CHAPTER 3

EXPLAINING TWO DIVERGENT APPROACHES TO STRATEGY-MAKING

> *…as F. Scott Fitzgerald put it, more bluntly: "The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function"*

<div align="right">Mintzberg, Ahlstrand and Lampel (1998:20)</div>

3.1 INTRODUCTION

Zan (2005:468) asserts that there exist weak epistemological foundations of the field of strategic management, to the extent that he refers to a 'missing history'. He states that this does not necessarily mean that it is an irrelevant field, but simply that it requires handling with care the assumptions and approaches. He attributes the weak epistemological foundations to the following facts:

- "…competition of ideas here often means competition between consulting firms (starting with the BCG vs. McKinsey matrixes) fighting for new and up-to-date tools (and fees) does not help in either underlining differences and similarities and the process of knowledge accumulation." ;

- A serious historical understanding – and in parallel a historical-grounded development of research and theories – requires huge amounts of time: years of archival research for one paper (Zan, 2005:468).

After twenty years of being "dedicated researchers in the field of strategy" Hafsi and Thomas (2005:507) ask the question, "if the academic field of strategy really does exist. Excellent and exhaustive reviews by many distinguished academics take note of the extreme diversity of the research but shy away from providing a convincing framework to clarify what the field is all about".

The previous chapter highlighted some key issues in the debate about what strategy really is and how strategy is made in organisations. Chapter 2 organised strategy theory around two poles of the same perspective, such as thinking versus planning, learning versus planning, art versus science etc. It finally concludes with the depiction of a continuum embracing two sides of the debate.

This chapter explains the two approaches to strategy-making on both extremes. The chapter commences with some views on how strategy should be categorised highlighted and discussed briefly. This is done to support and supplement the two strategy-making approaches on the opposing ends of the continuum (namely deliberate, formalised strategy and emergent strategies) developed in Chapter 2 and again established in these categorisations mentioned in the ensuing chapter.

Evolution of strategy research

Empirical research in the domain of strategy is seemingly rare, mainly due to the difficulty of deconstructing the elements of strategy and then being able to isolate factors indicating success/failure of these strategies in organisations. For instance, it is difficult to use indicators such as ROI to indicate a successful strategy since this could either be positively associated with market share gains (which could be the result of strategy) or it could merely reflect increased efficiencies (i.e. decreases in expenditure/sales or asset/sales ratios) which does not necessarily mean an effective long term strategy has been deployed (Barker & Duhaime 1997:15). Case study research on various strategy issues is numerous though. Hafsi and Thomas (2005:511) note that the complex questions with which management practitioners and researchers alike have to wrestle have neither the level of

elegance nor the structure to which the purist might aspire. Yet the researcher cannot be content with individual case analyses; these are always situation-specific and rarely amenable to generalizations." The authors continue to explain the nature of the research conducted in the field of strategy as follows, "… qualitative research, which generally focused on interactions between limited numbers of variables and was therefore held to be more precise, dominated the field" and the finally summarise, "…the tragedy of the field is precisely that academics are no more able than practitioners to live with the paradox of reality: we can all understand the individual but cannot understand the whole. The nuances of individual cases make strategic management what it is, but the search for clear-cut and generalisable answers is destroying the essence of strategy" (2005:512).

A study by Furrer, Thomas and Goussevskaia (2007) scrutinises 2125 articles from four leading journals in the field of strategy and provides an assessment of the structure and pas evolution of the content of the strategic management fields and its different subfields. Numerous textbooks have also synthesised the field's development (e.g. McGee *et al.* 2005; Grant 1997; Koch 2000; De Wit & Meyer 2004).

Furrer *et al* (2007) extracted the following summarised historical overview of research in the field of strategy:

1. The birth of the field in the 1960s can be traced to works of Chandler (1962); Ansoff (1965) and Learned, Christensen, Andrews and Guth (1965). These studies were *managerially oriented*, with an emphasis on normative prescription rather than on analysis. Ansoff attempts to routinise – the *process of strategic decision making* with rather detailed checklists of factors that the strategy maker must consider, as well as pointers on weighting these factors and on establishing

priorities among them, plus numerous decision-flow diagrams and choice rules. Furrer *et al* add that the early strategy research was based mainly on in-depth case studies of single firms or industries, the result of which are "hardly generalizable"(2007:3).

2. "In response to this issue of generalizability during the 1970s the transition started towards a research orientation," explain Furrer *et al.* This period is characterised by the development of a dichotomy between two sets of research based on "very different ontological and epistemological perspectives" (Furrer *et al*, 2007:4). On the one end the *process approach* was pursued, which consisted of descriptive studies of how strategies were formed and implemented. Actual organisational observations led to 'more realistic conceptions of the process" in which strategies were arrived at indirectly and unintentionally. Quinn's (1980) *'logical incrementalism'* and Mintzberg and Waters' (1978; 1985) "*emergent strategy"* are examples of such studies.

3. A stream of research seeking to understand the *relationship between strategy and performance* also emerged. Concepts such as industry attractiveness and environmental-industry fit serve as examples towards explaining organisational performance. Porter (1980, 1985) has made the most influential contribution to the field. Furrer *et al.* group these authors together based on the date of research, and therefore do not group Learned *et al* (1965) with this research stream. However, Mintzberg *et al* (1998:24) focus more on the content of the research and therefore regard Learned *et al* (1965) as a cornerstone textbook of the design school of which Porter and this focus on the environment and its relationship with the organisation typically forms part.

4. The 1980s saw strategy research again changing direction and the focus shifting from industry structure as a unit of analysis to that of the *firm's internal structure, resources and capabilities*. A resource based theory of *competitive advantage* (Wernerfelt 1984), *dynamic capabilities* (Stuart & Podolny 1996, Teece, Pisano & Shuen 1997) and a *knowledge-based approach* (Grant 1998; Szukanski 1996) was also developed.

5. Two related streams developed parallel to the resource-based theory of competitive advantage, namely the theory of invisible assets (Itami 1987) and competence based theories of *corporate diversification* (Prahalad & Bettis 1986; and Prahalad & Hamel 1990).

Koch (2000:7) adds to the brief history of strategy that he regards the 'golden years' of strategy in terms of invention, as approximately 1960-1973. However, further intellectual development has continued since. New contributions since 1990s include the focus on emergent strategies (Mintzberg 1989, 1994a; Mintzberg & Lampel 1999; Mintzberg *et al.* 1998, 2005) and *strategic thinking and intent* (Prahalad & Hamel 1989, 1990).

Grant (1998:18) views the dominant theme of the mid to late 1990s to be *strategic innovation* with its focus on issues such as strategic and organisational advantage based on dynamic sources of competitive advantage, control of standards, knowledge and importantly learning. This view proceeds from the view that emergent strategy has been a focus area.

Figure 3.1 below illustrates the structure of the strategy field based on the topics and issues addressed in research (Furrer *et al* 2007:10). Figure 3.1 illustrates the wide variety of research topics explored within the field of strategy.
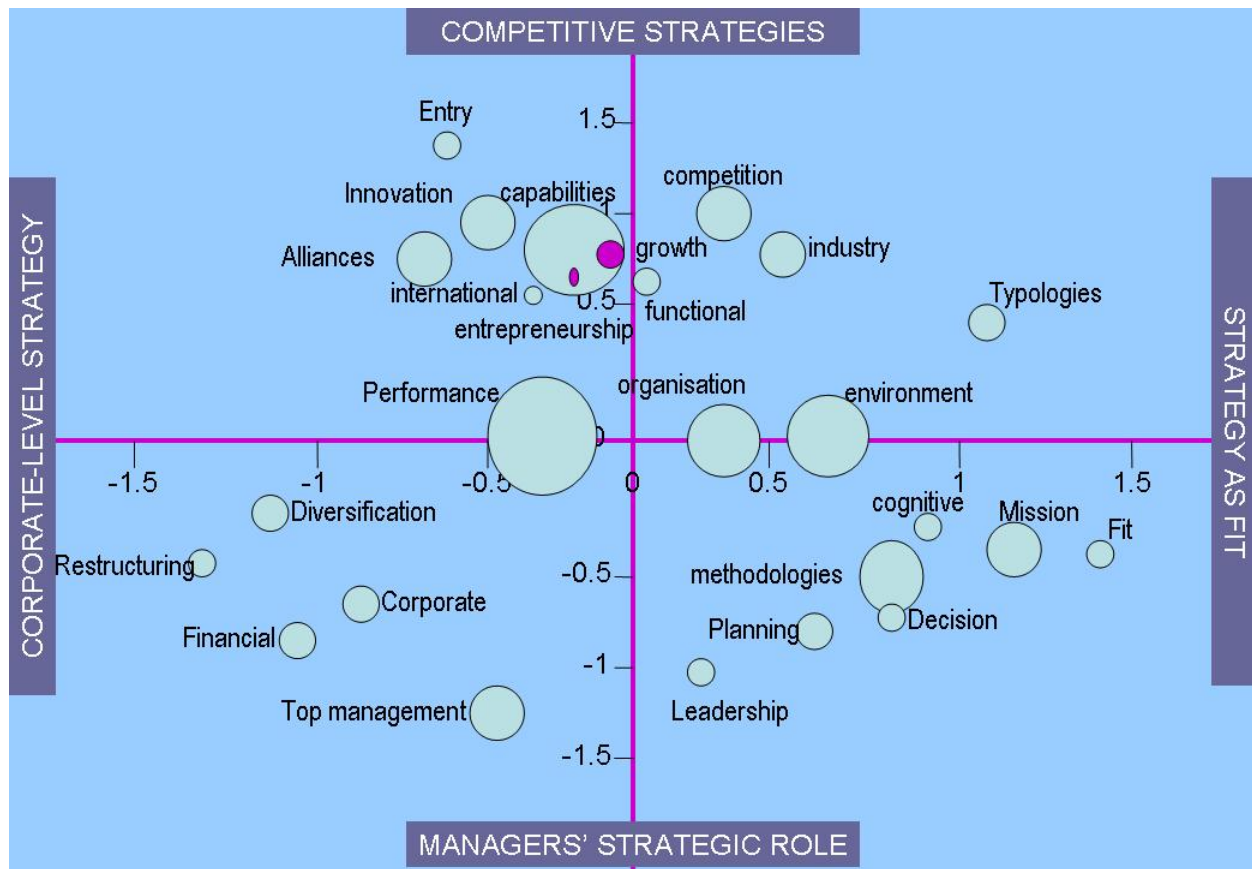
Figure 3.1: The structure of research in the strategic management field
(*Source:* Furrer *et al. 2007:10*)

An important observation made by Szulanski *et al* (2005:xviii) is that there is a resurgence in interest in process-related topics - a resurgence which they believe transcends national boundaries and is occurring all around the world.

