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STRATEGY AS FOCUS

Strategy is about agreeing priorities and then implementing those priorities towards the realisation of organisational purpose.

In this book we address a very simple but powerful definition of strategy. We see strategy as about *agreeing* where to *focus* energy, cash, effort and emotion for long term sustainable success.

We see *strategic management* as about *implementing the agreements* about where to *focus* energy, cash, effort and emotion.

Thus, *strategy is about agreeing priorities and then implementing those priorities towards the realisation of organisational purpose*. This means resolving the debate about which issues deserve the most attention; there is always competition across an effective management team for which issues deserve priority attention. Each manager has their own view, and should have their own view, because they have different expertise, a different role with different accountabilities, and they have each experienced the different consequences of not paying attention to their own, let alone others', views. Thus, strategic management can never be anything other than the outcome of negotiation among those with power to create the future of the organisation.

In addition, strategic management requires an acceptance that one person's claim on the future will be seen as operational to others, and others' claims will be seen as too broad and general. Managers who are good strategic thinkers (about what impacts the future success of their organisation) will often be thinking of extensive and sometimes complex ramifications of apparently operational actions but which can have significant strategic implications.

It is also important to negotiate a coherent strategy where:

- Strategy statements do not contradict each other either singly or as meaningful 'chunks' of strategy.
- Strategic action programmes do not contradict each other or the overall strategy statements.

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- Operational systems and procedures (costing, remuneration, transfer pricing) – including embedded routines – are not inconsistent with strategic intent and are designed so that they increase the likelihood of the implementation of strategy.
- Personal and organisational reward systems are not inconsistent with strategic intent.
- Actual behaviour of the management team does not contradict the rhetoric of strategy.¹

Strategic management is coherent when it can be recognised as a holistic phenomenon.

Thus, strategy and strategic management is coherent when it can be recognised as a holistic phenomenon. In this book we present four ways of thinking about and developing strategy (forums) – each are stand-alone but can come together to make a holistic strategy and take account of the above requirements for coherence and where the whole is greater than the sum of the forums (chapter 12).

As implied by the above list, some of the supposedly operational systems can have enormous strategic implications: for example, the costing system, the transfer pricing system, the management information system, and the underlying assumptions about estimating processing time in the manufacture of products and services. However, we must recognise that often these systems will have grown accidentally rather than as an intended support to the delivery of strategy. Where there is internal coherence of this type of organisational system then these systems can become self-fulfilling and self-sustaining as determinants of the strategic future of the organisation – they support and strengthen one another. Similarly, each of the strategy forums can work together as self-fulfilling and self-sustaining determinants of the future.

NEGOTIATING A SUCCESSFUL STRATEGY: THE SOCIAL *PROCESS* OF STRATEGY MAKING

Any organisational change that matters strategically will involve winners and losers.

The main thesis of this book is that the *process* of strategy making is the most important element in realising strategic intent. It is our clear and convinced view that when strategic management fails to manage the real activities of an organisation it is because of the inability of strategy to change the way in which key people in the organisation both *think and act* as managers of its future. Thus, the issue of political feasibility of strategic change will be central to our considerations. Political feasibility implies, at least, building a powerful coalition within which there is enough consensus to deliver coordinated action to create strategic change.² To argue that political feasibility is key is not new. What is new is that this book considers the issue in some depth (see particularly chapter 2) – relating it to the theory and practice of managing power, politics, multiple perspectives and the power of emotional as well as analytical commitment to delivering strategy.

It is rare for strategy to promote the status quo. Strategy development will almost always imply changes in the organisation – in its relationship with the environment and in its relationship with itself. Any organisational change that matters strategically will involve winners and losers,³ and so will involve some managers *seeing themselves* as potential winners and some as potential losers. It follows that any strategy development or thinking about strategy will, without deliberate intention, promote organisational politics. Thus strategy is an instrument of power, and so of change; ‘organisations must be seen as tools ... for shaping the world as one

wishes it to be shaped. They provide the means for imposing one's definition of the proper affairs of men upon other men'.⁴

A common experience for many managers is that the strategic planning process takes on the form of an 'annual rain dance'. The activity is taken to be important enough to devote some limited time to because the intellectual arguments for doing so are difficult to argue with – 'of course an organisation must have a strategy'. However, often the reality is that the activity will simply result in 'the usual annual budgeting battle' which is focused on short term issues and the retention of the status quo. Some managers will come off badly and others well, but this will be related more to their political clout and negotiating skills than any consideration of the longer term impact of the budgets on the strategic future of the organisation. These budgeting rounds will have a real impact on the strategic future of the organisation as a part of the 'emergent strategising'⁵ of the organisation, but not in a thoughtful or designed way.⁶ Statements about the strategic future of the organisation will be used, when appropriate, as a part of the negotiation for resources but will not necessarily form part of a coherent whole, or result in action.

