Thought, analysis and action: Strategy from the boardroom to the line manager’s workstation.

Tim O’Shannassy
School of Management

ISSN 1038-7448
No.WP 2001/7 (February 2001)
Thought, analysis and action: Strategy from the boardroom to the line manager’s workstation

Tim O’Shannassy
School of Management

ISSN 1038-7448
No.WP 2001/7 (February 2001)

Tim O’Shannassy can be contacted as follows:
Phone: 9925 5951
Email: tim.oshannassy@rmit.edu.au
ABSTRACT

The later years of the twentieth century were spent searching for new strategy paradigms as managers and researchers sought to resolve the intricacies of customising strategy process and content to context. There was widespread disenchantment with rational, analytical strategy tools and techniques offered by the likes of Kenneth Andrews, Igor Ansoff and a range of industry consultants. Clearly these rational, prescriptive approaches to strategy formulation and implementation have been demonstrated to be inadequate in the face of an uncertain business environment. The expected planning-performance relationship has also been demonstrated to be contentious in the leading empirical journals (Schrader, Taylor and Dalton, 1984; Miller and Cardinal, 1994). Writers in the strategy literature including Ohmae (1982), Peters and Waterman (1982), Mintzberg (1994) and Prahalad and Hamel (1994) moved on to emphasise the value of thinking creatively about firm strategy, involving all staff in both “top-down” and “bottom-up” strategic conversations and building within the organisation the cultural, political, and group context in which these activities can be fostered. The descriptive and configurational schools identified in Mintzberg (1990) and Mintzberg, Ahlstrand and Lampel (1998) subsequently assumed greater importance given this new found “eclecticism” (Mintzberg et al, 1998) in the paradigm. In particular this paper makes the salient point that all individuals in the organisation can think strategically from directors down through to line managers. In the modern organisation all staff are now encouraged to demonstrate autonomy and responsibility combining thought, analysis and action. In this context the paper goes on to explain the interaction of internal and external stakeholders in the organisation from the boardroom down to the line manager’s workstation in an evolved or sophisticated strategy process.
INTRODUCTION

The popularity of strategic planning peaked in the 1960s with the contributions of Kenneth Andrews (1965) and Igor Ansoff (1965) with the rational, analytical strategic planning models. However, experience as early as the 1970s and into the 1980s taught an important lesson in that these prescriptive (Mintzberg, 1990; Mintzberg, Ahlstrand and Lampel, 1998; Mintzberg and Lampel, 1999) approaches to strategic planning are of little practical use in an uncertain environmental context. Mintzberg (1978) made an important insight here when he distinguished between the intended and the emergent strategy of the organisation. Later contributions from Ohmae (1982), Peters and Waterman (1982), Mintzberg (1994), Prahalad and Hamel (1994), Liedtka (1998a, 1998b) and Heracleous (1998) have discussed and progressed our awareness of and insight into the activities of strategic planning, strategic management and strategic thinking. We now have a greater awareness of what the strategy paradigm can and cannot do for an organisation and the importance of the interaction of internal and external stakeholders in participating in the strategy process. This paper will explore the interaction of internal and external stakeholders in the organisation from the boardroom down to the line manager’s workstation in the context of the evolution of the strategy paradigm since 1965.

