

# The Innovative Strat

For too long, strategists remained enthralled by the "brilliant plan." But brilliant plans mean nothing to modern strategic management, say three of its practitioners, unless organizations can effectively execute them.

by Tricia Bisoux

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Not long ago, strategic planning was all the rage among managers, many of whom worked under the belief that if they designed a great plan, success would take care of itself. Business courses in strategic planning filled fast. And many a business consultant formulated brilliant game plans for corporate clients—whether or not those corporations actually had the resources to put them into action.

Times, certainly, have changed. After all, any plan—no matter how impressive, comprehensive, or well-intentioned—is only as good as a company's ability to execute it. Before a company acts on a plan, it must make sure it has the right personnel, resources, and support to make it a success.

Transforming business students into modern-day strategists is a key concern for management educators, including the three featured here: James Griesemer, Dan Schendel, and Veronica Hope-Hailey. While their perspectives may sometimes differ, they all maintain that educators must bring into sharp relief the fundamental trifecta of strategic management: goals, plans, and execution. In the fight for competitive edge, good strategists realize that one means nothing without the other two.





James Griesemer

## Strategy: In Focus

*As dean of the Daniels College of Business at the University of Denver in Colorado, James Griesemer has viewed his business school through the eyes of a strategist. Each year, for example, Griesemer and his senior staff attend a retreat for several days to discuss the school's strategy and develop a limited set of initiatives linked to its mission and strategy. During the year, the school also employs a number of processes designed to focus effort and resources on strategic goals and then monitor the results.*

*Griesemer is a frequent speaker on strategic management issues and regularly presents at seminars to management educators through AACSB International. Griesemer views the strategy of any organization, whether business or business school, as a reflection of its mission and the shared values of its employees. An imprecise mission and a disengaged staff are the enemies of good strategy, he emphasizes, while focus and common interest are its champions.*

Intense competition and the speed of change are now the primary forces driving businesses. In many cases, responses to those forces must be mounted with limited resources; in higher education, this is obviously true. It's the confluence of these forces that has made strategic management more important than ever before. When an organization has limited resources in a highly competitive environment, there is a razor-thin margin of error.

There's no doubt that the business of business education has become increasingly competitive and complicated. Unfortunately, many managers have been led to believe that strategy, too, should be complicated and all-encompassing. Nonprofit organizations, business schools especially, often view their missions in extremely broad terms. As a result, the mission statements of educational organizations are often stated in broad terms, and can often seem ubiquitous and platitudinous. And yet, without a clear mission and vision, neither their goals nor the resulting strategy can be sufficiently focused to achieve significant organizational action or change.

Effective strategy, on the contrary, is based on a focus that flows first from an organization's set of shared values, to its mission, to its vision, to its goals. After all, an organization is, or should be, a group of people who want to accomplish something together—in their church, school, or business. That group shares values they view as important. Out of those values, the organization defines its mission, its true reason for being. Based on that mission, the organization creates a vision of a realistic and attractive future. With that future in mind, it establishes a set of goals, those statements of desired outcomes or positions in the market that are consistent with its vision.

Only then, once values, mission, and goals are in place, should strategy come in as a plan or pattern of action to help the organization achieve its goals, move toward its vision, and support its mission. This progression may seem fundamental, but it often gets lost in the strategic shuffle. As educators, we and our students must realize that strategy isn't just about the plan. It goes beyond the plan. It's a way of managing the whole organization in order to create a pattern of action that directly supports its values, mission, vision, and goals. Without focus, organizations risk dissipating their resources on random initiatives. In a competitive environment, organizations that waste resources will flounder or fail altogether.

Real-world necessities such as tight budgets and small staffs have brought strategic management to the forefront. These necessities can help managers concentrate their resources only on those strategies that reflect their values, mission, and vision. In the current business climate, managers must know how to communicate effectively with their employees, not simply because it's a nice thing to do, but to keep themselves and their employees aligned with the mission. Otherwise, they place their organizations at risk.

For example, Dell's original strategy was to build computers to order and sell mostly to the business market. Initially, it succeeded. But in the early 1990s, Dell decided it could sell



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more computers if it went into the retail market at a time when Gateway was coming on strong and Compaq was everywhere. Dell began to flounder as its margins declined—a wonderful example of a company taking an action inconsistent with its core strategy. In less than a year, the company realized it was heading down the wrong path, corrected its strategic error, and has gone on to achieve remarkable success.

