

Strategy Mind Shift: changing leadership mental models and making strategy work

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Whitepaper by Robert Sawhney



About the Author

Robert has had a varied career spanning health and fitness, consultancy, and academia. Currently he works in a regional director role for one of the largest fitness solutions providers in the world. He has a BSc in Sports Science and Management from Brunel University and an MBA from the University of Lincoln. He did his doctoral studies in marketing at a university in Hong Kong.

He is the author of 2 books. Marketing Professional Services in Asia (Lexis Nexis, 2009) which was called one of the most indigenous books on Asian marketing by Professor Oliver Yau (Chair Professor of Marketing at City University HK) and Developing a Profitable Practice in Asia (Ark Group, 2010). He has also published over 50 articles in various newspapers and magazines on the topics of strategy, marketing, and leadership. He has spoken at numerous events as a keynote speaker or panelist around Asia.

His strengths lay in strategic thinking, action, and execution. Having worked with and supported some of the largest organizations in the world, he also has the in-depth practical experience of achieving targets and helping those around him succeed.

Robert is a keen sportsman having played professional football. He still hits the gym 5x week and plays rugby.

Contact:

LI: <https://www.linkedin.com/in/robertsawhney>

Twitter: <https://twitter.com/SawhneyRobert>

Blog: www.strategycompetitiveness.com

Email: chrisstriphk@gmail.com

Phone: +852 90132532, +852 97894589

Strategy Mind Shift: changing leadership mental models and making strategy work

'When the facts change, I change my mind. What do you do?' (Keynes).

It is both unfortunate and opportune that leadership within an organization has such a significant impact on strategy. It is fortunate when the CEO and leadership team understand how to engage the organization in the strategy process and are willing to listen, learn, and help create the culture that leads to execution. It is unfortunate when exactly the opposite is true. Changing mind sets and behaviour at the lower levels of the firm is hard enough. Changing those at the top is doubly hard because you don't have the same levers (i.e., authority and policy).

According to Dye and Sibony (McKinsey Quarterly, 2007), 'in conference rooms everywhere, corporate planners are in the midst of the annual strategic-planning process. For the better part of a year, they collect financial and operational data, make forecasts, and prepare lengthy presentations with the CEO and other senior managers about the future direction of the business. But at the end of this expensive and time-consuming process, many participants say they are frustrated by its lack of impact on either their own actions or the strategic direction of the company.'

This sense of disappointment was captured in a McKinsey Quarterly survey of nearly 800 executives: just 45 percent of the respondents said they were satisfied with the strategic-planning process. Moreover, only 23 percent indicated that major strategic decisions were made within its confines. Given these results, managers might well be tempted to jettison the planning process altogether.'

What is perhaps amusing and sad about the above statement is that it was written nearly 15 years ago and yet little seems to have changed. Read any article about the strategy process today and it will lament about the same issues.

Clearly strategy has a major impact on the outcomes of a firm, but it seems very few firms have a good grasp on how to create successful strategy processes nor perhaps do they have a good understanding of what strategy is. In addition, what is considered strategic thinking (i.e. analysis vs learning, planning vs doing) is often open to debate as organizations continue to apply strategic models more suited to mature stable industries vs the VUCA environments that are more common today. Strategy processes and workshops essentially end up as planning and budgeting meetings with very little strategy discourse happening. Exercises in ticking a box. That is one thing all organizations are good at!

What is Strategy?

It would seem reasonable that the starting point should be some shared understanding of what strategy is. I can say with a certain degree of confidence that it is NOT planning, budgeting, objectives, first mover advantage, mission, vision etc. Some of these maybe elements of strategy but they are not strategy. Strategy is the how, it is action, and it is doing.

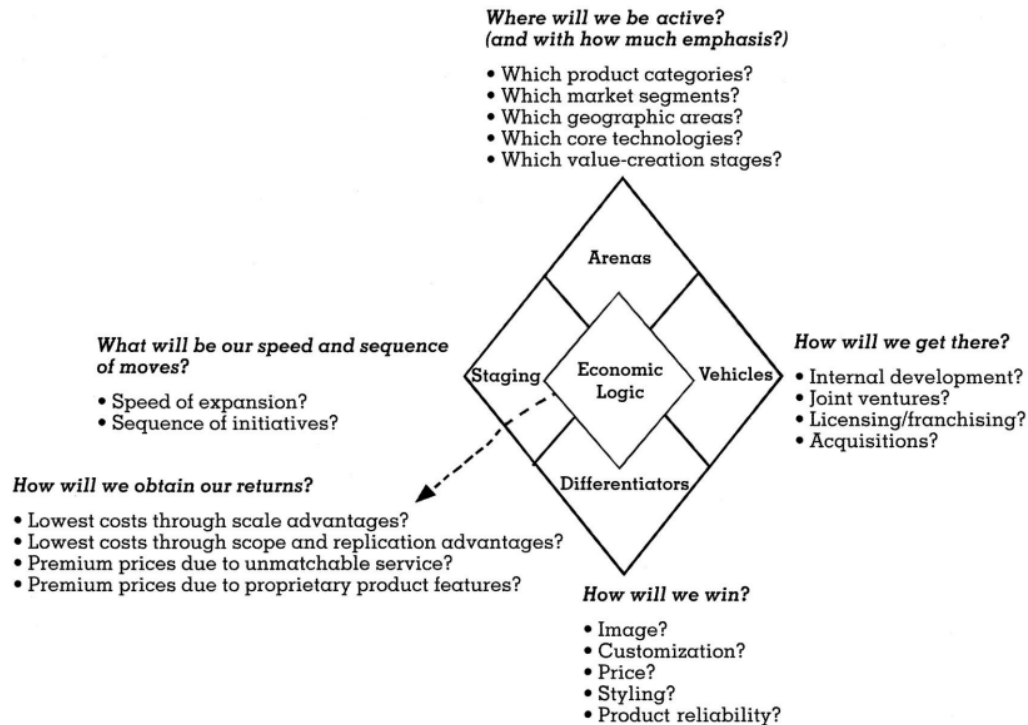
In probably the two most well known discussions of what strategy is, Michael Porter (What is Strategy, HBR 1996) and Hambrick and Fredrickson (Are You Sure You Have a Strategy, Academy of Management Executive, 2005), the authors lay out somewhat different views of what strategy is.