MORE DISCUSSION ON THE EVOLUTION OF THE STRATEGY PARADIGM AND IMPLICATIONS FOR STRATEGY PROCESS

The later years of the twentieth century have been spent searching for new strategy paradigms as managers and researchers sought to resolve the intricacies of customising strategy process and content to context. There was widespread disenchchantment with rational, analytical strategy tools and techniques offered by the likes of Kenneth Andrews, Igor Ansoff and a range of industry consultants in the 1960s and 1970s and as late as the 1980s by Michael Porter. Clearly these rational, prescriptive approaches to strategy formulation and implementation have been demonstrated to be inadequate on their own in the face of an uncertain business environment. The expected planning-performance relationship has been demonstrated to be contentious in the leading empirical journals. Mintzberg (1978) made an important contribution to the paradigm when he distinguished between intended and emergent strategy in organisations. Later
writers in the strategy literature including Ohmae (1982), Peters and Waterman (1982), Mintzberg (1994) again, and Prahalad and Hamel (1994) moved on to emphasise the value of thinking creatively about firm strategy, involving all staff in both “top-down” and “bottom-up” strategic conversations and building within the organisation the cultural, political and group context in which these activities can be fostered. The descriptive and configurational schools identified in Mintzberg (1990) and Mintzberg, Ahlstrand and Lampel (1998) subsequently assumed greater importance given this new found “eclecticism” (Mintzberg et al, 1998) in the paradigm in the 1990s. As the paradigm has evolved line managers are now encouraged to think strategically and demonstrate autonomy and responsibility combining thought, analysis and action. Wall and Wall (1995, p. 8) point out:

“The changes under way reflect less a conscious effort than a natural evolution, part of the adaptation to external conditions that organizations make in order to survive... (strategy) is evolving due to the increasingly urgent need for responsiveness to market changes - a need that has also contributed to the flattening of hierarchies. This elimination of layers of management, in turn, affects the way in which organizational strategies are created.”

Now going into the new millenium we have a much greater awareness of the strengths and weaknesses of the strategy paradigm and what it can and cannot do for the organisation. Researchers and practitioners are drawing on this wider range of subject matter in dealing with strategic problems including this knowledge of strategic planning tools and techniques, the fields of cognition and reasoning, the related field of decision making, organisational politics, organisational culture, group dynamics and now increasingly technology. Strategy is now a team effort from the boardroom down to the line manager’s workstation. A resource-based strategic focus remains strong in the strategy paradigm going into the future and plays an important role in giving organisations flexibility in strategy design.
STRATEGIC THINKING AND STRATEGIC PLANNING

Strategic Thinking - Definition and Model

A preliminary definition of strategic thinking for empirical research should refer to a means of solving strategic problems and conceptualising the future of the firm. The model described below builds in particular on the theoretical framework developed by Liedtka (1998a; 1998b) in the management literature and sits comfortably with the quantitative empirical research of Hart and Banbury (1994) which considered strategy-making capability and firm performance. Strategic thinking should include (refer Model 1):

Flexible Inputs

A systems approach with a complete end-to-end system with staff needing an understanding of the whole organisation and their place within it to undertake strategic thinking effectively (Liedtka, 1998a; 1998b). In a business environment exhibiting change and complexity there is the need for flexible inputs - technology, people, structure, systems and processes to provide the basis for an effective, adaptable strategy process within the organisation (Ahmed, Hardaker and Carpenter, 1996). The “soft” aspect of Ahmed et al’s (1996) message can be developed further drawing on Peters and Waterman’s (1982) classic McKinsey “7S Model” to include leadership style, staff skills and culture or shared values.

Problem Solving

The elements of strategic thinking for this model include all staff taking a “helicopter view” (Rhodes, 1995) of the firms strategic situation, taking advantage of a broad overview and diving down for a closer look (Rhodes, 1995) at particular problems or hypotheses (Liedtka, 1998a). Strategic thinking should focus on solving these problems or hypotheses with flexibility in the application of intuition or analysis dependent on context (Liedtka, 1998a, 1998b; Wilson, 1994; 1998). This is supported by the literature on decision making which also argues the need to balance the use of both intuition and analysis in problem solving (Langley, 1995; Simon, 1987).
MODEL 1
STRATEGIC THINKING AND STRATEGIC PLANNING

FLEXIBLE INPUTS
- technology
- people/skills/style/shared values
- structure
- systems and processes

Problem Solving

Strategic Intent

STRATEGIC THINKING

Participation of Internal and External Stakeholders

Thinking in Time

OUTPUT
- solving strategic problems
- a conceptualisation of the future of the firm
- disruption of the alignment of the McKinsey “7-S Model”
- commitment of internal and external stakeholders to the strategy
- strategy formulation and implementation take place sequentially or concurrently
- “speed of response” to customers and markets
- enhanced ability to manage change: “change management”
- ability to rapidly change: “flexibility”