3.2 SYNTHESIS OF STRATEGY-MAKING APPROACHES

In Chapter 2 opposing views of strategy have been juxtaposed. The idea of contrasting and setting against each other so-called "extremes" to strategy-making could create the impression that strategy-making modes are

mutually exclusive. However, some academics have categorically stated and in some instances (e.g. Andersen, 2000) even proved that seemingly opposing approaches are (can and should be) adopted concomitantly in organisations. As such it is important that organisations, students and academics in the field of strategy be aware of the different approaches and views, lest they be biased to think that strategy should only happen in a particular way.

Mintzberg *et al* (1998:20) claim that 'pervasive strategic failure in many large corporations' may be attributed to the 'army of business school graduates who have been sent out with an incomplete tool kit". They believe that to function as a strategist one should be able to hold opposing views and moreover be able to synthesise these views. The field of strategic management, in their view, is moving toward such synthesis.

In Hart and Banbury's (1994:251) opinion it is unfortunate that most existing strategy-making process models do not fully capture the complexity and variety of the phenomena.

> Strategy-making is typically portrayed in 'either/or' term – either rational or incremental (Lindblom & Fredrickson *in* Hart & Banbury, 1994:251) or separated into formulation and implementation activities (Andrews & Porter *in* Hart & Banbury, 1994:251).

It is furthermore noted that even though empirical work has examined a wide range of processes, using different performance measures, it resulted in "little cumulative knowledge" (Hart & Banbury, 1994:251).

However, in field testing this theory, Hart and Banbury (1994:266) demonstrate that these dichotomous modes often reflect real practice behaviours. But they found that firms who moved beyond individual modes and utilised multiple modes outperformed single-mode organisations. Crossan (1997:40) also points out that organisations are ultimately a blend of both intended and emergent strategies. It should, however, also be noted, according to Crossan 1997:40), that business education cultivates skills that support the development of intended strategies.

Andersen (2000:185) urges that synthesis is needed in an article where he sets out to prove that organisational learning, where individuals experiment and exchange information, is not an isolated process, but is in fact complementary to strategic planning. He cites the following examples:

Ikea, the Swedish retailer of home furnishings, is known for empowered managers that are able to respond to changing market conditions. However, it is unlikely that the company would achieve its impressive global operational efficiencies without a central master plan. In another industry, Microsoft, a leading international software company, is composed of free-spirited and creative managers, but again it is hard to conceive of the company's new product developments without a common strategy to guide these initiatives. In the financial services industry, United Services Automobile Association (USAA) is a successful organization with managers authorized to make policy decisions. None the less, the insurance group needed a centralized strategy and planning process to build its unique processing infrastructure and extend its services portfolio.

The results of his study show that *strategic planning* and *learning* should not be viewed as incommensurate processes (Andersen, 2000). His research, supported by a total of 230 questionnaires from executives in 456 diverse business entities, shows that learning from decentralised managerial actions support strategic adaptability and influences the organisation's strategic path in dynamic environments. The results also indicate that autonomous actions (referring to instances where managers can make independent decisions enabling the firm to react faster to changing conditions and learn from new experiences) exerted little or no influence on the performance effects of strategic planning activities. So the two strategy approaches coexisted, but did not significantly enhance each other. Yet firms operating in dynamic and complex industries reached significantly higher performance levels when they adhered to both strategy approaches simultaneously. Consequently, executives operating in increasingly dynamic and complex industries should not choose between strategic planning and learning through autonomous actions, as appears to be a common belief (Andersen, 2000:196).

Andersen (2000:197) concurs that both strategy approaches coexist and can concurrently improve organisational performance. Strategic planning is important and enhanced performance in all the industrial settings researched, while autonomous actions or independent learning also affected firms operating in dynamic and complex industries. Therefore, strategic planning processes are essential to good performance in all industrial environments and should not be ignored. However, in dynamic and complex industries, performance was even higher when managers were simultaneously authorised to make autonomous decisions and learn from their actions.

Mintzberg *et al* (1998:11) are in agreement when they state:

…few, if any, strategies are purely deliberate, just as few are purely emergent. One means no learning, the other means no control. All real-world strategies need to mix these in some way: to exercise control while fostering learning. Strategies, in other words, have to *form* as well as be *formulated.* An *umbrella* strategy, for example, means that the broad outlines are deliberate (such as to move upmarket), while the details are allowed to emerge en route (when, where, and how).

Mintzberg (1991:465) grants that

we shall go nowhere without emergent learning alongside deliberate planning…the conception of a novel strategy is a creative process (of synthesis), for which there are no formal techniques (analysis), and second, that to program these strategies throughout complex organizations, and out to assenting environments, we often require a good deal of formal analysis. So the two processes can intertwine.

Any discussion of strategy inevitably ends on a knife-edge of both associated advantages and disadvantages (Mintzberg *et al* 1998:15).

3.3 CATEGORISING APPROACHES TO STRATEGY-MAKING

The development of the field of strategic management provides a guiding light that serves to bring increased understanding of the premises of the debate around the process of strategy-making. The literature that can be subsumed under strategy formation is …"vast, diverse and, since 1980, has been growing at an astonishing rate" (Mintzberg, 1990:171).

Various authors have attempted to divide strategy literature into meaningful categories. These categories often contain similar perspectives and as such

the essence of the division along strategy-making approaches stays intact. However varied models and terms are used to delineate approaches. In the following discussion some of the approaches that can ultimately be traced back to the broad distinctive categories outlined in Chapter 2 (notably that of rational planning versus the emergent strategy approach) will be discussed.

Section 3.3.1 deals with the schools of thought on strategy formation. Those discussed below include different approaches along the continuum of strategy-making modes described in Chapter 2. Some theorists have attempted to simplify this distinction and categorisation using opposing ends which can in essence be linked to the opposing ends of the continuum of strategy-making approaches. The latter categories of strategy-making will be discussed from section 3.3.2 onwards.

3.3.1 Mintzberg's "Schools of strategy formation"

Mintzberg explains that a good deal of the strategy literature naturally divides itself into distinct schools of thought. These schools of thought have been divided by Mintzberg (1994a, and Mintzberg *et al,* 1998) into ten distinct categories. Three of these schools are "…prescriptive in orientation, treating strategy formation as a process of conceptual design, of formal planning, and of analytical positioning (the latter including much of the research on content of competitive strategies)". Six other schools deal with specific aspects of the process in a descriptive way. Table 3.1 illustrates the schools of thought on strategy formation.

Table 3.1: Mintzberg's schools of thought on strategy formation

(Mintzberg 1994a:3)

School	View of Process	
Design	Conceptual	*Note: These three schools are prescriptive in nature and more concerned with how strategies should be formulated than with how they necessarily do form. (Mintzberg, Ahlstrand and Lampel, 1998:5)*
Planning	Formal	
Positioning	Analytical	
Cognitive	Mental	*Note: These seven schools consider specific aspects of the process strategy formation, and have been concerned less with prescribing ideal strategic behaviour than with describing how strategies are made. (Mintzberg, Ahlstrand and Lampel, 1998:6)*
Entrepreneurial	Visionary	
Learning	Emergent	
Political	Power	
Cultural	Ideological	
Environmental	Passive	
Configurational	Episodic	

Mintzberg *et al* (1998:5; *also* Mintzberg, 1994a:2) outline and describe the different schools. Three of the above schools are prescriptive in nature, seeking to explain the 'proper' ways of going about forming or making the strategy. The "design school" considers strategy-making as an informal process of conception, typically in a leader's conscious mind. This school presented in the 1960s the basic framework on which the other two prescriptive schools are based. In the 1970s the planning school grew to the height of popularity. This perspective holds a more formalised approach, regarding strategy making as a more detached and systematic process of formal planning. In the 1980s the school was displaced by the positioning school, which was more concerned with the content of strategies than with the process of strategy development.

The emphasis here is on the selection of strategic positions in the economic market place. The subsequent schools considered specific aspects of the process of strategy formation, and have been concerned less with prescribing the ideal strategic behaviour and more with how strategies do, in fact, get made. Strategy has been described in the past as an *entrepreneurial* activity, since it is associated with a leader's creation of vision, hence the emergence of the *entrepreneurial* school. Strategy as such has been regarded as the "personalized vision" (Mintzberg *et al,* 1998:6). In its turn, having a personalised vision as part of a strategy implies that strategy formation is inextricably part of the process of 'concept attainment' in a person's head. Accordingly, the *cognitive* school has formed, which seeks to use the message of cognitive psychology to enter the strategist's mind. Each of the four schools that follow looks for explanations of strategy formation beyond the individual, focusing on external forces and factors. The *learning school* views the world as too complex to allow strategies to be developed at once as clear plans or visions. Therefore, strategies must emerge in small incremental steps, as an organisation adapts or "learns". Similarly, the *power school* treats strategy as a negotiation process, either by conflicting groups within an organisation or by organisations themselves as they confront the external environments. Another school of thought, the *cultural school*, regards strategy as rooted in the organisational culture. As a result, the strategy formation process is fundamentally collective and cooperative. The proponents of the *environmental school* believe strategy to be a reactive process in which the initiative lies outside of the organisation in the external context and not internally. As a result, the environmental school seeks to understand the pressures imposed on organisations.

The last school could arguably be regarded as the school of thought that combines the others, namely the *configuration school*. This approach

combines the various elements of the strategy-making process, the content of strategies, organisational structures and their contexts, into distinct stages. For example, the entrepreneurial growth or stable maturity sometimes sequences over time to describe the life cycles of organisations. Organisations can, however, settle into stable stages when strategy-making has to describe the move from one state to another. As such, the school explains the process as one of transformation, which incorporates much of what Mintzberg *et al* (1998:7) label as "huge prescriptive literature and practice on 'strategic change'."

These schools developed and grew with the maturation of the field of strategic management. Mintzberg *et al* (1998:7) conclude that:

> few have already peaked and declined, others are now developing, and some remain as thin but nonetheless significant trickles of publication and practice….Note that these schools can be found in the literature, often in very clearly delineated pockets: particular academic journals, special practitioner magazines, certain styles of books. But most are, or have been, equally evident in practice, both books within organizations and from the consulting firms that serve them. Practitioners read and are influenced by the literature, just as the literature is influenced by the practice.

Not all academics are at ease with Mintzberg's categorisation of the 'schools of thought'. McGee *et al* (2005: 6) criticise what Mintzberg *et al* (1998, 1995) "rather grandiosely" call 'schools of thought' as mere ways of looking at strategy, some of which have become fashionable and some of which have not. They propose that these epistemologies be avoided and claim that the meaning of strategy should rather be broken down into the following component parts:

- *External logic* – how the organisation positions itself relative to its external context;

- *Internal logic* – the levels of the organisation at which strategy has different meanings and what distinctive resources and competences the organisation must acquire;

- its *performance over time* – distinguishing between achievement of long-term objectives, meeting milestones along the way, and preserving short-term stability; and finally

- *Managerial requirements* – the role of general managers and how strategy is planned, managed, monitored and maintained (McGee *et al,* 2005:6).

These components address the meaning of strategy and do not contribute to explaining the developmental stages or epistemologies of strategy.

