

What's Wrong With Strategy – The Missing Link



**“I suppose I’ll be the one
to mention the elephant in the room.”**

Over the last half-century strategy has become the pre-eminent business discipline, always associated with the responsibilities of senior executives and always associated with organisational or business success.

Similarly within MBA programs, considered by most people as the pinnacle qualification in business, strategy subjects are often seen as the capstone subject with all other disciplines being subordinate to them.

Then of course, there’s the weight given to two or more years of experience working in a “top tier” strategy consulting firm which, in many quarters, seems to be considered as better preparation for a senior executive position than 10 or more years experience working in industry.

But is all this adulation really warranted? Probably not, given the current state of play and the fact that not every organisation’s strategy is successful. In fact, some strategies are actually very costly failures, despite the involvement of loads of MBA qualified employees and consultants from so called top tier

strategy consulting firms.

This paradoxical situation raises deep practical concerns about the professed link between the promise that the strategy discipline holds out for an organisation's success and the, at times, disappointing results it delivers.

In fact, studies linking strategy and performance are largely inconclusive because of the diversity of processes involved in strategy development and execution, and the diverse results organisations are delivering at different phases across the organisational lifecycle and through various economic cycles.

Anecdotally however there is considered to be a strong link between planning and the level of success individuals experience in their lives versus individuals that don't plan. This anecdotal view is generally extended to organisations.

There are certainly some beneficial disciplines associated with planning. However, given the diversity involved in the execution of various planning processes, it is difficult to be too definitive beyond the observation that strategic or corporate planning generally leads to greater success in periods of stability rather than instability. While, in contrast, scenario planning comes into its own during periods of environmental instability because it explicitly recognizes the possibility of discontinuities occurring.

Scenario planning is also particularly useful, for the same reason, for developing and testing strategy. Similarly, scenario planning has been singularly attributed as providing a significant advantage in terms of the learning it produced in Shell where it was largely pioneered. But scenario planning, as a business tool or technique, is neither used widely or consistently. (I have more to say about scenario planning elsewhere).

In the main, the use of scenarios recognizes the contingent nature of the future while strategic planning tends to impose a determined view on the future. In that sense, scenario planning is more about learning while strategic

planning is more about the imposition of an agenda and control which largely accounts for its popularity with management. However, as in most situations, this control is largely an illusion.

Outside of scenarios however strategy has a much less clear-cut record. In the not too distant past, traditional approaches to strategy were being justifiably questioned in the face of significant failures of large incumbent organisations suffering at the hands of new technology-enabled entrants and startups.

This period gave rise to a number of alternative approaches to strategy such as Strategy Innovation developed by Gary Hamel and his colleagues at Strategos, or Value Innovation developed by W. Chan Kim and Renée Mauborgne of Insead and subsequently renamed and re-launched as Blue Ocean Strategy, or Disruptive Innovation developed by Clayton Christenson of Harvard as an explanation for the specific phenomenon described above. (I also have more to say on these approaches elsewhere).

However, while these more recent developments have increased the choices available to organisations in terms of strategy they haven't eliminated instances of organisational and strategic failure.

Part of the reason for this is the emphasis placed on analysis rather than synthesis in strategy. While analysis focuses on taking things apart in order to understand how something works, synthesis is all about putting things back together differently to deliver a different outcome.

It's much more comfortable for many people to do analysis rather than synthesis, but it's also very easy to get blinded by the detail of analysis and not see the forest for the trees.

Too much of a focus on analysis creates a different frame of mind to that required for synthesis. Synthesis is much more closely aligned with creativity, story telling and the use of narrative and metaphor, or the disciplines involved

in design, as explained by the likes of Tim Brown of Ideo and Roger Martin of the Rotman School of Management.

Importantly, while analysis certainly provides some insights, those insights are often less relevant when relationships change as a result of a new synthesis underpinned by a different metaphor or design.

No doubt there are countless defenders of the discipline of strategy who will claim that there is something unique about the circumstances surrounding instances of organisational and strategic failure that make it impossible to deliver a successful strategy or eliminate those instances of failure.

But here's the problem with that defense - while circumstances may have made it difficult, isn't the whole point that strategy is all about solving difficult problems - taking a specific set of circumstances and either changing them or the organisation accordingly for the benefit of the organisation's stakeholders.

No doubt others may say that these disappointments weren't so much the result of a problem with the discipline of strategy as much as with the conflicts of interests inherent within organisations and in the practice of consulting.

But here's the problem with that defense - the fact that the discipline of strategy ignores potential conflicts of interest detracts from strategy always being associated with organisational or business success – unless of course, strategy is no more than a collection of tools, techniques and frameworks in which case it doesn't deserve the reverence it receives.

