

— Strategy Process

Introduction



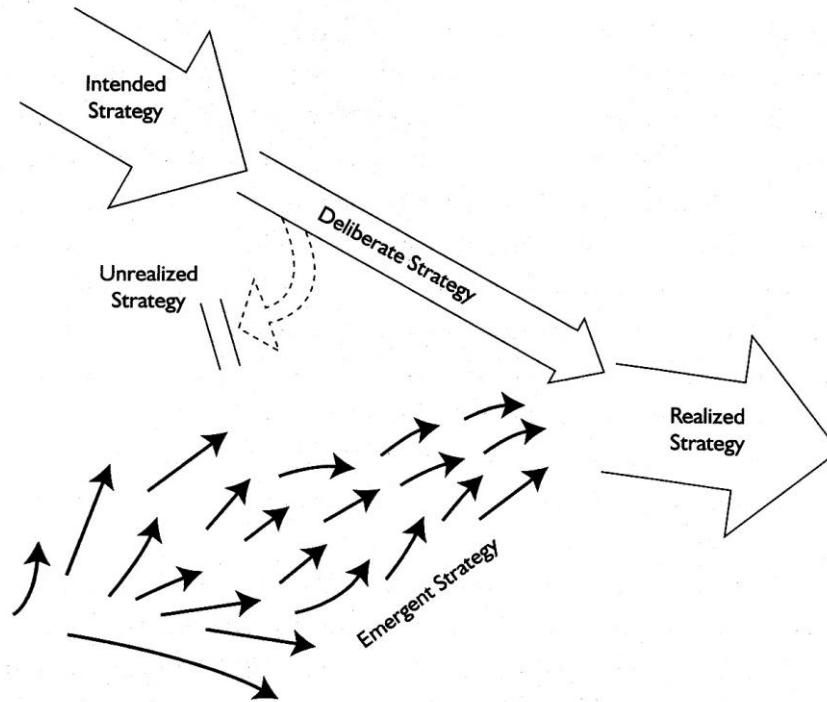
Aalto University
School of Business

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Prologue

Strategies we live by



Strategy process in practice

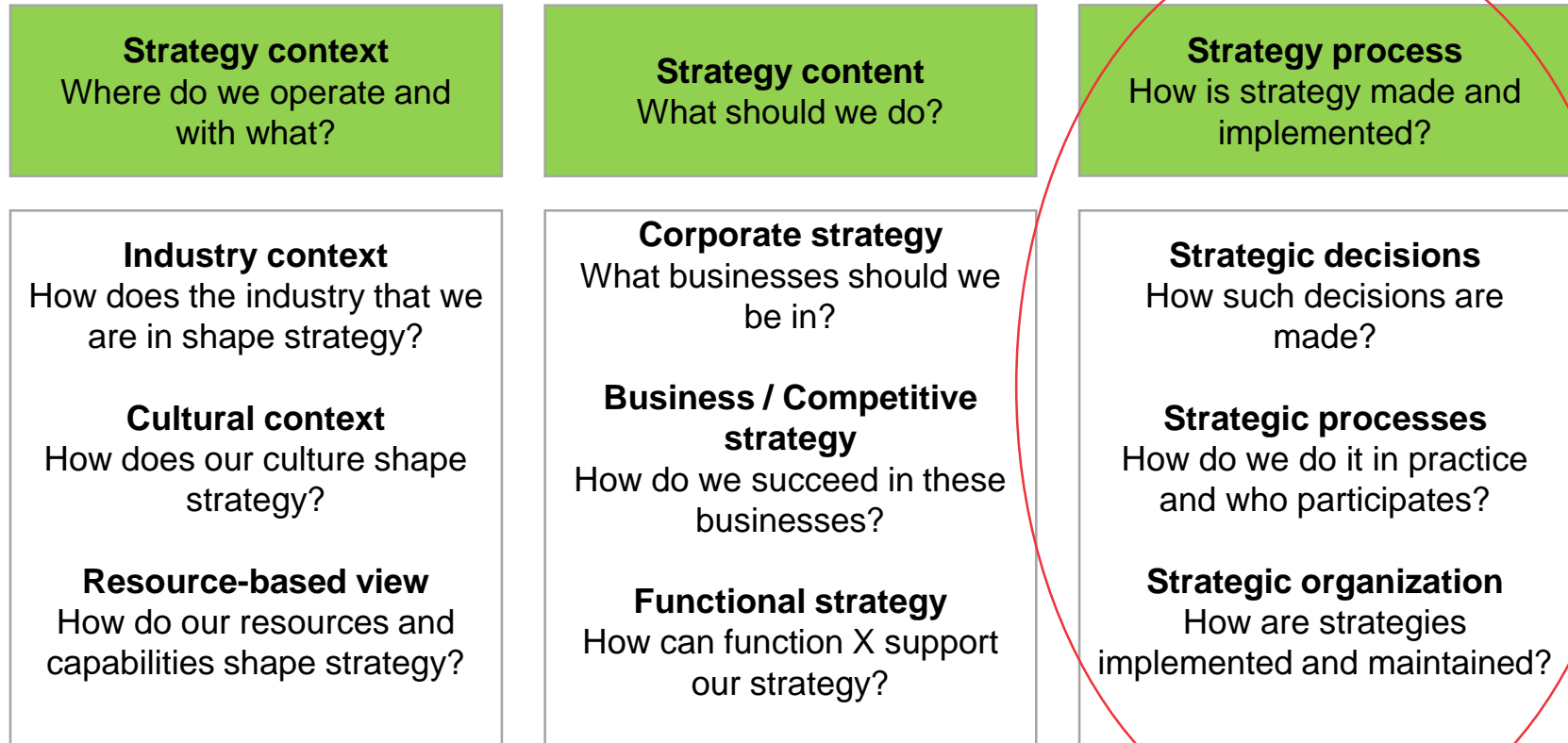
- Situation: A well planned course is about to start (**Intended strategy**)
- Change of initial conditions: Suddenly, it becomes known that the main lecturer will not be able to run the course
 - The course cannot be run as planned (**Unrealized strategy**) and needs to be re-planned and re-organized (**Emergent strategy**)
- Strategy process: I get involved and I involve others (i.e. a working group or a task force is formed), we interact on continuous basis (e.g. online meetings), we share information (e.g. dropbox folder)
 - Diagnosis of the situation
 - Identification of possible options (benchmarking)
 - Evaluation of possible options (impact on stakeholders, the school's goals and objectives, departmental culture and values, availability of resources, etc.)
 - Making choices and developing an action plan
 - The action plan to be implemented: The course will be offered (**Deliberate strategy**) but in a slightly different format (**Realized strategy**)

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Today's agenda

1. Evolution of strategy
2. Introduction to strategy process
3. Course practicalities

Mapping the field of strategic management



The evolution of strategy

The evolution of strategy

1.0



2.0



3.0



Big Data

AI

Crowdsourcing

Living

Distributive

Inclusive

...

Organizational strategy - definition

