

# 1 Introduction

## The Book . . .

This book aims to make theories about strategic management work in practice – taking seriously Lenin’s point that ‘theory without practice is pointless, practice without theory is mindless’. Thus throughout the book reference is made to a variety of points of view about aspects of strategic management through consideration of a portfolio of major texts. The purpose of these references or cross-links is to pull together commentary about the theory and concepts that guide, reinforce, or in some cases contradict, the approaches to practice described in this book in order to enable you to place the approaches in the wider context of the strategy literature. These texts are: De Wit and Meyer (eds), *Strategy: Process, Content, Context: an International Perspective* (1998), Johnson and Scholes, *Exploring Corporate Strategy* (2002) and Lynch, *Corporate Strategy* (2003).

The purpose therefore is to introduce a package of process tools and techniques developed and tested through over 200 strategy interventions in a wide range of organizations. They are expected to guide and help a management team (at any level of the organization) construct a workable strategy that is politically feasible and yet exploits the distinctiveness and capabilities of the organization. Although these tools and techniques have been used at the top management team level, we shall assume that you are not necessarily the CEO of a large organization, but rather that you might be managing, or be a part of, a work-group, department, division or operating company, or alternatively you are a consultant/facilitator to a manager.

What differentiates this approach from that of others?

- A focus on the realities of management in the organization: what drives the attention of managers – the major issues and concerns that managers believe they face.
- An acceptance that, in most circumstances, incremental change is more practical than wide-ranging and fundamental change.
- The demand that a robust business model is constructed and tested, and so

it involves the discovery of core distinctive competences through a designed process, rather than their being stated.

Many strategic planning efforts come to nothing because a) they do not directly involve the power brokers but rely on support staff, and b) they take an idealized view of the organization and what it can achieve. These two points are related. Urgent strategic issues engage senior managers. Their time is largely devoted to trying to avoid possible future disasters, manage their own ambitions, protect their own reputations and ensure projects keep on track. Some issues are urgent, some are interesting, some are strategic and some are tedious but require immediate attention. If strategy making does not at least pay some attention to these dominant drivers of the organization then it will not be seen by the power brokers to connect with the real world. Strategic planning becomes an ‘annual rain dance’ of no practical import. It is an idealized notion. Unless power brokers are directly involved then these issues are not surfaced and addressed. Through negotiation they may be reviewed and seen as less important for a sound strategic future, or they may rise to become central, but unless they are at least surfaced then the attention given to strategy making will be at best an arid intellectual exercise and certainly not emotionally engaging.

The issues that managers actually address determine the strategic future of the organization, not the published strategic plans which often collect dust on shelves rather than having any impact on purposeful activity. The published material may influence the issues that are addressed, but often only at the margin. Some situations become addressed as strategic issues and other potential issues are not noticed. The way managers think about what goes on around them determines what is noticed and what is not. So, one of the outcomes of strategy making is a change in the way issues are defined. And so the way managers think about what is problematic, and what is an opportunity, has to change as a result of strategy making. Thinking belongs to people in the organization and not the organization, and the thinking that matters is that of the power brokers. They must be actively involved in the process of making strategy because ways of thinking cannot be changed other than incrementally. (From a psychological standpoint this is known as ‘elaborating a person’s construct system’, or ‘scaffolding’.)<sup>1</sup>

Thus, understanding and acknowledging the ‘reality’ of an organization is crucial to making the strategy deliverable. The starting point must be to detect **emergent strategizing**. This is how an organization determines its strategic future through managers habitually defining some situations as important and the ways in which they address these issues.

Emergent strategizing addresses the way in which most organizations demonstrate patterns of decision making, thinking and action. Often ‘taken for granted’ ways of working and problem solving come from the habits, history and ‘hand-me-downs’ of the organization’s culture. Whether the organization

members are aware of this or not, even if they define themselves as ‘muddling through’ rather than acting strategically, such enacted patterns inevitably take the organization in one strategic direction rather than another. Organizations do not act randomly, without purpose. It is this process of going in one strategic direction rather than another, based on patterns, or what are sometimes called ‘recipes’, of perceiving and acting,<sup>2</sup> which we call emergent strategizing.