According to Porter, operational effectiveness and strategy work in different ways. He gives the examples of Japanese firms (such as Toyota) which focused on operational effectiveness during the 70s and 80s. As the gap in operational effectiveness has narrowed, these companies which rarely have a strategy according to Porter, have faltered as they don't have unique strategic positions. According to Porter, strategy is choosing to perform activities differently than rivals do, he uses the examples of South West Airlines and Ikea to demonstrate the concept of strategic positions. Porters approach to strategy is considered to fit into the positioning school of strategy which is essentially analytical in its approach, focusing on industry structure. It is a top down linear deterministic process that supposes structure follows strategy. Whilst offering a number of useful tools for analysis, many consider this strategy process as overly static and rigid in its approach. Something devised and more suitable for another time. It is also hard to link the analysis that Porter suggests to the actual process of strategy making. It should be noted there are at least 10 schools of strategy according to Henry Mintzberg and colleagues (Strategy Safari, 2005).

Strategy, in the view of Hambrick and Fredrickson, is a centrally, externally oriented concept of how an organization will achieve its objectives. It is not too dissimilar to the view of Porter but diverges in a few important ways. Firstly, it brings in the view of industry as an arena. A much broader view of industry and akin to the concept of what business are we in. Secondly, the authors identify the importance of competences in creating a competitive advantage, and if those competences do not exist, does the organization have a process for constant innovation and opportunity creation. This fits in with the ideas that competitive advantage can no longer be thought of something which is developed and then defended, but rather that all advantages are transient and hence organizations need to be in a constant state of flux and renewal. This is clearly linked to culture and learning and suggests another view of strategy that is more suited to today's dynamic environments. In her new book (Seeing Around Corners), Professor Rita McGrath makes a strong case for different ways of thinking about strategy and gives this compelling example: '*Another great saying from Andy Grove*' – "*When spring comes, snow melts first at the periphery, because that is where it is most exposed*".

According to McGrath, for people running organizations, this has important ramifications – if snow melts from the edges, how do we make sure we see when this is happening?

Hambrick and Fredrickson provide the below framework for defining what a strategy is.



The Five Major Elements of Strategy (Source: Hambrick, D.C., and Fredrickson, J.W. (2005). Are you sure you have a strategy? Academy of Mgt Exec, Vol 19, No. 4).

Based on this analysis, the authors breakdown the go to market approach of Ikea which can be summarized as: *offering inexpensive, instant fulfillment furniture to young white collar customers in a new shopping experience format. This is primarily achieved through organic expansion and rapid globalization leveraging and creating economies of scale and efficiencies through replication.*

This paper was written in 2006 and it is obvious that Ikea has continued to iterate on its strategy. It has focused heavily on technology to lead digital transformation in the company. It has also expanded its arena beyond the original furniture industry to thinking of itself as a lifestyle company targeting an immensely broad spectrum of the market. What is probably most well known about Ikea is their constant stream of innovation. For example, in a Forbes article from 2018, When asked to describe IKEA’s vision for the future at the recent ThinkX event in Stockholm co-sponsored by SAP and Singularity University, Kristin Grimsdottir responds:

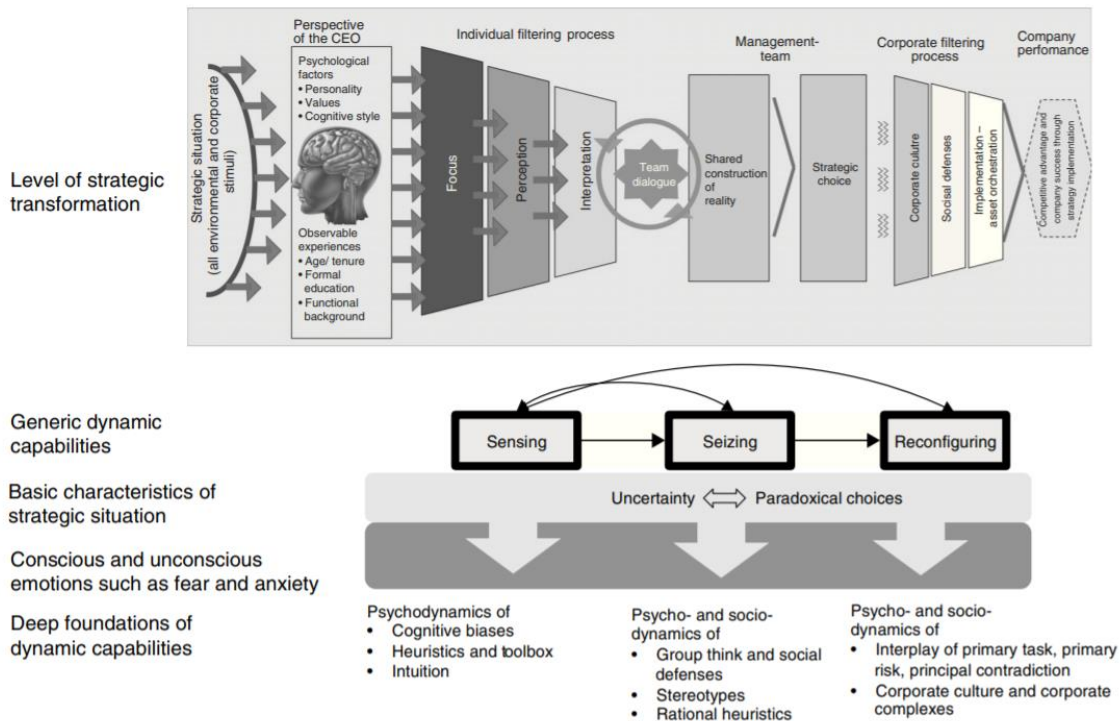
“We are not merely a home furnishing company; we focus on Life at Home and how we can make it better for people. For instance, we’re already helping customers generate their own energy with home solar panels and battery storage options and exploring the area of urban organic farming, so you can grow your own food in your kitchen”.