STRATEGIC PLANNING
**Strategic Intent**

The firm needs a clear statement of strategic intent to ensure staff retain their focus on the organisation’s goals (Hamel and Prahalad, 1989; Liedtka, 1998a). The common vision serves to keep staff aligned to the firm’s purpose when it decentralises decision-making and provides more autonomy to business units in response to environmental uncertainty (Boisot, 1995). In this way strategic thinking is essentially shaped by strategic intent (Liedtka, 1998a), however, firms need to balance this against the organisational context which lends itself to a stronger role for analysis (Langley, 1988).

**Participation of Internal and External Stakeholders**

Staff at all levels of the firm from the board of directors down have an input to strategy and are given greater autonomy in their roles as the firm devolves responsibility from the centre in response to uncertainty (Wilson, 1994; Mintzberg, 1994; Liedtka, 1998a, 1998b; Heracleous, 1998) and follows recent trends to remove unwanted layers of management, flattening hierarchies in organisations (Wall and Wall, 1995). External consultants in particular and at times other external stakeholders (eg. creditors, suppliers in respect of the total quality management literature, lenders, investors) also have an input to firm strategy.

**“Thinking in Time”**

Finally, individuals and organisations need to keep in mind the past, present and the future when addressing strategic issues to retain an awareness of the firm’s strategic situation and capability for change (Liedtka, 1998a, 1998b).

**Output**

The output of strategic thinking will be this solution to strategic problems and a conceptualisation of the future of the firm, disruption of the alignment of the McKinsey “7S Model” as new futures are considered, and greater commitment of internal and external stakeholders to the strategy resulting from their greater inclusion in the strategy process. Similar to branches of the theory of reasoning (Donaldson and Lorsch, 1984; Isenberg, 1984) and decision making (Langley, 1995) strategy formulation and
implementation are seen as taking place either concurrently or sequentially, allowing flexibility in the use of intuition and analysis to the manager at the “coal face”. Firms will have greater responsiveness to customers and markets (Wilson, 1994), the ability to rapidly change (Tushman and O’Reilly III, 1997), and enhanced ability to manage change.

**Strategic Planning**

Henry Mintzberg in his insightful 1994 *Harvard Business Review* article “The fall and rise of strategic planning” argues that the practice of strategic planning “has really been strategic programming, the articulation and elaboration of strategies or visions that already exist” (p. 107). Mintzberg’s (1994) view of the activity of strategic planning and the relationship of planning with thinking provides a valuable background to an elaboration of what a sophisticated, contemporary strategy process designed to cope with an uncertain contextual environment may look like.

Mintzberg (1994, p. 112) observes that strategic programming involves the “codification, elaboration and conversion of strategies” that have already been developed from the strategic thinking activities of individuals and the institution as they attempt to disrupt and realign the organisation in the context of the McKinsey “7S Model” in an effort to encourage change and adaptability (Liedtka, 1998b). Strategic programming requires the operationalisation (Heracleous, 1998) of the vision for the future of the organisation, the preparation of substrategies and action plans for staff to execute, and careful consideration of the financial and operational aspects of the strategy proposed (Mintzberg, 1994).

Liedtka (1998b) also discusses the relationship between strategic thinking and strategic planning in the context of the McKinsey “7S Model”. Peters and Waterman (1982, pp.9-11) argue that organisations seek to align firm “hardware”-strategy and structure-and “software” - leadership style, systems, staff, skills and shared values. Liedtka (1998b, p. 33) observes in this context:

“A broadened view of the strategy-making process...would incorporate both strategic thinking and strategic programming as related activities, each
Thus in a modern, sophisticated strategy process designed to deal with an uncertain contextual environment there is a place for both the activities of strategic thinking and strategic planning.

