"STRATEGY AS A DYNAMIC OF CONSTRAINTS:
THE POLITICAL ANATOMY OF NEW PRODUCT STRATEGIES"

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Strategy as a dynamic of constraints:
the political anatomy of new product strategies

by

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Writers on business strategy have traditionally distinguished between strategy formulation, on one hand, and strategy implementation on the other, and this distinction is embodied in most textbooks on the subject, as well as in most executives' perceptions of the strategic management process. Recent research into the process of strategic change has, however, established that while formulation and implementation activities may be conceptually distinct, they cannot be treated as practically independent. The traditional stage model of a process of strategy formulation being followed by a separate process of implementation does not in fact describe the way in which organizations work. This raises the question, from a process perspective, as to how the two types of activity may be characterized, and how they interact with each other. In this paper we shall draw on a recently developed framework for the analysis of strategic decision making as a political process to develop a characterization of strategy formulation in terms of the politics of inhibition, or unconscious constraints; and of strategy implementation in terms of the politics of non-cooperation, or conscious constraints. We shall then examine the consequences of looking at the strategic process as a whole as a dynamic created by the interaction of these two different sets of constraints. Focusing on new product development strategies in technology-based firms we shall look first at the ways in which the constraints complement each other so as to limit the scope for strategic change, and secondly at the ways in which they relate to each other over time so as to determine the pattern of strategic change. In conclusion we shall consider the implications of this analysis for strategy-makers.
A framework for analysis

In a recent paper we drew on a body of in-depth research into the process of technological decision making at the strategic level to put forward a framework for the analysis of the strategic decision making process in organizations. Following Pettigrew, Pfeffer, Mintzberg and others, and adopting Pfeffer's definition of organizational politics as "involv[ing] those activities taken within organizations to acquire, develop, and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or dissensus about choices", we argued that the decision making process was essentially a process of organizational politics. It consisted primarily in a process of manoeuvring and negotiation between individuals and interest groups, in which the wider interests of these individuals and groups and their overall power relationships were every bit as important as their views on the matter in question.

To analyze this political process we classified its principal elements into elements of political context and elements of political activity, with the former group subdivided further into elements of preference and elements of relationship. Combining this framework, derived empirically from our analysis, with that developed by Pfeffer, we put forward a framework for the analysis of the political process reproduced here as figure 1.

We also analyzed the sources of subjective preferences, and used this analysis to relate the political framework directly to the cognitive, cultural and group-psychological aspects of decision making explored by others. Apart from objective preferences derived exclusively from technical analysis and other shared preferences common to the organization we identified distinct personal, group, and departmental or divisional (more generally cultural) preferences, and analyzed the sources of these preferences in terms of cognitive, group and cultural factors. Figure 2 presents a brief summary of our conclusions in this respect.

Formulation and implementation in the strategy process

In the context of the work outlined above, strategic decision making was treated as a process of continuous manoeuvring and negotiating between interest groups, involving both the formulation and the implementation stages of the traditional strategy-making model. In this respect, the treatment was in line with much of the recent research into strategic decision making processes. Major studies by Pettigrew, Quinn, Mintzberg, Johnson and others have all highlighted the inadequacy of a simple stage model of strategy, in which the formulation and implementation stages can be sequentially separated. In particular both Quinn and Mintzberg have stressed that strategy formulation cannot generally be viewed as a separate process taking place at the top levels of the organization. Instead they see strategies (or in Quinn's case successful strategies) as emerging from within the organization, their incremental emergence often going hand in hand with an incremental process of implementation planning, so that by the time a strategy is clearly formulated and adopted by the organization as a whole many of the problems of implementation may already have been resolved.

The principal aim of this paper is to use the analytical framework outlined above to make some observations on the nature of this inter-relatedness of formulation and implementation activities within the overall strategy-making process. In order to do this, however, we must first focus on the distinction between the two types of activity.

In terms of the framework outlined above, the process of strategy formulation involves preferences at all levels (personal, group, cultural and shared) and political tactics and strategies of all kinds. On the basis of the substantial historical and process studies of Hendry, Graham, Johnson, Janis and others, however, it would appear that the political aspects of the process are largely unconscious.
Typically it would appear that each participant in the decision making process will genuinely seek an optimum decision, not in his own or his constituency's interests but in those of the organization as a whole. His preferences will, however, unconsciously reflect those of his department or division, and of any smaller groups of which he is a member. They will also be conditioned by cognitive influences, and in particular, as Johnson has shown, by cognitive inhibitions, limiting and conditioning his responses to external stimuli. And the range of decisions effectively open to the group may be seriously inhibited, as Janis has shown, by the unconscious effects of "groupthink". The decision makers will in general operate with any source of power and any political tactics available to them to ensure that a decision is reached in accordance with their own inhibitions. But research by Hambrick, Jemison, Narayanan and Fahey, and Nielsen and Rao has indicated, and the process studies confirm, that the most significant sources of power will be consensus and boundary control.