Strategic management is the formulation and implementation of the objectives, goals and initiatives of an organization

Strategy is the long-term *direction* of an organization

(Johnson et al.)

The core question of strategic management is: *WHAT SHOULD THE ORGANIZATION DO TO BE SUCCESSFUL IN THE LONG RUN?*

Origins of strategy and strategic management

Strategy has been an implicit part of organizational decision-making for thousands of years

As a discipline developed as part of art of war (Sun Tzu, von Clausewitz)

- Sun Tzu: *“Strategy is the great work of the organization. In situations of life or death, it is the Tao of survival or extinction. Its study cannot be neglected.”*

Etymology in Greek:

- *Strategia*: “office or command of a general”
- *Strategos*: “general, commander of an army”

As a practice in organizations, strategic management emerged alongside the development of large American corporations after WW2

As a discipline, strategic management was formed in the beginning of the 1950s

Schools of thought in strategic management

Strategy and structure (Chandler)

Competitive strategy (Porter)

Evolution (Burgelman)

Resource based or dynamic capability view (Barney, Peteraf)

Attention based view (Ocasio)

Strategy process view (Mintzberg)

Strategy-as-practice (Whittington)

More static and rational approaches to strategy – Strategy & structure



Source: news.harvard.edu/gazette/story/2007/05/hbs-professor-alfred-chandler-jr-pre-eminent-business-historian-dead-at-88/

“Strategy can be defined as the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.”

