
Lost to Frankenstein Detail: The Unravelling and Salvaging of Strategy from the wonderland of Pixies, Goblins, Angels and Santa Claus

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“Our strategy is to be the low-cost provider”.. “We’re pursuing a global strategy”...“The Company’s Strategy is to integrate a set of regional acquisitions”... “Our strategy is to provide unrivaled customer service”.. “Our strategic intent is to always be the first mover” ..“Our strategy is to move from defense to industrial applications”.. What do these grand declarations have in common? Only that none of them is a strategy.”

[Hambrick and Fredrickson, 2001, p.48]

1. Introduction

'Strategy' is a powerful buzzword. The adjective 'strategic' is often prefixed to task themes ('strategic learning'), topics of focus ('strategic direction'), subjects of expertise ('strategic marketing') and routine activities ('strategic design') in much the same way as the prefix 'strategic' is also interchanged with the term 'international'. Such cosmetic treatment adds to the glamour of strategy without adding to substance and fuels strange misconceptions with ingredients of strategy easily mistaken for strategy itself. For example, in a personal care products firm with an internationally recognised toothpaste brand, so-called 'strategy' consisted of annually increasing the size in microns of their toothpaste nozzles. The formulation and implementation of strategy remains an elusive quest in many organisations. It is also a perplexing experience for teachers and students in MBA

classrooms trying to understand strategy using the case method, without a credible process for designing and implementing strategy that could be used anywhere. This paper tries to fill that gap. From my experience as a member of the Board of Directors of firms and in my strategy consulting experience with private enterprises, public systems, government departments and other institutions across a wide cultural diversity in global geography, tasks, industries, technologies and markets, the key question 'What is strategy?' has frequently emerged as the missing dimension.

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Before any collectivity can engage with strategy formulation and implementation, clarity is needed on this basic question. Drucker (1994) pointed out that the assumptions in a business must match reality and assumptions must not only fit each other, the theory of the business must be known and understood throughout the organisation and this theory must be tested constantly. In this paper, I attempt to salvage strategy from the wonderland of activities in organisations where well-meaning angels, hard-working pixies, slave-driving goblins and generous Santa Claus-like financiers combine to work at operational details for task effectiveness and quite often lose their way. Mintzberg, Ahlstrand and Lampel (1998) quite aptly refer to this as a search for a beast in a forest in their book 'Strategy Safari' and liken it to an elephant that looms too large to be grasped within a single frame presenting parts none of which reveal the whole.

2. Common traps and pitfalls in strategy formulation

A common fallacy concerning strategy perpetuated in organisations is the confusion about leadership and management, and even between leadership and management.

The term 'management' has four distinct connotations: (1) 'management' as a discipline of study consisting of a body of knowledge, in the sense the word is used in 'Indian Institute of Management'; (2) 'management' as a process by which roleholders seek to optimise resource allocation and use for eliciting functional responses of synergy in complex task systems; (3) 'management' as a collective noun, often erroneously associated with a small set of roleholders identified as the only ones responsible for management as a process—a notion that is based on assumptions ill-suited to learning organisations where all roleholders need to practise management as a process (Kotter, 1990); and (4) 'management' as sheer manipulation, in the sense that people say, 'Have you managed him?' A strategy process needs to distinguish between these four strands and concern itself mainly with the first two, while providing space for stakeholders to develop a shared vision to circumvent the problem of a few carrying loads for the many as implied by the third connotation, and abhor the fourth which kills strategy processes through the harm that

any coercion or exploitation entails.

Leadership cannot substitute for management anymore than it can substitute for strategy. All of us as members of teams and organisations have experienced leaders. Try and think of leaders you have worked with who inspired you and were also effective in relation to the task. Leadership is essentially a phenomenon in which projections of followership sustain myths about good and bad leaders. The same leaders who symbolise hope and expectations today could be castigated as bad leaders or failures tomorrow when the followership loses respect for them from the experience of not having its hopes fulfilled. In electoral politics this is called the incumbency factor and it is found also in business organisations. The same business leaders who are feted on the covers of business magazines are dumped and replaced by new ones periodically. If management can be summed up by its two cornerstones, credibility and communication, Chief Executives are the role holders who facilitate initiatives where an entire eco-system populated by persons can hold on to shared perspectives that are both credible and communicable at all times.

