



2nd Edition

Fran ACKERMANN & Colin EDEN

# MAKING STRATEGY

Mapping Out Strategic Success



# **MAKING STRATEGY**

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Mapping Out Strategic Success

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Los Angeles | London | New Delhi  
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First edition published 1998

Reprinted 2000, 2002, 2003, 2004

This second edition published 2011

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SAGE Publications Ltd  
1 Oliver's Yard  
55 City Road  
London EC1Y 1SP

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2455 Teller Road  
Thousand Oaks, California 91320

SAGE Publications India Pvt Ltd  
B 1/I 1 Mohan Cooperative Industrial Area  
Mathura Road  
New Delhi 110 044

SAGE Publications Asia-Pacific Pte Ltd  
33 Pekin Street #02-01  
Far East Square  
Singapore 048763

**Library of Congress Control Number: 2010942878**

**British Library Cataloguing in Publication data**

A catalogue record for this book is available from the British Library

ISBN 978-1-84920-119-3  
ISBN 978-1-84920-120-9 (pbk)

Typeset by C&M Digital (P) Ltd, Chennai, India  
Printed in India at Replika Press Pvt Ltd  
Printed on paper from sustainable resources

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She is the author of four books, over 20 book chapters and 100 plus refereed papers (in areas such as strategic management, management science, group decision and negotiation and management). Her recent books are: Eden, C. and Ackermann, F. *Making Strategy: The Journey of Strategic Management*. London: Sage, 1998; Bryson, J., Ackermann, F., Eden, C. and Finn, C. *Visible Thinking*: Wiley, 2004; Ackermann, F., Eden, C., with Brown, I. *The Practice of Making Strategy*. London: Sage, 2005.

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He is the author of nine books and over 150 scholarly articles in the fields of management, strategic management and management science. His recent books are Eden, C. and Ackermann, F. *Making Strategy: The Journey of Strategic Management*. London: Sage, 1998; Eden, C. and Spender, J. C. (eds) *Managerial and Organizational Cognition*. London: Sage, 1998; Ackermann, F.; Eden, C. and with Brown, I. *The Practice of Making Strategy*. London: Sage, 2005; Kilgour, M. and Eden, C. (eds) *Handbook for Group Decision and Negotiation*. Dordrecht: Springer, 2010.

# ACKNOWLEDGEMENTS

We are grateful to those who have been at the forefront of publishing books that seek to mix theory with practice – for example Bryson, 1995, Nutt and Backoff, 1992, and Rosenhead and Mingers, 2001. In addition we have been used to having around us a number of colleagues who also have a significant commitment to Lewin's belief that 'nothing is as practical as a good theory' (Lewin, 1951: 169). We are indebted, in particular, to the support of Susan Howick and Chris Huxham.

We have now worked with Sage on three books and our editor (now Associate Director) Kiren Shoman has helped and encouraged and cajoled us. She has acted patiently as a sounding board for a variety of possible ways of presenting this book and has shown undue enthusiasm for our sometimes daft ideas. Thank you.

John Bryson, Dave MacKay and Kevin Page have been involved in extended debate about the content and structure of the book and through their contributions the book has been improved enormously. David Andersen, Aime Heene, Anne Huff, Paul Nutt, George Richardson, Olaf Rughase, Ron Sanchez and Mike Schindl have been stimulating company as we tested out ideas and practice.

Karl Weick's research and writing (particularly Weick, 1979; Weick, 1995; Weick, 1999) have been a continual inspiration to our developing thinking and he has always encouraged us to take ideas into practice.

We must also thank the many and varied clients we have worked with over the past 20 years.



# INTRODUCTION

## THE STRUCTURE AND DESIGN OF THE BOOK: HOW TO READ THE BOOK

### AIMS

The book aims to address the challenges of how to *build a robust strategy* that *people want to implement*. It presents strategy making as *both an analytical and social process* in a way that differentiates it from most other books. Strategy making is seen as something applicable to managers of departments, divisions, the small and medium enterprises (SMEs), as well as the top management teams of public and for-profit organisations.