Thus, we contend that any organization, big or small, *will* be acting strategically whether the emergent strategizing is quite unselfconscious, or rather more deliberate. As, for example, when there is a knowing reinforcement of the existing ways of working by key members of the organization in pursuit of a particular outcome or purpose. In either case the emergent strategic direction<sup>3</sup> and implicit or explicit goal and purpose, are detectable and, to a greater or lesser degree, amenable to change. It is in understanding the implied direction (based on the issues thought to be important) that change can be determined. Of course, for some organizations this implicit or emergent strategy may be determined as best for that particular organization. When this is the case then the organization has moved from a patterned and emergent ‘muddling through’<sup>4</sup> to delivering a deliberate emergent strategy.

Starting strategy making by detecting emergent strategizing involves: respecting the history of the organization, understanding its ways of thinking and acting in practice rather than that espoused (chapters 3 and 4), and understanding the role of systems and structures (chapter 8). These are all aspects of understanding the culture of the organization.<sup>5</sup>

As we have implied above, in practice the best way of gaining an understanding of the emergent strategic future of the organization is through an exploration of the ways in which the power brokers define and address strategic issues (chapters 3 and 4). In doing so it is also more likely that these managers will become engaged in the strategy making – both emotionally and intellectually.

This approach to strategy making implies that the new strategy will make demands on changing the way issues are defined and addressed – that is ways of thinking and acting in practice will need to change. But, these changes will be determined in the light of the existing ways in order that the chances of successful change can be assessed. The approach also implies that changing the strategy of an organization demands **incremental change** from emergent strategizing to a deliberate, but realistic or realizable, new strategy. The incrementalism invariably involves changing structures and systems, as well as recognizing that the strategy-making process itself is designed to promote change by renegotiating ways of understanding the purpose of the organization, and creating and testing a new business model or livelihood scheme through a thorough exploration of patterns of distinctive competences. It is both a rational and social process.

Figure 1.1 shows our view of the key aspects of strategy making. Figure 1.2 shows those covered in this book and the tasks required to write a powerful and