Ikea is an interesting choice of subject for many strategy writers as they use Ikea to provide evidence (often in hindsight) that clear strategy is based on analysis, leading to a clear position in the market. That may be the case in hindsight, but the actual story of Ikea is one of much more about learning through trial and error. The same can be said of many organizations such as Dell and Honda.

This highlights an incredibly important point. If strategy is the how, how do Ikea and other successful firms continue to innovate/regenerate whilst others, such as Nokia, could not? I believe that how can be summed up in one word – culture. You can devise the 'best' strategic position in the world but if it cannot be executed then it is not strategy – it is another meaningless vision statement that adorns the boardrooms of most organizations. Of course, you could also devise the 'worst' strategic approach in the eyes of the market (such as Nokia, Kodak, Blockbuster and many others did) and experience the same failure. Culture permeates strategy in numerous ways, from silos to mental models to personal agendas, it is culture that determines the nature of your strategy process plus the outcome of your strategy (intended or emergent).

David J Teece (in his book *Dynamic Capabilities*) identifies dynamic capabilities as sensing, seizing and managing threats/transforming. He also criticizes concepts such as the Porter's five forces as being overly static in nature. His ideas highlight the very real need to consider organizational culture in the role of strategy. How can one become 'capable' at sensing or transforming if the culture of the organization is insulated, siloed and hierarchical? This is barely considered in the positioning school, if at all.

In a rare and insightful piece about behavioral strategy, using the concepts of psychodynamics, Claudia Nagel (*Global Economics and Mgt Review*, 2016) discusses the psychology of strategic transformation processes. In the figure below, she highlights how the dynamic capabilities identified by David Teece (sensing, seizing and transforming/reconfiguring), are impacted by various psychodynamic and socio dynamic variables. The author also shows how the perspective of the CEO influences the organizations construction of shared reality and hence strategic choices. In other words, every leader and organization will sense the environment differently which in turns plays a major role in how leaders choose to move forward. They are often painfully unaware of these biases.



Overview of Behavioral Strategy Based Influencing Factors of Dynamic Capabilities (Source: Nagel, C (2016), Behavioral Strategy and Deep Foundations of Dynamic Capabilities – using psychodynamic concepts to better deal with uncertainty and paradoxical choices in strategic management. Global Economics and Mgt Rev, 21, pp. 46-64)

The author goes on to state that, " In summary, the psychodynamics of anxiety and fear influence individual strategic thinking as they result from cognitive and emotional uncertainty due to unforeseeable future and the nature of paradoxical choices. Through cognitive biases, heuristics, and intuitive reasoning, they invade our thinking and decision-making – mostly in a limiting inability to see the whole strategic situation. Therefore, it is essential for the manager to be capable of knowing about and assessing these influences".

The discussion so far has made it clear that, rather than some top down driven rational process contingent upon a senior leadership team who has all the answers, strategy needs a new view. One that recognizes the often messy and iterative nature of true strategy making and the need to consider culture and mental models as central to either inhibiting or facilitating positive behaviors/outcomes.

It is in fact a knowledge, market and learning orientation that have the most significant impact on firm performance. It may not be 'strategy' as most people know it but if strategy is the 'how' and the key source of competitive advantage (in the words of Porter), then in fact your culture is your strategy. If not, then at least we can agree with Peter Drucker when he stated that culture eats strategy for breakfast (the quote attributed to Drucker by Mark Fields from Ford Motor Co)!

Culture is often considered some gooey abstract concept that is some magical property which high performing organizations are able to capture and others not. It may be true that some firms have great cultures and others do not but it is hardly an unknowable or untestable concept. The features of a high performing culture have been clearly operationalized and delineated. Some of these are well articulated in the book by Doshi and McGregor, *Primed to Perform* or in the numerous books/articles by Dave Ulrich. More is available in the literature on innovation and market oriented cultures.

My use of the word of the market (as opposed to marketing) orientation is very deliberate. There is a substantial difference between the trappings of marketing (such as having a person designated as a marketer) and the substance of marketing, which is concerned with the value that is created for the customer. A market orientation can be defined according to the two seminal works in this area by Kohli and Jaworski, and Narver and Slater. These academics have done much to operationalize the implementation of the marketing concept in the form of market orientation.

According to Kohli and Jaworski (1990):

'market orientation is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it'

According to Slater and Narver (1995):

'a business is market oriented when its culture is systematically and entirely committed to the continuous creation of superior customer value'

What this means is that culture has been operationalized, it can be measured and it can be managed. Not in some misguided top down fashion through pointless culture workshops and engagement surveys but through a determined process of moving away from hierarchy to organizations as living breathing systems that unleash the collective wisdom of the crowd.

In the book *Reinventing the Organization* (2019), Yeung and Ulrich provide some fascinating insight into market oriented eco systems (MOE) built by firms such as Facebook, Tencent, Alibaba, Google etc. A market oriented eco system, in the view of the authors, is an emerging organizational logic that instead of a firm being organized by traditional divisions (command and control), it is organized along team based structures supported by a platform of resources, knowledge, and skills. The approach integrates a number of theories such as holocracy, boundaryless, agile etc. In my opinion, these types of organizational forms are becoming crucial to deal with the complexity of dynamic environments and rely heavily on the ability to leverage market, learning and knowledge cultures. They also help build these cultures because team based forms are critical to realizing the value of capability driven cultures. Hence structure does not just follow strategy but rather structure influences strategy and culture.