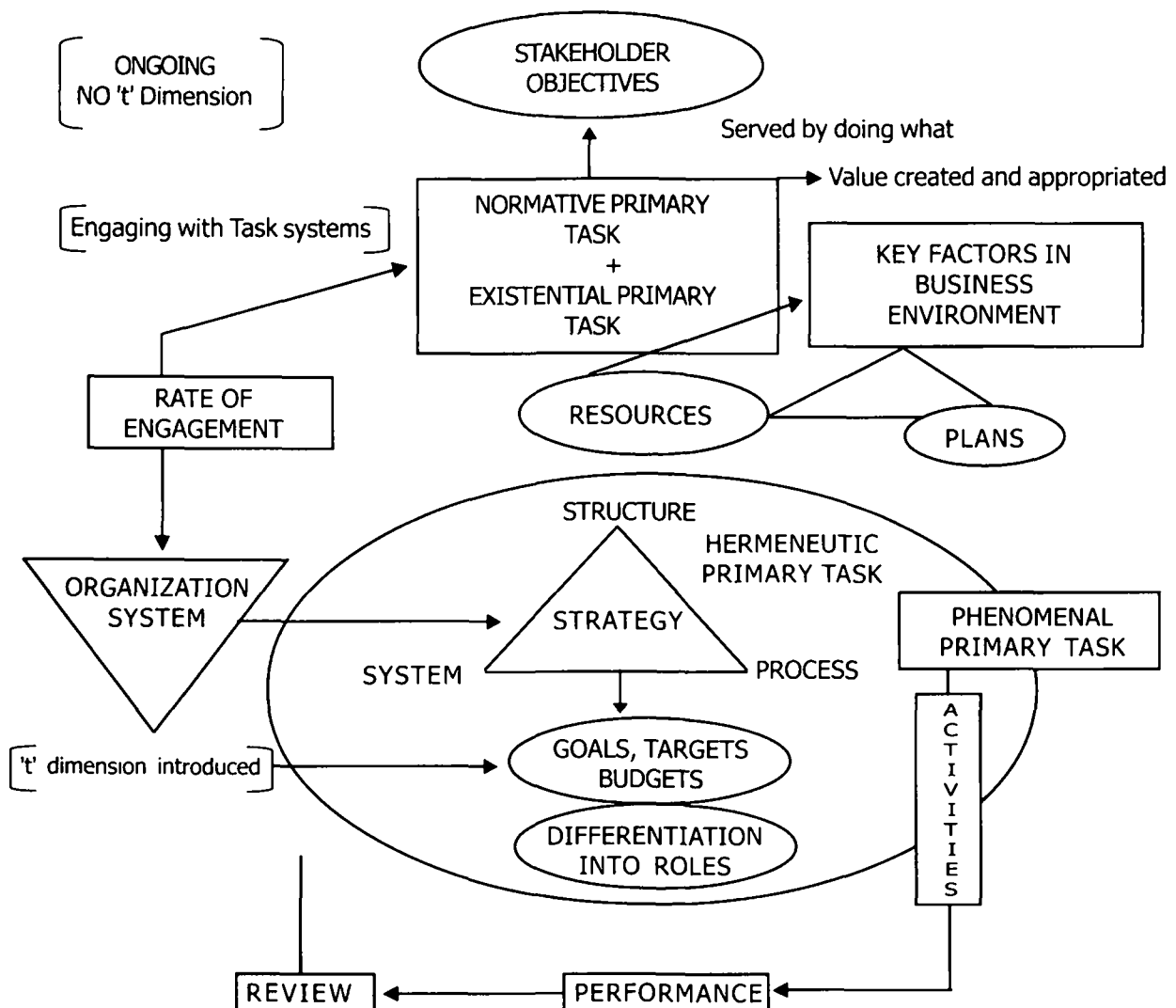
Regardless of whether a leader thrives on charisma (as Gandhiji in leading a nation, or Sam Pitroda at C-Dot in transforming telecom, or John Hammond in Dunlop's restructuring in the 1980s) or on the basis of inspiring competence to support organisational authority at all levels (Ajit Haksar at ITC, Ratan Tata at Tata Sons, John Harvey Jones at ICI, Azim Premji at Wipro, Anu Aga at Thermax) or both, no leader in any complex organisation can thrive for long without management processes that enable communicable and credible shared perspectives. I had no opportunity to meet Gandhiji who died before I was born, but all others named above are people I have had the privilege of meeting, and listening to for understanding what they practised of management, leadership and strategy. I have also had the privilege of listening to hundreds of entrepreneurs in their formative years—successful ones like Karsanbhai Patel and also failures who I would rather not name. The concept of business, whether small or big, begins from explicit recognition of stakeholders—not only those who provide risk capital but also others who ally with them as suppliers of resources (employees providing expertise, banks providing loan capital, vendors