When managers begin to realise that the strategy making process might be 'for real' and might actually have some real consequences for their future in the organisation then those participating in the process will begin to make judgements about whether they will gain or lose from the process. This assessment is influenced by their believing that strategic change will shift the balance of power and will value some skills and resources more than others. The surfacing of strategic options carries the concomitant surfacing of anticipated social and political consequences. Any organisational change is seen by many managers as an opportunity for self-aggrandisement and the acquisition of power.⁷ The politics that this process of anticipation creates will be the result of each participant's personal understanding of the impact of strategy. This understanding may, or may not, be accurate – what matters is that each participant anticipates and takes action to influence strategic thinking on the basis of these anticipations. 'If men define situations as real, they are real in their consequences'.⁸ As this political dynamic unfolds it can be a major contributor to a team being unable to address the fundamental issues, and being diverted to internal coalition building designed to retain the relative security of the status quo.

The communications within a strategic conversation – a strategy forum – can then become dominated by each participant seeking to influence the definition of the situation in ways that anticipate possible changes in status, power, self-image and so on. Most senior managers are very skilled in the process of defining situations in a light favourable to their own aspirations and inclinations. Thus, the way in which situations are defined becomes crucial as it determines the nature of the agendas to be addressed and the processes by which strategic issues are surfaced. The extent to which a management team is able to address the fundamental strategic issues, rather than address only the fears and aspirations of each member of the team, will be a measure of their likelihood for success. We are not suggesting that fears and aspirations of management, or other staff, may not be a legitimate strategic issue, rather we are making a distinction between those issues that directly affect the core activity of the organisation compared with those that facilitate that activity or support particular manager's aspirations.

We must consider the elements of negotiation that increase the probability of it being successful.

As long as we accept that strategic management follows from negotiation among power brokers then we must consider the requirements of negotiation that increase the probability of it being successful. Here we consider five such requirements of successful negotiation of strategy.⁹

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- REQUIREMENT 1: managers as leaders are *good strategic thinkers*.
- REQUIREMENT 2: managers can *surface and respect* the thinking of the different perspectives of their staff.
- REQUIREMENT 3: managers can *manage the negotiation* between the different perspectives.
- REQUIREMENT 4: managers can create the best from *combining the wisdom, experience, and different perspectives*.
- REQUIREMENT 5: strategy can, and will, be implemented because it accepts that *operations and strategy are not separable*.

Managers have to devise ways of tricking themselves into regularly thinking about the important rather than the urgent.

A strategy need not be, and rarely should be, a detailed plan, and this book does not assume a plan will be developed.¹⁰ It does assume that a more or less detailed framework for strategic change will be developed. Strategic opportunism¹¹ is not rejected as inappropriate, but rather thought of as highly appropriate in some organisational contexts. Thus, it may be appropriate to keep many different issues and activities on the go at once, so that chance encounters are likely to be relevant and acted upon with respect to some part of the framework for strategic action. Often there is no time to gather more than a very small amount of the information on most issues; managers have to make use of ‘intelligent guesswork’ and hunches. There is a strong tendency for ‘the urgent to drive out the important’, and so many managers have to devise ways of tricking themselves into regularly thinking about the important rather than the urgent. Thus, making strategy must be engaging for those who have to deliver the strategy – strategy should not be made by those without the responsibility and accountability for its implementation.

Strategy making is influenced by the way in which issues are presented,¹² the identification of their significance, their exploration as the group constructs a shared understanding of them, and the point at which a negotiated settlement is likely. Coordination depends on developing, understanding and agreeing processes and procedures that are coherent with each other, analytically sound, objectively workable and designed with respect to the realities of their importance to the organisation. Cooperation depends on good working social relationships as well as on procedures and bureaucracy. Cooperation is crucial to managing strategic futures, because strategic opportunism depends not only on the ability to work together on issues that cannot be dealt with by current procedures, but also on the ability to effectively engage in team work, and pay attention to multiple perspectives. Thus, making and delivering strategy uses experience and wisdom. Strategy making is about a future that does not yet exist and so evidence from the past may be useful but may also be irrelevant.

