

SMART QUARRYING: Strategy in a world where 'change has changed'

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Emerging out of trustee, board, committee and associated interactions, many executives have experienced the frustration of unrealized strategic plans and worse still, a boardroom's paralysis when faced with thinking about the future. Many believe this is so due to the complexity and rate of change typifying current operational environments. On the contrary, this has been a problem in executive decision making for as long as business schools have been in existence.

There are countless stories from business leaders that range from rejecting the notion of strategic planning outright to those that recognize their fiduciary responsibility to be strategic but are unsure how to proceed. This is partly due to the reported 72% of strategic plans not achieving what they set out to achieve.

Research strongly evidences that the majority of executives find that strategic thinking is their most significant work-related challenge and that in excess of 90% of directors are not competent direction givers. Executives admit that they find strategic thinking an 'agony' while many subscribe to the evolutionary approach to strategy which discounts the value of strategy. Like it or not businesses now functioning in a world described by Stephen Hawking as "the age of complexity" and Ziauddin Sardar as "post normal times". Prominent scholars such as Gary Hamel, Michael Porter, Jim Collins, Vijay Govindarajan, Henry Mintzberg, Clayton Christensen and others describe this era as typified by uncertain and unstable times – in essence they agree that change has changed. Porter acknowledges that business keeps moving faster and notes the emergence of the popular idea that in a world of change firms should really not have a strategy. He further indicates that deeply flawed views of competition have become etched into the common business psyche.

An error that some managers make is that they see all of the change and all of the new technology out there, and they say, "God, I've just got to get out there and implement like hell." They forget that if you don't have a direction, if you don't have something distinctive at the end of the day, it's going to be very hard to win...

A leader also has to make sure that everyone understands the strategy. Strategy used to be thought of as some mystical vision that only the people at the top understood. But that violated the most fundamental purpose of a strategy, which is to inform each of the many thousands of things that get done in an organization every day, and to make sure that those things are all aligned in the same basic direction.

The best CEOs I know are teachers, and at the core of what they teach is strategy ... that is because strategy is about being different. Michael Porter in Hammonds, K 'Michael Porter's Big Ideas'

These notions are emphatically rejected by Porter as representing "intellectual potholes" arguing instead for the imperative of making strategy a priority despite being more complicated. He places without exception, as do the others in this paragraph, the emphasis on strong leadership and advanced

creative thinking capabilities. Sardar sums up this view by concluding that leadership enabled creativity and imagination are the most important ingredients for being resilient in post-normal times.

Strategy is complex and difficult. Yet the inescapable reality is that successful companies all have one thing in common – sound strategy. The link between sound strategy and business performance has been established in compelling and widespread research. The need for strategy has never been clearer but in order to achieve sound strategy certain deeply held assumptions need to be challenged. The following key ideas are critical:

- Forecasts based on past performance are no longer reliable
- Strategy is about the longer-term future – multiple possible futures do exist
- Doing business without a strategy is not ok
- Strategy is not about improving best practice or increasing operational effectiveness (doing the same better)
- Re-structuring, reengineering, destaffing is not strategy
- There are unique opportunities in every industry
- Strategic goals should not change regularly
- New technology does not demand new strategy
- Competition is not straight forward - it's not just about market dominance or pricing or better products, and
- Strategy is not about reducing costs or increasing governance and/or compliance

The above is all meant to challenge commonly held myths. These myths are very dominant and misleading. To make any sense of developing good strategy it is critical to understand that it's about the future, the firm's positioning, the direction, co-creating value and dependent on strong leadership enabling smart thinking.

Foresight and Strategic Thinking as strategy antecedents

Gary Hamel and his colleague C K Prahalad, confirmed in 1994 that "senior management only devote 3% of their time to building a corporate perspective on the future". This was in the midst of a time when strategic management research and consulting proliferated and has done pretty much the same since.

It seems that at the time either a) senior managers did not engage with breakthroughs in research or b) the research has consistently been unable to impress upon leaders the key importance of foresight, the 'building of images of the future' in order to better inform strategy. The research in strategic management has consistently and abundantly focused on the rational, analytical and positivistic empirical. There were exceptions such as that by Hamel, Prahalad, and Mintzberg that significantly challenged the dominant worldviews on strategy but their impact on shifting management practice was negligible. Short-termism, cost cutting and prioritisation of shareholder interest typified management practice at the time – and many would argue still predominantly does.

Recent research reveals that when studying foresight in just under 500 Austrian industrial firms only 2.4% have integrated foresight in their strategy development. This alarming, but evidenced situation is likely to be the case in most developed economies. Rohrbeck confirms that foresight activities that are not integrated into strategy systems are likely to have no impact on their host organizations.

Despite the overwhelming realization that complexity, change, uncertainty and disruption typify today's operational environments. However, it seems that senior managers and many researchers still just don't get the fundamental connection between thinking about the future and its importance to strategy. This is echoed in the commentary by the same voices from the past (and some new) such as Mintzberg, Prahalad, Senge, et al. referred to by Hamel as the 'renegade brigade'. It is paradoxical when considering the future of management, Hamel would label those who warn against the lack of sensing, foresight and strategic thinking in strategy as 'renegades'. This is especially so when a key priority identified by the 'renegade brigade' was to "re-invent strategy making... [and] dramatically reduce the pull of the past".