Designs for four facilitated strategic conversations are presented. The designs have been used extensively, in a wide range of countries, by management teams in all types of organisation. Each strategic conversation can *deliver usable strategies in three to eight hours*. The conversation is designed as a ‘strategy forum’ (in some parts of the world this would be called a ‘strategy making workshop’).

The four strategy forums are presented, both through discussing the original theoretical and conceptual grounding of each forum along with the practical requirements for developing usable strategies. These forums, when taken together, provide a powerful means for agreeing a *negotiated strategy*, and comprise: *strategic issue management*; *agreeing organisational purpose*; *competitiveness from the exploitation and protection of distinctiveness*; and *the strategic management of stakeholders*.

Strategy forums succeed through a focus on the effective facilitation of groups, teams and leaders – *strategy derives from the thinking, conversations, and negotiated agreements within groups*. Thus, the significance of group processes for designing effective strategy is argued. This discussion of strategy making as a social process is therefore accompanied by an exposition on ‘how to’ facilitate groups.

*Making Strategy* will appeal to those interested in delivering strategic change – organisational change. Thus, organisational change specialists and management scientists, as well as strategists,



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are expected to develop a different way of thinking about their theories in practice as well as developing their practice.

Teachers of strategic management might be inclined, or only have enough time, to require students to study only one of the four ways of thinking about, and practising, strategy making. Scholars and researchers might concentrate only on the chapters that present background theories and concepts underpinning strategy making, whereas managers might explore only the chapters dealing with the application of the theories.

*Making Strategy: Mapping Out Strategic Success* builds off, extends and updates, the two previous books *Making Strategy: The Journey of Strategic Management* (Eden and Ackermann, 1998) and *The Practice of Making Strategy* (Ackermann and Eden with Brown, 2005).

### ACCESSIBILITY

*Making Strategy: Mapping Out Strategic Success* is designed to be accessible to strategic management scholars, practising managers, consultants and students of management (particularly post-experience students – for example those studying for an MBA). It is aimed at those who wish to integrate both the theory and practice of strategy making. It is not necessary to read ‘everything’ – readers can focus on specific sections of the book because each chapter is written as a stand-alone piece, even though the chapters build up to a holistic interpretation of, and approach to, making strategy. For example, an interest in organisational purpose might mean turning immediately to the exploration of the theories and concepts related to seeing strategy as purpose. Reading this exploration of the concepts about organisational purpose might attract an investigation of the companion chapter on how to decide organisational purpose in practice. Or, vice versa.

The book has been structured so that it is easy to read because the main text is not dominated by academic jargon and references. Where jargon is introduced it is because it is a label that is regarded as helpful, and one that will be often used as a short-hand throughout the book. Endnotes are also used throughout to facilitate (1) reading without the interference of references, (2) a more detailed discussion of some of the concepts, and (3) an indication of useful further reading and reference quotations.

A small number of articles or books are listed at the end of each of the ‘theory’ chapters as recommended further reading about concepts underlying the particular approach to strategy making.

### THEORY AND PRACTICE: CHAPTER PAIRS

Each of the four facilitated strategic conversations (forums) is set out as pairs of chapters. The first chapter of each pair deliberates on the arguments for approaching strategy from a particular stance, develops the theories and concepts, and relates the stance to the work of others. In addition the chapter provides a summary of the practical implications of the stance for the use of the designed social process that is specifically scripted to adhere to the stance taken. Each stance is promoted so that it leads naturally to practical procedures (we call them ‘scripts’), and these scripts are presented in the second of the pair of chapters. Although the chapters are closely matched, there are some occasions where the ‘how to’ presentation does not include absolutely all aspects discussed in the concepts chapter.