An additional school of strategy-making is added to the Mintzberg epistemological schools. Ansoff (1991:452), in his reaction to a critique of the design school by Mintzberg (1990), adds a school of strategy he calls the school of Holistic Strategic Management. Ansoff asserts that this approach and its premises is proof enough to refute the notion that all prescriptive schools 'denied themselves the change to adapt' (1991:453). Some key concepts addressed by the school of holistic strategic management, are the following:

- It proposes a structured method for analytic strategy formulation (Ansoff, 1965).

- The concept of strengths and weaknesses associated with the design school (Mintzberg *et al,* 1998:28) was replaced by the concept of 'organizational capability' (Ansoff, 1965).

- The original concept that the strategy should be centralised in the hands of the CEO was replaced by the concept of "strategic bi-centralisation' (Ansoff, 1984).

- A diagnostic procedure was developed for sequencing strategy/structure development (Ansoff, Declerck & Hayes, 1974 *in* Ansoff, 1991:454).

- The concept of "real time response' was developed as an alternative to periodic strategic planning, and three real time response procedures proposed: Strong signal issue management; weak signal issue management; and surprise management (Ansoff, 1975).

3.3.2 Process versus goal orientation

Idenburg (1993:133) uses two fundamental dimensions to categorise strategy development:

1. Goal orientation (what); and
2. Process orientation (how).

It should be noted that the concept 'process orientation' as used by Idenburg (1993) refers to the process of internalising strategies in the organisation. This is distinct from the concept 'process approach' used in Chapter 2 in reference to the more formalised process of strategy-making followed in the rational planning approach to strategy-making.

Idenburg (1993:133) casts these dimensions in matrix format and then comes up with four views of the strategy development process, namely:

1. *Rational planning*;
2. *Planning as a guided learning process*;
3. *Logical incrementalism*; and
4. *Emergent strategy*

The *rational planning approach* will be discussed in more detail in sub-section 3.3, but can be briefly summarised as a systematic approach of formulating a strategy, developing sub-plans and planning the implementation. In this view goal orientation enjoys precedence over "process orientation". The latter refers to *how* strategy will be operationalised in an organisation, in other words the "process" of strategy internalisation.

Where Mintzberg *et al* (1998) include logical incrementalism in their Learning School, Idenburg (1993:134) separates the learning and logical incrementalism approaches. He calls the former "planning as guided learning".

Rational planning is opposed to *planning as guided learning* where behavioural change of managers is a priority when strategic goals are set – in other words, the 'how' or process orientation. "Every good manager is creatively dissatisfied with the status quo. Strategy development is then a never ending process of continuous improvement" (Idenburg, 1993:134).

The learning process approach recognises that it is difficult or impossible to predict the future external and internal environment, and that an organisation in a competitive situation must act timeously and learn quickly. Idenburg (1993:135) notes that organisations favouring the learning approach are characterised by a flat hierarchy, intelligent professionals and lots of information and ideas, as well as being exclusively preoccupied with learning processes.

Logical incrementalism recognises that the planned implementation of a strategy from A to Z is an illusion. The process of strategy development happens in phases, where each subsequent phase builds on the previous phase and has its own internal logic: structure follows strategy, but organisational structure also impacts on strategy development (Idenburg, 1993:135)

> On the way from A to B, it becomes apparent that there are many routes to B. Some are blocked off, others are dead ends, but we can take a number of steps in the right direction following each observation point

Logical incrementalism recognises that the reality of strategic management comprises steering goals as well as people. Quinn (1980:3) says about this approach that managers do not follow

> highly formalized textbook approaches in long range planning, goal generation and strategy formulation. Instead, they artfully blend formal analysis, behavioural techniques, and power politics to bring about cohesive, step-by-step movement toward ends which initially are broadly conceived but which are then constantly refined and reshaped as new information appears.

Quinn termed this integrating methodology "logical incrementalism".

The fourth view of strategy development, centring around *emergent strategy,* misses both the goal orientation and process orientation, according to Idenburg (1993:136). This approach holds that environmental unpredictability necessitates organisational reaction in a flexible, "opportunistic and accidental" manner. Mintzberg *et al* (1998:11) describe

emergent strategies as strategies where a pattern was realised that was not expressly intended. The example used by Mintzberg *et al* (1998:11) is one where a company does not pursue an express diversification strategy (plan), but simply makes diversification decisions one at a time to test the market. First it buys an urban hotel, next a restaurant, and so on, until a strategy (pattern) of diversifying into urban hotels with restaurants has emerged.

Says Idenburg (1993:133) about these approaches: "all four contain a grain of truth as reflections of the practical activities of strategic management. They are inter-related." Figure 3.2 below depicts these views on strategy development.

Goal orientation (what)

		Strong	Weak
Strong		Logical incrementalism	Guided learning
Process orientation (how) Weak		Rational planning	Emergent strategy

Figure 3.2: Four views on the process of strategy development

(*Source:* Idenburg 1993:133)

3.3.3 The role of prediction in categorising

The classic learning and planning debates over strategy-making concerns various 'degrees' of uncertainty, with both focusing on the appropriate role

of prediction and control in the decision process, according to Wiltbank, Dew, Read and Sarasvathy (2006:983).

Mintzberg's (1994c:7) analysis of strategy as a plan concurs with the fact that strategy is to some scholars about controlling the future. He refers to some planning writers expressing exactly this opinion, "Planning is the design of a desired future and the effective ways of bringing it about" (Anckoff (1970:1) *in* Mintzberg, 1994c:8) and the purpose of planning defined by Ozbekhan (1969:152) as "to create controlled change in the environment" (*in* Mintzberg 1994c:8).

Planning considers prediction from a natural sciences viewpoint, where prediction is regarded as very valuable. From this perspective, prediction enable control, allowing the organisation to choose the appropriate means to proceed towards the desired outcomes. Learning in turn enables adaptation, which avoids prediction as much as possible (Wiltbank *et al,* 2006:983).

The main focus of strategy-making in a fast changing environment is not so much on trying to predict but more on adaptation. Wiltbank *et al* (2006:987) believe that the planning versus learning debate lays out several issues with prediction as core aspect of strategy making.

> First, both planning and adaptive approaches to strategy making center around the appropriate role and/or effective ness prediction. Second, empirical support exists for the use of prediction as an effective way to decide what to do next, even in uncertain situations; there is also significant support for adaptive efforts. Third, several recent strategic approaches attempt to resolve this conflict by connecting the planning and adaptive approaches, encouraging firms

to carefully plan to quickly adapt. Finally, both planning and adaptive strategies focus on positioning within an environment that is exogenous to the efforts of the organization. Under this assumption of exogeneity, predicting and positioning are logical ways for organizations to seek control of their outcomes, and successfully reposition for their future.
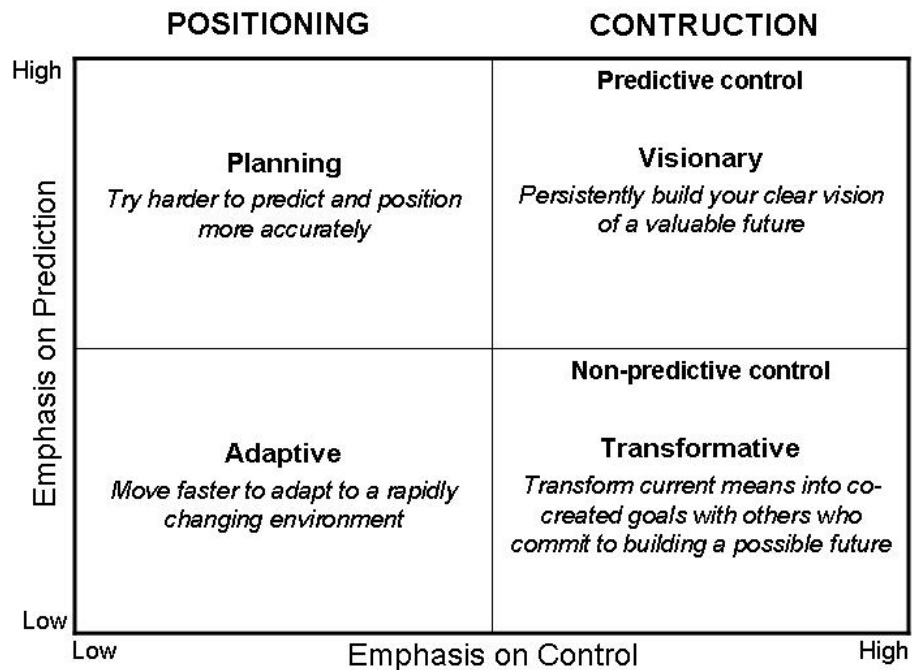
	POSITIONING	CONTRUCTION
High	**Planning** *Try harder to predict and position more accurately*	**Predictive control** **Visionary** *Persistently build your clear vision of a valuable future*
Low	**Adaptive** *Move faster to adapt to a rapidly changing environment*	**Non-predictive control** **Transformative** *Transform current means into co-created goals with others who commit to building a possible future*

(Emphasis on Prediction — vertical axis; Emphasis on Control — horizontal axis, Low to High)

Figure 3.3: Framework for prediction and control

(*Source:* Wiltbank, Dew, Read and Sarasvathy; 2006:983)

The above graphical depiction (figure 3.3) of Wiltbank *et al*'s categorisation of strategy-making approaches hinges on the preference for control and prediction. Two approaches (planning and adaptive) are grouped as positioning approaches. Positioning "deals with the relative emphasis on prediction and navigating an exogenous environment" (Wiltbank *et al*, 2006:990). Construction on the other hand, evokes means-ends

relationships rather than the relationship between the organisation and its environment. Ends in simple terms relate to what an organisation desires to achieve, while means relate to *how* an organisation intends achieving its ends (Brews & Hunt; 1999:891). Construction therefore can be seen as the formation (construction) of strategies in order to achieve the organisations ends or goals.

The positioning approaches include planning. The rational planning view predicts that as uncertainty increases, organisations that work more diligently to analyse and predict more accurately the changing situation in which they operate will outperform those that do not. The adapting view, described by the above model, borrows from the learning school that suggests organisations learn what to do next by minimising the use of predictive rationality and instead experimenting and moving quickly to capture new opportunities (Mosakowski, 1997 *in* Wiltbank *et al,* 2006:985).

The approaches associated with construction are the visionary and transformative approaches. Construction approaches either assume the non-existence of key elements in the environment or that the organisation has the ability to affect these in a significant way.

Visionary approaches emphasises constructing an organisation and its environment by imagining future possibilities and proactively bringing them to fruition (Wiltbank *et al,* 2006:990).

The concept of strategic intent as explained by Prahalad and Hamel (1989:74) could be used to exemplify the visionary approach. They mention that strategy should not be merely a testing of options to establish organisational fit within a particular industry structure; the strategist's goal

should be to create a "new space uniquely suited to the company's own strengths, space that is off the map".