In a world described as being in the 'age of complexity' by Stephen Hawking and firmly embedded in the 'conceptual era', it is no longer wise to continue a 'foolish consistency' in the questions researchers ask in the areas of leadership and strategy. The truth is that most of the economics, marketing, forecasting and analytical frameworks have already been fine tuned. On the other hand, strategy is complex and dependent upon the unpredictability of human choice and creativity. The necessary questions that may shed light on the mystery of strategy making, which need to be asked are very basic, yet inconsistent with mainstream studies.

"What is the nature of strategic decision making, how do we relate to the future and how important is creativity really, as related to both?"

“If what comes out must be good then what goes in, how often and by which process is it necessary to make it so?”

The literature is agreed that strategic thinking is informed by foresight, which in turn is highly dependent on the ability to envision creatively possible futures. Strategic thinking which precedes strategic decision making is a synthesis of systematic analysis and creative (generative) thought processes that seek to determine the longer-term direction of the organization.

Mintzberg describes strategic thinking as a synthesis involving intuition and creativity in an individual's cognitions related to strategy. Researchers remain agreed that strategic thinking is seen as having to be both analytical and creative in terms of these cognitions. Recognizing the importance of creativity in the dynamic process of making good strategy, is therefore critical.

Foresight competence and strategic thinking in strategy-level leadership is positively related. A lack of foresight competence is noted to limit strategic thinking and is a form of bounded rationality or myopia. Conversely, greater foresight competence is asserted to be positively related to greater strategic thinking ability.

The imperative of creativity is highlighted in the strategic thinking discourse as related to certain characteristics or dimensions including 'thinking in time'. Therefore, not only is foresight linked to strategic thinking by illustrating possible strategic options of how the future may evolve, but both share the important ability to be creative and generative.

Foresight and strategic thinking represent a cognitive value chain from 'exploring the future' to analysing relevant data and creatively determining what needs to be done to achieve a desired future strategic position. Once the options as shaped by images of the future are 'filtered' through a strategic thinking (analytic and creative) filter, decision making is then triggered. Based on the strategic decisions made, strategic planning is then required to map out the execution of the strategy. It is suggested that the majority of organizational strategy efforts have 'jumped straight into' the decision making and planning phases without recognizing the value that is produced by foresight and strategic thinking.

Figure 1.1: Strategy 'value chain'

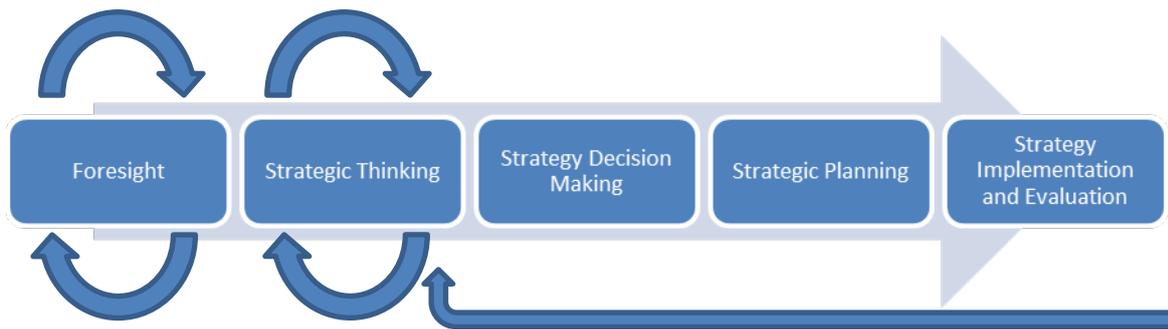


Figure 1.1 illustrates a conceptually broader scope for developing and executing strategy than what has traditionally been recognized. Either explicitly or unconsciously, previous perspectives of strategy have failed to capture the inputs to good strategy sufficiently. Rather, they have typically focused on the decision making, market and planning dimensions. Strategy frameworks or the traditional strategic planning framework fail to capture the variability of quality, diversity of worldviews and cognitive inputs by strategy-level leaders that define the success of strategy. That said, this paper does not dismiss the value and utility of such frameworks and planning models but rather suggests that the inputs to good strategy have not been sufficiently acknowledged in the strategy discourse typically found in practice.

Despite the recognition that strategy should be dynamic and inclusive, it is inescapable that the organization's decision makers are ultimately responsible. Decision makers are the source of strategic action based on the choices they make. These decisions are influenced by strategy-level leaders. *Strategy-level leaders are those that exert a moderate to high influence on the strategy formulation and formation of the organization.* Organizations differ significantly in terms of who influence the strategy of the organization. Influencers of strategy may be limited to the dominant coalition of the organization, typically the CEO and senior managers or even a smaller group often found organizations following a traditional perspective of strategy. Or strategy can be influenced by leaders and individuals at all levels of the organization as associated with the dynamic model of organizational strategy. It could also include those from outside of the organization such as shareholders or consultants, the latter often influencing strategy significantly.

The strategy value chain is not as linear as it may seem in Figure 1.1. Following on from the view that strategy necessarily should be dynamic – indeed is dynamic and complex in nature, suggests that the different aspects of the strategy value chain require ongoing cyclical re-evaluation and adjustment. The old notion of a strategic plan being linear, static and cast in concrete for 3 years is just that – 'old' and redundant.

How do you fare with foresight and strategic thinking in your professional life and organisation?