In their latest book, *Humanocracy*, Gary Hamel and Michele Zanini paint a compelling picture of the end of bureaucracy and the need for more humanistic approaches to management. I believe that adhocracy and other self emergent systems are much better suited to the job than typical structures. In fact, toxic 'strategy' mechanisms such as yearly budgeting can be eliminated almost entirely by beyond budgeting approaches which involve the concepts of sociocracy which is very similar to the ideas of the MOE proposed by Yeung and Ulrich.

What happens if I rewrite the Ikea strategy based on the Hambrick and Fredrickson version incorporating the ideas of emergent strategy that come from learning, culture, doing and iterating, including the way their strategy has evolved:

Ikea offers a range of lifestyle choices to sustainability conscious consumers anchored by home furniture as the hub of their experiences. We leverage new technologies and eco systems for instant fulfilment and visualization. This is primarily achieved through a market oriented culture that puts team based structures and innovation at the heart of what we do, creating both market driven and market driving solutions. Economies of scale/scope of learning are now more important than traditional metrics of efficiency.

This definition now shifts the concept of strategy away from unique position to something that is more around unique processes. It also identifies that learning is the centre of competitive advantage since advantage is transient. The vision of Ikea has not been changed but the how of achieving this vision has. It suggests that strategy is not something that comes from yearly strategic planning activities but rather it comes from a continual questioning of assumptions about the beliefs of the organization. Firms need to move from a know it all culture to a learn it all culture in the words of Satya Nadella (Microsoft CEO).

Probably the most well known example of this clash between schools of how strategy is made is the case of Honda entering the US motorcycle market in the late 1950s. It was presented as a classic case of strategic analysis using well known concepts such as cost leadership and the experience curve by the Boston Consulting Group (BCG) in a report submitted to the British Government (who had engaged BCG to analyse the demise of the British motorcycle industry). It turned out, after the original team members sent to the USA by Honda were interviewed at depth by Richard Pascale (when he was a Professor at Stanford University), that their success had little to do with a planned strategy (as that had failed miserably) and had much more to do with learning and serendipity (they had originally planned on entering the market with big bikes but ended up accessing the market with the 50cc super cub).

All this suggests that strategy, structure, and execution are not linear but more concurrent in nature. It also suggests that culture impacts strategy to such a significant degree that it MUST be considered as central to the strategy process. If your organization is a top down hierarchical bureaucratic

dinosaur then your strategy will be dictated by those pre existing conditions. You don't need to be a rocket scientist to figure out that the outcome will not be good!

The danger of seeking a unique position in the market based on traditional analytical approaches is well encapsulated in the thoughts of Milan Zeleny. This trade off, he suggests, originates from the ideas of Pareto optimality. He goes on to say: 'this is not efficiency...but a marginalization of the customer". The danger of pursuing some competences at the expense of others is those neglected competences atrophy and all advantages are temporary. Competences are bought and reconfigured all the time.

PORTER STRATEGY	ANTI-PORTER STRATEGY
Competition strategy	Competition/Cooperation strategy
Firm unit of competitiveness	Network of firms unit of competitiveness
Producer driven	Customer shaped
Hierarchical top-down company	Fast-moving team-based company
Static strategy	Dynamic strategy
Fixed competencies	Adaptable competencies
Complementary to existing advantage	Transforming of existing advantage
Based on tradeoffs	Eliminates tradeoffs
Strategy as declaration	Strategy as action
Strategy as unique position	Strategy as unique process
Problems of acceptance & implementation	Natural acceptance & implementation
Mechanical "Lego" of components	Organic growth of holistic strategy
Definition of industries	Industries as such do not exist
Multinational conglomerates	Networks of small companies
Sustainable strategy	Strategy for self-sustainable business

Source: (Zeleny, M. (2010). Strategy as Action: from Porter to anti Porter. International Journal of Strategic Decision Sciences, Vol 1, No, 1).

In the HBR classic by Henry Mintzberg (The Rise and Fall of Strategic Planning, 1994), the author describes how typical strategic planning processes have become strategic programming, the articulation and elaboration of strategies that already exist. For him, strategic thinking is about synthesis, which involves creativity and intuition. This comes from messy informal processes of learning that are carried out by people at various levels of the organization. This then comes back to the idea of emergence in strategy creation. In fact, as Arie De Gues (former head of planning at Royal Dutch/Shell) stated in a 1988 HBR article, the real purpose of effective planning is to change the mental models that decision makers carry in their heads. This is perhaps the most vexing challenge in the strategy creation process.

In summary then, this is what strategy is, and is not:

• **It is not:**

- Objectives
- Vision
- Mission
- Outcomes
- Planning
- Budgeting
- Yearly
- Separated from execution
- Top down
- Choice

“A strategy is the how. A coherent, integrated set of initiatives and concepts that will move the organisation forward in a unified manner to achieve transient advantage. It is fluid in movement but set in direction”.

• **It is:**

- The how
- Coherent
- Integrated
- Action
- Doing
- Learning
- On going
- Stakeholder driven
- Paradox

Source: authors own analysis

According to Richard Rumelt (in his excellent book, Good Strategy, Bad Strategy), a strategy has three interrelated pieces:

1. Diagnosis – this defines or explains the nature of the challenge. It simplifies often overwhelming complexity of reality by identifying certain aspects of the situation as critical.
2. Guiding policy – an overall approach to cope with or overcome the obstacles identified in the diagnosis.
3. Coherent actions – these are the steps that are coordinated with one another to work together in accomplishing the guiding policy.