**THE ROLES OF INTERNAL AND EXTERNAL STAKEHOLDERS**

**Traditional View**

We have seen that the traditional view of the strategy process is one of a rational, planning oriented, “top-down” activity with an action plan passed down to line managers for implementation. Strategy formulation was the task of the Chief Executive Officer (CEO) and the top management team and little consideration was given to getting the commitment to the plan of line managers which had an adverse influence on implementation (Andersen, 2000).

Given the more uncertain environmental context that has been observed since the mid-1980s and the need for organisations to be more flexible and adaptable to the demands of customers and markets, the role of internal and external stakeholders in the strategy process has evolved. Combining insights from the management and empirical literature an evolved or sophisticated strategy process has some combination of the characteristics elaborated below as we move “…toward an executive-driven activity balancing “hard” (quantitative) and “soft” (judgemental) tools and approaches, and focused on the implementation of strategies” (Wilson, 1994, p. 23).

**Board of Directors**

The traditional role of directors has been to question strategy recommended by the professional managers hired to run the organisation, ensure that this vision for the future strategic direction of the business is formally documented in a strategic plan, and the contents communicated to the organisation. Implementation of the plan is delegated to the professional managers. The board is traditionally required to also attend important legal, regulatory and audit tasks (Bosch, 1995). In an organisation with an evolved strategy
process all directors are required to think strategically about the organisation and not simply their field of expertise. The board continues to be responsible for selection of the CEO with greater emphasis now on a person who can think strategically and empower and train others to do the same. The empirical literature indicates that directors have limited involvement in company culture (Bonn and Christodolou, 1996).

**Chief Executive Officer**

Traditionally the CEO has been recognised as the top strategic leader in the organisation responsible for strategy formulation. The CEO has presided over a strategy process heavy on “top-down” information flow and strategic conversations. In this model implementation of the strategic plan is delegated to line managers who to this point have been excluded from strategy formulation (Wilson, 1994). In a modern, evolved strategy process the CEO takes the role of chief designer of the strategy process (Lorange, 1998) which is customised to the strategy context. “Top-down” and “bottom-up” information flow and strategic conversations (Liedtka, 1998b) are encouraged in an effort to allow important strategic insights to be gained from line managers to bubble to the surface. Allowing line managers this input to strategy assists in gaining their commitment to the organisations future strategic direction. Staff training and development, encouraging communication and creating the important supporting organisational culture (Bonn and Christodolou, 1996) are key to this approach.

**Strategic Planners**

Traditionally the strategic planners or internal consultants in an organisation have been seen to be guardians and coordinators of the strategy process (Bonn and Christodolou, 1996). The planners have worked inside the strategy process (Mintzberg, 1994) focusing on a rational application of the tools and techniques of strategy and the strategic plan itself with line managers excluded from the process. There is now more flexibility in the role of the planner who is seen now as more of a coordinator or facilitator with a greater social interactive role in the organisation (Bonn and Christodolou, 1996). The planner is a catalyst for ideas in the organisation, providing an important support role to line managers and working around the strategy process (Mintzberg, 1994). The planners also have an important task in undertaking analysis of strategic issues, reviewing the financial
and operational aspects of the messy strategic visions and solutions to strategic problems flowing from the strategic thinking activity within the organisation, providing a “bottom-line” focus (Mintzberg, 1994). The planners also engage in the formal programming of the strategy, setting out the action plan to achieve the organisation’s vision (Mintzberg, 1994).

**Line Managers**

Earlier discussion highlights the exclusion of line managers from strategy formulation in a traditional approach to the strategy process. “Top-down” information flow and strategic conversations with line managers given the strategic plan or an action plan to implement without involvement in strategy formulation has been seen widely in the strategy literature as a major consideration in poor strategy execution (Wilson, 1994; Mintzberg, 1994; Bonn, 1996; Bonn and Christodolou, 1996). There is now a stronger appreciation that all staff can think strategically (Liedtka, 1998a) with line managers now actively seeking autonomy and responsibility in their jobs (Bonn and Christodolou, 1996; Wall and Wall, 1995). There is a stronger emphasis now within organisations on culture, communication, education and training (Bonn, 1996; Bonn and Christodolou, 1996) to provide staff with the skills necessary to think, analyse and act on the run to respond to developments with respect to customers and markets. In this context there is a greater need for support tools (e.g. computer models, decision support systems) (Bonn and Christodolou, 1996). The emphasis now is on line managers playing an important “boundary spanning” role, gathering information on customer and market trends, passing this information on up through the organisation and liaising with internal planners on the development of creative strategic ideas.