This approach simultaneously emphasises high control and high prediction. "The future that comes to exist does so in large part simply because visionary leaders chose to create it" (Wiltbank *et al*, 2006:990).

Wiltbank *et al* build on theories by Sarasvathy (2001a; 2001b) and Dew (2003) to articulate the transformative approach. These authors have argued that non-predictive and non-visionary approaches to strategy making can be useful for entrepreneurs. They outline a strategy making process that is action oriented and non-predictively transforms an organisation's means into newly constructed settings. The emphasis is on future events that they can control rather than those it can predict. The following example is cited (Sarasvathy & Dew (2001a, 2003 and 2005) in Wiltbank *et al,* 2006:991):

> an endocrinologist thinking of starting an obesity clinic begins with the fact that she understands the causes of obesity and some ideas for helping people with the problem; a real estate professional may also start an obesity clinic because he has found a prime location next to a thriving teaching hospital specializing in obesity research, but he is likely to begin with possibilities suggested by the location of the property rather than the needs of obese people. The possible directions to take next emphasize strategies of control, pieces of the future that they can shape through their relatively unique abilities prior knowledge, and social network.

3.3.3.1 Ends and means

Many early strategy authors include the concept of means and ends in their definition of strategy (Andrews, 1971; Chandler, 1962; Hofer & Schendel, 1978 *in* Brews & Hunt, 1999:890).

The distinction between means and ends has been used by Brews and Hunt (1999) to categorise different approaches to strategy-making. Ends are defined as (Brews & Hunt, 1999:891):

the major, higher level purposes, mission, goals or objectives set by organizations, each of which (should there be more than one) significantly influences the overall direction and viability of the firm concerned;

and means are defined as (Brews and Hunt, 1999:891):

the patterns of action which marshal/allocate organizational resources into postures that, once implemented, increase the probability of attaining organizational ends.

The ends and means resulting from the emergent strategy-making approach are either specified simultaneously, or are intertwined (Fredrickson & Mitchell, 1984) and are rarely announced or recorded in a formal planning document, and when they are announced, they remain broad, general, and non-quantified (Quinn, 1980). Means develop and evolve over time as organisations learn from environmental interaction (Mintzberg, 1990). In contrast to the emergent approach, rational planning results in ends that are announced and recorded in a formal planning document. Means emerge from the planning process fully formed and ready for implementation.

Ends and means are sometimes explained in relation to strategy and tactics. An example of this explanation linking strategy to ends and tactics can be found in the explanation that strategy is concerned with the relationship between ends and means, "that is, between the results we seek and the resources at our disposal" (Nickols 2003:2). Nickols explains that strategy and tactics are both concerned with formulating and then carrying out courses of action intended to attain particular objectives. For the most part, strategy is concerned with deploying the resources at your disposal whereas tactics is concerned with employing them. He portrays how strategy and tactics bridge the gap between means and ends in figure 3.4 below.

Figure 3.4: Strategy and tactics: bridging the gap between means and ends (*Source:* Nickols, 2003:3)

Figure 3.4 shows that resources are deployed base on high level ends developed in the strategy-making process at the beginning of an organisational process (likened to crossing a bridge). Means, on the other hand, are the ways in which resources are employed to link the outcomes of strategies with the intended strategies for which specific ends were developed.

Anckoff (1970:4) defines planning as anticipatory decision-making, which is comprised of two planning components – strategic and tactical. Strategic planning decisions are those which are broad in scope, have long-term effects, formulate organisational goals, and are difficult to reverse. Tactical planning decisions are concerned with selecting the most efficient means and pursuing the goals set out in the strategic plan. Anckoff emphasises that planning on corporate level is normally more strategic in nature that on the other hierarchical level.

Ends and means with varying specificity are found in strategy making processes (Tosi & Carroll 1968:416). Applied to the different approaches to strategy-making, it can only be evident that the degree of specificity of means and ends would vary along the continuum from rational planning to emergent strategies crystallised in the preceding discussion and chapter. Ends and means specificity could therefore serve as a way to distinguish between different modes of strategy making. The preferred approach to strategy making could inform on the specificity and detail to be expected in terms of organisational ends and means. Likewise the detail and comprehensiveness of ends and means would suggest a specific formation approach being followed in an organisation.

Thus specific and detail ends and means would support a rational planning approach, while vague and broader ends and means would support an emergent approach.

3.4 FOCUSSING ON THE RATIONAL PLANNING END OF THE CONTINUUM

A rational planning perspective is central to the conventional strategic management paradigm, where strategic decision-making is perceived as a sequential analytical process. This perspective is ingrained in the frameworks

of modern strategy textbooks, although according to Andersen (2000:196), prior empirical studies provide somewhat equivocal evidence on the performance effects of planning and this has led to the declared demise of strategic planning (Mintzberg, 1994c). Andersen's (2000) study proves that under certain conditions strategic planning is conducive to higher performance. (Some of these conditions will be discussed in Chapter 4 of this study).

Planning is generally characterised by its processual nature. Schendel and Hofer (1979:11) proposed the following definition:

> Strategic management is a process that deals with the entrepreneurial work of the organization, with the organizational renewal and growth, and more particularly, with developing and utilizing the strategy which is to guide the organization's operations.

This definition highlights the idea that strategy is not a static condition, but a process of change starting with the visionary beginnings of the organisation and finally guiding all operations in the organisation.

Strategy process research is essentially concerned with choice processes (strategic decision making) and implementation processes (strategic change), according to Pettigrew (1992:6).

In more recent research Szulanski *et al* (2005:xv) note that scholarly strategy process research goes on, perhaps more than ever, "suggesting that there is something fundamental and deeply interesting and profound about how strategies are made, where they originate in organizations, and how the process of strategy-making impacts the performance of organizations."

Pettigrew (1992:9) extracted five guiding assumptions from a wide range of theoretical and empirical investigations researched to explain what the focus of strategy process and planning research should be. They are:

1. Embeddedness: studying processes across a number of levels of analysis (referring to the macro-, market and micro-environmental contexts);

2. Temporal interconnectedness: studying processes in past, present and future time (explained as "a search to catch reality in flight");

3. A role in explanation for context and action ("Context is not just a stimulus environment but nested arrangement of structures and processes where the subjective interpretations of actors perceiving, learning, and remembering help shape process");

4. A search for holistic rather than lineal explanations of process ("Links between multiple levels of context can only be established by exposing actions and recurrent patterns in the processes under investigation over years and sometimes decades"); and

5. A need to link process analysis to the location and explanation of outcomes (There is a need to link strategy process to a clear outcome, such as relative profitability) (Pettigrew, 1992:9).

The above guidelines for what strategy process research should entail highlight a few important aspects of focus for planning as a strategy-making mode. The first important aspect is that strategy-making occurs within a layered environmental context. This context forms the basis for some of the analytical techniques used by the design school (such as Porter (1991) discussed below as well as the positioning view of strategy explained earlier (Wiltbank *et al,* 2006)). The importance of outcomes is also emphasised. Outcomes are inseparably linked to ends as the organisational goals are

developed with specific outcomes in mind. The ends focus organisational priorities on the attainment of these envisaged or predicted outcomes.

3.4.1 Planning and designing a strategy

Nadler (1981:1) classifies planning and design together because he believes their definitions overlap and the words are often used interchangeably "as in 'planning a vacation,' or 'designing a heath care delivery system'. Says Nadler, "No purpose is served by saying that 'planning' is open-ended while 'design' is specific, or that he former has a longer time horizon, or that the latter is project- rather than program-oriented. Whether it be an architect's blueprint, a five year land-use map, or a family's financial plan, solution specifications are detailed, resources allocations are proposed, innovation is encouraged, and purposes are defined – and this is planning and design". He continues to describe the three basic objectives of planning and design as the following:

1. To maximise the effectiveness of a recommended solution;
2. To maximise the likelihood of its implementation;
3. To maximise the effectiveness of resources used in the planning and design effort.

The above description Nadler uses centres around planning and design as a *strategy* to implement in order to better processes in the organisation. In the typical planning and design scenario the process steps to implementation of this so-called strategy will be to:

1. Develop a hierarchy of purpose statements. From this the purpose to a solution should be achieved and measures of effectiveness indicating the successful achievement identified.
2. Generate solution ideas that achieve both the selected and bigger purposes.

3. Group and shape ideas into major alternatives from which the most feasible ideal solution, the target solution, is selected.

4. Detail the recommended solution incorporating all necessary irregularities and exceptions, staying as close as possible to the target solution.

5. Install the solution, letting purposes and the target solution guide detailed installation. Create and maintain an environment conducive to continuing change and improvement (Nadler, 1981:9).

The above description of planning and design focuses on a specific organisational situation where a strategic decision is required or a design of a new solution is needed. In pursuance of this 'rational model', Hart (1992:328) calls for comprehensive and exhaustive analysis prior to any decision. Rationality implies that a decision maker

1. Considers all available alternatives,

2. Identifies and evaluates all of the consequences which would follow from the adoption of each alternative, and

3. Selects the alterative that would be preferable in terms of the most valued ends (Hart, 1992:328).

The rational model of strategy-making furthermore involves systematic environmental analysis, assessment of internal strengths and weaknesses, explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goals (Andrews 1971; Ansoff 1965; Hofer & Schendel 1978 and Porter 1980).

3.4.2 Rational planning explained

Rational planning is a form of strategy development that is concerned with the development and formulation of attainable objectives. Idenburg (1993:133) explains this process as follows:

> A management team located in A studies the alternatives and selects the route to be taken to B. All kinds of creative techniques and intuition can be employed in selecting the goals (option development). However, after the selection process, these are rational arguments and analytical considerations as the bases for explicitly formulated options or optimal solutions for defined problems. These are reduced to manageable sub-problems which must lead to plans of action. The implementation of these plans of action is controlled through 'management by objectives'. Measuring is knowing. The approach is systematic strategy → structure → systems, etc.

Models for rational planning are furthermore based on iterative strategy development. Alternative strategies are selected after the mission and basic objectives are determined. This is followed by implementation plans, based on the assessment of the opportunities and threats in the external environment, strengths (competitive advantage, core competencies) and weaknesses in the internal environment (Idenburg, 1993:133).

Boyd (1991:353) suggests that strategic planning in one tool to manage environmental turbulence. He defines formal strategic planning as an "…explicit and ongoing organizational process with several components, including establishment of goals and generation and evaluation of strategies". An effective strategic planning system will link long-range strategic goals with both mid-range and operational plans (Steiner 1979:27). According to this definition planners collect data, forecast, model

and construct alternative future scenarios. Boyd expresses the opinion that these activities should allow organisations to outperform other firms which did not engage in planning.

Intended strategy (derived from a rational planning process) is strategy as conceived of by the top management team. Even here, says Grant (1998:21) rationality is limited and the intended strategy is the result of a process of negotiation, bargaining, and compromise, involving many individuals and groups within the organisation. However, the realised strategy that we observe tends to be only about 10-30 percent of the intended strategy. Grant concedes that the central issues of the 'process school' are the processes through which strategic decisions are made in practice. The design school, he says, is more normative in its approach. Its goal is to uncover the factors that determine success to permit managers to develop performance-enhancing strategies. Central to the rational approach to strategy is that the reasons for business success and failure can be systematically analysed and this learning can be applied to formulating business strategies (Grant, 1998:21).