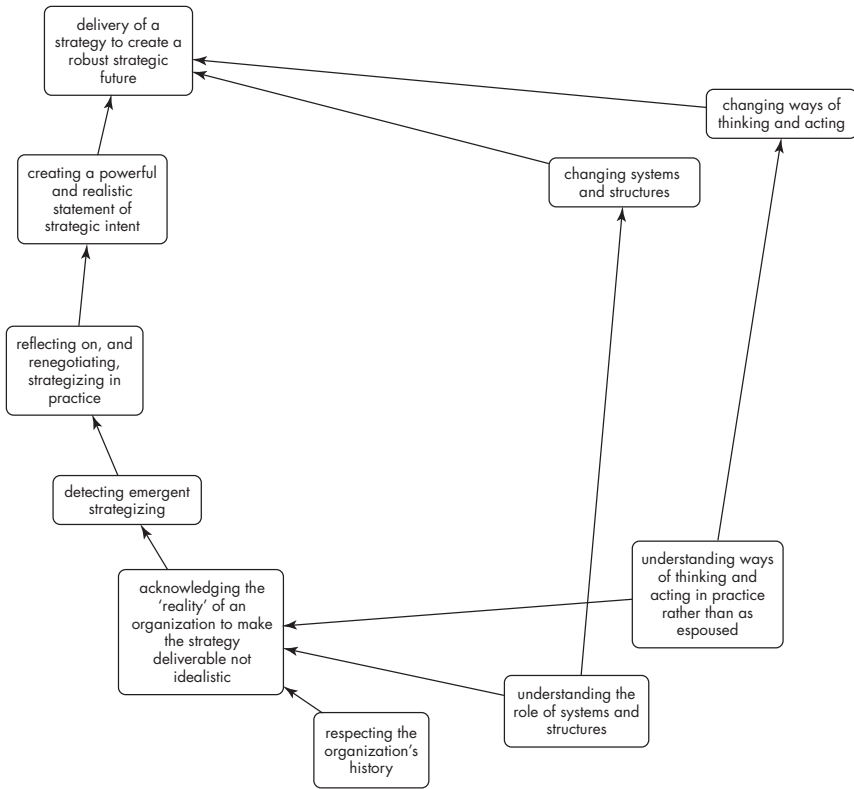


Figure 1.1 The Key Aspects of Strategy Making

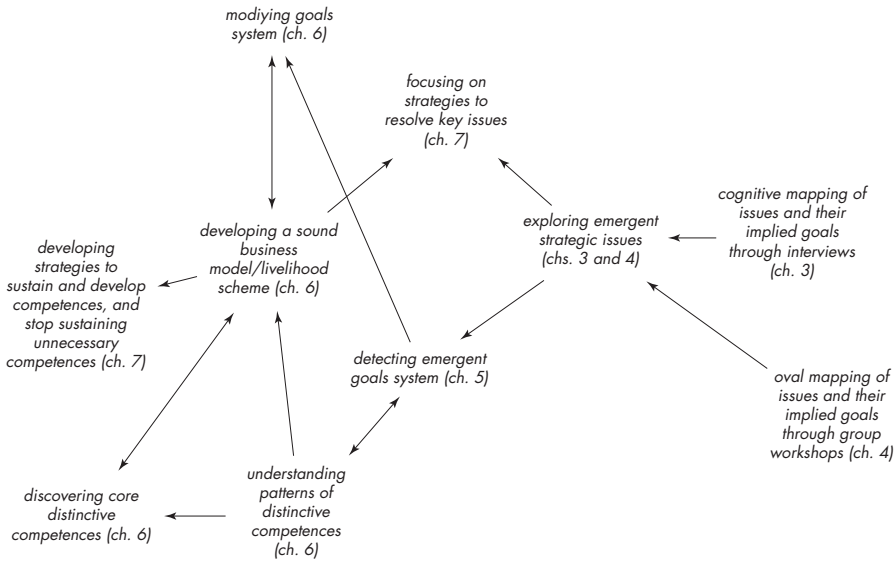
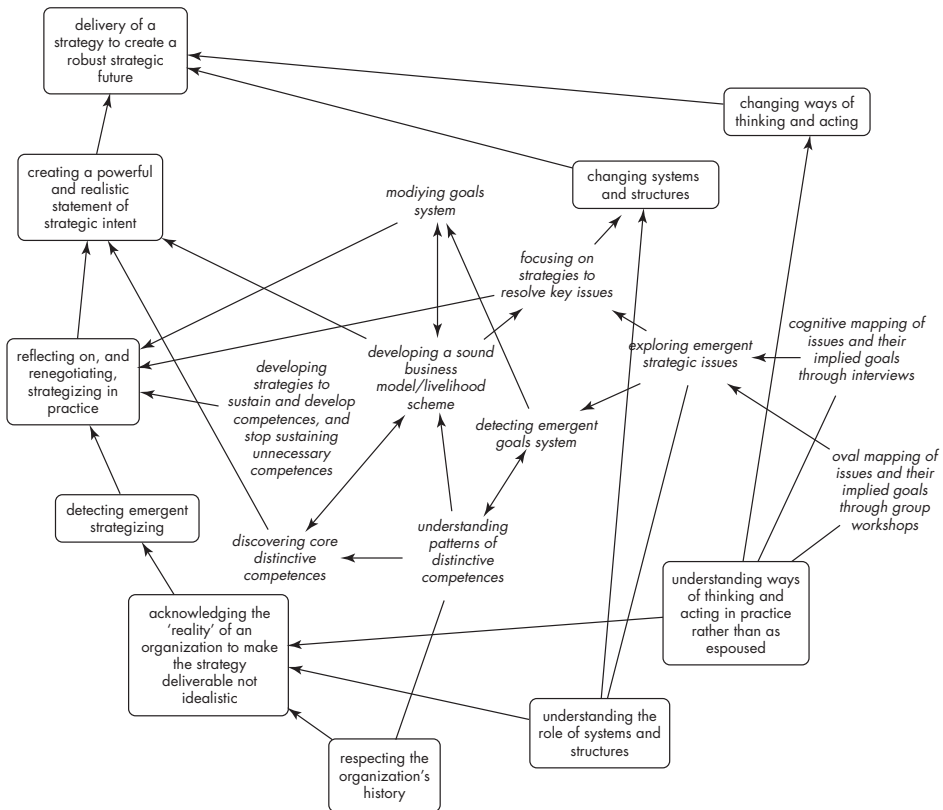


Figure 1.2 The Strategy-making Tasks



**Figure 1.3** The Relationships Between the Tasks and Key Aspects

realistic statement of strategic intent (chapter 8), and Figure 1.3 shows how these tasks relate to the key aspects of strategy making.