supplying materials), as customers whose needs are being satisfied, and others who are direct and indirect beneficiaries in the proximate society, including government agencies.

Thus, a strategy process always begins from identifying stakeholders as in Figure 1. Each set of stakeholders has expectations of returns for their investment. What makes one enterprise different from another is in how the primary task is designed or located to serve the stakeholders. For simplicity, this has been called 'the normative primary task' of an organisation. It refers to that central task into which all tasks of the system enmesh and without such a

central task, a system would have no reason for existence. A steel manufacturing company would have conversion of iron ore into finished steel products as its primary task and everyone whether in marketing or accounting or purchase is actually eventually concerned with this primary task. Similarly, the primary task of an airline like Jet Airways could be described as converting potential passengers into ticketed passengers and ticketed passengers into former passengers at the desired destination. Occasionally, an enterprise may have a dual primary task as in the eventuality where a hospital is located right besides a medical college and the two function as an integrated system.

Figure 1 Open Systems View of Thinking Through Strategy



However, if you actually ask a cabin crew of an airline or a rolling mill worker in a steel plant or a nurse in a hospital, it should not surprise us if the roleholder visualises his or her primary task in a different way. Statements such as "I work here because the pay is good" or "I work here because I like the culture of this workplace" clearly point to the co-existence of a second concurrent existential primary task that also belongs to the whole enterprise, not only to individuals. Clearly, the simultaneous pursuit of two primary tasks, a normative one and an existential one, is a necessity of the enterprise since one could not be engaged with in the absence of the other.

What distinguishes one enterprise from another is not only the nature of the normative primary task but also the rate of engagement with it. Kingfisher and British Airways are both airlines but one has a greater rate of engagement (more flights to more areas) than another. The complexity of an enterprise is therefore predicated on its rate of engagement which determines what kind of technology, what numbers of employees, what segments of customers would the business be serving etc.. Plans can be made first and resources mobilised later or resources visualised and mobilised first and plans made later. Both are valid routes but the one taken would often depend on key factors in the business environment that introduce limits on number of customers, nature of the socio-technical system that can be built, skills available etc. In every case, the organisation system follows the decision on the rate of engagement and this introduces the time dimension in strategy because committing resources to action implies a planning horizon of costs, benefits and streams of flows to enable inputs to be converted to outputs or value created and appropriated. The role holders inducted into an organisation system produce its structure as differentiated skills get mobilised. Thereby, the system and structure are in place but the management process that would enable everyone concerned (stakeholders, employees, others) to cohere a shared vision would also require a translation of the commitment around such a shared vision.

The greatest danger to derailment of strategy is present at this stage when the socio-technical system and the organisation structure have been determined but processes that would enable a cohered shared

vision to be perpetuated are still under-emerged. A temptation to which a large number of organisations succumb is to now set budgets, targets and goals in the interests of efficiency and to assign responsibilities for these to individual role-holders and then believe that nothing more is required than to motivate people to do what they are supposed to do which is also what they are contracted to do.