Thus the second of each chapter pair is a ‘how to do it’ presentation. These chapters present a series of carefully designed scripts that when taken together constitute a ‘strategy forum’ – a

practical expression of the stance taken in the first of the pair of chapters. Indeed, these scripts encompass *instructions set out as statements in a bold font*. In each case the timing of each script is indicated as well as the ‘deliverable’ from a package of scripts. Each forum is designed to take about half a day and typically involves a management team of five to twelve participants. Each strategy forum is designed so that a management team sees progress through a *deliverable* (*‘take-away’*) *within each hour of a forum*. In addition, the overall resource requirements are shown at the beginning of each of these chapters. They are presented so that the chapter could be used independently of the rest of the book.

It is our expectation that one of the management team will be, in effect, a client for, or leader of, the forum. In addition we anticipate that *there will be someone who will act as a facilitator of the forum*. The facilitator may be someone external to the group who takes on the role of facilitator. They may also be a professional facilitator external to the organisation. But, on many occasions they may be one of the managers acting as both facilitator and participant – a difficult role, but often the only way of undertaking a strategy forum. We use the term ‘manager-client’ throughout as a label for the manager as facilitator and client.

As we suggest above, strategy making is a social process and so a critical chapter pair is dedicated to this topic. The first of these (chapter 2) discusses *the nature and role of groups* and this is paired with a later chapter (chapter 11) which concentrates on providing *guidance to would be facilitators*. These chapters are separated because the role of facilitation is better appreciated following a reading of at least one of the ‘how to’ chapters.

Finally, the first and last chapters constitute another pair. The first chapter sets out the arguments for approaching strategy from a particular stance and so declares the key assumptions about strategic management. The final chapter shows how *the four forums can be integrated* to increase the robustness of the strategy making. In addition it provides the *follow-through* that is an essential part of delivering and testing the agreements that derive from the four strategy forums. Also it addresses the issues of *closure, monitoring, and the project management* of strategy implementation.

## EXAMPLES AND CASE MATERIAL

The chapters provide examples, illustrations and vignettes that aim to bring concepts alive and illustrate strategy making in practice. They are all based on real cases; however, in many instances, the data has been modified to protect confidentiality. In many examples the name of the organisation is revealed, and in these instances permission will have been given. In other instances data in the public domain has been used (rather than client based data), and the source provided.

## COMPUTER SOFTWARE AND GROUP SUPPORT

The approach to making strategy is action-oriented and so is concerned with causality – with how to change the world. Thus, networks of causality representing the complexity of strategic change are a crucial part of understanding strategic change – what to do and why to do it. Maps are developed that show the network of causality – a ‘causal map’ which is a network of phrases and arrows linking them. These causal maps are used as an important vehicle for encouraging effective strategic conversations.

Easy-to-use computer software is employed to help in the display and continual modification of the causal map. The map, publicly displayed, acts as a system to facilitate negotiation. The

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visual interactive nature of the mapping software acts as a vehicle for representing the continually changing views of the group, and helps manage the complexity of networks of causality.

The software is not essential, but rather it is extremely helpful to making strategy. The software is powerful and so can be used in a sophisticated manner, but it can also be used in a simple but effective way.

The Decision Explorer<sup>®</sup> software used to facilitate strategy making is available free to those purchasing this book. In addition, a 'quick guide' and a 'video' presenting the use of it in a strategy making environment are all available free to purchasers of this book – instruction for downloading this material are in the Appendix.

# 1

## 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.<sup>1</sup>

*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.<sup>2</sup> 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,<sup>3</sup> 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'.<sup>4</sup>

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'<sup>5</sup> of the organisation, but not in a thoughtful or designed way.<sup>6</sup> 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.<sup>7</sup> 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'.<sup>8</sup> 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.<sup>9</sup>

## 8 Making Strategy

- 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.<sup>10</sup> It does assume that a more or less detailed framework for strategic change will be developed. Strategic opportunism<sup>11</sup> 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,<sup>12</sup> 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 making<sup>13</sup> 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.<sup>14</sup>