Alfred D. Chandler (1962)

Chandler A. (1962). *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*. MIT Press.

More static and rational approaches to strategy (2) – Competitive strategy



Source: twitter.com/michaelporter

“The essence of strategy is choosing what not to do. ”

Michal E. Porter (1996)

Porter, M. E. 1996. What is a strategy? *Harvard Business Review*, 74 (November-December): 61-78.

More dynamic and evolutionary takes on strategy – Strategy as evolution



Source: gsb.stanford.edu/faculty-research/faculty/robert-burgelman

“Industry-level change inevitably requires a company to fundamentally rethink its strategy and business model.”

Robert A. Burgelman and Andrew S. Grove (2012)

Burgelman R. & Grove A. (2012) Strategic Dynamics:
Three Key Themes. *Stanford Graduate School of Business Research Paper No. 2096.*

More dynamic and evolutionary takes on strategy (2) – Strategy process view



“...a pattern in a stream of decisions”

H. Mintzberg, *Tracking Strategy: Toward a General Theory*,
Oxford University Press, 2007, p. 3

Approaches focusing on strategy makers - Attention based view



Source: kellogg.northwestern.edu/faculty/directory/ocasio_william.aspx

“Firm behavior is the result of how firms channel and distribute the attention of their decision-makers. What decision-makers do depends on what issues and answers they focus their attention on.”

William Ocasio (1997)

Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 18: 187–206.

Approaches focusing on strategy makers

(2) – Strategy-as-practice



Source: new.ox.ac.uk/richard-whittington

“Traditionally, the strategy discipline has treated strategy as a property of organizations: an organization has a strategy of some kind or other. Increasingly, however, strategy is being seen also as a practice: strategy is something people do”

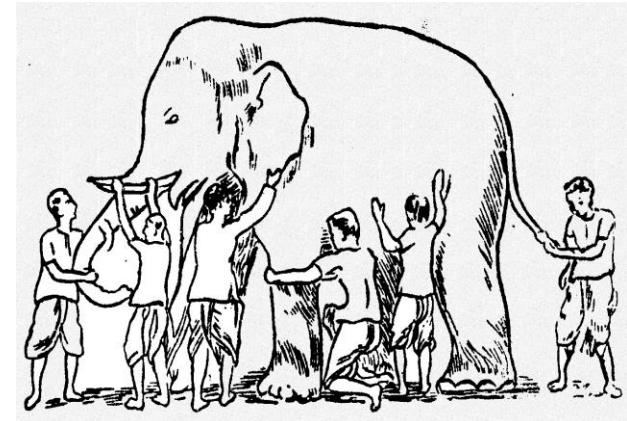
Richard Whittington (2006)

Whittington, R. (2006). Completing the practice turn in strategy research. *Organization studies*, 27: 613-634.

Reconciling different approaches

- Multiple perspectives are needed to capture different aspects of strategic management
- However, the different schools of thought also provide alternative and competing views on how strategic management should be practiced
- Furthermore, the practices of strategic management are also combined with other decision-making and management practices in specific settings

Elephant and the Blind Men.



In-group discussion (10 mins)

In your breakout rooms discuss one of your personal strategies, e.g. career or studies-related

- What are the central or key elements of your strategy?
- How do these elements contribute to your success?
- What approach would best describe your strategy?

Elements of strategy

1. Choices

- What do we (not) do?
- Who do we serve?
- Who do we do things?
- Who does the things?
- When do we take action?
- How do we control / monitor that we do right things?

2. Complementarity of choices

- Do the choices we make complement each other?
- Do the choices we make contribute to the strategic goals and objectives?

