SCHOOLS OF STRATEGIC THOUGHT

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There are some people who begin the Zoo at the beginning, called Way In, and walk as quickly as they can past every cage until they come to the one called Way Out, but the nicest people go straight to the animal they love most, and stay there.

I dedicate this lecture to those people who are interested in open fields rather than closed cages.
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The Planning Schools

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The Design School

Strategy Formation As A
Process of Conception
The Design School

The Design School places primary emphasis on the appraisals of the external and internal situation the former uncovering threats and opportunities in the environment the latter revealing strengths and weaknesses of the organization. It is a fit between internal capabilities and external possibilities.
The Basic Design School Model

![Diagram of the Basic Design School Model](image)
Premises of the Design School

1-Strategy formation should be a deliberate process of conscious thought.

2-Responsibility for that control and consciousness must rest with the chief executive officer: that person is the strategist.

3-The model of strategy formation must be kept simple and informal.

4- Strategies should be one of a kind: the best ones result from a process of individualized design.
5- The design process is complete when strategies appear fully formulated as perspective.

6- These strategies should be explicit, so they have to be kept simple.

7- Finally, only after these unique, full-blown, explicit, and simple strategies are fully formulated can they then be implemented.
Critique of the Design School

Assessment of strengths and weaknesses: bypassing learning.

Structure follows strategy... As the left foot follows the right.

Making strategy explicit: promoting inflexibility.

Separation of formulation from implementation: detaching thinking from acting.
1- One brain can, in principle, handle all of the information relevant for strategy formation.

2- That brain is able to have full, detailed, intimate knowledge of the situation in question.
3- The relevant knowledge must be established before a new intended strategy has to be implemented – in other words, the situation has to remain relatively stable or at least predictable.

4- The organization in question must be prepared to cope with a centrally articulated strategy.
The Planning School

Strategy Formation As A Formal Process
The Basic Strategic Planning Model

1- The objectives-setting stage.
2- The external audit stage.
3- The internal audit stage.
4- The strategy evaluation stage.
5- The strategy operationalization stage.
6- Scheduling the whole process.
1- Strategies result from a controlled, conscious process of formal planning, decomposed into distinct steps, each delineated by checklists and supported by techniques.

2- Responsibility for that overall process rests with the chief executive in principle; responsibility for its execution rests with staff planners in practice.

3- Strategies appear from this process full blown, to be made explicit so that they can then be implemented through detailed attention to objectives, budgets, programs, and operating plans of various kinds.
The Positioning School

Strategy Formation As An Analytical Process
The positioning school focuses on the content of strategies, It opened up the prescriptive side of the field to substantial investigation.

Scholars and consultants now had something to sink their teeth into: they could study and prescribe the specific strategies available to organizations and the contexts in which each seemed to work best.
Premises of the Positioning School

1- Strategies are generic, specifically common, identifiable positions in the marketplace.

2- That marketplace (the context) is economic and competitive.

3- The strategy formation process is therefore one of selection of these generic positions based on analytical calculation.
4- Analysts play a major role in this process, feeding the results of their calculations to managers who officially control the choices.

5- Strategies thus come out from this process full blown and are then articulated and implemented; in effect, market structure drives deliberate positional strategies that drive organizational structure.
Critique of the Positioning School

1- Concerns about Focus: The focus has been narrow. It is oriented to the economic and especially the quantifiable as opposed to the social and the political, or even the nonquantifiable economic.

2- Concerns about Context: A second concern is the narrow context of the positioning school.
3- Concerns about Process: The Third concern relates to process. The message of the positioning school is not to get out there and learn, but to stay home and calculate.

4- Concerns about Strategies: Finally, strategy itself tends to have a narrow focus in the positioning school. It is seen as generic position, not unique perspective. At the limit, the process can be reduced to a formula, whereby such a position is selected from a restricted list of conditions.
Contribution of the Positioning School

With its emphasis on analysis and calculation, the positioning school has reduced its role from the formulation of strategy to the conducting of strategic analyses in support of that process.
The Entrepreneurial School

Strategy Formation As A Visionary Process
Premises of the Entrepreneurial School

1- Strategy exists in the mind of the leader as perspective, specifically a sense of long-term direction, a vision of the organization's future.

2- The process of strategy formation is semiconscious at best, rooted in the experience and intuition of the leader, whether he or she actually conceives the strategy or adopts it from others and then internalizes it in his or her own behavior.
3-The leader promotes the vision single-mindedly, even obsessionally, maintaining close personal control of the implementation in order to be able to reformulate specific aspects as necessary.