But even beyond these criticisms there are deeper problems. For example, while the tools developed in the teaching and practice of strategy present a picture of clarity, Henry Mintzberg argues that “strategy is a word that people define in one way and often use in another, without realizing the difference”.

For example, the traditional view often presents organisational strategy as a plan or pronouncement of an intentional, future course of action. However, when discussing an organisation's strategy it is normally distilled as a pattern

of past action in which an intention is attributed to the organisation, and in most cases to the Chief Executive.

Mintzberg argues that this view of strategy over-simplifies the processes involved when he says, “But just consider all the complexity and confusion that gets tucked under this assumption – all the meetings and debates, the many people, the dead ends, the folding and unfolding of ideas”.

Organisational strategy is also traditionally perceived as a deliberate process that can be separated into two dimensions - strategy development and strategy implementation.

However, strategies can form or emerge as well as be formulated and are more likely to be partially deliberate and partially emergent. As Mintzberg argues, “There is no such thing as a purely deliberate strategy or a purely emergent one. No organisation – not even those ancient Greek generals – knows enough to work everything out in advance, to ignore learning en route. And no one, not even a solitary potter – can be flexible enough to leave everything to happenstance, to give up all control. Craft requires control just as it requires responsiveness to the material at hand”. Yet in many organisations emergent strategies are either discouraged or ignored in preference to formulated strategies.

Organisations that rely on some form of strategic or corporate planning really struggle with the idea that strategy is partly deliberate and partly emergent. These processes invariably require exhaustive detail about things that in some cases just can't be known in advance. The absurdity of this situation is that in striving to reduce the risk of failure they substantially increase the cost of any failure because of the “heroic” assumptions that have to be made, many of which remain largely implicit rather than being made explicit within the plan. As mentioned earlier, the control that plans deliver is largely an illusion.

Similarly, as mentioned earlier, strategy development is often associated with

an elite group within the organisation who devise strategies for others to implement. However, Ralph Stacey argues that strategy is a pattern of actions over time, and strategic management is a learning process based on circular loops of discovery, choice and action. Furthermore, if strategy development is separated from implementation important feedback loops are severed due to the information flow dynamics in organisations.

For all those executives contemplating bringing in external consultants for the purpose of developing the content of your organisation's strategy – Beware! It's the primary reason I don't do content strategy. I'm very much more interested in helping the people in organisations create their own strategy because I believe they are more in touch with the requirements of their business, but sometimes they need some assistance sorting out what's real and what's imagined.

As Henry Mintzberg demonstrates, "The sales person who finds a customer with an unmet need may possess the most strategic bit of information in the entire organisation. But that information is useless if he cannot create a strategy in response to it or else convey the information to someone who can – because the channels are blocked or because the formulators have simply finished formulating". If nothing else this points to the need to recognize and involve a broader cast in the development and execution of an organisation's strategy.

Ralph Stacey describes strategy as an emergent process based on complexity theory utilising the model of discovery, choice, and action. This view challenges the fundamental assumption underpinning the traditional view of strategy that cause and effect relationships can be used to predict the future. He further argues that while organisations are designed as stable systems they exhibit characteristics of systems far from equilibrium. That is, non-linear feedback mechanisms amplify small changes in the environment, which result in the self-organisation of new dissipative structures or behaviours.

These non-linear feedback mechanisms reflect the fact that organisations are comprised of people. That is, they are social and cybernetic systems that are underpinned by human biases and frailties not the least of which are individual and organisational defensive routines. These biases and frailties are often on open display, particularly when things aren't working the way they should and most notably during mergers and acquisitions and the subsequent integration initiatives.

The traditional view of strategy is that an organisation should be adapting to its environment all the time, implying continual change. However, as Henry Mintzberg argues, strategy imposes stability on organisations, "No stability means no strategy (no course to the future, no pattern from the past). Indeed, the very fact of having a strategy, and especially of making it explicit (as the conventional literature implores managers to do) creates resistance to strategic change".

The reality is that there is something that mediates external developments and their perceived impact on organisations – the organisation's culture, or more accurately the dominant culture within the organisation.

Effectively culture creates a reality distortion zone comprising a variety of organisational myths that can result in the anticipation of things that don't eventuate or completely miss things that will have a significant impact on the organisation. Unfortunately, for most within the discipline of strategy, culture is largely a black-box mystery.

A common myth occurs when an organisation's strategy is conceived of as a departure from what an organisation presently does. Strategy development involves the creation of a future aspiration and strategy implementation involves the movement of the organisation towards that aspiration.