3.4.2.1 The process model of rational planning

Today the scholar of strategy will find an infinite number of process models presented in literature to illustrate the process of strategy-making. Two models are presented below. Each has been significant in its impact and well known throughout the literature of strategic planning. Ansoff's (1965:202) model (figure 3.4) is an example of a very detailed and elaborate process, whereas Steiner's (1969:33) model (figure 3.5) is more general, less detailed but very popular in strategy theory.

Ansoff's model (figure 3.4) serves to summarise the basic premises of the planning school:

1. Strategy formation should be a controlled and formalised process, decomposed into distinct steps.

2. The CEO is responsible for strategy formation, whereas the managerial level employees oversee and manage the implementation.

3. Strategies come out of this process fully developed, ready to be implemented through detailed budgets, programmes, functional and operational plans.

Steiner's model (figure 3.5) highlights critical process steps of setting objectives, conducting an external audit (with the main aim to predict possible futures), the strategy evaluation phase and the strategy operationalisation phase. Steiner (1979:177) emphasises the steps in the process as well as the timetable by which they are carried out, both of which need to be programmed.
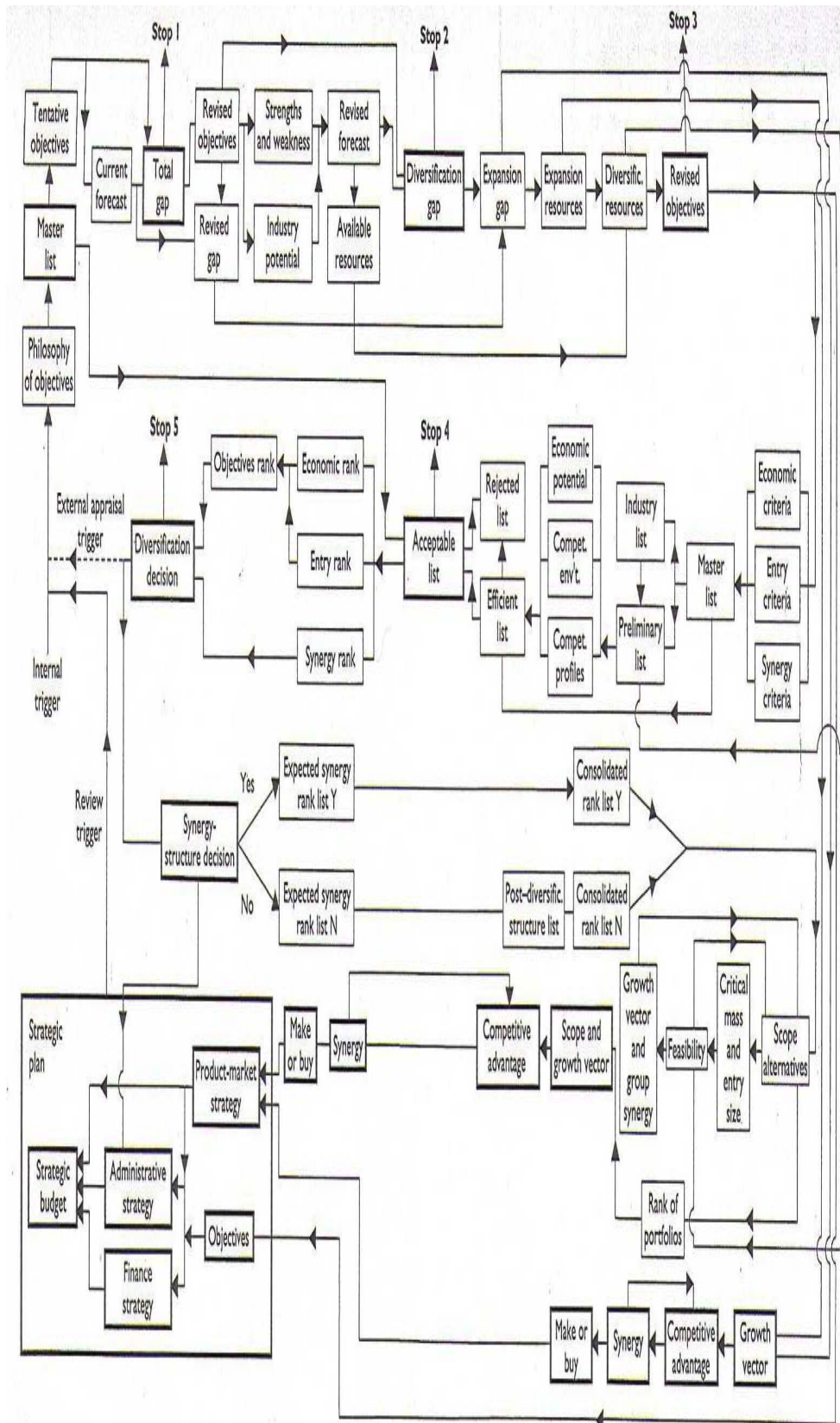
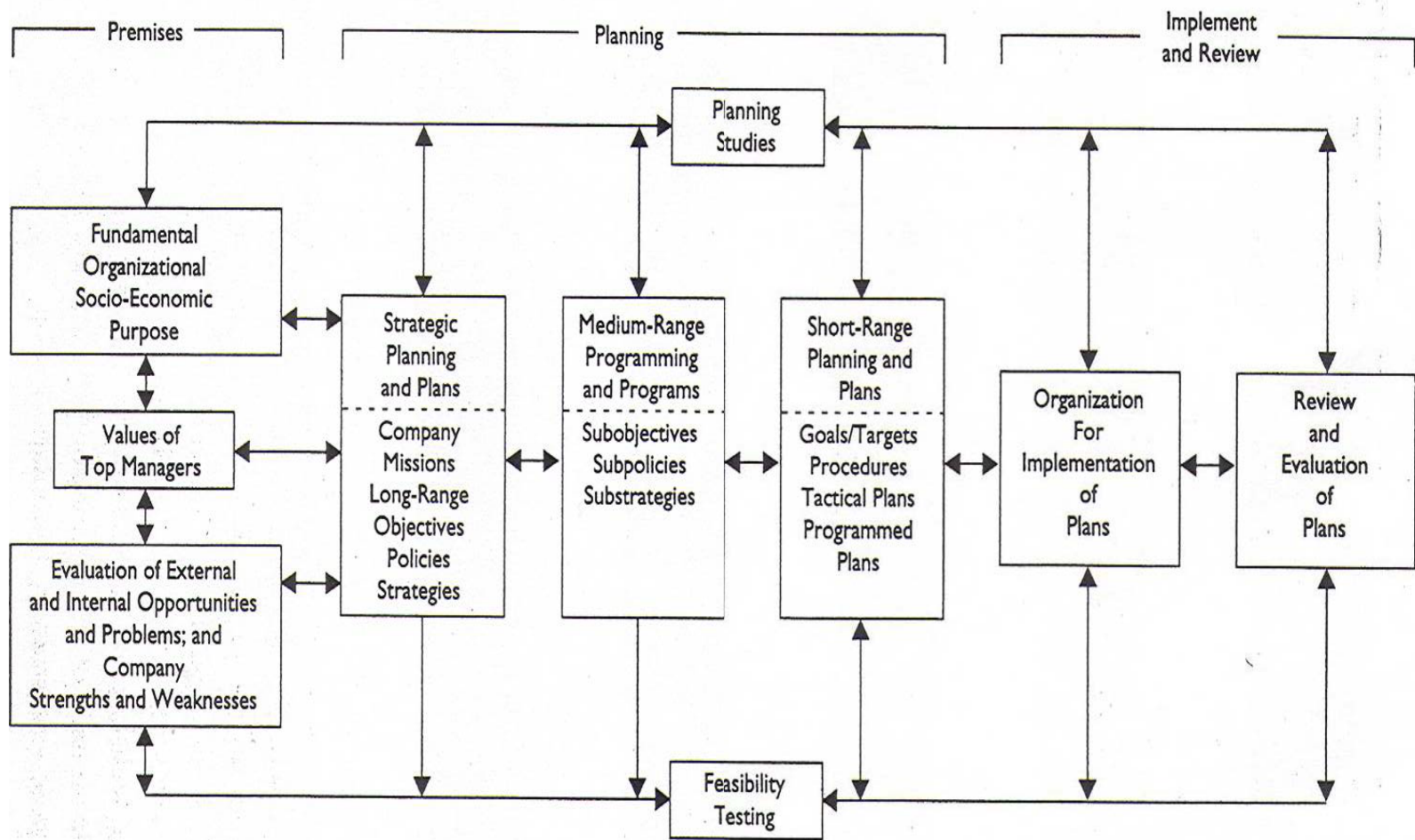*Figure 3.5: The Ansoff model of strategic planning (Ansoff 1965:202)*

Figure 3.6: The Steiner model of strategic planning (Steiner 1979:33)

A more modern example of strategy as a process is presented in the Thompson, Gamble and Strickland (2004:11) figure 3.6 below. The proponents of strategy as plan or process normally defines strategy as "the game plan management is using to stake out a market position, attract or please customers, compete successfully, conduct operations, and achieve organizational objectives"(Thompson *et al.* 2004:3).
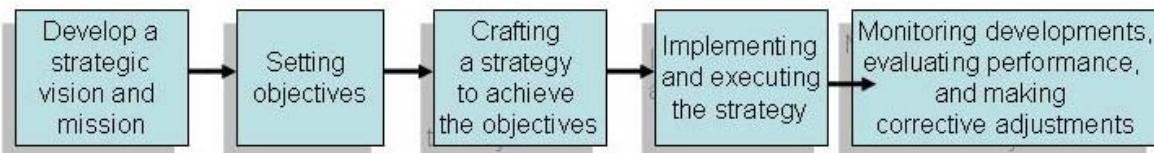

Figure 3.6: The Strategy-Making, Strategy-executing process

(*Source:* adjusted from Thompson, Gamble & Strickland, 2004:11)