4-The strategic vision is thus malleable, and so entrepreneurial strategy tends to be deliberate and emergent-deliberate in overall vision and emergent in how the details of the vision unfold.
5- The organization is likewise malleable, a simple structure responsive to the leaders directives, whether an actual startup, a company owned by a individual, or a turnaround in a large established organization many of whose procedures and power relationships are suspended to allow the visionary leader considerable latitude for maneuver.
The Cognitive School

Strategy Formation As A Mental Process
A Parallel Process Model of Strategic Decision Making
Premises of the Cognitive School

1- Strategy formation is a cognitive process that takes place in the mind of the strategist.

2- Strategies thus emerge as perspectives – in the form of concepts, maps, schemas, and frames - that shape how people deal with inputs from the environment.
3- These inputs (according to the “objective” wing of this school) flow through all sorts of distorting filters before they are decoded by the cognitive maps, or else (according to the “subjective” wing) are merely interpretations of a world that exists only in terms of how it is perceived. The seen world, in other words, can be modeled, it can be framed, and it can be constructed.

4- As concepts, strategies are difficult to attain in the first place, considerably less than optimal when actually attained, and subsequently difficult to change when no longer viable.
The Learning School

Strategy Formation As An Emergent Process
Premises of the Learning School

1- The complex and unpredictable nature of the organizations environment, often coupled with the diffusion of knowledge bases necessary for strategy, precludes deliberate control; strategy making must above all take the form of a process of learning over time, in which, at the limit, formulation and implementation become indistinguishable.

2- While the leader must learn too, and sometimes can be the main learner, more commonly it is the collective system that learns: there are many potential strategists in most organizations.
3-This learning proceeds in emergent fashion, through behavior that stimulates thinking retrospectively, so that sense can be made of action.

4-The role of leadership thus becomes not to preconceive deliberate strategies, but to manage the process of strategic learning, whereby novel strategies can emerge.

5- Accordingly, strategies appear first as patterns out of the past, only later, perhaps, as plans for the future, and ultimately, as perspectives to guide overall behavior.
Learning Organizations

Organizations can learn as much, if not more, from failure as from success.

A learning organization rejects the adage “if it ain’t broken, don’t fix it”

Learning organizations assume that the managers and workers closest to service provision often know more about this than than their superiors.

A learning organization actively seeks to move knowledge from one part of the organization to another.

Learning organizations spend a lot of energy looking outside their own boundaries of knowledge.
The Power School

Strategy Formation As A Process of Negotiation
Premises of the Power School

1- Strategy formation is shaped by power and politics, whether as a process inside the organization or as the behavior of the organization itself in its external environment.

2- The strategies that may result from such a process tend to be emergent, and take the form of positions and plays more than perspectives.
3- Micro power sees strategy making as the interplay, through persuasion, bargaining, and sometimes direct confrontation, in the form of political games, among parochial interests and shifting coalitions, with none dominant for any significant period of time.

4- Macro power sees the organization as promoting its own welfare by controlling or cooperating with organizations, through the use of strategic maneuvering as well as collective strategies in various kinds of networks and alliances.
The Cultural School

Strategy Formation As A
Collective Process
Premises of the Cultural School

1- Strategy formation is a process of social interaction, based on the beliefs and understandings shared by the members of an organization.

2- An individual acquires these beliefs through a process of acculturation, or socialization, which is largely tacit and nonverbal, although sometimes reinforced by more formal indoctrination.
3-The members of an organization can, therefore, only partially describe the beliefs that underpin their culture, while the origins and explanations may remain obscure.

4-As a result, strategy takes the form of perspective above all, more than positions, rooted in collective intentions (not necessarily explicated). Strategy is therefore best described as deliberate (even if not fully conscious).
5- Culture and especially ideology do not encourage strategic change so much as the perpetuation of existing strategy; at best, they tend to promote shifts in position within the organizations overall strategic perspective.
Culture and Strategy

1- DECISION-MAKING STYLE. Culture influences, and what is favored in an organization affect its use of analysis, and thereby influences the strategy-formation process.

2- RESISTANCE TO STRATEGIC CHANGE. A shared commitment to beliefs encourages consistency in an organization’s behavior, and thereby discourages changes in strategy.
OVERCOMING THE RESISTANCE TO STRATEGIC CHANGE. Attention has also been directed at how to overcome the strategic inertia of organizational culture.