Strategy making is a creative act that should not be overwhelmed by ‘paralysis by analysis’. The process of making strategy needs, therefore, to be a designed process but one that allows experience, wisdom and different perspective to open up the strategic conversation before closing it down and reaching agreements and closure. Active sense making¹³ by human beings is more important than ‘hard data’. Thus, strategy making is, in this book, seen to be a creative act that must be undertaken by those with the power to make it happen, rather than just an act of analysis by support staff. It is also an ‘inside-out’ approach to strategic management, where the management team will seek to develop and exploit their uniqueness in serving customers (exploiting the inside of the organisation) and then test, adapt and/or extend this strategy against the outside world. This approach is in contrast to an ‘outside-in’ way of building strategy, where the organisation seeks to understand the external world and adapt to it.¹⁴

Effective organisational change relies upon incrementalism, upon many 'small wins', rather than the single 'big win'.

It is possible to incrementally change an organisation over time and achieve the same outcome as what might be expected only with revolutionary change.¹⁵ Effective organisational change relies upon incrementalism, upon many 'small wins', rather than the single 'big win'.¹⁶ Major organisational change is more likely to arise from the systemic and strategic confluence of lots of small wins rather than through a single 'big bang' change programme. Sometimes, of course, incrementalism is not possible,¹⁷ but we are suggesting that it will usually stand a better chance of success.

In this book we discuss in detail four strategic conversations each of which encourage incremental movement towards a successful strategic future.

CHANGING MINDS AND BEHAVIOUR: THE ROLE OF CAUSAL BELIEFS

In this book we are taking commitment to delivering strategy as almost more important than the results of analysis. But, there need not be a conflict, as long as commitment from the power brokers is held to be paramount. The power brokers, possibly a management team, are a social group. Agreeing strategy is thus a social and psychological *negotiation* (changing minds and relationships). Good *analysis must inform* this negotiation where possible. However, managing the negotiation to achieve emotional and thinking (cognitive) commitment drives the process of making effective strategy.

As we have argued above, the designed social *process* is what can determine commitment. *Negotiation* that can lead to consensus, rather than compromise, requires a number of important features:

- Start from 'where each participant is at' – their immediate and personal or role concerns. If these concerns are not addressed then they will inhibit the negotiation in a dysfunctional manner.
- Seek to develop new options rather than fight over 'old' options. Get the group to be creative about pulling together the wisdom of each member of the team.¹⁸
- Actively engage every member of the team. Use fair processes that ensure that those with the loudest voices are not treated as if they only have the best views¹⁹ (attend to 'procedural justice').²⁰
- Use a 'transitional object' – a picture/model that is equivocal (fuzzy but meaningful phrases that have uncertain authorship rather than precise assertions and numbers) and changing, and that facilitates shifting of positions.²¹ This is a picture that all of the group jointly construct and change as the designed conversation moves forwards.

The use of natural language – conversation, debate and arguments – as the basis of modelling facilitates a positive role for equivocality. Equivocality in this sense means the provision of sufficient degrees of 'fuzziness' to encourage negotiation. The fuzziness allows for gentle shifts in thinking and positions that are imperceptible to others (and sometimes to the participant themselves). This transitional process is more likely when the modelling process is visually interactive²² and so the publicly displayed picture becomes a 'transitional object'.²³

In seeking to find out 'where each participant is at' it is helpful to use the notion of claims – claims that seek to persuade others towards a particular course of action.²⁴ By getting managers to consider the varying claims and capture these, a more complete picture can be gained ensuring both procedural justice and an easy understanding of why a particular procedure is being

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followed ('procedural rationality').²⁵ Separating the proponent from the contribution reinforces equivocality, allows a claim to be viewed in its own right rather than 'claims being offered according to their proponents' leverage',²⁶ and helps build a more comprehensive and robust understanding.

Pulling together the wisdom of each team member involves understanding their arguments (claims) about how and why to change the world. And, we have argued above, for strategic change being about unravelling causality – expressing the mechanisms for change. Thus the picture developed by the group will be a 'causal map'²⁷ – a network of causality of argumentation. A causal map is a basis for action and change where actions are those statements that are taken to cause a given outcome.²⁸ Each action in turn is informed by actions that support them (explanations) placing the former action as an outcome. Therefore, each node on the causal map can be both an action and an outcome depending upon the level of abstraction required.