*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.<sup>15</sup> Effective organisational change relies upon incrementalism, upon many 'small wins', rather than the single 'big win'.<sup>16</sup> 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,<sup>17</sup> 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.<sup>18</sup>
- 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 views<sup>19</sup> (attend to 'procedural justice').<sup>20</sup>
- 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.<sup>21</sup> 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 interactive<sup>22</sup> and so the publicly displayed picture becomes a 'transitional object'.<sup>23</sup>

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.<sup>24</sup> 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

followed ('procedural rationality').<sup>25</sup> 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',<sup>26</sup> 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'<sup>27</sup> – 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.<sup>28</sup> 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.<sup>29</sup>

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.<sup>30</sup> 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,<sup>31</sup> 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

## 12 Making Strategy

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).

# 2

## STRATEGIC MANAGEMENT IS A SOCIAL PROCESS

Colin Eden, Fran Ackermann and Kevin Page<sup>1</sup>

*An energetic and committed management team can manage and control their world.*

The *process* of strategy making is one of the most important elements in realising strategic intent. It is our clear and convinced view that when strategic management fails to affect 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 ensuring ‘political feasibility’ for delivering strategic change will be central to any design for supporting strategic conversations. To argue that political feasibility is key is not new. What is new is that we address (both practically and conceptually) the issue in some depth – emphasising the role of group processes in *negotiating* strategy. Addressing political feasibility is not only concerned with managing the process of crafting strategic change, but also with carrying out change that creates coordinated and cooperative action. Using designs that support both a social process and good analysis when making strategy are fundamental to achieving a politically feasible strategy – one that stands a good chance of being implemented. The process must acknowledge that it is a social affair where the nature of social relationships within the group will influence the nature and outcomes of negotiation. In addition it is important to recognise that the social process is a fundamental part of psychological negotiation – changing how people see their world and relate to it.

Any strategic organisational change that matters will involve winners and losers, 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. Here, we are talking of the organisational politics that derives from different members of a team fighting over competing, but genuinely held, beliefs about what needs to be done to deliver a successful strategic future. This aspect of politics is distinct from the politics that arises from careerism and ambition.

An obvious point to make about strategic change is that the managers and management team in an organisation are the most significant stakeholders. They usually have high levels of autonomy to determine the way the organisation operates and its character. They can withdraw their labour, either physically and move to another organisation, or reduce their commitment. However, this may need to be tempered by the fact that some argue that there is less job security in organisations today, and so greater uncertainty and less power for managers. Nevertheless it is also true that good managers, who are key players in creating strategic futures, are still mobile because they are in demand. Managers (and staff) also have enormous power to ‘work to rule’ – *their* rules – where their autonomy allows them to *play up* to the demands of senior management but deliberately fail to *live up* to them. It is relatively easy for middle to senior managers to argue that ‘we tried our best but it just wouldn’t work’.

Thus a focus on the *process of strategy making* is a focus on the way the key people in an organisation both ‘think and act’. We expect them, as a result of agreeing strategy, to change their manner of ‘thinking things through’ and deciding what appropriate strategies to adopt. Their commitment to working together as an effective team capable of implementing their agreements also shifts, thus making strategy can be an important part of team development. The strategy making process leads to changed patterns of doing things – decision making processes, ways of seeing, procedures and reward systems.

*Strategic management is about people creating outcomes, not just about outcomes.*

It matters that managers in an organisation have a driving energy and wish to manage and control their and their organisation’s future. Indeed this commitment may matter more than an analytically ‘correct’ future they envisage. It suggests that, at one extreme, it is more valuable to do *something* powerfully well, rather than doing nothing to achieve ‘rationally correct’ aspirations. An energetic and committed management team can manage and control their world, whereas an analytically correct strategy will be useless without commitment from the team. Too many books on strategic management concentrate almost solely on strategic analysis and devote scarce attention to how the delivery of strategy is inextricably tied to the critical social processes of strategy negotiation. Strategic management is about people creating outcomes, not just about outcomes.