**External Consultants**

External management consultants have traditionally led the development of the strategy paradigm. However, the contribution of external strategy consultants to client firms has been criticised in the management literature for focusing on the “best solution” with little consideration given to a clients capacity to change, and also lacked accountability for execution or otherwise of this solution (Schaffer, 1998). External consultants have in the past had little interaction with the line managers of the consultant firm and this has
contributed to this shortcoming. Now with a more contemporary view of the role of external consultants and the manner in which they interact with client firms there is more involvement of line managers in the project, a stronger appreciation of the clients capacity to change, and greater consultant involvement in implementation (Delany, 1995).

THE ROLE OF TECHNOLOGY IN THE STRATEGY PROCESS

Communications, computing and knowledge technologies have grown exponentially in recent years. Convergence of these technologies is also a major development with important implications for the strategy paradigm. These developments have assisted firms in overcoming problems associated with greater environmental uncertainty including time compression, globalisation, the location of workers at multiple work sites in different time zones, and the organisational aspects of the strategy process itself. Don (1999, p. 46) observes that changes in science and technology may fundamentally change business conditions in "surprising and unanticipated ways".

Interestingly there is a trend to give information technology back to the business managers in organisations. Australian organisations have matured in that they have seen the need to embrace information technology and e-commerce as a source of competitive advantage and now perceive their information technology department as an integral part of the firm. The focus is on leveraging IT for the betterment of the business with an increasing number of Chief Information Officers now coming from a non-information technology background (Howarth, 1999).

From the perspective of the resource-based view of the firm human resource management is enhanced by information technology in that shortcomings in experience or training for line managers in an uncertain business environment can be overcome by the provision of virtual experience. This can happen if managers are able to use decision support systems (DSS) to access databases and tools of analysis to "rummage around" (Sauter, 1999, p. 111) and consider and manipulate database fragments to assist development of and compliment problem solving skills.

Businesses now enjoy greater problem solving flexibility with the benefits of DSS, utilising statistical tools to enhance the use of intuition and analysis by staff, and provide
quick and convenient access to databases and decision tools that enhance manager's normal methods of problem solving (Sauter, 1999). Staff productivity is maximised by the sharing of information and knowledge, particularly for complex tasks (Jude-York, Davis and Wise, 2000). Staff provide status reports on events or projects, action plans and background information is shared in an atmosphere of cooperation and trust with due attention paid to getting people to embrace "the right behaviours and values for working with information" (Marchand, Kettinger and Rollins, 2000, p. 69).

The work is done without constraint on time or place. Collaboration involves two or more people combining in a team work effort and usually results in better quality output. Several people are often needed for complex tasks. Jude-York et al (2000, p. 11) observe:

"Virtual teams with highly coordinated projects can bring collaborative efforts to completion by using synchronous technologies that allow people to touch the same work product at different times from different locations."

Such an example is the use of e-mail which can be sent back and forth between staff or perhaps sent offshore to "follow the sun" (Jude-York et al, 2000, p. 11) by forwarding the file to the next time zone. Such an approach can assist firms in coping with the phenomena of time compression (Wilson, 1994; O'Shannassy, 2000a). In this cooperative team oriented atmosphere staff can then engage in strategic conversations electronically or utilising multimedia.