The causal map, when projected on a public screen, allows participants to have time to 'mentally pause' rather than feeling pressured to respond emotionally to face-to-face and verbal communication. This avoids the 'knee jerk' – often poorly considered – response being made public. For example, a particular perspective being put forward by one participant might fly in the face of the views of another. However, because there is less pressure to respond immediately the member who disagrees is able to listen to the contribution and, as the mapping process reveals the context, appreciate in more depth the contribution and its value. As a result, it might be that the potential antagonist is either persuaded or at least sees merit in the views of the other member. In addition, by not contradicting or arguing publicly the person is able to change their mind imperceptibly and thus avoid the issue of being stuck defending a position that they may no longer subscribe to. They are thus able to listen better. This reduces the likelihood of group members responding physiologically with a solely emotional rather than cognitive response.

CHANGING WAYS OF THINKING AND ACTING: CHANGING THE MEANING OF ACTION

Too often conversations about strategic change never go beyond verbal rhetoric or nice sounding strategy statements that have little meaning in terms of action implications. The statements allow managers to do almost anything and be able to justify it within the framework of the statements in strategy documents. We have argued before that strategy making is about strategic change, and the formation of strategy cannot be divorced from issues of implementation.²⁹

One important way in which we can find out whether an organisation has changed is by listening for the changes in the claims. Thus, it follows that any evaluation of strategic change should explore changes in the language of strategic issue management.

It is worth stressing that, in many respects, shared understanding about strategic intent will make things happen differently in the organisation. Most successful strategic change will come from managers viewing their world differently *and so acting differently*. For strategic organisational change we see a continuing process where the conversation itself produces change – expectations and intentions are continually elaborated, and plans are declared as a way of symbolising closure but in fact creating temporary stability. A designed strategic conversation (the forums presented in this book) is expected to promote such changes in thinking and so acting.

STRATEGY MAKING AND STRATEGIC 'PROBLEM SOLVING'

This introductory chapter has presented some of the key assumptions about strategy making that inform the content of the book. In summary, these key assumptions are:

- Strategy is about focus, strategy making is about focusing argument and agreements on what matters.
- Strategy must be practical and politically feasible to be implemented, and so:
 - strategy is negotiated – using wisdom, experience, insight and so different perspectives;
 - strategy making is a social process;
 - strategic management is about organisational change – and so it is about understanding causality;
 - strategy delivery involves changing minds and behaviours.
- Operational decisions, systems and structures are integrally linked to strategic management.

In many respects strategic management and strategic problem solving are, therefore, interlinked. Indeed three of the four strategy making forums presented in this book are just as relevant for tackling strategic problems as they are for making strategy.³⁰ All strategic problems need to be addressed from the standpoint of: issue management, purpose and stakeholder management, and with exactly the same commitment to gaining ownership, using experience and wisdom, and so group processes. Similarly, and as with strategy making, the problem structuring stage is the crucial forerunner to any more detailed analysis using, for example, operational research techniques – particularly simulation modelling,³¹ and spreadsheet modelling.

The four ways of making strategy that are presented in this book are designed to be 'naturalistic' for participants. A participant, and the manager-client, is expected to appreciate each forum as 'an obvious and practical way' of creating a robust strategy, and each step is expected to seem like the next 'obvious step'. Two tests of its voracity are: (1) the extent to which reasonably sophisticated strategy making can happen without any use whatsoever of 'business school jargon', and (2) where strategic management deliverables appear at intervals of one hour or less – where participants can describe the deliverable as an agreement that will guide strategic change. As each hour passes and each forum unfolds, the strategy becomes increasingly more robust, coherent and practical. These requirements are demanding and ambitious, but have been met within the contexts of, at least, several hundred different organisations and facilitated by managers, post-experience manager-students, consultants and the authors.

NOTES

- 1 'Theories in use' versus 'espoused theories' (Argyris and Schon, 1974).
- 2 See John Kotter's eight steps to transforming your organisation and the role of forming a powerful coalition (Kotter, 1995).
- 3 The significance of winners and losers is a key part of considering who to involve in a strategy making team (Ackermann and Eden with Brown, 2005: chapter 2).
- 4 Perrow (1986: 11).
- 5 The notion of emergent strategising – allowing strategy to emerge from the patterns of thinking and behaviour embedded in the organisation – is important in this book. We shall refer to the idea in several of the future chapters, particularly in relation to making strategy