Chakravarthy and Lorange (1991:4) offer a planning model that can be used in the management of strategy and also provide for incentives schemes and staffing systems in the process. Figure 3.8 below depicts this process of strategic management.
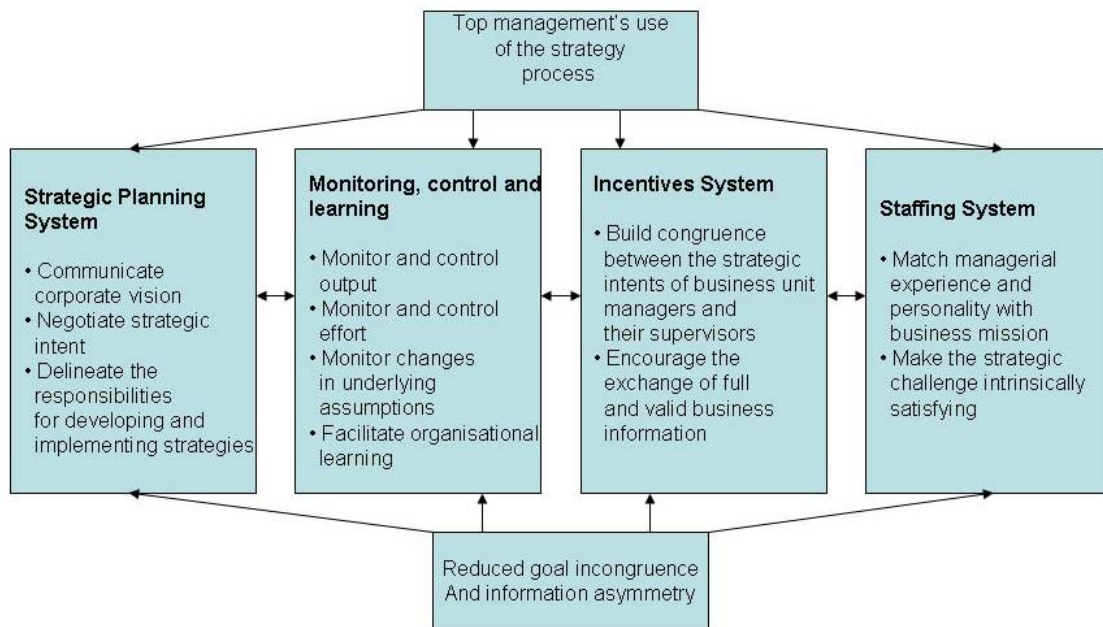
Figure 3.8: The strategic management process

(*Source:* Chakravarthy & Lorange 1991:4)

As one of the management theorists who focus more on the process of strategy creation and its analytical properties, Porter states that "[t]he reason why firms succeed or fail is perhaps the central question in strategy" (1991:95). Most of early strategy success research hinges on the effectiveness of the strategy process. As such early literature on strategy defined three essential conditions for strategy success:

1. An organisation should develop and implement an internally consistent set of goals and functional policies that collectively define its position in the market place. Strategy has an integrative role as far as different organisational functions (e.g. marketing, finances, production etc) are concerned.

2. The above internally consistent set of goals and policies aligns the organisation's strengths and weaknesses with the external (industry) opportunities and threats.

3. Strategy should be centrally concerned with the creation and exploitation of its so-called "distinctive competences", i.e. the unique strengths the organisation possesses (Learned *et al.* 1965; Andrews 1971; Selznick 1991).

3.4.3 Strategy process and positioning

Porter (1991:105) is adamant that the process of how a certain strategy has been formed is of lesser importance than an organisation's relative positioning in its market with regard to its value-creation activities, resources and capabilities and relative competitiveness. He claims that one of the fundamental approaches to crystallising a theory on strategy, is by reflecting on a 'chain of causality', where outcomes are traced back to the original causes and using the chain of causes as basis for the theory on strategy. He adds the *caveat* that due to the complexity of any given chain of causality and possibility of assigning 'false' causes, this could be a contentious, although useful, way of creating a theory. In this chain of causality, interrelated organisational activities are important, since an organisation's strategy defines its configuration of activities and how they interrelate. The connection between resources and activities is even more fundamental because resources represent an inherently intermediate position in the chain of causality. The organisation's profitability is therefore determined by the characteristics of its industry and its relative position within it. Therefore these aspects should also determine its strategy (Porter, 1991:98).

While frameworks coined and researched by Porter, such as the value chain and value system (Porter, 1985:37, 35), and the well-known 'five forces' (Porter, 1980:4) have pushed a considerable distance backward along the chain of causality, the focus has been on what Porter (1991:105) termed the

cross-sectional (or longitudinal) problem, illustrated in figure 3.9 below. This problem is contained in the following possible questions: What makes some industries, and some positions within them, more attractive than others? What makes particular competitors advantaged or disadvantaged? What specific activities and drivers underlie the superior positions? Porter maintains that in answering these questions, the issue of causality is confronted again.
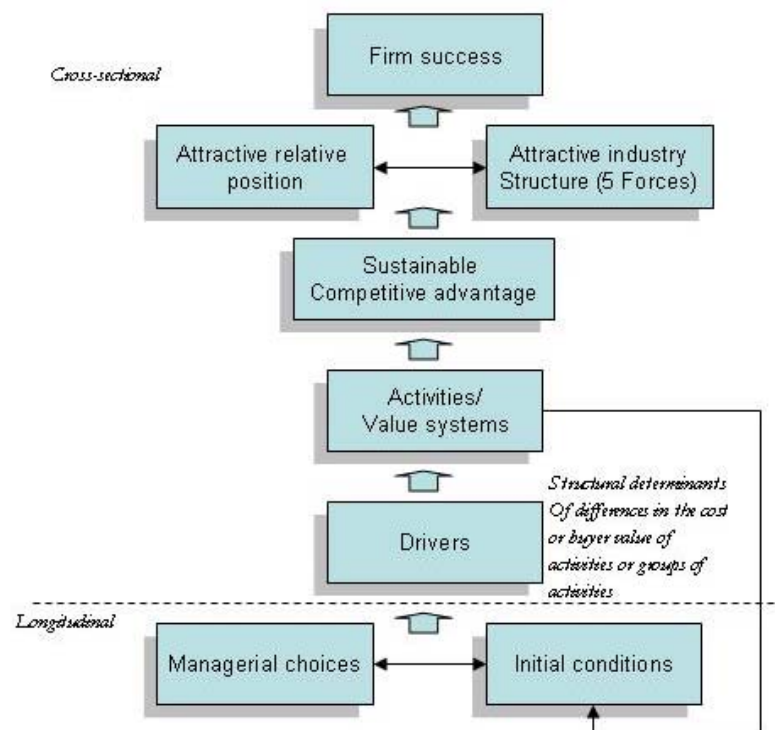

Figure 3.9: Porter's determinants of success in distinct business (cross-sectional/longitudinal problems)

(*Source:* Porter, 1991:100)

The above frameworks combined in one framework for addressing the cross-sectional problem, are, according to Porter (1991:105) 'agnostic' as to the *process* by which the superior positions were attained, and largely

unaffected by it. Whether the strategy was consciously chosen, coincidence, the result of incremental steps, or driven by one major decision does not itself affect the attractiveness of the position independently of the activities and drivers on which it rests. Similarly, the past process by which firms accumulated their strengths and capabilities is not in and of itself decisive. Porter claims that his cross-sectional frameworks address the choice of strategy given whatever array of capabilities the firm and its rivals possess at a point in time and can feasibly develop in the future.

Porter is fierce in his opinion (and he specifically refers to Mintzberg (1990)) that the efforts by some researchers to 'dichotomize' *process* and *substance* are "…simply incorrect…" (1991:105). He is of the opinion that both process and substance (i.e. "content" according to Chaffee, 1985:89) are necessary and important to understand. The cross-sectional problem is also logically prior. Without a rather specific understanding of what underpins a desirable position, it is virtually impossible to deal analytically with the process of getting there, continues Porter. Strategy therefore becomes an aimless process in which luck determines the winners.

Mintzberg *et al* (2005:21) criticise Porter's theories on strategy as having little impact on how most large organisations go about formulating strategy since his work is descriptive/not prescriptive. "His vast checklists provide little guide to what firms should actually do, or avoid doing. Every firm would like to be in an industry with high barriers to entry, weak rivals and high profits. But few are so lucky" (Mintzberg *et al,* 2005:21).

In addition, Hilse and Nicolai (2004:373) point out that for the last 15 years, management theorists have been looking particularly at the question as to in what way company strategies are empirically achieved. A recurring finding of

this research trend is that the empirically observable model of strategic development differs considerably from that of synoptic-rational planning. As a result of this it is Hilse and Nicolai's observation that there is increasing pressure as seen from researchers' recommendations to abandon the planning model. Unfortunately, these recommendations are poorly supported by suggestions to the contrary. Hence, strategy process theory is criticised for its lack of prescriptive content (Eisenhardt & Zbaracki, 1992:33; Mintzberg *et al,* 2005:21)

Chaffee (1985:89) contends that strategy involves issues of both content and process. In this regard it includes "…both the actions taken, or the content of strategy, and the processes by which actions are decided and implemented." Strategy furthermore involves thought processes consisting of conceptual as well as analytical exercises. In his opinion some authors stress the analytical dimension more than others, but "most affirm that the heart of strategy making is the conceptual work done by leaders of the organisation."

3.5 FOCUSSING ON THE EMERGENT STRATEGY END OF THE CONTINUUM

Hamel expresses the opinion that the core problem in organisations is failure to distinguish planning from strategizing. He justifies his strong opinion by explaining that planning is about programming, not discovering. Planning is for "technocrats", not for dreamers, he says. And finally, "giving planners responsibility for creating strategy is like asking a bricklayer to create Michelangelo's Pietà (Hamel 1996:71; 81).

It is the CEO's responsibility to stay close enough to the organization's learning process that he or she can share employees' insights and understand their emerging convictions. In the traditional

planning process, outcomes are likely to cluster closely around managers' prejudices; the gap between recommendations and pre-existing predilections is likely to be low. But this is not the case in a more open-ended process of strategy discovery.

Hamel (1996:81) outlines a few principles of strategy that provide for evolutionary change. One of these principles he captions with the following statement, "Principle 10: You can't see the ends from the beginning". He formulates his opinion of a strategy-making process by emphasising that such a process should involve a broad cross section of the company, delve deeply into discontinuities and competencies, and should encourage employees to escape an industry's conventions. Senior managers cannot predict where an open-ended strategy-making process will lead, but organisational dialogue will inevitably lead to industry revolution.

Hamel states (1996:82) that:

> to invite new voices into the strategy-making process, to encourage new perspectives, to start new conversations that span organizational boundaries, and then to help synthesize unconventional options into a point of view about corporate direction – those are the challenges for senior executives who believe strategy must be a revolution.

This open-ended approach to strategy-making with its emphasis on organisational dialogue and involvement across organisational levels, is the crux of the emergent approach to strategy-making.

3.5.1 Logical incrementalism

Under the label of "disjointed incrementalism" Lindblom (1959:80) described 'policy making' (a term used interchangeably for strategic planning in the US government) as a 'serial', 'remedial', and 'fragmented' process in which decisions are made at the margin, more to solve problems than to exploit opportunities, with little regard for ultimate goals or even for connections between decisions. The different role-players in the organisation are said to engage in this informal strategy process of "mutual adjustment" (Lindblom 1959:81). Strategy planning (or policy-making) is typically a "never-ending process of successive steps in which continual nibbling is a substitute for a good bite" (Lindblom 1968:25).