It's certainly trite to say, "We must keep our eye on the ball." But strategic management really is about keeping one's attention on the most important goals. Strategic management is ultimately about focus, and focus doesn't happen accidentally. There has to be a series of processes and protocols to make it happen.

Today, the pressures upon both public and private schools require that we manage strategically. To help their students become effective strategists, business schools must themselves become leaders in strategic management. They must align their annual projects and initiatives with their strategy and goals and seek innovations in strategy that will benefit themselves and their students. In the natural sciences, invention occurs in the laboratory before it is put to use in the real world. In business, however, most innovation occurs in the real world. It is our job to go out and find pioneering best practices, organize them, and bring them back to our schools and to our students.

## Redefining Strategy

*Dan Schendel has been following the development of strategic management as a discipline since the early 1960s, when it often existed under the auspices of "business policy." As one of the discipline's first practitioners, Schendel helped to facilitate its growth into a field of its own throughout the 1970s. He was the founding president of the Strategic Management Society, co-author of the 1994 book *Fundamental Issues in Strategy: A Research Agenda*, and has served as the editor-in-chief of the *Strategic Management Journal* since its inception in 1978.*

*Currently the Black Family Professor of Strategic Management at the Krannert Graduate School*



Dan Schendel

*of Management, Purdue University in West Lafayette, Indiana, Schendel notes that the word "strategy" is now invoked in so many contexts that the word has begun to lose its meaning. Returning the meaning—and the effects—of strategy, he says, is one of today's important tasks.*

One of the most notable developments in strategic management has been the entrance of the word "strategy" into the lexicon of the layman. Everything has become "strategic." For many of today's managers, strategy is a hammer and everything else is a nail. When that's the case, the word "strategy" means nothing.

This development, I suppose, is a tribute to the success of the growth of the discipline. Even so, it's imperative that we redefine strategic management, disabusing students of the misperception that strategy is simply long-term planning according to a set of assumptions. Rather, it's thinking of an organization as a dynamic entity, in terms of the allocation of its resources and its position relative to its competition.

We also must distinguish between "strategy" as mere act and "strategy" as a true reflection of an organization's operations. All organizations have a strategy that they act on, whether or not they realize it. And they may be incredibly effective in its execution. But execution means nothing if the strategy does not suit the organization. As Peter Drucker puts it, "It's the difference between doing things right and doing the right things."

When I worked as a consultant, I would ask a company's managers, "How do you make money in this business? What are your costs? What value are you creating and for whom?" It always surprised me that people would not have a deep understanding of why or how they made money doing what they were doing. And if they didn't, it was my job to find out. If students understand those questions in a fundamental sense, they have the makings of good strategists.

Our students must understand those questions within today's complex environment, which refers to all those events and situations that will influence them, but they cannot influence. If they're planning for a picnic, they can hope for good weather but they must prepare for the possibility of rain. It's no different in business. They must be able to deal with environmental influences. They must make assumptions about what's likely to happen but plan for disaster.

Perhaps most important, they must know that strategy is now about taking stock of resources before taking action. In strategic management, there has been an emerging interest in how a company creates intangible assets, such as its knowledge, capability, core values, alliances, and networks. Trying



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to understand a company as something more than its physical assets is an incredibly difficult thing to do. Even so, students must know how to take into account more than an organization's resources; they must somehow assess assets that don't appear on the books.

It will become especially difficult as corporations strive to create and keep their assets and resources in a global environment that is often beyond their control. At one time in the U.S., we had 50 different states making laws that created problems for business and government. Now, think about 150 or 200 countries making laws that apply to international business. Take, for example, Microsoft getting by U.S. antitrust laws but having trouble in the European Union. Or, the EU blocking the Honeywell-General Electric merger, which had already won approval in the U.S. government.

Understanding the complexity of a company's assets and resources, capabilities, and goals in such a shifting environment will be crucial in the years to come. Imparting that skill, that understanding, to students is now the business educator's challenge.