**CONCLUSION**

Now the strategy paradigm is drawing on a wider range of subject matter including the strategic planning framework, cognition and reasoning, the related field of decision-making, organisational politics, organisational culture, group dynamics and increasingly technology. The roles of internal and external stakeholders are also evolving with the paradigm given this “eclecticism” in strategy practice. It is evident that a resource-based, configurational view of strategy is appropriate in the new century with for instance a rationally deliberate approach to strategy suitable for a mass production enterprise, an adaptively emergent approach for dynamic, high technology industries or perhaps an entrepreneurial approach for start up or turnaround organisations (Mintzberg et al, 1998). The models of strategic thinking and strategic planning, and the roles of internal and
external stakeholders discussed in the context of developments in technology in this paper shed important light on contemporary practice of strategy in organisations for future empirical research.
REFERENCES


Other Papers in the RMIT Business Working Paper Series

1992

Barrett, M., Strategic Implications of International Countertrade, WP 92/01.

Thandi, H.S., A Case for Increasing Australian Trade with Malaysia, WP 92/02.

Thandi, H.S., Some Conceptual Designs to Facilitate the Generation and Integration of International Trade Research, WP 92/03.

Thandi, H.S., Malaysian Macrolights for the Investor, WP 92/04.

Thandi, H.S., NAFTA - Boon or Bane?: Some Initial Reactions, WP 92/05.

1993

Thandi, H.S., Self Disclosure Perceptions Among Students of Management, WP 93/01.

Thandi, H.S., Competitive Directions for Australia, WP 93/02.

Thandi, H.S., Culture-Strategy Integration in the Management of Corporate Strategy, WP 93/03.


Wu, C.L., On Producer's Surplus, WP 93/05.

Jackson, M., Unauthorised Release of Government Information, WP 93/06.

Jackson, M., Incidence of Computer Misuse - Fact or Fiction?, WP 93/07.

Beaumont, N., The Use of an Automated Storage and Retrieval System (AS/RS) at the State Library of Victoria, WP 93/08.

Morley, C., An Experiment to Investigate the Effect of Prices on Tourism Demand, WP 93/09.


Morley, C., The Use of CPI for Tourism Prices in Demand Modelling, WP 93/11.


Marks, L., Marketing and the Public Sector Library: Some Unresolved Issues, WP 93/14.

Jackson, M., Protection of the Proprietary Information of Organisations in the Asia-Pacific Region, WP 93/15.

1994


Mottram, K., Management Coaching Process, WP 94/02.


Morley, C., Beyond the MBA: Professional Doctorates in Business, WP 94/04.

1995

Morley, C., Tourism Demand: Characteristics, Segmentation and Aggregation, WP 95/01.

Morley, C., Data Bias in the Estimation of Airfare Elasticities, WP 95/02.

Morley, C., Estimating Tourism Demand Models, WP 95/03.


Callaghan, B. & Jackson, M., Accounting Professionals: Current Attitudes to Banks, WP 95/05.
Jackson, M. & O’Connor, R., *Research Planning and Management in Non-traditional Research Discipline Areas*, WP 95/06.

Callaghan, B. & Dunwoodie, K., *How Large Are Cultural Values Differences in the 90’s?*, WP 95/07.


Morley, C., *Diffusion Models of Tourism: International Tourism to Australia*, WP 95/09.

**1996**


Slade, P., *Technological Change in New Zealand Sawmilling*, WP 96/2.


**1997**

Jackson, M. & O’Connor, R., *Staff Mobility Programs in Australian Universities*, WP 97/1.


**1998**


**1999**


Steiner, C., *Unifying Research and Practice Through Concrete, Personal Knowing*, WP 99/14.

Steiner, C., *How Important is Professionalism in Public Relations Management?*, WP 99/15.


**2000**


2001

Jones, S., Partners and Picket Lines, WP 2001/1.


Boucher, C., Learning Not to Take it Personally: The Experience of Moving From a Clinical to a Management Role in Australian Health Care Organisations, WP 2001/4.


O’Shannassy, T., Thought, Analysis and Action: Strategy From the Boardroom to the Line Manager’s Workstation, WP 2001/7.