Quinn (1978, 1980) supplemented the theory of 'disjointed incrementalism' and developed the theory of 'logical incrementalism' as a way of explaining the combination of longer-term plans and targets with evolutionary, learning-based pattern of movement on the way (patterns that emerge). Quinn argues that 'properly managed, it is a conscious, purposeful, pro-active, executive practice' (Quinn 1980:3).

Quinn (1978:7) relays an anecdote recorded during an interview of a manager who, when younger, always conceived of a room where all strategic concepts were worked out for the whole company. He never found that room but discovered that the strategy of the company might not even exist in the mind of one man or even be written down. It is simply transmitted in the series of decisions made (Quinn, 1978:7):

> 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 touted in the planning literature. The full strategy is rarely written down in any one place.

The processes used to arrive at the total strategy are typically fragmented, evolutionary, and largely intuitive. Although one can usually find embedded in these fragments some very refined *pieces* of formal strategic analysis, the real strategy tend to *evolve* as internal decisions and external events flow together to create a new, widely shared consensus for action among key members of the top management team.

Amidst criticism of some of the vagueness surrounding emerging strategies and incremental strategies Quinn prescribed the following conditions for logical incrementalism (Quinn 1982:615):

1. Lead the formal information system.
2. Build organisational awareness in the early stages of strategy formation studying, challenging, questioning, listening, talking to creative people outside ordinary decision channels, generating options, but purposively avoiding irreversible commitments.
3. Build credibility change symbols as a way to unite role-players across the spectrum of strategy-making.
4. Legitimise new viewpoints, such as creating discussion forums or allow slack time to talk though threatening issues.
5. Pursue tactical shifts and partial solutions.
6. Broaden political support for emerging new thrusts.
7. Overcome opposition through people selection and coalition management.
8. Consciously structure flexibility.
9. Develop trial balloons and pockets of commitment.
10. Engage in continuous change.
11. Recognise that strategy is not a linear process.

3.5.2 Emergent strategies

In a cornerstone article in 1985 Mintzberg and Waters argued that a distinction should be made between deliberate and emergent strategy (see figure 3.8). A deliberate strategy occurs when realised strategies were fully intended. However, realised strategies can also come about despite or in the absence of intentions, which Mintzberg and Waters (1985:260) labelled 'emergent strategy". It is their conviction that few strategies are purely deliberate or emergent, but usually a mix between the two (see figure 3.9 below).
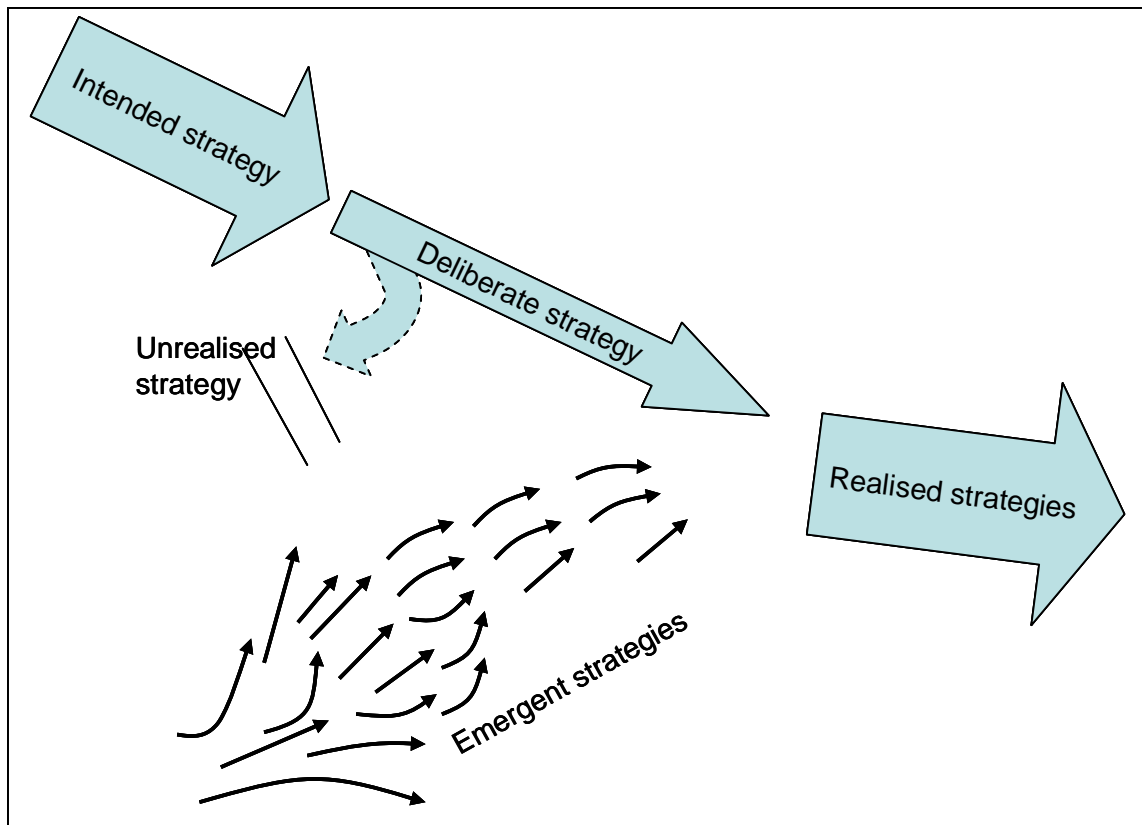

Figure 3.9: Strategies deliberate and emergent as ends of a continuum/process

(*Source:* Mintzberg et al 1998:12)

The emergent strategy approach goes hand in hand with the notion of organisational learning (Mintzberg *et al.* 1998:210) and as such is grouped under the learning school approach.

Also embedded in this approach is strategic intent (Prahalad & Hamel 1990:79). Boisot (1995:36) notes the value of strategic intent for situations of environmental uncertainty: "…strategic intent relies on an intuitively formed pattern or *gestalt* – some would call it a vision – to give it unity and coherence. This yields a simple yet robust orientation, intuitively accessible to all the firm's employees, an orientation which, on account of its clarity, can be pursued with some consistency over the long term in spite of the presence of turbulence".

Crossan (1997:40) expresses the opinion that although organisations' strategies are a blend of both intended and emergent strategies, many organisations unfortunately do not have the capacity to let strategy emerge. She points out that the intent and desire to let strategies emerge are important, but a high degree of teamwork is also needed. Crossan couples the concept of 'improvisation' with the concepts of 'organisational learning" and 'strategic renewal". These concepts can in turn be linked to the emergent strategy approach. She adds that planning involves long time horizons before any action occurs and involves much analysis in its development – it is not usually associated with a creative and spontaneous process. However, emergent strategies require creativity and intuition applied to actions. Improvisation, claims Crossan (1997:39) with its key aspects of spontaneity of action and level of intuition offers a solution. She illustrates the role of improvisation in the strategy-making process as a combination of teamwork, leadership, culture, individual skills and ability to interpret the environment (as can be seen from figure 3.10 below).
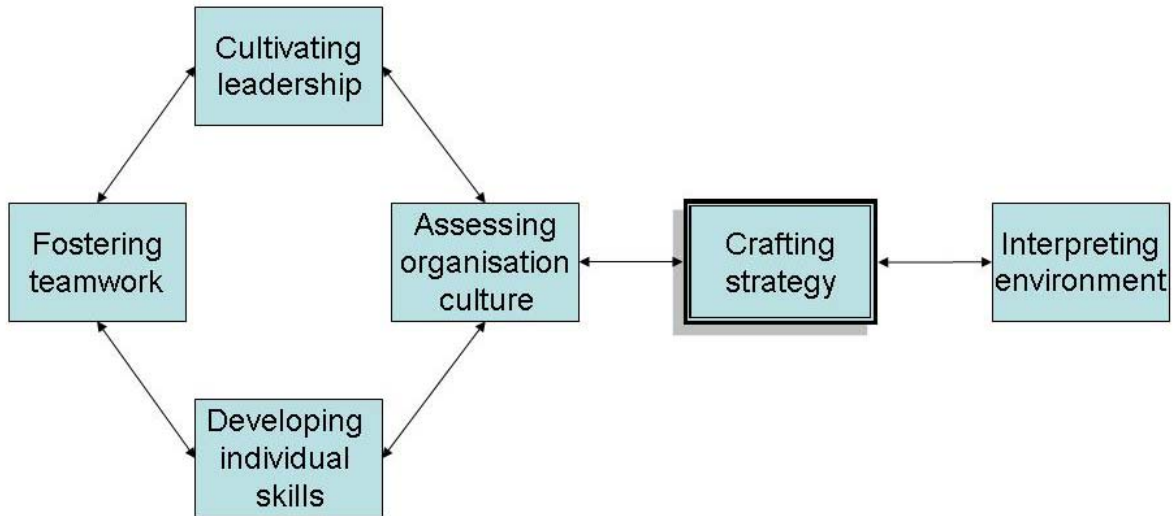
Figure 3.10: Organisational requirements for crafting emergent strategies
(*Source:* Crossan 1997:39)

3.5.2.1 Action-response cycles

Marcus explains the emergent strategy approach with the use of the concept of 'action-response cycles' (see figure 3.11 below). He refers to Prussian military strategist Carl von Clausewitz who wrote that detailed planning fails due to the inevitable frictions encountered: chance events, imperfections in execution, and the independent will of the opposition. The Prussian general staff did not expect a plan of operations to survive beyond the first contact with the enemy. It set only the broadest of objectives and emphasised seizing unforeseen opportunities as they arose (Marcus, 2005:11).

Strategy is not a lengthy plan, explains Marcus (2005:11), but the evolution of a general idea through continually changing circumstances of which the results are a consequence of action-response cycles: both sides act and both

sides respond. The outcomes are not likely to be the intended outcomes as they materialise from real-life encounters with the 'enemy'.

Marcus (2005:12) calls the rational planning approach to strategy-making an 'unrealistic' one. This is so because competitors' responses to intended strategies negate what the firm wishes to do; eventually the firm adjusts to the actual situation and realised strategies emerge that differ from the intended set of strategies. These realised strategies are a result of a number of organisational decision-makers' responses and counter-responses to competitive situations. It can be deduced from this explanation that different management levels co-determine organisational strategy and not just the CEO as is the popular notion in the planning and design school of thought (Marcus, 2005:12).