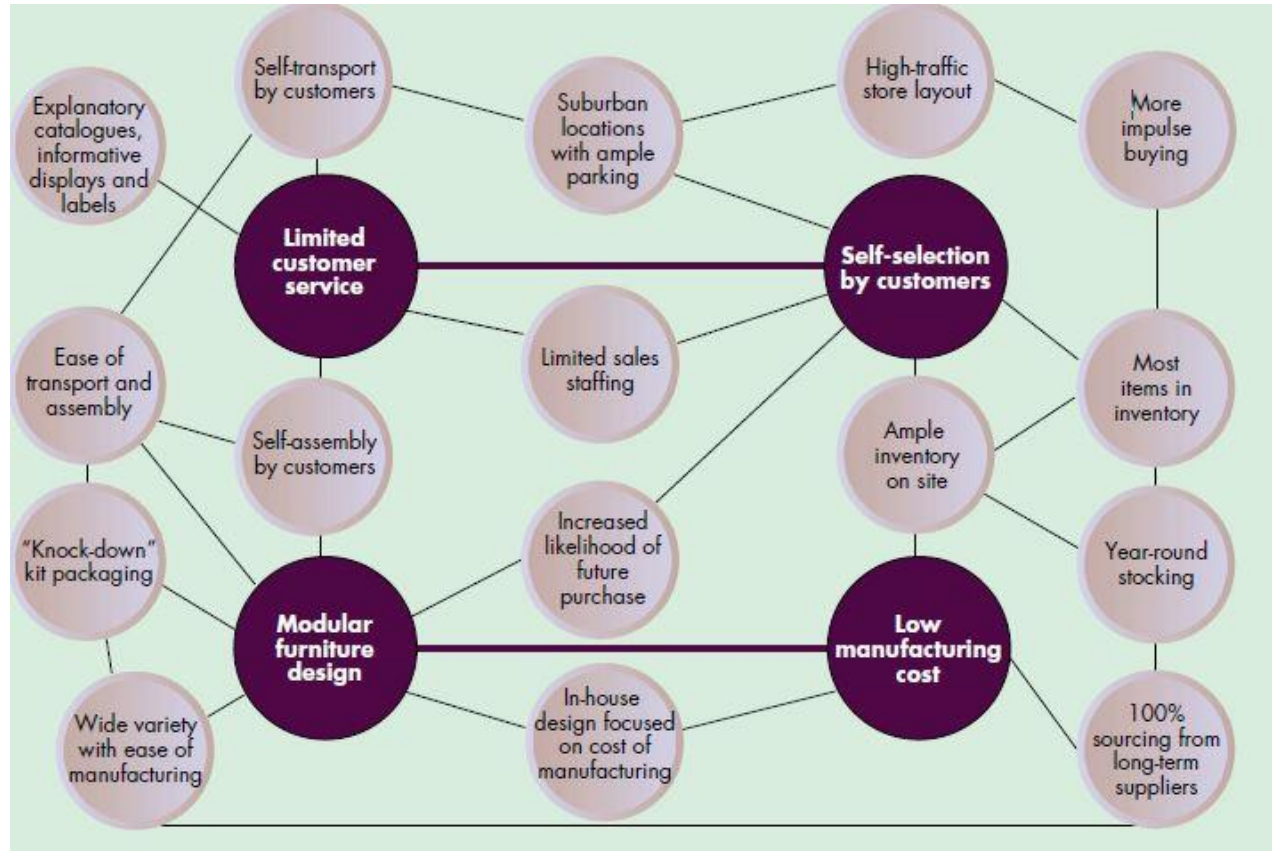
3. Actions in time

- To get to point D, we need to do A, B and C

4. Deliberate, emergent and dynamic

- **NOT** a vague statement
- **NOT** a short-term objective
- **NOT** a wish list
- **NOT** fancy words and presentations

The complementarity of choices – IKEA (Porter, 1996)



Strategy process

Content vs process in strategy making

When dealing with strategic management we tend to focus on *strategy content*: the strategic decisions and choices made

However, it is also important to pay attention to the *strategy processes*:

- how strategies come about
- how strategy work is actually conducted

In-group discussion (10 mins)

In your breakout rooms discuss how strategies come about?

- What does one need to do to generate a strategy?
- How do you generate your personal strategies?
- How do you think managers in companies generate their strategies?

Stages in the strategy process

1. Conducting diagnosis
2. Identifying options / scenarios
3. Evaluating options / scenarios
 - Cultural fit
 - Resources & capabilities
 - Benchmarking
 - Feasibility
 - Suitability (fit with business model)
 - Acceptability (risk, shareholders, etc.)
4. Making choices
5. Developing recommendations
6. Implementing and



A living strategy for a world in motion

In our living strategy approach, our purpose, values, and way of working define our long-term direction while our choices are proactively and continuously re-evaluated.