In addition to thinking of strategy as one thing. It might be useful to think of different views of strategy based on the environmental conditions prevalent within an industry, arena or eco system. In their 2015 book (Your Strategy Needs a Strategy), Reeves, Haanaes, and Sinha identify that strategies themselves need a strategy. They identify a strategy palette with 5 approaches: classical, adaptive, visionary, shaping, and renewal. The approach you take will depend upon the environment you are in. According to the authors, analytical approaches such as those espoused by planning or positioning schools are best suited to mature stable industries. Since many industries are now facing levels of dynamism not traditionally seen then shaping and renewal approaches maybe more suitable. As a last piece of the puzzle before I turn to making strategy processes work, the view of strategy as innovation (see below) fits well with what I have described in terms of learning, culture, and transformation.

STRATEGY AS ANALYSIS		STRATEGY AS INNOVATION
Analytical, logical & linear	 MINDSET	Creative & disruptive
Logical	 AMBITIONS	Offensive
Stable, expect it to be much like the present	 THE FUTURE	Unstable, expect it to be different
Rational actor	 PEOPLE PERSPECTIVE	Passion
Preserve & tune existing business model	 BUSINESS MODEL	Develop & test a portfolio of new business models
SWOT PESTEL Value-Chain Five-Forces	 MAIN TOOLS	Disruptive Innovation Business Model Canvas Strategy Innovation Canvas The Innovation Pyramid
Difficult, creates resistance	 CHANGE	Love to create it, make change happen
Michael Porter	 LEADING PROPONENT	Gary Hamel, Rita McGrath

Two Lenses on Strategy (Source: <https://www.strategytools.io/strategy-tools/two-lenses-on-strategy/>).

Mind Shift - changing leadership mind sets

Think about these buzz words that fly around boardrooms, exec meetings and popular management publications/books:

- Nimble
- Agile
- Adaptable
- Digital transformation
- Talent management
- Lean
- Innovation and creativity
- Environmental scanning and SWOT
- Optimization and efficiency
- Customer centric
- Change capable
- Live by our core values

I could go on but you get the message. For the sake of argument let's assume all the above are relatively important depending upon the context and all critical to successful strategy development and execution. Now ask yourself a question: how is any of this doable in an effective way without the right culture? Easy answer, it isn't. Some may say this is more about strategy execution than development to which I would argue that is a false dichotomy. Planning is not strategy. In dynamic environments, strategy is about process, doing, and learning.

There are dozens of well known companies that have been disrupted by new entrants that didn't even come from within their standard definition of industry analysis. Uber, Amazon, Apple, Airbnb, and Netflix are well known examples. Even firms that were sitting on disruptive innovations such as Kodak (digital film) and Xerox (GUI) were unable to let go of legacy business models and mind sets to exploit these opportunities.



A Guide for Practicing Strategy in an Uncertain World (Source: <http://strategy-business.com/practicingstrategy>)

So how do we start changing the mind set of a senior leadership team as suggested in the figure above? How can we make strategy discussions more about strategic thinking and real discourse rather than innovation theatre and programmatic analysis?

The following is an insightful passage from Adam Grant in a 2021 HBR piece:

The legend of Steve Jobs is that he transformed our lives with the strength of his convictions. The key to his greatness, the story goes, was his ability to bend the world to his vision. The reality is that much of Apple's success came from his team's pushing him to rethink his positions. If Jobs hadn't surrounded himself with people who knew how to change his mind, he might not have changed the world.

For years Jobs insisted he would never make a phone. After his team finally persuaded him to reconsider, he banned outside apps; it took another year to get him to reverse that stance. Within nine months the App Store had a billion downloads, and a decade later the iPhone had generated more than \$1 trillion in revenue.

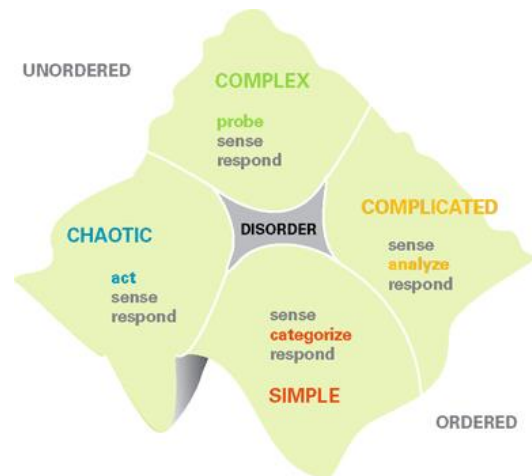
Almost every leader has studied the genius of Jobs, but surprisingly few have studied the genius of those who managed to influence him. As an organizational psychologist, I've spent time with a number of people who succeeded in motivating him to think again, and I've analyzed the science behind their techniques. The bad news is that plenty of leaders are so sure of themselves that they reject worthy opinions and ideas from others and refuse to abandon their own bad ones. The good news is that it is possible to get even the most overconfident, stubborn, narcissistic, and disagreeable people to open their minds.

He goes on to give a few examples of techniques that can be used to change mind set and behaviour including asking someone to explain how something works, letting that person take the reins (plant the seeds of ideas but let them develop), find a way to praise the narcissist, disagree with the disagreeable and keep pushing your ideas. In another HBR article from 2018, Tony Schwartz suggests that ultimately, personal transformation requires the courage to challenge one's current comfort zone, and to tolerate that discomfort without overreacting. He suggests a series of provocative questions to ask leaders and their teams to build a practice around asking themselves:

- “What am I not seeing?”
- “What else is true?”
- “What is my responsibility in this situation?”
- “How is my perspective being influenced by my fears?”