> The original plans no longer match reality as the situation unfolds and rigid adherence to them is not fruitful… Strategy is a process that introduces flexibility, which strategy as a formal planning exercise eliminates.
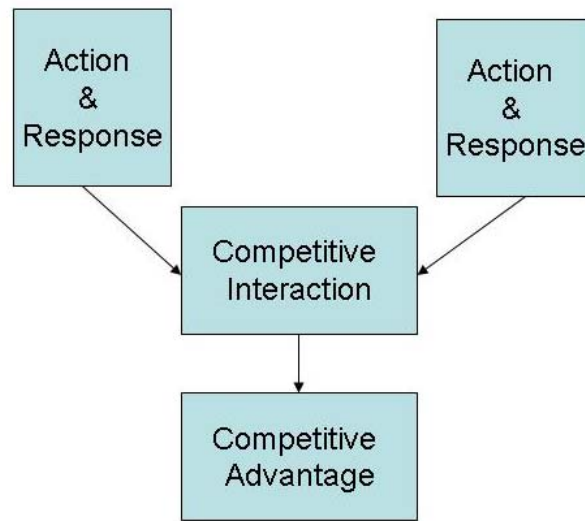
Figure 3.11 Strategy results as action-response realised strategies

(*Source:* Smith, Grimm and Gannon, 1992:9 in Marcus 2005:11)

3.5.2.2 First and second level strategies

Parnell (2000:38) drills beneath the surface of Mintzberg's deliberate-emergent strategy classification to reveal more specific strategies associated with these categories. He developed a model that identifies "first-level" and "second-level" business strategies based n six forms of competitive advantage. This model is shown in table 3.2 below.

The difference between the two levels is subtle. First-level strategies represent *deliberate or intended strategy.* The selection of a first-level approach may *imply* a specific second-level approach. The first level is more visionary, outlining a few basic principles about strategic thinking in an organisation. At the first level, businesses can generally seek to be pro-active as a first mover, contemplative as a second-mover, or governing as a segment controller.

In contrast, the second level is more practical and pragmatic, suggesting more specific ways in which the organisation can be positioned relative to its competitors. Second-level strategies represent an *emergent strategy*. This level examines the *specific competitive means* through which businesses seek to orchestrate their competitive activities. At the second level, businesses seek to develop and maintain broad product/service lines, develop and emphasise perceived uniqueness, or develop and maintain a high degree of production and/or distribution efficiency (Parnell 2000:38).

A business may employ any combination of first- and second-level strategies, and may choose to compete with a strategy (or strategies) on one level and not the other.

Table 3.2 First and second-level strategies
(*Source:* adjusted from Parnell 2000:39)

	Strategy	Benefits	Costs and risks	Industry influence	Functional strategy and organisation resource implications
First –level strategies (deliberate)	First-mover	High margins Development of innovative reputation	No market application Product/service failures	Low	Effective product R&D Innovative culture Speed
	Second-mover	Limited initial investment, but potential for early entry	Never first in the market Markets entered not fully developed	Moderate	Marketing expertise Flexibility in production Speed
	Segment Control	Large market share Development of expertise through specialisation	Lost opportunity for synergy and new markets	Moderate	Efficient production processes Market segment expertise
Second–level strategies (emergent)	Product/service breadth	Synergy through satisfaction of related needs	Potential for lost efficiencies in production	High	Flexibility in production Marketing expertise
	Perceived uniqueness	High margins Brand loyalty	High marketing costs Potential for higher production costs	High	Marketing expertise Effective product R&D
	Production and distribution efficiency	Ability to survive price wars Potential for low prices and/or high margins	Potential for low perceived value of offerings	High	Effective process R&D Efficient production processes Cost containment

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Parnell (2000:47) concludes that empirical data in his study suggested that combining first and second level strategies can lead to superior performance in *either* growth *or* profitability, but not both. Many businesses in his study effectively combined strategies (e.g. segment controllers also emphasising the product/service breadth second-level strategy). However, some strategy combinations (e.g. first movers also emphasising the product/service breadth second-level strategy) were associated with poor performance. In some resects, a strategy represents a choice between two or more alternatives. "Businesses which successfully combine strategies must utilise synergies to overcome the apparent tradeoffs associated with combinations…Indeed, a single business might base its strategy on several facets of competitive advantage, although some combinations may be easier to implement than others", says Parnell (2000:4).

3.5.3 The absence of strategy

Inkpen and Choudhury (1995:313) add another angle to the debate about strategy, when they contend that an alternative approach to strategy "…may be to step back and ask some fundamental questions about the reasons why a particular firm fails to exhibit the requisite characteristics for classification.

Some authors regard the emergent approach as an absence of strategy and remain critical as to its prospects of success. Gaddis (1997:39) has written about the assumption of the "super-organisation that can continuously develop, increment by increment, its own strategic direction to a prosperous (undefined) future". He mentions the Roman general Varro who did not need any strategy. He took his superior force into battle against Hannibal and suffered a devastating defeat. Gaddis concludes sarcastically that "apparently a suitable strategy for the superior Roman army failed to 'emerge' as the battle wore on".

There are even cases where organisations think they have a strategy, but don't, say Hambrick and Fredrickson (2001:48). They boldly declare that certain companies make "grand declarations" such as 'Our strategy is to be low-cost provider' or 'We're pursuing a global strategy' or 'Our strategic intent is to always be the first-mover', but none of these types of statements refer to a strategy. They are 'strategic threads', mere elements of strategies. The authors conclude that the use of such statements in official documents only attests to the increasingly common syndrome of 'the catchall fragmentation of strategy'.

So, in fact where organisations think they have strategies, they could merely be touching on the surface and experimenting with elements of strategy.

In answer to criticism such as the above arguments the emergent strategy defence rests upon abundant moderating factors such as suitable environments and industry structure and will be explored in Chapter 4.

3.5.4 Strategic thinking

Maybe we think too much and see too little, ponders Mintzberg (in Mintzberg *et al*, 2005:139). In this regard Christensen (1996:70) found that strategic thinking is not a core managerial competence in most organisations. Strategic thinking does not mean following industry recipes or copying competitors unless these are done as carefully considered choices. Strategic thinking is not mindlessness, imitation or thoughtless persistence. The seeing part of strategic thinking, to Mintzberg (2005:139), comes in the form of:

- Seeing ahead with a good vision;

- Seeing behind by understanding what happened in the past;

- Seeing the bigger picture from above;

- Seeing below – looking closer to distinguish the trees from the forest, the detail in the bigger picture;

- Seeing beside by thinking laterally;

- Seeing beyond by not just seeing an expected future, but inventing a new future; and

- Seeing it through by acting on promises and plans.

Liedtka (2000:197) explains strategic thinking as a 'cognitive loop' in which strategic change begins with a cognitive framework in the minds of managers. Her opinion ties in with strategic thinking as seeing beyond the current reality and creating an image of a future to which the organisation can aspire. Strategic thinking is closely associated with emergent strategy (or what Liedtka (2000:197) calls 'generative strategic planning'). This is illustrated in figure 3.12 below.

Strategic thinking

Designing the future
in virtual worlds

Current reality

Desired future

Strategic programming

Developing capabilities
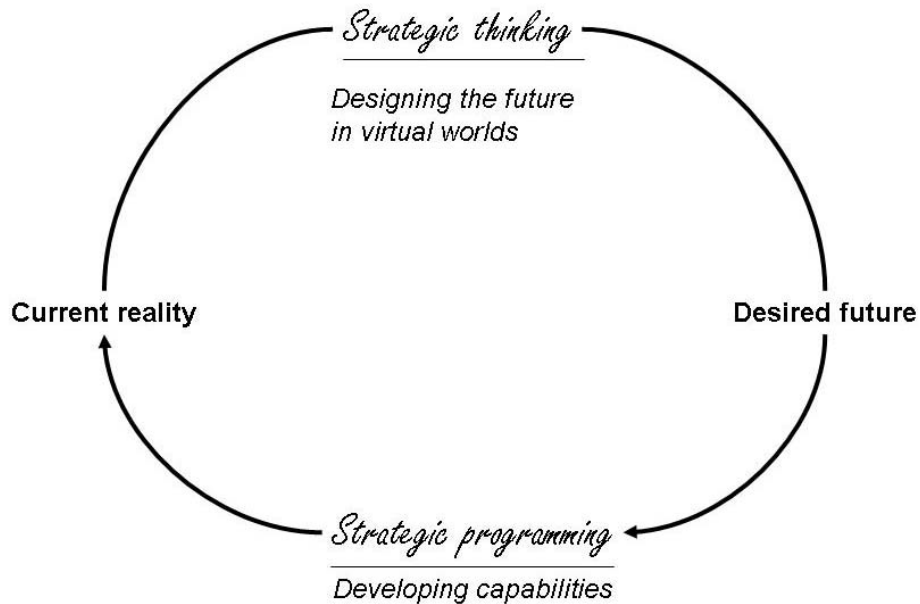
Figure 3.12 Model of generative strategic planning

(*Source:* Liedtka, 2000:197)

Figure 3.12 above suggests that part of strategic planning should be the feedback into the organisation to create capabilities with which strategies can be pursued. Figure 3.12 shows that through a combination of strategic thinking and strategic planning the current reality can be transformed into a desired future.

Kotzé (2003:108) suggests in line with Mintzberg (1987:66) than strategic thinking is the link between what is described as a past of corporate capabilities and a future of market opportunities, between thought and action.

Strategic thinking embodies a focus on intent, in contrast to the traditional strategic planning approach that focuses on creating a "fit" between existing

resources and emerging opportunities, strategic intent creates a substantial "misfit" between these (Graetz, 2002:456). Strategic thinking is closely linked to the notion of organisational learning, referring to the creation of circumstances, climates or conditions in organisations which encourage, support and reward the development and learning of employees. As organisational members learn to overcome specific competitive challenges, they develop potentially valuable resources and capabilities (Kotzé, 2003:109).

3.6. CHAPTER SUMMARY

This chapter dealt with the two extreme approaches to strategy-making that were crystallized in Chapter 2. The chapter started with some appeals being made and motivation for a synthesis of strategy-making approaches to be used in organisations, in stead of exclusively focusing on one specific approach. The chapter continued by broadly explaining various prominent categorisations of strategy-making approaches, narrowing these down to approaches that deal with the two extreme approaches of emergent versus rational strategy-making. This was followed by an in-depth discussion of each of the two approaches (emergent strategy and rational planning) and the main issues associated with each.

Chapter 4 deals with the factors that influence or moderate the choice of a specific strategy-making approach.

CHAPTER 4
FACTORS MODERATING THE CHOICE OF STRATEGY-MAKING APPROACH

4.1 Introduction

4.2 Debating the advantages and disadvantages of two opposing strategy-making approaches

4.2.1 Strategy making mode and performance

4.2.2 Other advantages or disadvantages associated with strategy-making mode

4.2.3 The demand for deliberate or emergent strategy

4.3 Moderating factors

4.3.1 Environment as moderating factor

4.3.1.1 Defining environment as moderating factor

4.3.1.2 Measuring the specific influence of environment on strategy

4.3.1.3 Conclusion

4.3.2 Organisational size as moderating factor

4.3.2.1 Measuring the specific influence of organisational size on strategy

4.3.2.2 The role of complexity

4.3.2.3 Conclusion

4.3.3 The role of the CEO as moderating factor

4.3.3.1 Measuring the specific influence of the CEO on strategy

4.3.3.2 The role of other managers in strategy-making

4.3.3.3 The specific role of middle management in strategy-making

4.3.3.4 Decision consistency and performance consensus

4.3.3.5 Conclusion

4.4 Chapter summary