Strategy making at Aalto



This is how we did it together

We invited all members of Aalto community from personnel to students and our stakeholders to join our strategy preparation process. During 2019, a total of 820 Aaltoes participated in four community events open to all. Besides these, there were a number of workshops and other events organized by departments and units. From all these and online, we received a total of over 3300 comments. All feedback was analysed and taken into account during the process.

As part of a number of processes and working groups, we analyzed our operating environment and examined our own actions. Also, the students looked at the megatrends. We utilised a large variety of background materials and evolving documents that were categorized and updated constantly online. Background materials consisted of, for example, the Research, Art and Impact Assessment (RAI evaluation 2018), the annual University review and other future-oriented documents such as *Art and creative practices*, *Campus vision*, *Digital Aalto*, *Service vision*, *Lifelong learning* and *Educational portfolio*.

https://www.youtube.com/watch?time_continue=79&v=CMPUYR7r_lo&feature=emb_logo

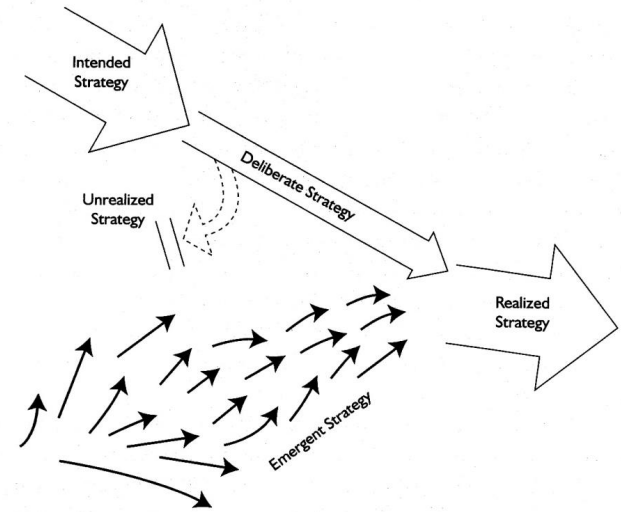
Intended, deliberate, emergent and realized strategies

Mintzberg's work helps to understand how strategies come about:

- Intended
- Deliberate
- Emergent
- Realized strategies

Intended strategies almost never get realized because:

- Strategic intentions are seldomly precisely articulated
- Strategic intentions are seldomly shared by all in an organization
- External forces and changes almost always get in the way of strategic intentions



Strategy and path dependency

- The process perspective can also help to understand the longer-term strategic evolution of an organization and its strategy
- In this evolution, both internal and external forces shape the strategic trajectory of the organization (Burgelman)
- The strategic decisions and choices made in the past also influence what can or cannot be done
 - Staying true to one's values
 - Getting stuck in one's previous strategic choices
- Thus, one can see path dependency in the strategic trajectory of organizations

Too much of path dependency?



Failed to respond to rapid development & take-up of digital photography – despite having created such technology!



Lost dominant global market leadership in mobile phones by failing to respond to smartphone technology



At one stage, the world's leading social media platform; failed to respond to changing social trends & lost leadership to Facebook

Politics of strategy making

Strategy processes cannot be understood without taking politics and power seriously (Pettigrew, Mintzberg)

In this view, different interests and viewpoints are an inherent part of strategy process

Important tensions exist between:

- Owners and top management
- Top management and middle managers
- Managers and employees
- People representing different business areas and units
- Center and periphery

Too many tensions?



Failed to respond to rapid development & take-up of digital photography – despite having created such technology!



Lost dominant global market leadership in mobile phones by failing to respond to smartphone technology

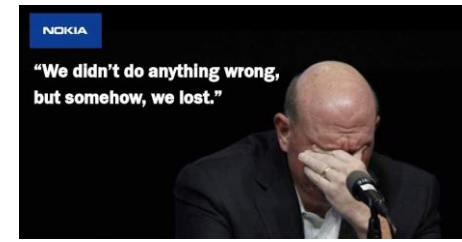


At one stage, the world's leading social media platform; failed to respond to changing social trends & lost leadership to Facebook

What killed Nokia?

