

Dynamic Strategy- Making

A REAL-TIME APPROACH FOR THE 21ST CENTURY LEADER

LARRY E. GREINER THOMAS G. CUMMINGS



More Praise for *Dynamic Strategy-Making*

“The authors’ view of strategy-making is highly relevant to the fast pace of the 21st century. Their insights make this book essential for leaders who seek to be involved in charting the long-term direction of their organizations!”

—Jay W. Lorsch, Louis E. Kirstein Professor of Human Relations, Harvard Business School; and author, *Back to the Drawing Board* and *Aligning the Stars*

“The authors make a convincing case that strategy is too important to leave to the strategists. They provide a fresh perspective on the domain of strategic management as a comprehensive organizational process of learning and development, reframing our traditional lenses and inviting much needed cross functional discourse on the very essence of sustaining competitiveness.”

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**A Real-Time Approach for the
21st Century Leader**

Larry E. Greiner
and Thomas G. Cummings

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Preface

Recent business maelstroms have not been reassuring to managers concerned with strategic planning. On the radar screens of CEOs, the high price of oil, global warming, the financial credit crisis, and terrorism ripple through the usual turbulence of global competition, technological innovation, and hostile takeovers. What will tomorrow bring? In this world of constant, uncertain surprise, many companies are on the decline or are being swallowed up by stronger ones. The outlook has been poor for many organizations, and the fallout on the negative side has been huge.

In 1994, Henry Mintzberg, in his classic book, *The Rise and Fall of Strategic Planning*, astutely declared that the practice of strategic planning is an oxymoron: it has generally failed because it eliminates creative thinking. In our opinion, it has taken over a decade for CEOs and managers to accept Mintzberg's keen insight. Most organizations have continued to do strategic planning as a ritualistic annual exercise. However, the lethal heat and pace of real-world competition today spell an end to that neglect. Ours is now a world of global companies and hypercompetition, sparking real-time events that were not pervasive in 1994.

Bureaucratic thinking still casts a pall over the way many firms do strategic planning. Even if their organizations aren't bureaucratic, the planning process remains rigid and inflexible because it occurs only once a year, conducted solely by top management, highly formalized in its format and detail, and communicated impersonally down the chain of command. And frequently it is tied to the budget and capital spending cycle. Execution occurs

in a similar way: responsibility for results is assigned to line managers, who send their version of the strategic plan down the chain of command. It is not even a strategy at this point but a set of assignments to subordinates. It rarely reaches the frontline workforce. No wonder that these plans are weak on implementation and that managers report on surveys how unhappy they are with this planning process (Dye and Sibony, 2007). All of this is hardly in keeping with being able to plan today.

Fast-moving events surrounding organizations have made formal annual approaches to strategic planning outdated. And they have thrown a challenge at consultants who are used to billing by time for studies and other methods that extend over several months.

This book is about a new real-time approach to strategy-making for leaders to take when faced with increasingly global, perpetual hypercompetition. It proposes a new concept, *dynamic strategy-making*, which takes on form as a sustainable and renewable strategic system permeating the organization, making it relevant to today's world. The system charts direction while remaining flexible and timely, possessing built-in capabilities for involvement and revision as new events dictate.

We believe our approach is unique and innovative. To help managers in designing a strategic system, it offers (1) the *4D framework* to make a strategic assessment and formulate strategic content, (2) *four key elements* to transfer their content conclusions to (3) a *statement of strategic direction* that is concrete, clear and actionable, (4) while using *guided involvement* as a process to stimulate strategic content and build commitment to a new direction, (5) all aided by the support of a new kind of consultant providing strategy facilitation.

This is not a book about strategy as an abstract property of organizations; it is an attempt to close the theory-practice gap. It is a how-to book founded on existing theory and research. It avoids academic jargon, opting for action-focused steps to take. The strategy field, long dominated by academics and consultants,

is in need of simplified, concrete approaches that leaders can use in a do-it-yourself mode. And interestingly, at least one traditional, somewhat tired, term, *strategic management*, may be due for a dynamic update.