If strategic management does not change the way organisational members think, and so act, strategy can only have any real impact through coercion. Without changing ways of thinking, organisational members continue to see the same problems as they always did, and they continue to solve these problems using the same beliefs as before. Put more formally, their way of *construing*<sup>2</sup> their occupational world has not changed.

All too often strategy starts from the top with a ‘rational analysis’ undertaken by support staff. The process is driven by the notion that the world outside is turbulent and the organisation must respond to the imperatives set by the environment. The results are often powerful and logic driven attempts to change the organisation. But they come up hard against the realities of the everyday organisationally embedded logic, a logic built over years by those who are expected to change. The result is little, or temporary, change, and a great deal of frustration on the part of those whose learning and wisdom has been ignored. This is not a plea for a participative approach to strategic management as if it were an end in its own right; it is a practical statement about how to create real strategic change that generates energy and commitment within the organisation. Furthermore, participation is most likely to enable the fullest use of the organisation’s knowledge, eliciting distinctiveness, addressing the full range of issues, considering the purpose and thus focus its energy, while at the same time, creating slack through leaving behind that which does not sustain the organisation into its future.

## STRATEGY MAKING AND THE NATURE OF GROUPS

*Strategy is delivered by real people with social futures together.*

The need for a sense of cohesion among members of an organisation is often underestimated. The motivation of a management team to stay together and the sense of attachment members have to the team needs to be high. The extent to which members of a team feel a sense of shared membership and want to work together are important elements in strategy making – ultimately, strategy is delivered by real people with social futures together. However, this raises the question of whether too much deliberate and deliberated strategy, and too much commitment to a strategy, can make an organisation blinkered to strategically important new opportunities – leading to a form of self-confirming ‘group think’.<sup>3</sup> After all, strategy is expected to be a way of helping all staff to act cooperatively with some alignment of action, or at least not in continual conflict with one another. Therefore, while acting in unison is often desirable, it does also carry the risk of it encouraging a sort of systematic blindness to new alternatives. Similarly industry sectors often become too fixated on a standard recipe<sup>4</sup> for success, and these are not questioned through strategy making. Sometimes strategies need to encourage divergence of thinking rather than risk too much cohesion. Similarly, although continual and unintended conflict is not often thought to be helpful, some conflict generates the energy for creativity.<sup>5</sup>

*There is always a danger that the group negotiates a strategy that nobody wants and nobody knew the others didn't want it either.*

Issues of *balance* between cohesion and divergence are critical to effective strategy making. If there is too much influence by the established social order then there is a risk of the ‘realities’ of the situation being ignored and group think occurring. There is always a danger that the group negotiates a strategy that nobody wants, and, in addition, nobody knew the others didn't want it. The balancing act, between putting the well-being of the group as the primary consideration (group think) on the one hand and allowing or encouraging divergent but creative behaviour on the other, is an integral part of determining the appropriate strategy making process.

Jerry Harvey neatly describes an example of this phenomenon (known as the ‘Abilene Paradox’)<sup>6</sup> where a group finishes up taking a bus ride to the town of Abilene, a ride that none of the group wanted. However, if the strategy making process is only dominated by the analysis and the rhetoric of what is good for the organisation (without participants considering their own role in the outcomes) then working relationships between managers and staff may become ambiguous, uncertain and threatening. Participants then turn their attention more fully to resolving these uncertainties in their social affairs. Consequently there is a tendency for the organisation to settle back to the old ways of working as the easiest resolution of ambiguity. The principle of strategy making presented in this book, *facilitating both social and psychological negotiation*, strives to increase the chances of productive enquiry by recognising the importance of providing a greater opportunity for participants genuinely to change their mind as well as develop new rewarding relationships. Indeed, ‘with many long term clients, business partners, family members, fellow professionals, government officials, or foreign nations, the ongoing relationship is far more important than the outcome of any particular negotiation’.<sup>7</sup>