## Strategic Management

As we have implied above, the book represents a practical guide to making strategy. It is based on two key definitions, first, that effective strategy is

a coherent set of individual discrete actions in support of a system of goals, . . . which are supported as a portfolio by a self-sustaining critical mass, or momentum, of opinion in the organization. (Eden and Ackermann 1998, p. 4)

And second, that strategic management is

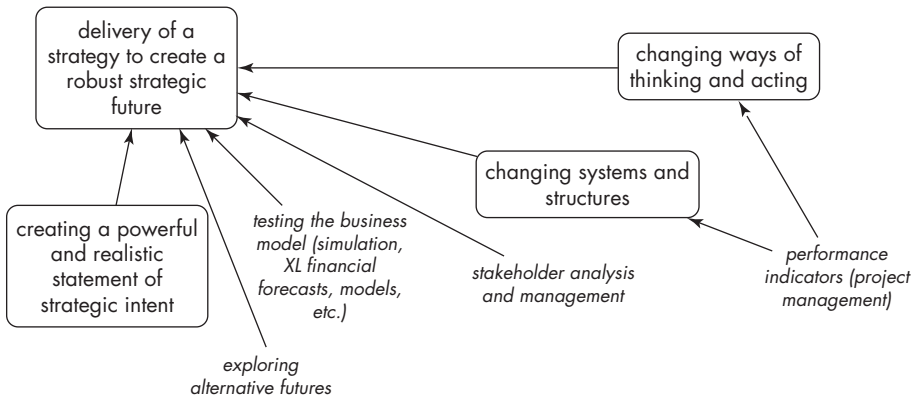
a way of **regenerating an organization**, through continuous attention to a

vision of what the people who make up an organization wish to do. It is a pro-active process of seeking to change the organization, its stakeholders (in as much as they are different from the organization) and the context, or ‘environment’, within which it seeks to attain its *aspirations*. It is, particularly, about **stretching the organization** (see Hamel and Prahalad, 1993) to **gain leverage from its individuality** – its distinctive competences and ability to change them. (Eden and Ackermann 1998, p. 3)

As we suggest early in this chapter, the guiding principles for developing the tools and techniques (presented as tasks) derive from seeking the **political feasibility of strategy**<sup>6</sup> by focusing on process management and design as much as on content management. To gain political feasibility the wisdom and experience and therefore the ideas and views of each member of the strategy-making team are attended to – thus there is a focus on either, or both, interviewing each participant using cognitive mapping (chapter 3), and using a group process of issue surfacing through the oval mapping technique (chapter 4). The processes introduced pay attention to the need for strategy to be a negotiated product of a group process that is designed to gain a sufficient degree of consensus for strategy delivery to follow. Power, politics, procedures, psychology, social psychology, group behaviour and negotiation are key background concepts that guide the process management and content management.

Fundamental to this attention to process is the attention to procedural justice – the idea that process can be more important than outcomes in gaining commitment. Recent research<sup>7</sup> clearly indicates that there are three important principles of procedural justice. These are engagement, explanation and expectation clarity. **Engagement** means involvement in the decision making. **Explanation** means ensuring an understanding of why final decisions were made. **Expectation clarity** means ensuring that the targets, reward systems, and milestones for the new situation are understood. The key outcome of this recent research is to highlight that good outcomes are less important than the process of getting to the outcome – and this is the key aspect to making strategy.

This book focuses on creating a workable basic strategy. However, there are some other important tasks that must be addressed: the implication of existing systems and structures; quantitatively testing the business model developed through the process; stakeholder management; adapting to alternative possible futures; and the development of appropriate performance indicators. These tasks are introduced and discussed briefly in chapter 8. Figure 1.4 shows how these additional strategy-making tasks relate to the key aspects of strategy making set out in Figure 1.1.



**Figure 1.4** Additional Tasks to Refine the Strategy and Their Relationship to the Key Aspects

## The Structure of the Book

The book aims to guide you through a series of process steps in strategy making. Included in most chapters are a series of tasks (sometimes forming a workshop), examples of what is expected from undertaking the tasks (steps), exercises to help you know whether you are developing a good understanding of the tasks, and most importantly some real cases. Each case study reports a real intervention, and each report has been signed off by the client. The tasks are to be undertaken by the strategy-making team, guided by a member of that team, or by an external or internal facilitator. These tasks are set out at the end of relevant chapters. Notes at the end of each chapter provide further indicative material and full references are provided at the end of the book.