Nokia's story has attracted various explanations from management theorists:

- Nokia was too complacent, it struggled to remain agile, as it had a market-leading position to protect.
- Nokia didn't see the radical innovations coming. In fact, the company had developed touchscreen technology but failed to make it work smoothly and powerfully.
- Nokia needed to service a huge customer base, which it did at the expense of innovation.
- Nokia was catering to so many market segments with different phone models that it lacked focus.
- Nokia was desperate to respond to Apple to secure its leading position.
- Nokia became too controlling and bureaucratic, as a result of its organizational structure and leadership → **a fear-based culture**



Path dependency?

Politics & tensions?

Take aways

- A general move toward strategy 3.0 – distributive, inclusive, living, and dynamic
 - The idea is to avoid getting stuck in one's complacency and myopic vision by staying alert and bringing in different perspectives and opinions
- Different approaches to strategy – evolution from structures and rationality toward process and practice view
- Strategy is largely about making sense of and making choices in constantly and rapidly changing external environment
- Path dependencies are omnipresent in strategy and strategy making
- Strategy is made by people hence politics plays an important role in strategy making
- Strategy process, i.e. how strategies come about and how gets involved, is crucial
- Managing strategy process is an effective way to develop better strategies

Course practicalities

Learning objectives

Upon completing the course, the students will learn to

- understand the core elements of strategy formulation, such as analysis of the external environment, alternative creation, alternative evaluation, and choice
- understand how process-related choices and sensemaking influence the quality of strategy formulation and execution and apply this knowledge to make informed choices
- understand how psychological dynamics influence strategy formulation and execution and consider and reflect how they can improve the such psychological dynamics
- understand how structural factors influence strategy formulation and execution and make informed choices regarding structure
- understand how artificial intelligence and data-analytics might influence strategy formulation and execution and develop preliminary ideas of how they could be applied in practice
- apply their understanding in the planning of a case company strategy process

Course content

Date	Topic	Lecturer	Deliverables
11.9. @ 13:15-15:00	Introduction & course practicalities	Alexei Koveshnikov	None
18.9. @ 13:15-16:00	Sensemaking & strategy process	Henri Schildt	Individual assignment 1 Due 16.9. @ midday
25.9. @ 13:15-16:00	External environment & strategy process	Nina Granqvist	Individual assignment 2 Due 23.9. @ midday
2.10. @ 13:15-16:00	Psychological dynamics & strategy process	Philip Gylfe	Individual assignment 3 Due 30.9. @ midday
9.10. @ 13:15-15:00	Strategy process in practice 1	Guest lecture: Jani Kelloniemi (Partner at Bain & Company)	None
16.10. @ 13:15-16:00	Strategy process in practice 2	Perttu Kähäri (Professor of Practice, Head of Development at Aalto BIZ)	None

Grading

The course will be graded based on the following components:

- Three reading assignments (3 x max 20 points each)
- A group assignment (max 40 points)

Readings and assignments

Before 1ST LECTURE: No readings & no assignment

Before 2ND LECTURE:

1. Porac, J. F., Thomas, H., & Baden-Fuller, C. 1989. Competitive groups as cognitive communities: The case of Scottish knitwear manufacturers. *Journal of Management studies*, 26(4), 397-416.
2. Jalonen, K., Schildt, H., & Vaara, E. 2018. Strategic concepts as micro-level tools in strategic sensemaking. *Strategic Management Journal*, 39(10), 2794-2826.
3. Sheffi, Y. 2005. "The Tug-of-War." *Harvard Business Review*, September 2005 issue. (Reading the expert commentaries is optional but recommended.)

Before 3RD LECTURE: TBA

Before 4TH LECTURE:

1. Healey, M. P., & Hodgkinson, G. P. (2017). Making strategy hot. *California Management Review*, 59(3), 109-134.
2. More TBA.

Before 5TH LECTURE: No readings & no assignment

Before 6th LECTURE: TBA (no assignment)

Assignments' instructions

Read the assigned readings and respond to the posed questions. Write your analyses / responses in an essay form (approx. 300-500 words per question). The assignments are graded based on the following criteria:

- Application of the pre-readings' content to support the arguments
- Quality of argumentation and analysis (connections among observations, theory, and recommendations)
- The plausibility and quality of recommendations
- Clarity of writing, including spelling, grammar, structure, and style

NB: Late submissions will be penalized

Final group work

In groups you will analyze the strategy process in a case company.

More detailed information will be given later.