A further complication is that a management team is often unable to operate in a way that enables differences in perspective to surface. As a consequence artificial and superficial

agreement is often reached. Where this occurs, members of the team who disagree with the decisions being made believe that it is too risky to state their own alternative views:

- They may believe that their view is 'out on a limb' from the rest of the group.
- They may believe they will be subject to ridicule for expressing an alternative view.
- They may think that others have already expressed the view, or thought about it, because it seems so obvious, and that the idea must have been rejected for 'good' reasons.
- They may have 'trading agreements' with others in the group that would be broken if they expressed a view which opposes that of their trading partners – to do so would have consequences for support on other issues.
- To dissent from the view of the group may risk team cohesiveness – threatening the established relationships (group think).
- They might damage or destroy the camaraderie of being a team.
- They may be frightened of reprisals for expressing a particular view that is thought to be counter to the prevailing view of those in power.

When some of the above conditions persist in a group then it is likely that they all finish up with a strategy which no-one supports (the 'Abilene Paradox'). Thus, the social norms of a group can discourage the extent to which the thinking of each of the individuals in the group is used in the group decision making.<sup>8</sup> While each individual has their own view of what is needed to create strategic success, their social processes and existing social relationships encourage only shallow thinking to surface – giving the impression to all of a common view of what needs to be done.

*The relationship between analysis and emotion is crucial.*

However, ineffective group work can be the result of the strategy making process placing too much emphasis on building emotional commitment without designing processes that reinforce high quality rationality. The relationship between analysis and emotion is crucial. Without emotional commitment to delivering agreements the rationality of the reasoning becomes irrelevant and the balance has swung too far to analysis. The value of high quality thinking is close to zero without a willingness of managers to cooperate in its implementation.<sup>9</sup> Indeed there is a great danger of deliberate sabotage of highly rational decisions that have not taken any account of the social needs of the group.<sup>10</sup> Our emphasis is that the most important analysis be undertaken in a way that helps groups determine 'right' answers *and* builds commitment to achieving them. Choices made must recognise that coordinated and cooperative effort is required to deliver strategy. The social relationships of members of an organisation are mostly expressed through the social order that exists in their ways of working together, their patterns of interaction and their dependencies. Strategy development that is effective will perforce knock these relationships. Strategies that do so are at risk, regardless of their reasoned goodness, because sometimes team members will sabotage them in subtle ways in order to retain social equilibrium. And in delivering strategy a lack of commitment to one part of the strategy will always have repercussions for other parts.<sup>11</sup>

## POLITICAL FEASIBILITY

Groups act out habits and patterns of behaviour that are related to assumptions that have been proven to be successful in the past.<sup>12</sup> For example, a group might subscribe to the view that:

we always operate a product based divisional structure here because it's the way our customers like to buy from us. They like to keep it simple too. It's just been easier to hire and train new engineers in this structure than try and get them to understand our whole range all at once. You know, I've never met a customer who's ever bought more than one product from us at a time.

These institutionalised decisions and behaviours provide order, predictability and security – you don't get fired doing what is implicitly expected. The decisions and behaviours become the 'way we do things around here', and over time, people *identify* with the invisible values and beliefs that underpin the ways of thinking and acting that have been shown to be acceptable in the group. This process of identification involves taking on the character and expectations of the group, much in the same way that a favourite sports team can encourage rousing and sometimes *blind* support. Identification with the group, and identity within the group, have strong links with the thinking and emotional commitment needed for successful strategy negotiation.<sup>13</sup>

There is a tendency to describe groups in human terms, such as 'the team is very collegiate and it has a great sense of fun' or 'they're a very aggressive team, they don't take any prisoners'. However, it is often unhelpful to talk about groups as if they are just larger versions of a single person. Groups do create identities for themselves, but groups are also networks of relationships and there are different identities within groups. People may side with one another in particular debates, setting up informal 'trading agreements' to help each other subtly secure certain positions and decisions.