Although the interview process using **cognitive mapping** (chapter 3) is crucial in a real exercise (it provides the means of eliciting in-depth and relatively open data which can then be merged with that from others and used as the focus), this is difficult to simulate and so is excluded from the tasks. However, using strategy mapping for direct work with a group (the oval mapping technique (OMT) – chapter 4) cannot be undertaken effectively unless the interviews and mapping chapter are well understood – hence its inclusion. In order to develop a good understanding of mapping, the chapter contains exercises rather than tasks.

All chapters, other than chapter 3, are laid out to provide ‘commentary and issues’ on the tasks and also ‘hints and tips’ that identify how to work through common pitfalls. The tasks are also available at [www.journeymaking.net](http://www.journeymaking.net) and the hints and tips will be updated on a regular basis as a result of feedback from teachers and practitioners. The web site also contains some material to help those teaching some or all of the approaches presented in this book. In addition a CD is available which has a) a live interview to watch/learn from, and b) slides

explaining mapping. The tasks provide, in step-by-step detail, the means for carrying out the processes discussed in this book.

The tasks introduced in the book are immensely practical and can be undertaken by practising managers, consultants and MBA scholars who wish to form a strategy-making group 'for real' with their own department/division/organization, or for readers wishing to simulate a strategy-making team. MBA scholars completing their degree on a part-time or flexible learning basis can 'experiment' with their own organizations directly, whereas those undertaking the degree on a full-time basis can envisage its use in their past or future organization.

Furthermore, for many years MBA scholars have successfully used the approaches in this book to help some part of their organization develop a strategy. In most of these cases their adventure into facilitating a management team (often a team for which they were the manager) led to a realistic and yet demanding strategy for their department, division, group or operating company. In some cases the approaches have been applied to 'start-up' groups where two to three individuals, along with their sponsors, have identified a realistic business model that has guided the development of their embryo organization. Indeed, one of the case studies in this book (support 3) reports on Ian Brown's use of the journey-making process as his company went through a management buy-out. The strategy not only guided the buy-out but also provided the framework for the business plan used to raise necessary funds.

Many MBA scholars undertake their qualifying project using the process in a real setting. Some recent projects have been with a division of Scottish Power, BBC Scotland, a department of the Bank of Scotland, a palm oil plantation in Malaysia, a technology start-up in Japan, a Swiss software company, a BP operating company in Azerbaijan, and a management buy-out in the music industry. The students have combined the approaches presented here with other aspects of their MBA programme.

Undertaking strategy making without a facilitator is difficult because there is a need to act as both facilitator and interested party. However, for internal and external consultants the approaches are particularly attractive because they enable significant progress in strategy making through a one- or two-day workshop (see, for example, case studies 5.1, 5.2 and 6.1). There are, however, different issues for internal and external facilitators (see support 4 for some notes on these issues).

As the above examples imply, the tasks can be used in large or small, public or private organizations, as well as organizations in many different parts of the world.



## The Layout of the Book

### **Chapter 1 – Introduction**

What the book is about, what guides it, and its structure.

### **Chapter 2 – Getting Started: First Steps – Getting a Team Together**

Who should be involved? Why it is important to get this right.

TASK 1

### **Chapter 3 – Getting at Beliefs About Possible Strategic Futures: Using Cognitive Mapping to Capture Interview Material**

Interviewing individual strategy group members. Using cognitive mapping to map out the beliefs and values of an individual with respect to their view of the strategic future for the organization. Bringing the interview maps together to build a draft ‘strategy map’.

### **Chapter 4 – Surfacing and Structuring Strategic Issues in Groups**

Using the oval mapping technique with groups, as either a next step workshop after building a draft strategy map using interviews, or as a first workshop.

#### ■ **Case Study 4.1 Understanding the Issues: Seeking to Make a Major Services Contract Successful!**

A series of one-day strategy workshops using the oval mapping technique.  
TASK 2

### **Chapter 5 – Building Up a Distinctive and Realistic Goals System**

Detecting emergent strategic goals and creating a draft distinctive goals system.