The fallacy in this is that an organisation as a living system will never have a complete set of all role holders required to engage with the tasks of the system and so any attempt to freeze the frame at a point in time would doom the organisation to 'no man's land' kind of zones where important tasks remain undone because it is nobody's responsibility.

Periodic resetting of goals, leadership nudges, short term project assignments and many other management ruses have emerged to address this. They fail precisely because such approaches ignore the organisational reality that when normative and existential primary tasks are being concurrently engaged with, the system needs to make sense of the organisation in every moment of its existence and not only at performance appraisal time.

Role holders are often aware that the normative primary task has been punctured and yet no one may do anything about it because no one individually can change a whole system's traverse from within. A collective process requires collective remedies. Also, the real task that an organisation may be pursuing may be discrepant from its normative primary task and also from its existential primary task. In the course of working with a nationalised insurance company, I once encountered a situation where the organisation saw the collection of premia as its main input task and the disbursement of salaries as its main output task because most of the operations were actually devoted to doing this. The real business of structuring risk had been long lost in not remaining aware of anxieties that managing risk involves for roleholders as a collectivity, not only for the actuaries.

It is inadequate to jump from the strategy triangle comprising system, structure and process to implementing strategy through roles and goals, budgets and targets, with or without incentives, even if this provides for reviews. Process reviews to make

sense of the organisation need to be designed as well or the whole process could soon deteriorate into a farce. An explicit hermeneutic primary task is therefore needed in order to make sense of the phenomenal primary task at every point of inflexion in strategy formulation and implementation. Unthought knowns and knowables (that remain beyond awareness) need to be thought through. It is not the winds of change from outside that destabilise organisations as much as their own undercurrents. Organisations can easily get bogged down in complicated and detailed control systems, new measurement tools, new techniques aimed at operational commensurability in intricate detail whereby the direction itself can get lost. Reminiscing at the failures of businesses-large and small, a common element is often found in that when crisis points were reached, instead of revisiting the whole strategy, these organisations got mired in activity traps and chased shadows. In Dunlop, the last few years before the Company sank were spent aligning the organisation to a statistical calendar that would measure all weeks equally to enable the generation of data that was comparable across functions and territories. Organisations like Rolls royce went bankrupt chasing quality, to the exclusion of everything else. Famous brands such as Parker, Singer, HMV are history for similar reasons.

3. The wonderland of Pixies, Angels, Goblins and Santa Clauses

Success is often mistaken for strategy even in the absence of strategy. The cement of sustainable organisations is essentially behavioural. It is difficult to retain roleholders in teams that lack a shared vision which is both credible and communicable. If the ecosystem of an organisation is healthy, strategy can be reconfigured. Therefore, an important hermeneutic element of strategy is in the capacity of an organisation to learn and renew itself. The most successful organisation could fail and come apart without sustainable strategy and the most miserable of organisations could renew itself if only it would get its strategy right. Operational plans can be revised annually and bad project decisions can be written off with sunk costs but strategy failures ring the death knell of organisations. A matter of life and death that begins from stakeholders and should culminate in

hermeneutic processes cannot be lightly treated by hoping that a leadership change, by itself would achieve miracles, unless it were to be associated with catalysis processes that question the design of strategy itself. So why do great organisations collapse despite having abundance of investment (Santa Clauses), no shortage of well-wishers (angels), efficient managers driving goals (goblins) and dedicated workers (pixies) seeking their fortunes through alignment with the organisation?