For example, consider a comment from a Marketing Director to a Production Director spoken in a Board meeting:

I've had some outstanding support from the factory this last month, there are some real troopers on your team that we should all be proud of, without them our new product launch would have bombed.

This comment may be more than, for example, a straightforward acknowledgement of additional production capacity. Depending on how it is phrased and delivered, it may contain subtle political value that is intended to prevent the CEO asking awkward questions about the monthly production cost variances. The Marketing and Production Directors now have an agreement and have an identity all of their own within the group. The reply could be:

It was a tough one for us. It doesn't matter what we throw at the team, they always get right behind an important launch to take our competitors head on.

The social process of strategy negotiation also has to take account of the networks of relationships within the group, as well as a level of identification with the group, and its habits, values and beliefs. The people that identify most with these habits and beliefs are those that can stand to gain from perpetuating it and lose most from changing it (the anticipated winners and losers). More often than not, these people are the powerful actors: those at the top who have been brought up in, and prospered from, the ways of the organisation. Identifying with the values of the organisation has likely contributed to the progression and promotions that have helped them into key leadership or managerial positions. The 'way we do things around here' is both comforting because it is deeply known and unconsciously familiar, and, crucially, it is associated with positive personal experiences.

However, there is more than a sense of comfort at stake. The leaders that make up the top team of a department, division or organisation have their status in that team to preserve and



promote. The same leaders prized for their drive and ambition, place considerable value on their personal status within their group – as well as being effective, they need to be recognised as effective, successful and powerful.

Political feasibility then is a multidimensional concept involving the inspiration and mobilisation of others to undertake considered and collective strategic action – building a powerful coalition with a commitment to act. Political feasibility includes considering the extent a manager needs to identify *with* the group, the network of identifications and relationships *within* the group, and the personal status that group members protect and promote. There is one more factor to consider that complicates the work of the strategy making group even further: the role of the leader.

Leadership is used, in the context of making strategy, to emphasise the informal, influential and inspiring relationship qualities of the person with the most power to sway how a group acts and thinks. In this sense leadership is distinct from the formal authority associated with management. Within the group, leaders have most of the emotional leverage. Studies have shown that it is the leader who talks more than anyone else in the group, is listened to more carefully, and whose comments carry a special weight,<sup>14</sup> which is particularly important in a potentially ambiguous situation such as strategy making.

*Leading strategy making can be the distinctive and exciting activity that defines the leader–follower relationship.*

Leadership centres on the relationship between leaders and followers. In fact, some argue that it is followers that define leaders, and that without the followers there is, by definition, no leader.<sup>15</sup> Moreover, there is a current trend for leadership not to be described in terms of personality traits such as powerful, driven, charming, energetic or assertive; but in ways defined by this leader–follower relationship. The emphasis on the leader–follower relationship has been developed so far that it is claimed that many, not just the gifted few, can become leaders – provided they do something *distinctive and exciting*, and make their followers feel *significant*.<sup>16</sup> Leading strategy making can be the distinctive and exciting activity that defines the leader–follower relationship.

Within this powerful relationship, followers can *mirror* the leader, taking all their cues about ‘being and behaving’ from some idealised version of the leader they admire.<sup>17</sup> Consequently, on one hand, the role of the leader exploits this relationship in a positive way – the leader builds commitment, establishes an identity for the group, sells hope and makes sense of a complex world on behalf of their group. On the other hand, the leader can be the grand architect, knowingly or unknowingly, of group think. The political feasibility of strategy then must also acknowledge the powerful role that leaders play in groups.

## ENGAGEMENT, FAIRNESS AND COMMITMENT

*An effective approach to strategy has to simultaneously influence individuals and the group as a whole, while changing power, identity and meaning.*

This perspective on strategy making groups is an altogether more comprehensive and complete one than commonly portrayed in strategic management books. The prize for paying attention to a more comprehensive view of the nature of strategy making groups is more effective implementation of strategy. The combination of several familiar aspects of group processes defines the personal and social aspects of political feasibility. These aspects encompass: the comfort of