In the book *Thinking Fast and Slow* (Daniel Kahneman) as well as the book *Noise* (by Kahneman and colleagues), the authors highlight the challenges of cognitive bias and noise in the decision making process. Biases such as confirmation bias, anchoring, framing effect etc have a significant impact on decisions. Noise is essentially random scatter of choices and evaluations. For example, people may make different decisions or evaluate situations differently from one day to the next or experts in a field may evaluate a problem or case wildly differently where bias is not the only source of error. These books highlight the very real need for some type of awareness training to uncover bias and sources of noise plus the need for 'rules' and guidelines (such as checklists) to minimize their impact. A simple example would be the use of checklists in medicine or aviation that have been shown to have a substantial effect in reducing errors from both bias and noise.

In her book, *How to Change*, Katy Milkman emphasizes the importance of repetition in forming new habits as well as time. Whatever strategies you put in place to change both the mind set and behaviour of the senior leadership team during strategy discourse will not be a one and done deal. It may take many months and constant reinforcement for relapse to be avoided. For example, a good starting point to challenge mental models could be to bring in an external consultant to run workshops on strategic thinking and strategy development. However, the longer term impact of this will be negligible if the ideas presented are not continued during the organizations own internal processes. This may mean taking strategic frameworks and concepts such as scenario planning or disinterested dialogue, building the 'rules' around their use, and using ongoing repetition. The same goes for decision frameworks which can be useful in forcing leadership to explore ideas and their own assumptions. The Cynefin framework is a good example.



The Cynefin Framework (Source: Snowden, D.J., and Boone, M.E., Harvard Business Review, Nov 2007)

Another potential avenue in exploring mind set change is the concept of fixed mind set vs growth mind set popularised by Carol Dweck, Stanford Psychologist and author of the book Mindset. She identifies various strategies for moving from a fixed to a growth mind set. These are more specifically addressed for leaders by Ryan Gottfredson and Chris Reina (HBR, 2020) who also include the concepts of learning and performance mind sets, deliberative and implemental mind sets, as well as promotion and prevention mind sets. The authors suggest that once you have a better understanding of these mind sets you can tailor training programs to address areas of improvement.

A useful way of thinking about why so many senior leaders believe they know it all despite it being obvious to many others in the organization that the reality they see is not the same as what others see is the Dunning Kruger effect.



The Dunning Kruger Effect (Source: Training Peaks)

Despite the concept being subject to some scrutiny, the ideas are useful. According to Psychology Today, the Dunning-Kruger effect is a cognitive bias in which people wrongly overestimate their knowledge or ability in a specific area. This tends to occur because a lack of self-awareness prevents them from accurately assessing their own skills:

- Those with limited knowledge in a domain suffer a dual burden: Not only do they reach mistaken conclusions and make regrettable errors, but their incompetence robs them of the ability to realize it
- Those who are the least skilled tend to be most likely to overestimate their abilities
- Even smart people can be affected because having intelligence is not the same thing as learning and having a specific skill. Many individuals believe their experiences in one area are transferable to another
- Confidence is so highly valued that people would rather pretend to be smart or skilled than looking inadequate
- To avoid falling prey to the Dunning-Kruger effect, people can honestly and routinely question their knowledge base and the conclusions they draw, rather than blindly accepting them
- Individuals could also escape the trap by seeking others whose expertise can help cover their own blind spots, such as turning to a colleague or friend for advice or constructive criticism. Continuing to study a specific subject will also bring one's capacity into a clearer focus

This clearly has some relevance to what we see in the archetypal western leader who has been brought up on a diet of individualism and meritocracy. This may be even more pronounced in countries such as the US, UK and Australia which according to the research of Geert Hofstede, are some of the most individualistic nations on earth. Individualistic countries tend to place a high value on achieving goals where success is attributed to 'I' (my own capabilities). One's success is also due to one's own efforts (merit) where a person gets what they deserve. Hence those who have reached the C suite attribute much of that success to themselves whilst believing what got them there will continue to serve them well, despite evidence to the contrary. Confidence is good, misplaced confidence verging on arrogance is not.

Making the Strategy Process Work

In a large scale research project of over 1300 organizations in the UK, Hodgkinson et al (2006, Long Range Planning) found that the majority of strategy workshops relied on discursive rather than analytical approaches to discussion and did not involve middle managers, reinforcing the elitist approach to strategy so often seen in many organizations. The very essence of the idea that strategy can be developed by a few at the top has been questioned in this paper but to think this can be done over the course of a few retreats or sessions is in direct opposition to the concept of strategy being emergent and coming from within the business. Something Robert Grant (author of Contemporary

Strategy Analysis) calls planned emergence. British cybernetician, Ross Ashby, states that variety must be met with equal variety (The law of requisite variety). Given the nature of variety and complexity in VUCA environments, how is it feasible that the collective knowledge of a few senior leaders can match the collective wisdom of the crowd? That is the collective intelligence of the whole organization – the simple answer is it cannot!

Perhaps this quote (by one of the individuals interviewed from the study of Hodgkinson and colleagues) may sum up the frustrations of many involved in such processes:

“Strategy in my organisation is conceived as top-down command and control in a highly centralised organisation. As such the strategy process is a charade that does more to alienate colleagues than involve them. Consequently, I consider my organisation to be a very poor one that is going nowhere. The strategic incompetence of senior managers is staggering.”

This does not necessarily mean workshops are of no value but perhaps the way they are envisaged and used needs rethinking. Organizations must also think how they will avoid the 'effectivity paradox' where the very separation that workshops foster inhibits the transfer of ideas and plans back to everyday work situations (Macintosh et al, 2010).