### Managing 'Below the Cloud Line'

*A professor of strategic human resource management (HRM) at Cranfield School of Management in the United Kingdom, Veronica Hope-Hailey directs much of her research to helping corporations effectively manage change and achieve their goals through their personnel. To implement change, she points out, corporate leadership must first understand the challenges faced by individuals throughout the company.*

*Since 1993 Hope-Hailey has participated in the Leading Edge Research Consortium, examining HRM and change management within eight participating companies. She is also project director of the Cranfield Change Management Consortium, working with 12 multinational companies to examine corporate environments for signs of trouble ahead. The verdict is often unfavorable, she says. But only by seeing the realities of their operations can companies transform*

*anemic workplaces into robust environments where employees are empowered and corporate strategies can flourish.*

In the last ten years there have been tremendous changes in the workplace that have enormous significance for strategic management. I saw these changes in action through a study at London Business School, where I was a visiting fellow. In the study, my colleagues and I followed seven major corporations, including Hewlett-Packard, Citibank, and GlaxoSmithKline, from 1993 to 2003. Through board-level interviews, we discovered each company's strategic intentions and then surveyed managers at the middle and lower levels of its workforce to discover their perceptions and reactions.

What we found was that massive merger and acquisition activity—divestments, restructuring, downsizing—has led to a decrease in corporate loyalty and employee commitment over the last ten years. As a result, lower-level managers are often no longer willing to change their behaviors or attitudes to suit the strategic intentions of senior management. Without job security, they no longer identify with those at the top or remain loyal to their cause.

From our research at Cranfield into change management, we know there is a growing belief among middle- and lower-level managers that senior managers do not know or care

about what their subordinates feel or think. In my interviews with lower-level managers, I heard several managers use a very fitting analogy to describe their workplaces. They said that senior management consistently designed strategies "above the cloud line." That is, when senior managers are above the cloud line, skies are clear and they can see for miles. However, they fail to look 37,000 feet below to the murky reality at ground level. These upper-level managers don't realize that their true change leaders are their lower- and middle-level managers working in the trenches; they often don't realize the effects of their directives. As one middle manager put it, "It's come to the point where I'm considering whether or not to stay within the organization, or in the corporate world, because it seems to conflict with my values so much."



Veronica Hope-Hailey

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The most successful strategists, then, will be those who are willing to look critically and objectively “below the cloud line.” These managers will recognize that leadership has been passed down to the lower echelons of the organization. They’ll need to offer managers at those levels an arena to express the difficulties they face in fulfilling new roles and the frustration they feel when forced to translate wholly rational strategies into people-based strategies designed for the workforce. The companies we work with in the consortium should be applauded for the fact that they’re allowing objective research teams to come into their organizations, survey their lower and middle levels, and offer a critical assessment of what their workplaces are like.

At this stage, we’re in the early phases of new research that will measure and assess what generates organizational change and what prevents it. But even at this early stage, we know this: Those companies that recognize the critical role that middle- and lower-level managers play in their strategies will be more successful than those that don’t. And the extent to which companies engage in two-way—not top-down—communication will determine to what extent middle- and lower-level managers are willing to commit to the company and take responsibility for effecting strategic changes.

The role for business schools in these new issues for strategic management is to present critical business case studies that do *not* portray the workplace as a rational, well-functioning engine, where as long as we find the right buttons to push, all

will come right. Instead, it is the responsibility of academics to present the workplace as a place where there are tensions, contradictions, and difficulties. Only then will we equip managers to deal with workplace realities.

Likewise, only then will senior managers realize that successful strategies do not keep pace with the increasing speed of change through more efficiency or programmatic change. Rather, they need to increase the commitment and responsiveness of people within the organization to implement change. The military, for example, has fostered a culture of immediate responsiveness to events—whether war or natural disasters—that business would do well to emulate. Imagine the military general who says, “There has been an earthquake in South America. Once I formulate my strategy and create an organizational plan, I should be able to respond in six months.” That is simply not acceptable.

Over the next few years, we must try to understand how large, mature corporations can develop an agility and immediate responsiveness to change so they can implement strategy faster than they can today. We’ve always known that managers must understand the external marketplace, their competitors, and political, economic, and social trends. But in addition, before they design and formulate strategy, they’ve got to have a realistic picture of what their workplace is about. For corporations and business schools alike, the future of strategic management lies below the cloud line. **Z**