Turning to strategy implementation, studies by Mumford, Pettigrew, Graham, Hendry, Greiner, Guth and Macmillan, and Quinn and Mueller all point to this also operating as a politics of constraints, but this time of conscious ones. A decision having once been made, its political implications for the interests of the various individuals and groups become apparent, and attention is focussed on how to promote or retard it. As interest groups coalesce around the issue concerned, the cultural preferences associated with divisions or departments tend to dominate over personal or group preferences. And while all the sources of power and political tactics remain in play, the power derived from resource provision and from being irreplaceable, and the use of an effective power of veto or non-cooperation tend, as Hendry and Graham have shown, to come into prominence. The process is overwhelmingly one of the politics of non-cooperation.

Putting the above observations together, we arrive at a picture of the overall strategic change process as a political process dominated by two sets of constraints: one, largely unconscious, acting on decision making, and another, largely conscious, acting on implementation. The question then arises: how are these two sets of constraints related?

Let us consider a simplified model of strategy formulation. A group of decision makers come together to formulate a strategy, each carrying with him his own set of inhibitions, sources of power, and tactical armoury. Some of the cognitive inhibitions, those arising from corporate, industry or national culture, and those arising from the group decision making process itself, will be shared, and these will determine the boundaries of possible strategy formulations. Where inhibitions are not shared, they may in principal be overcome through the political process, but assuming that, as is generally the case, a top priority is to reach a consensus decision, the likelihood is that even unshared inhibitions will act effectively in limiting the range of strategies considered. So out of an infinite range of conceivable formulations we are left with a much smaller range comprised of those which do not seriously violate any of the decision makers' inhibitions. Within this range, the eventual decision will then be determined by the tactical skills of the negotiators and, especially, by their sources of power. In the context of a technology-based firm debating new product strategies, for example, the key power source tends to lie with the marketing and finance functions (source of power = boundary control), whose preferences will generally prevail.

Turning next to the implementation process, many of the shared inhibitions present in the formulation process will again be operative. Since not all those involved with the implementation will have been involved with the formulation and with the group effects inherent in that, the boundaries may well be slightly different, but assuming that the formulation process was carried out carefully the
difference should not be too significant. What will be significant, however, is the difference in power relationships. Looking again at the technology-based firm, the key power sources in implementation will tend to lie not with marketing and finance but with R&D and production (power sources = resource control and indispensability). Within the implementation process it is their preferences, maintained through the use of their effective powers of veto, that are likely to prevail.

What all this suggests is that, in technology-based firms at least, there may well be a fundamental conflict between the constraints on formulation and those on implementation. This may not apply to every organization or every strategic decision process. But recent research suggests that the conflict between R&D and marketing, in particular, is still a dominant feature of most technology-based firms. Such firms would therefore seem quite likely to find themselves in a position where two rival interest groups were in effect dominating the two parts of the strategy process with potentially disastrous consequences: nothing that could be formulated would be likely to be implemented, and vice-versa.

**Strategy as a dynamic of constraints**

So far we have treated only the statics of the formulation-implementation relationship, and that only cursorily. Restricting ourselves again, however, to the specific example of new product strategies, and drawing on the work of Graham and Hendry, we can also make some observations upon the dynamic relationship between the two sets of constraints.

Graham studied the development of the videodisc at RCA, tracing both the top-level decision making as to what products RCA should be developing and offering for sale, and the development process itself, through a range of different projects and across several different divisions, for a period of about 15 years. The decision making process was dominated by a variety of competing images as to what sort of firm RCA was, some personal politics, the announcement of rival competitor offerings, and the hopes and often ill-informed aspirations of the marketing function. The development process was dominated by competition between different interest groups with the R&D function and within the relevant product divisions. It was eventually determined by a combination of astute political championing of one particular product design, and the non-cooperation of the critical product division with respect to certain key aspects of that design. The outcome was a series of strategy formulations and concept product launches which started out by bearing no relationship at all to what could in practice be implemented, but gradually converged towards it.

Hendry studied the development of power-producing nuclear reactors by the United Kingdom Atomic Energy Authority from its post-war beginnings to the establishment of a stable set of priorities (the AGR reactor as the basis for Britain’s nuclear power programme with the fast breeder reactor for use in the longer term) at the end of the 1950s. In this case both decision making and development were governed by much the same set of political forces, the most important of which were political blocking tactics and non-cooperation on the part of the division responsible for the final industrial-scale stages of development. As with RCA, however, the constraints on what could be implemented took a long time to emerge, in the course of which a series of practically non-implementable formulations were agreed upon.