DOMINANT VALUES. Successful (or excellent”) organization's are said to be “dominated” by key values, such as service, quality, and innovation, which, in turn, provide competitive advantage.
The Environmental School

Strategy Formation As A Reactive Process
Premises of the Environmental School

1- The environment, presenting itself to the organization as a set of general forces, is the central actor in the strategy making process.

2- The organization must respond to these forces, or else be “selected out.”
3- Leadership thus becomes a passive element for purposes of reading the environment and ensuring proper adaptation by the organization.

4- Organizations end up clustering together in distinct ecological type niches, positions where they remain until resources become scarce or conditions too hostile. Then they die.
The Configuration School

Strategy Formation As A Process of Transformation
Premises of the Configuration School

1- Most of the time, an organization can be described in terms of some kind of stable configuration of its characteristics: for a distinguishable period of time, it adopts a particular form of structure matched in particular behaviors that give rise to a particular set of strategies.

2- These periods of stability are interrupted occasionally by some process of transformation – a quantum leap to another configuration.
3- These successive states of configuration and periods of transformation may order themselves over time into patterned sequences, for example describing life cycles of organizations.

4- The key to strategic management, therefore, is to sustain stability or at least adaptable strategic change most of the time, but periodically to recognize the need for transformation and be able to manage that disruptive process without destroying the organization.
5-Accordingly, the process of strategy making can be one of conceptual designing or formal planning, systematic analyzing or leadership visioning, cooperative learning, focusing on individual cognition, collective socialization, or simple response to the forces of the environment; but each must be found at its own time and in its own context. In other words, the schools of thought on strategy formation themselves represent particular configurations.

6-The resulting strategies take the form of plans or patterns, positions or perspectives, but again, each for its own time and matched to its own situation.
1-Mobilize commitment to change through joint diagnosis of business problems... By helping people develop a shared diagnosis of what is wrong in an organization and what can and must be improved, a general manager [of a unit] mobilizes the initial commitment that is necessary to begin the change process.

2-Develop a shared vision of how to organize and manage for competitiveness. Once a core group of people is committed to a particular analysis of the problem, the general manager can lead employees toward a task-aligned vision of the organization that defines new roles and responsibilities.
3- Foster consensus for the new vision, competence to enact it. And cohesion to move it along...

4- Spread revitalization to all departments without pushing it from the top... The temptation to force newfound insights on the rest of the organization can be great, particularly when rapid change is needed, but it would be the same mistake that senior managers make when they try to push programmatic change throughout a company. It short-circuits the change process. It's better to let each department “reinvent the wheel”- that is, to find its own way to the new organization...
5-Institutionalize revitalization through formal policies, systems, and structures… The new approach has to become entrenched.

6-Monitor and adjust strategies in response to problem in the revitalization process. The purpose of change is to create…a learning organization capable of adapting to a changing competitive environment …Some might say that this is the general managers responsibility. But monitoring the change process needs to be shared…
Top-Down Transformation
“Eight Steps to Transforming Your Corporation”
for its overall managers
(from Kotter, 1995:61)

1- Establishing a sense of urgency: examining market and competitive realities; identifying and discussing crises, potential crises, or major opportunities.

2- Forming a powerful guiding coalition: assembling a group with enough power to lead the change effort; encouraging the group to work together as a team.
3- Creating a vision: creating a vision to help direct the change effort; developing strategies for achieving that vision.

4- Communicating the vision: using every vehicle possible to communicate the new vision and strategies; teaching new behaviors by the example of the guiding coalition.
5- Empowering others to act on the vision: getting rid of obstacles to change; changing systems or structures that seriously undermine the vision; encouraging risk taking and nontraditional ideas, activities, and actions.

6- Planning for and creating short-term wins: planning for visible performance improvements; creating those improvements; recognizing and rewarding employees involved in the improvements.
7- Consolidating improvements and producing still more changes: using increased credibility to change systems, structures, and policies that don’t fit the vision; hiring, promoting, and developing employees who can implement the vision; reinvigorating the process with new projects, themes, and change agents.

8-Institutionalizing new approaches: articulating the connections between the new behaviors and corporation success; developing the means to ensure leadership development and succession.
Strategic Management
Correlation between the Ten Dominant Strategy Schools

Unpredictable, confusing

Environmental

Cognitive
Learning
Power (micro)

Cultural
Configuration
Power (macro)

Positioning
Planning
Design

Entrepreneurial

Rational

INTERNAL PROCESSES

Comprehensible, controllable

EXTERNAL WORLD

Source: “Strategy Safari”, Mintzberg, Ahlstrand, and Lampel
1000ventures.com