3.1 Slave-driving Goblins

Competent Managers likely to be evaluated over short intervals of time tend to strongly favour result oriented actions that would show some results quickly because their own reputations, rewards, incentives depend on that. They often have prescriptions even before they have diagnosed the problems of the organisation. Their prescriptions include acquiring control over incentive systems, over targets, budgets, goals that can be identified with specific role-holders and by overlording/supervising/monitoring they acquire power to influence the system through rewards and punishments. In organisations that depend on slave-driving goblins, management processes get quickly replaced by the notion of 'management' as a collective noun and such organisation may achieve some efficiencies but they seldom transcend operational detail to design the organisation system, structure and process for the task for which the organisation normatively exists and a phenomenal task (the imagined task which keeps people busy) can continue to substitute reality until stakeholder objectives become threatened. In such organisations, the slave-driving goblins may even convince stakeholders that strategy is only for large sophisticated organisations and small resource-strapped organisations such as theirs are to be managed only by fiat of those in authority. The primary tasks in such organisations get distorted and there is no possibility of formulating strategy without stakeholder intervention. The knowledge of most worth in any organisation gets revealed first to its practitioners and they are best placed to raise questions than to be forever engrossed in firefighting for solutions to problems that repeat (Nahapiet and Ghoshal, 1998; Mathur, 2003).

3.2 Well-meaning Pixies

Well-meaning industrious workers who work in an organisation can be their own greatest enemy in some situations. One such situation is where such pixies are unable to identify with a normative primary task (that single unifying primary task without which the organisation would have no reason to exist). Another such situation could be where they do not have the desired satisfaction from the quality of life and work-life (an existential primary task that belongs to the whole organisation) that their role with an organisation can support. The worst possible situation is when the two problems co-exist. In such situations, there is no possibility of formulating a strategy without revisiting why the organisation exists and enlisting the support of all roleholders to primary tasks that can be explicitly legitimised.

3.3 Angels

All organisations that have societal use invariably create goodwill in their proximate environment. Through exchange relations and collaborative relations with other systems, they develop a constituency of well-wishers that are a resource pool for the stakeholders as well as functionaries. These I call the angels. The angel investors are well known in the finance literature. Less known are angels who are supporters of the system from the outside. The pitfall here is that a system can keep its image alive long after it has ceased to create value simply because there are a set of people outside the system unconnected with the operations who sustain the myth that the system is alive and well and thriving.

3.4 Santa Clauses

The collapse of the Barings Bank was a vivid reminder of how financiers can keep pouring money into bad unviable deals, unsustainable ventures, decrepit systems and into outright follies, supported by well-wishers (angels). No Santa Claus has yet succeeded in saving an organisation that had turned its back on strategy formulation and implementation or had adopted one without meaning-making processes of self-renewal.

4. Conclusions

Strategy is not about planning, nor does a plan made for long-term assume the status of strategy merely because it is made for some long time horizon. Decisions of strategic significance are made in everyday decision-making by a large number of roleholders with respect to their arenas of responsibility. These would not cohere or enmesh without a shared perspective. The open systems approach provided in Figure 1 covers all the aspects that are involved in strategy formulation. A strategy formulated with these elements in view would be implementable if the processes supporting it were to be regarded as an intrinsic inseparable part of the strategy. Porter (1996) noted that operational effectiveness is not strategy. Operational effectiveness is a necessity but that is not sufficient as strategy. All successful strategies require recognition of boundary conditions as limits and constraints may require trade-offs between alternative rates of engagement or alternative resource configurations. However, the trade-offs cannot be between systems, structures and processes because this trine belongs together.

A question often raised in management literature concerns the significance of culture and whether strategy design is culture specific. It is easy also to get lost in Frankenstein detail about trivia that concerns specific norms of how resources and responses can be evoked more effectively by adopting homilies like 'When in Rome, Do as the Romans do'. Joutsimaki and Mathur (2006) analysed this aspect to propose that action research can enable boundary conditions of open systems to manage cultural differences in specific forms in which business is carried out for better organisational design and its manifestations in organisation structures, management processes and control systems.

The choices in strategy formulation and implementation are not really about putting to contest the 'pictures-in-the-mind' that pixies, angels, goblins and Santa Clauses may carry. Rather, it is about explicitly acknowledging stakeholders and legitimising the normative, existential, phenomenal and

hermeneutic primary tasks so that assumptions about structures, systems and processes fit each other, not only at a point in time, but for the entire trajectory of an ongoing concern. That would also enable a shift away from trying to motivate (read manipulate or coerce) other people (an impossibility) towards designing eco-systems that would be sustainably competitive and in which people would have a reasonable chance of feeling motivated.

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