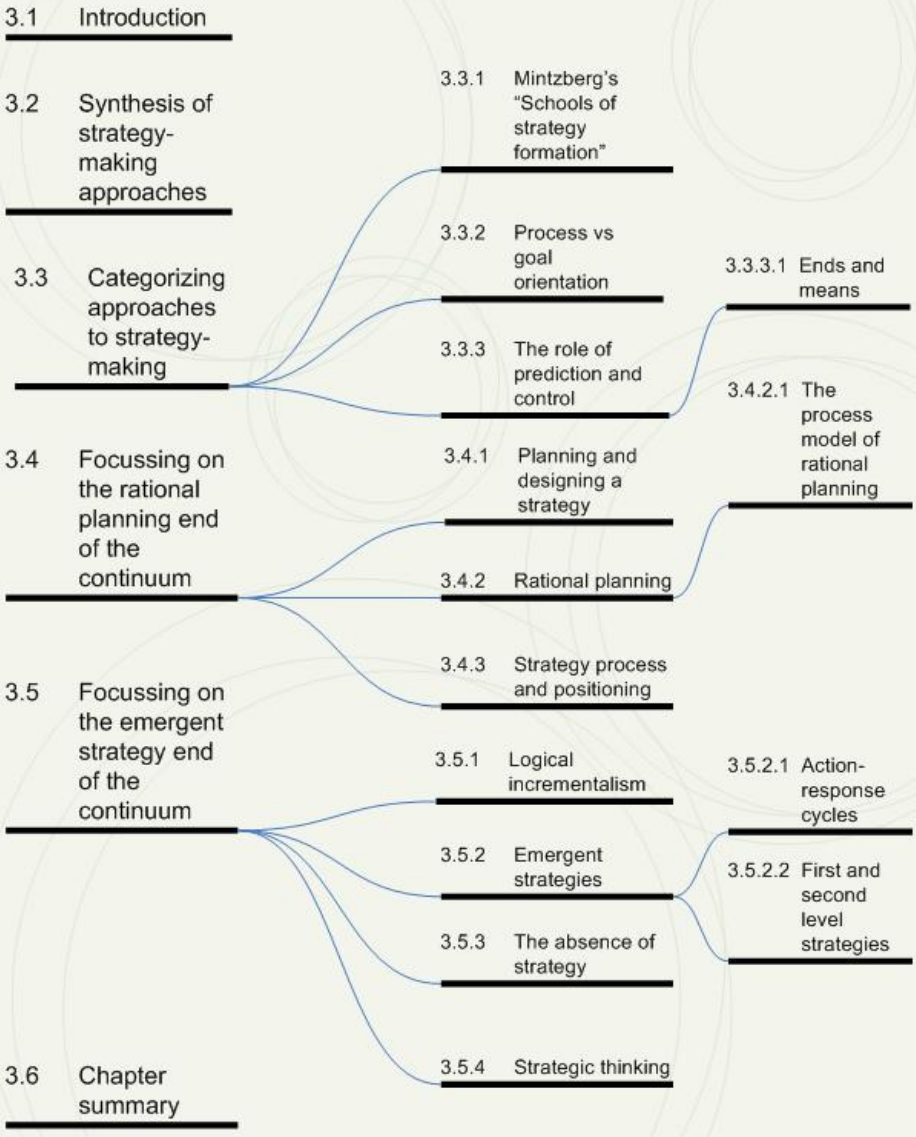
Figure 2.2 illustrates the extreme views on strategy-making. It can be construed that rational planning is associated with strategy as a plan, as a product of positioning in an industry and as the result of design analysis. It is furthermore associated with the science approach and mechanistic approach to strategy-making.

The most common term used for the more fluid, creative, intuitive and evolving approach to strategy-making at the other end of the continuum (see figure 2.2) is the 'emergent' approach and it is henceforth be referred to as such. This approach to strategy-making is associated with the notion of strategic intent, strategic thinking and organisational learning. The discussion in this chapter showed that emergent strategy, being more flexible and creative in nature, is associated with strategy-making as an art and is also a more organic approach, in which various views on strategy come together. Strategic intent is linked to learning in a decentralised environment and disintegrating organisational boundaries with more employees from different hierarchical levels joining in the strategic intent of the organisation (Liedtka & Rosenblum, 1996:42). Strategic intent is therefore associated with the emergent approach to strategy-making. Strategic intent shows to strategy as a perspective and strategic learning result in certain strategy patterns evolving in organisations.

2.5 CHAPTER SUMMARY

Chapter 2 focused on providing an overview of divergent views on strategy-making. These divergent views were subsequently explained along a continuum of opposites, focusing on strategy as a science versus an art, mechanistic versus organic approach, planning and design versus learning approach and finally deliberate versus emergent approach to strategy-making. Some salient issues relating to strategy-making were also

addressed, such as strategic thinking and strategic intent. The chapter concluded with a diagrammatic representation of the two extreme views and associated perspectives.

Chapter 3 continues to flesh out and explain the two extreme views of strategy-making (now labeled "rational planning" and "emergent strategy approach").

CHAPTER 3
EXPLAINING TWO DIVERGENT APPROACHES TO STRATEGY-MAKING