Hendry (1989) studied the development of the British computer industry over a period of twenty years, focussing on the formulation and implementation of new product strategies within the different companies concerned. The processes of both decision making and product development varied from firm to firm. Once again, however, the decisions appear in most cases to have emerged from a dynamic between what was perceived to be needed and what was in fact doable, with
early decisions reflecting the former and later ones being dominated by the latter.

In both these examples, the dynamic relationship between formulation and implementation was more or less the same. Original decision processes reflected very little of the realities of implementation, but as these emerged through the attempted enaction of the decisions, the latter were themselves conditioned increasingly by them. Eventually the constraints on the implementation process not only influenced but actually determined the formulation process: the organizations decided to do whatever it was they were going to do anyway.

In this process the original strategy formulations acted as guides to the development process rather than as determinants of it. But like most guides they were characterized by guidelines, which is to say constraints. For while what is decided does not determine what is done, it cannot but limit it. What one gets, therefore, is a situation where the constraints of the implementation process are dominant, but the constraints of the formulation process also, to some extent, compound these.

Implications for management

Traditional approaches to strategy take the range of possible formulations as given, and take a resource approach to implementation, emphasizing the scope of what can in principle be implemented rather than the limitations of what might be implementable in practice. Our analysis suggests, however, that both aspects might profitably be reviewed. If the constraints on formulation are severe compared with those on implementation, important and perfectly feasible strategic opportunities might be lost. If the reverse is the case, the scope of strategic change will be limited, and if as is likely to be the case the decision makers are unaware of the situation, the costs that can be incurred in pursuing an unimplementable strategy can be enormous. As the examples given above indicate, an initially unimplementable strategy might in time be transformed into one that is implementable, but only at the cost of wasted development and, if the strategy is made public, of market credibility. Finally if the constraints on formulation and implementation are both severe, however well they might conform with each other, the resultant inability of the firm to change can place it in real danger.

How, then, can you determine what your own firm's constraints are, and what can you do about it if they do in fact pose a problem? The constraints on implementation are usually there for all to see, if only you look. Most people do not look, for while they will recognize (if not openly admit to) an element of political manoeuvring in their own activities, they do not as a rule expect it in others. Moreover, if there is a substantial degree of conflict between two units of the organization, this conflict is usually less apparent to the politically dominant unit, which is the one likely to influence the decisions, than to the dominated one. Whereas the dominated unit will relate all its actions to the source of domination and so may have a very significant obstructing effect on the implementation process, the dominant unit will tend to take its domination for granted and ignore any problems that the rival unit might create. So the constraints are often not seen - but they are nevertheless highly visible.

Constraints on the formulation process, being largely unconscious, are naturally much harder to recognise. If formulation is dominated by a single constituency in the organization, however, or by a tight coalition of interests, or if it takes place within any closed group, these must all be danger signs.

The remedies, apart from the very difficult task of changing the political nature of the organization, would appear to lie with those procedures that open up the decision making process and relate it directly to implementation. If, as advocated by Quinn and Mintzberg, strategic ideas are allowed to surface from the depths of
the organization and not just from a small planning group, this at least allows a wide range of ideas to be considered. And if the development, selection and implementation of the ideas is handled through a process such as that described by Quinn, Hayes or Bourgeois and Brodwin, in which understanding and commitment are built into the decision making process, and the political difficulties of implementation are openly recognised and managed, then the worst of the dangers should be avoided.


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Figure 1

Political units

<table>
<thead>
<tr>
<th>Individuals</th>
<th>Groups</th>
<th>Divisions or departments</th>
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Preferences

- Individual preferences
- Group preferences
- Cultural preferences
- Shared preferences

Relationships

- Interpersonal relationships
- Inter-group relationships
  - Formal relationships
  - Informal (committee) relationships

Sources of power

- Being irreplaceable
- Political skills
- Affecting decision premises
  - Consensus
  - Uncertainty coping
  - Resource provision
  - Control over boundaries

Strategies and tactics

- Selective use of objective criteria
- Use of outside experts
- Controlling agenda
- Use of coalitions and external constituencies
- Cooptation
- Use of committees
- Use of effective power of veto or non-cooperation
### Elements of preference

<table>
<thead>
<tr>
<th>Sources of preference</th>
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| **Personal preferences**  
Social context of individual development. Education, training and work experiences. Established and reinforced through unconscious cognitive simplifying processes and interactions with archetypal elements of the subconscious. Personal values, goals and ambitions. |
| **Group preferences**  
Shared experiences. Bonds formed as part of group development process. Group needs for survival and prestige.                                                              |
| **Cultural preferences**  
Developments of group preferences. Transmitted to newcomers (themselves selected and self-selected in accordance with established norms) through leaders, customs, rites, myths etc, and through reinforcement of supporting arguments. |
| **Shared preferences**  
Corporate, industry or national culture, transmitted and maintained as for cultural preferences                                                                 |