#### ■ **Case Study 5.1 Understanding the Issues: Seeking to Make a Major Services Contract Successful!**

In a multi-organization setting, determining the goals system and key strategies in a two-day workshop.

#### ■ **Case Study 5.2 In Pursuit of a Direction: Clarifying Our Goals**

A charity focusing on poverty has the involvement of many representatives of a range of organizations. They wanted to involve them in establishing a clear and agreed sense of purpose.

TASK 3

### **Chapter 6 – Developing a Business Model or Livelihood Scheme: Identifying Distinctiveness and Core Distinctive Competences**

It’s all very well having some distinctive goals, but can they be delivered successfully within a competitive environment?

### ■ **Case Study 6.1 A Question of Turning Around**

A two-day workshop involving issue surfacing (chapter 4), the creation of a draft goals system (chapter 5) and the development of a viable business model for a small (\$45m turnover) company.

TASKS 4–6

### **Chapter 7 – Agreeing Strategies: Sustaining the Business Model or Livelihood Scheme and Resolving Key Strategic Issues**

Establishing the priorities for strategic action in order to ensure the business model is delivered and sustained into the future.

TASK 7

### **Chapter 8 – Making a Statement of Strategic Intent and Other Aspects of Making Strategy**

Including commentary on additional tasks that may be undertaken in order to increase the robustness of the strategy and the probability of successful implementation.

TASK 8

### **Chapter 9 – Managing an Incomplete Process to Achieve Strategic Change**

Sometimes making strategy needs to be finished when it is incomplete, against an ideal process. In these circumstances, how can the maximum added value be achieved in relation to the stage reached?

#### ■ **Support 1 Analyzing Cause Maps**

How to work with maps – getting at the important characteristics of individual cognitive maps, or strategy maps.

#### ■ **Support 2 The Formalities of Mapping**

For mapping to work well in making strategy it is important to follow some ‘rules’ or guidelines. These are set out here.

#### ■ **Support 3 MBA Student Project Case Study**

A strategy for management buy-out: what is it like to use the approaches in your own organization as an active part-time MBA scholar? This case includes examples of using cognitive mapping (chapter 3).

#### ■ **Support 4 Issues in Working With External or Internal Facilitators**

There are advantages and disadvantages in using external facilitators. Some of these are considered here so that an informed choice can be made.

#### ■ **Support 5 On the Folly of Rewarding A, While Hoping for B by Steven Kerr**

An article that is particularly good at discussing some of the problems in developing performance and reward systems.

## ■ Support 6 Additional Resources

What resources may be used to help in the process of strategy making? Including software, hardware and CD.

## References

## Working With This Book

Although this book is designed to follow a logical progress towards strategy making, there is a choice at the issue surfacing stage. This is between starting the intervention using interviews employing cognitive mapping (chapter 3) and starting the process using the oval mapping technique (chapter 4) or using both if wide coverage is required. This choice will be to some extent determined by the nature of the group, the issue and organization. Each of the two issue surfacing chapters contains material exploring the different benefits accrued from each technique, for example, using interviews is recommended where there are possible interpersonal issues, or members unfamiliar with airing their views in public. Regardless of which of the techniques is employed, it is recommended that you read the cognitive mapping chapter, as OMT is dependent on good mapping skills.

## Notes

- <sup>1</sup> These are terms used by Kelly (1955) and Vygotsky (1962) to suggest that we change our mind, our way of understanding events, gradually through adding new understandings – a process of elaboration or extending a scaffold.
- <sup>2</sup> These are discussed in more detail by Calori et al. (1998) and Spender (1989).
- <sup>3</sup> The idea of an emergent, rather than deliberate, strategy is explained in Mintzberg and Waters (1985).
- <sup>4</sup> The term ‘muddling through’ was introduced by Lindblom (1959).
- <sup>5</sup> An approach favoured by Johnson and Scholes (2002) is to understand the ‘cultural web’.
- <sup>6</sup> Johnson and Scholes (2002) argue that organizational politics ‘has to be taken seriously as an influence on strategy development’ (pp. 66–9).
- <sup>7</sup> The significant research in this field has been undertaken by Chan Kim and Renée Mauborgne (1995; 1997). The topic is discussed in chapter 3 of Eden and Ackermann (1998), and is seen alongside the importance of procedural rationality – using a process that is seen as rational.