Some ideas for improving workshop outcomes:

- Involve more stakeholders but determine the right point of entry
- Use an external facilitator who can set guidelines, rules of engagement and can also provide some objectivity
- Use workshops to bring together emergent strategy perspectives rather than trying to 'formulate' strategy once a year in a vacuum
- Use ad hoc strategy discussions as needed based on industry changes
- Use a broader range of analytic techniques beyond typical SWOT or industry analysis frameworks such as those with a learning or cultural lens
- Use them for building relationships and communicating with middle managers
- Use visualization techniques and tools
- Plan thoroughly in advance and set clear objectives for the process and outcome
- Create and ensure psychological safety to surface divergent views
- Avoid death by PowerPoint and think of more creative data sharing and codification
- Get the size and composition of the group right
- Ensure normally dominant voices are not permitted to dominate proceedings
- Do not let politics and vested interests divert the objectives
- Distance the workshop from every day organisational rituals/norms both physically and metaphorically but balance that with being able to implement
- Be willing to iterate on the spot if the process does not seem to be working

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- Ensure formulation and execution are discussed in tandem
 - Get the cadence, length and total time period right

In a McKinsey article from 2014 (Rethinking the Role of the Strategist), the authors suggest that strategy processes and the role of the strategist must change. They found that organizations which deemed themselves as very effective developers of strategy and had higher levels of profit than their peers were twice as likely to review strategy on an ongoing basis. This fits in with another McKinsey piece from 2012 (The Social Side of Strategy) that effective organizations seem to be transforming strategy development into an ongoing process of ad hoc, topic-specific leadership conversations and budget-reallocation meetings conducted periodically throughout the year. Some organizations have even instituted a more broadly democratic process that pulls in company-wide participation through social-technology and game-based strategy development.

In a Sloan Management Review article from 2003 (The Real Value of Strategic Planning), the authors suggest that strategic planning is one of the most important tasks for senior corporate and business-unit executives. Companies whose processes look more like tribal rituals waste valuable executive time at a minimum; more seriously, they may leave corporate leaders unprepared to respond properly when the inevitable moments of truth arise. When repositioned as a learning process, formal strategic planning can help managers make solidly grounded strategic decisions in a world of turbulence and uncertainty.

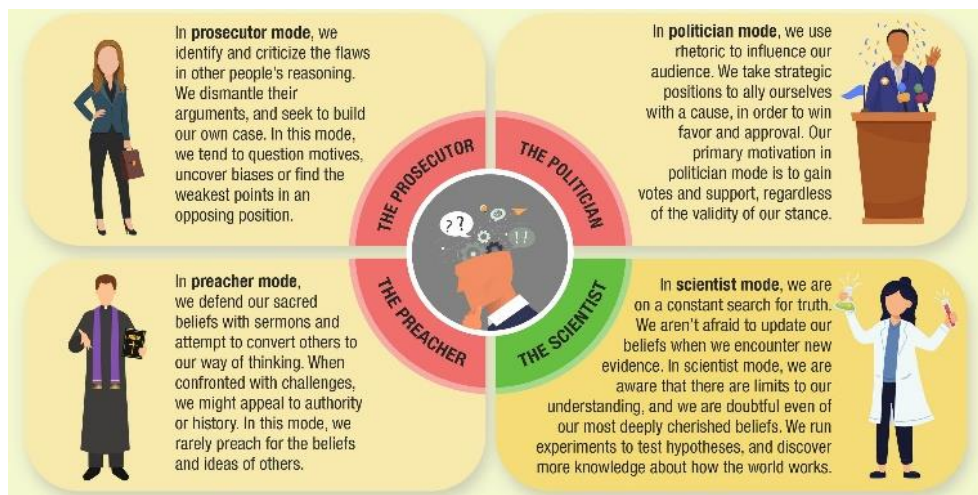
One of the key areas they highlight is how strategic conversations should be conducted. This is central to the success of strategy processes because communication and conversation determine what is actually discussed and what is 'acceptable' in terms of surfacing assumptions and challenging mental models. There is a growing body of evidence that decision processes have a major impact on the outcomes of strategy making. In the case for behavioral strategy, Dan Lovallo and Olivier Sibony (McKinsey Quarterly, 2010) discuss ways that organizations can de-bias decision making. They highlight some very insightful biases and ways these can be addressed to minimize their impact such as pattern recognition biases (where an execs previous experience boosts the odds they rely on analogy that is misleading) and action oriented biases that can be addressed by distinguishing between decision meetings and implementation meetings. The authors go on to describe 4 steps to implementing behavioral strategy:

1. Decide which decisions warrant the effort in surfacing and managing biases
2. Identify the biases most likely to affect crucial decisions
3. Select practices and tools to counter the most relevant biases such as using data to combat pattern recognition bias
4. Embed practices in formal processes such as capital investment approval processes or R&D reviews

These ideas and discussions are part of broader movement in strategy known as strategy as practice which is concerned with the micro level social interactions and processes that characterize strategizing.

Research by Garbuio and colleagues published in Long Range Planning (2015) identifies the importance of something they term 'disinterested' dialogue. They define disinterested dialogue as individuals' engagement in a fact-based transparent discussion that addresses a strategic decision as part of the company's existing portfolio of decisions. More specifically, disinterested dialogue should consider the decision at hand in light of a broader set of decisions, past and present, rather than in isolation. Disinterested dialogue should also be fact-based, open and based on transparent criteria. Decision makers' participation should be based on their relevant skills or experience, and they should be able to voice conflicting opinions. Their research suggests that much more weight should be given to constructing stronger approaches to discussing the decisions at hand. They state that during disinterested dialogue, individuals have the opportunity to place their knowledge into a broader context and are less likely to overvalue their prior experience; they are also more likely to engage in critical thinking by questioning assumptions, evaluating evidence, and testing the logic of ideas, proposals and suggested courses of actions that are part of strategic decisions.