However that conception of strategy normally results in an organisation's strategy being described as the end-state of the strategy. The result is that an organisation's strategy is depicted as something different from what it

presently does. Yet, in doing so those responsible for the organisation's strategy run the risk of creating either complacency or dissonance or both. For example, what is achieved by describing an organisation's strategy as one of customer satisfaction if large numbers of customers are consistently dissatisfied? You do have to deliver the value in your value proposition!

A strategy can only be assessed as successful in execution. Therefore, it cannot simply be about ideas, and this is where the strategy discipline also falls down. There is normally a misalignment between the strategy that's developed and the organization, that is, the context in which it will be enacted.

For example, within the majority of organisations, particularly larger organisations, there is often a strong bias to avoid risk within the senior executive group. This often translates into a strong preference towards identifying what other successful organisations are doing and copying or imitating it.

Essentially that is the brief irrespective of whether it is given to an internal strategy team or an external team of consultants or whether it is communicated directly or indirectly through the initiation of a benchmarking exercise.

In contrast, a minority of organisations actually go down the route of creating an original strategy. These organisations are either new startups or organisations whose growth engines are in decline. In both cases, the strategy is normally developed through determining what would be an optimal strategy for an indeterminate organisation rather than one with the specific attributes of the organisation for which the strategy is being developed. The translation process takes place subsequently in building the organisation around the strategy in the case of the startup or realigning the organisation around the strategy in the case of a turnaround.

In fact, in both cases the critical stage is translating the acquired or developed strategy to the specific context of the organization.

The point is that the organisation's strategy is already being enacted through the interactions that take place within the organisation on a day-to-day basis. If a strategy is copied from another organisation, invariably, there are organisational idiosyncrasies that support the strategy in the organisation from which it is copied that need to be established or modified in the adopting organisation if the strategy is to be as successful. Similarly, if an original strategy is originally developed it too will require some translation to the specific context of the organisation.

Therefore, those with a responsibility for strategy need to recognize something – something that goes against the grain - that the actions of organisational participants can either be intentional or habitual.

As Henry Mintzberg argues: "Like potters at the wheel, organisations must make sense of the past if they hope to manage the future. Only by understanding the patterns that form in their own behaviour do they get to know their capabilities and their potential. Thus crafting strategy, like managing craft requires a natural synthesis of the future, present, and past".

But there are significant challenges for individuals to understand or to be aware of the patterns that form in their own behaviour. For example, it has been estimated that up to 90% or more of an individual's actions are based on habit rather than intention. There are also considerable challenges for individuals to be aware of their taken-for-granted assumptions.

The strategy discipline doesn't recognise and therefore cannot deal with actions being the result of preconscious and unconscious processes in addition to conscious processes.

Sadly, few if any strategy programs recognize the challenge of changing habits – whether those habits are habits of thought or action. That's quite an amazing state of affairs when you think about it because many people believe strategy is the means to understand where an organisation is, determining

where it should be, and how to get there.

Normally and conveniently, responsibility for bringing about the change required is often assigned to others, rather than those that develop the strategy. Invariably, these change initiatives take the form of programmatic change, which is underpinned by assumptions about rationality, stability and uniformity that don't hold in reality, as demonstrated by the failure of most programmatic change initiatives to achieve their assigned objectives.

One consequence of the above is the eruption of band-aid solutions that invariably solve immediate problems on the run, which subsequently end up causing other problems down the track. Effectively, these are the gaps in the plans – the unforeseen surprises – that naturally occur but tend to be ignored by those in the strategy formulator camp.

When it comes to strategy its important to recognize that the organisation is enacting a strategy on a day-to-day basis. Any strategic initiatives incorporated within the organisations strategic plan are normally a very small component of the organisation's annual overall outgoings - the great majority of which exists in the organisation's operational plan.

Therefore, perhaps paradoxically, a truer picture of an organisation's strategy is encapsulated in the organisation's operational plan rather than its strategic plan.

An organisation's strategy is more accurately described as the culmination of all the interactions between individuals and groups in an organisational relationship in the present with a future orientation and drawing on the past. Changing an organisation's strategy necessarily involves changing all of that.

At it's most fundamental, strategy needs to focus on one simple thing – doing what works. Ultimately that means being able to find what works quickly – in

fact, the quicker the better – and if something stops working being able to quickly learn what does work and bringing about the required change quickly.

Ultimately, this is about the fit between an organisation and its environment as well as the fit between the individual and the organisation. It's also more about art than science.

Based on the forgoing, that is a significant departure from a traditional view of strategy and a significant stretch for most of those currently involved in the strategy discipline, but seems to be the only way that strategy can live up to the expectations people have of it.