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- through prioritisation and management of key issues (chapters 3) and agreement of purpose (chapter 5).
- 6 Raimond and Eden (1990).
 - 7 Frost (1987); Mangham (1978); Perrow (1986).
 - 8 Thomas and Thomas (1928: 572).
 - 9 The principle of learning how to approach strategic issues from a number of perspectives has been a matter of interest in the redevelopment of MBA programmes so that they develop critical thinking and leadership – see Datar, Garvin and Cullen (2010).
 - 10 The continuum from deliberate emergent strategising to strategic planning is depicted in Eden and Ackermann (1998: 9).
 - 11 See Isenberg (1987).
 - 12 Dutton and Ashford (1993); Dutton and Ottensmeyer (1987).
 - 13 The work of the authors, over the past 20 years, has been significantly influenced by the writing of Karl Weick and his way of understanding sense making in organisations (of particular note are Bougon, Weick and Binkhorst, 1977; Weick, 1979; Weick, 1983; Weick, 1995).
 - 14 Igor Ansoff was an early proponent of ‘gap analysis’ (between the external and internal worlds) as the basis for designing a corporate plan (Ansoff, 1965). More recently scenario planning is an example of an outside-in approach (see, for example, van der Heijden, 1996).
 - 15 Balogun and Hope Hailey (2004).
 - 16 Bryson and Roering (1988).
 - 17 Logical incrementalism studied by Quinn (1978) centres strategy development around experimentation and learning from partial commitments.
 - 18 This assertion derives from the Harvard School of *international conciliation* (Fisher and Ury, 1982), and also attends to ‘group-think’ issues. These aspects of strategy making are considered in more detail in chapter 3.
 - 19 This means considering air-time, anonymity and being listened to. Procedural justice is an important element of good group work in strategy making and it is discussed fully in chapter 2.
 - 20 See chapter 2 for the significance of procedural justice in strategy making.
 - 21 The process of cognitive change involves elaborating a personal construct system (Kelly, 1955; Kelly, 1991), or ‘scaffolding’ (Vygotsky, 1978).
 - 22 For more information on the use of visual interactive modelling see Ackermann and Eden (1994).
 - 23 De Geus (1988) and Winnicott (1953).
 - 24 Nutt (2002).
 - 25 Procedural rationality is a term introduced by Herbert Simon (Simon, 1976).
 - 26 Nutt (2002: 25).
 - 27 A causal map is a network of causality – a ‘directed graph’ (Harary, Norman and Cartwright, 1965) that shows phrases (statements/claims) linked to each other by arrows that show the direction of causality. It is a representation of the impact of change, the impact of strategy. In some respect a causal map is akin to a ‘cognitive map’ – a representation that translates Kelly’s theoretical framework (Personal Construct Theory – Kelly, 1955) into a practical tool by acting as a device for representing that part of a person’s construct system which they are able and willing to make explicit. Therefore, while Kelly is clear that a construct is not the same as a verbal tag it is nevertheless *useful* to collect verbal tags as if they were constructs. As a result a cognitive/causal map, in practice, is dependent upon the notion that language is a common currency of organisational life and so can be used as the dominant medium for accessing a construct system.

Causal maps and cognitive maps have been at the centre of understanding sensemaking in organisations for the last couple of decades, and before (see, for example, Balogun, Huff

and Johnson, 2003; Bougon, 1992; Bougon and Komocar, 1990; Weick and Binkhorst, 1977; Eden and Spender, 1998; Eden, Jones and Sims, 1979; Eden, Jones and Sims, 1983; Huff, 1990; Huff and Eden, 2009; Huff and Jenkins, 2001; Johnson, Daniels and Asch, 1998; Weick and Roberts, 1993). However, in this book they are used as a facilitative, or negotiative, device rather than as a research tool. The maps are developed and worked upon by the participants in strategy making.

See Bryson, Ackermann, Eden and Finn (2004: Resource C) for a history of mapping.

- 28** Examples of different uses of causal maps for problem solving, strategy making and organisational change can be found in Bryson, Ackermann, Eden and Finn (2004).
- 29** Simons (1995).
- 30** See, for example, Ackermann and Eden (2001b); Ackermann, Andersen, Eden and Richardson (2010a); Bryson, Ackermann, Eden and Finn (2004); Eden and Ackermann (2001c); Eden, Ackermann, Bryson, Richardson, Andersen and Finn (2009); Franco (2009); Hindle and Franco (2009); Mingers and Rosenhead (2004); Rosenhead (2006); Rosenhead and Mingers (2001).
- 31** For example Howick, Ackermann and Andersen (2006); and Howick and Eden (2010).