In their new book, Making Great Strategy (2021), Sorenson and Carroll present the concept of logical arguments. They define this as an argument that passes the test of logic. Logic being reasoning conducted according to strict principles of validity. They go onto show how strategy mapping can be an effective tool for testing assumptions and the validity of those assumptions. The four thinking modes described by Adam Grant in his book Think Again can also be instructive in guiding senior leaders what modes they may fall into and that a scientist mode maybe more appropriate for proper strategy discourse in many cases.



Four Thinking Modes (Source: Grant, A. (2021), Think Again, Random House)

It should be evident that the success of strategy processes relies heavily on appropriate discourse. The ability of a group to function effectively whilst also being able to challenge each other is crucial to strategic outcomes. Culture then, has a huge impact on effective strategy not only in terms of execution but also in terms of formulation. Organizations should pay much greater attention to the culture of the firm in thinking about the 'what' and 'how' of strategy. They also need a structured approach to organizing what proper dialogue should address.

An excellent framework for this is the Vision Deployment Matrix described by Daniel Kim from the MIT Centre for Organizational Learning. It has two columns which allows the user to analyse a particular event or issue from both the current perspective and the desired future reality. The different levels of perspective provide a systems thinking view so one can engage in double loop learning (understanding causality) and triple loop learning (exploring assumptions and the why of certain processes). This is critical in testing assumptions and searching for the 'truth' in a given situation.



Level of Perspective	Current Reality	Desired Future Reality
Vision	What is the current vision-in-use?	What is the espoused vision of the future?
Mental Models	What are the prevailing assumptions, beliefs and values that sustain the systemic structures?	What assumptions, beliefs, and values are needed to realize the vision?
Systemic Structures	Which systemic structures are producing the most dominant pattern of behavior in the current system?	What kinds of systemic structures (either invented or redesigned) are required to operationalize the new mental models and achieve the vision?
Patterns	What is the behavior over time of key indicators in the current system?	What is the current vision-in-use?
Events	What are some specific events that characterize the current reality?	What are some specific events that illustrate how the vision is operating on a day-to-day basis?

Vision Deployment Matrix (Source: Daniel Kim, <https://thesystemsthinker.com/from-event-thinking-to-systems-thinking/>)

Below is an example of the framework being applied to a hypothetical outcome of a failed strategic initiative such as a new product launch or a poorly implemented new training program:

Events – were a sufficient number of stakeholders engaged? How was the approach decided upon and by whom?

Patterns – is this something that has happened on past initiatives and has the outcome been similar? Is this habitual?

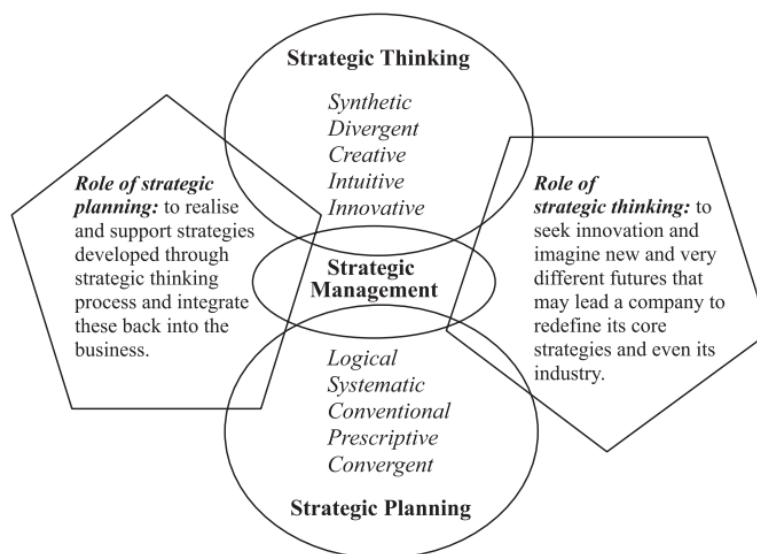
Systemic structures – what structures, such as KPIs, performance management, project management, functional silos etc are creating these issues and is this indicative of the organization as a whole?

Mental Models – what beliefs are sustaining these structures? Is it the lack of inter-functional coordination and trust in receiving support, fear of failure, the need for excessive control and hierarchy, lack of trust etc

Vision – what is the vision driving these assumptions? Is it that the organization has succeeded using these models in the past but is not able to adapt? Is it the desire to be seen as in control?

Systems thinking provides an excellent lens for thinking about feedback loops and how various actions are interconnected. Aside from using this type of approach for addressing the nature of strategic discourse, systems thinking tools can also be useful as an approach to strategy execution. The major challenge of its use in this regard is that cause and effect is not always obvious. In other words, it is a tenuous assumption to think that living systems can be directed in the way we expect. In the thought provoking book *Surfing the Edge of Chaos*, Richard T. Pascale and colleagues identify how complexity theory is being applied to strategic thinking. He states in an MIT Sloan piece published in 1999 *'One cannot direct a living system, only disturb it. Complex adaptive systems are characterized by weak cause-and-effect linkages... treating organizations as complex adaptive systems provides useful insight into the nature of strategic work'*.

What perhaps is needed is a clear separation between strategic planning and its intended purpose as well as well strategic thinking and its intended purpose. Based on the work of Fiona Graetz in an article published in *Management Decision*, strategic thinking and planning have different roles. She stresses the need for the right group composition (mix of right and left brain thinking) as well as both leaders and employees having the right skill sets.



Strategic Thinking and Planning (Source: Graetz, F (2002) Strategic Thinking vs Strategic Planning: towards understanding the complementarities. Mgt Decision, 40, 5, pp. 456-462)

This again suggests that different views of organization and strategy need to be taken seriously by top management and that current strategic planning processes are broken. Making strategy work needs a lot of work in organizations to actually make it work. It seems that currently, in most firms, it is far away from working.

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