We are writing first and foremost for today's and tomorrow's leaders of organizations: for profit, not-for-profit, and public. These individuals are searching for a new approach to strategy-making because their formal planning methods no longer work. But you need not be a CEO to find useful knowledge in this book. It is relevant to a number of other audiences: aspiring students in business schools who want to become leaders, strategy consultants trying to improve how they work, and experienced managers looking to become senior leaders in their companies. Academics should find it interesting for its focus on the practical application of their theories and research in innovative ways.

Skeptics may think, "We have heard it all before," but we know it has not been said in this way in the same place and with the same practical guidelines. The concept of a real-time strategic system, including how to install and maintain it, is new. This isn't old-style strategic planning redressed or a new age vision-setting process that strains credibility. While we think *dynamic strategy-making* is advanced in its formulation, it is still at an early stage of development, and we hope that future scholars, consultants, and managers will refine and improve it with new approaches and methods.

The Authors

Larry E. Greiner is professor of management and organization in the Marshall School of Business at the University of Southern California (USC). He received his M.B.A. and D.B.A. degrees from the Harvard Business School, where he has served on the faculty. He has also been on the faculty of INSEAD in France and other schools. He currently serves as founding academic director of USC's Global Executive M.B.A. Program in Shanghai, China. Previously he was academic director of USC's top-ranked Executive Program for fourteen years. He is former chairperson of the Management Department at USC, as well as chairperson of the Organization Development Division and the Managerial Consultation Divisions of the national Academy of Management.

Greiner is the author of numerous publications on the subjects of organization growth and development, management consulting, and strategic change. His most recent book, *The Contemporary Consultant* (with Flemming Poulfelt), has been widely recognized as a major contribution to the field. Among his many articles is the *Harvard Business Review* classic, "Evolution and Revolution as Organizations Grow." In 1999, he and Arvind Bhambri won the McKinsey Prize from the Strategic Management Society for their paper, "New CEOs and Strategic Change Across Industries." Greiner has served on numerous editorial and corporate boards and has consulted with many companies and government agencies.

Thomas G. Cummings is a leading international scholar and consultant on designing and implementing high-performance organizations. He is currently professor and chair of the Department of Management and Organization at the Marshall School of Business, University of Southern California. He is also a senior member of the Center for Effective Organizations at USC, a world leader in applied knowledge of high-involvement organizations, team-based work, innovative reward systems, and large-scale change. He received B.S. and M.B.A. degrees from Cornell University and a Ph.D. in business administration from the University of California at Los Angeles.

Cummings is widely recognized in both business and academic communities for his many contributions to knowledge about strategic change and high-performing organizations. He has authored over seventy articles and twenty-two books, including the critically acclaimed *Self-Designing Organizations: Learning How to Create High Performance* (with Susan Mohrman) and *Organization Development and Change, Ninth Edition* (with Chris Worley).

Cummings was formerly president of the Western Academy of Management, chair of the Organization Development and Change Division of the Academy of Management, and founding editor of the *Journal of Management Inquiry*. He was the sixty-first president of the Academy of Management, the largest professional association of management scholars in the world, with a total membership of over eighteen thousand. He is listed in *American Men and Women of Science* and *Who's Who in America*.

DEMISE OF STRATEGIC PLANNING AND ITS DYNAMIC REPLACEMENT

Today's organizations face a 24/7 world that is fast-paced, complex, and uncertain. Competition can be intense around the clock throughout the world. Competitive advantage can disappear overnight. Even the smallest companies can enter global markets easily, relying on Web-based transactions and unique products and services. New technologies can quickly make products and services obsolete. A hostile acquirer, using borrowed capital, can oust a firm's management and restructure its assets in a blink (Gladwell, 2005).

Unforeseen threats and political instability can swiftly render even the largest companies vulnerable and insecure; witness the recent financial crisis and energy problems. Some scholars say that companies in these chaotic and uncertain situations are "competing on the edge," using strategies to cope with "structured chaos" (Brown and Eisenhardt, 1998). In situations such as these, profits can fall precipitously under slow, old-style strategic planning, but they can rise under quick-acting strategy.

Despite these perils, the world offers enormous opportunities for new competitive advantage and growth. Firms can create new markets globally through constant product innovation and novel marketing practices such as Web-based advertising. Outsourcing can reduce costs and enable companies to focus on what they do best. Computers and mobile technologies can speed decisions and communication. They can help firms create strategic networks and value chains that transcend time, place, and organizational boundaries.