**"DIRTY LITTLE SECRET"
OR "UNTIDY QUILT"?
A CRITIQUE OF THE STRATEGIC
PROCESS LITERATURE**

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Abstract

This literature critique forms the starting point of a research project on the development of strategic capability within the context of the realities of the strategic process. We begin by addressing the definitions of strategic process and exploring its importance. We then examine the evolution of the domain, a selection of archetypes of the strategic process, as well as some "sense-making" devices. The role of the strategist is discussed, and we also ask if strategy-making capability is an individual or organisational characteristic. In conclusion, we examine the implications for management practice, the strengths and weaknesses of the domain, and possibilities for further research.

1. Introduction

'The strategy industry has a dirty little secret - *it doesn't have a theory of strategy creation.* Without a theory of strategy creation, we are helpless to improve our capacity to strategise.' In a characteristically provocative assessment, Hamel (1996: 6) argues that while there has been enormous innovation around the content of strategy, there has been no corresponding innovation around the conduct of strategy. The assessment of others, however, is more generous. Research into the strategic process and strategic behaviour has had a rich intellectual tradition, and has attracted the attention of mathematicians and engineers whose interest is in logical decision making, of psychologists whose concern is with individual human behaviour, economists concerned with the maximisation of utility, and political scientists concerned with the workings of power. Ansoff (1987) points out that researchers have also chosen different subjects for study – governments, universities, and commercial firms, and that different theoretical perspectives have emerged from these efforts. Despite – or perhaps because of – its history as a multi-disciplinary melting pot, the domain has not developed within a single, unified paradigm. Pettigrew et al (2002: 6) suggest that 'perhaps the state of strategic process research is better understood using Foucault's metaphor of a kaleidoscope with its implications of discrete fragments, falling into different patterns as the kaleidoscope is twisted at key cusps in the field's development, and that in keeping with the inherent nature of the social sciences, knowledge seems to have accumulated more as a mosaic, or the patterning of an untidy quilt.'

We suggest that although there is still much to do, there are some basic patterns to what is known and what is not known, and an improving understanding of what works and what doesn't.

2. Strategy, strategic decision making, and the strategic process

Perspectives of the strategic process are inevitably influenced by definitions of strategy. Thanks to its multi-dimensional and situational nature, strategy has been defined in a variety of ways, but usually with the common theme of a deliberate and conscious set of guidelines that determine actions into the future. This is typified by

Chandler's view of strategy (1962: 13) as 'the determination of the basic long term goals and objectives of the enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.' Mintzberg (1978) argues, however, that such definitions treat strategy as (a) explicit (b) developed consciously and purposefully, and (c) made in advance of the specific decisions i.e. strategy as plan. Mintzberg (1978) has considerably enriched our understanding of strategy by labelling the deliberate and conscious plan as "intended strategy". Intended strategies that do not get realised can be described as unrealised strategies, and realised strategies that were never intended may be called emergent strategies. Additionally, there are other relationships between intended and realised strategies e.g. intended strategies that get over realised, emergent strategies that get formalised as deliberate ones, and intended strategies that change form and become in part, emergent. According to Mintzberg (1978: 935), strategy in general, and realised strategy in particular, can be defined as a 'pattern in a stream of decisions'. In other words, when a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered to have formed. This perspective enables us to consider strategy as intended, as well as strategies as evolved. The strategy maker may formulate a strategy through a conscious process, or a strategy may form gradually, perhaps unintentionally. Research on strategy *formation* – as distinct from formulation - can then focus on a tangible phenomenon, the decision stream, and strategies become observed patterns in such streams.

This decision-based view of strategy now appears to have wide support. Frederickson (1983) points out that while not all organisations have formal plans, they all make strategic decisions. Clearly, however, not all decisions are strategic. Eisenhardt and Zbaracki (1992) define a strategic decision as one that is important, in terms of the actions taken, the resources committed, and the precedents set. Chaffee (1985) suggests that organisations use strategy to deal with changing environments. Because change brings novel combinations of circumstances to the organisation, the substance of strategy remains 'unstructured, un-programmed, non routine, and non-repetitive.' Not only are strategic decisions related to the environment and non-routine, they are also considered to be important enough to affect the overall welfare of the organisation. To illustrate this point, Frederickson (1984: 459) reiterates a point made by Mintzberg: 'no type of decision is inherently strategic; decisions are strategic only in context. The introduction of a new product is a major event in a brewery, but hardly worth mentioning in a toy company.'

In addition to adopting a decision-based view, strategy process researchers also separate process from content. The literature typically distinguishes between the content of strategy and the strategy making process. Miller (1989) argues that the two are very much related, but that there have been few systematic attempts to explore the relationship between the process of strategy making and the content of a firm's strategy, and nor have the performance implications of this match been investigated. In the same vein, Pettigrew (1992) observes that the sharp distinction between process and content appears more of an analytical hindrance than help, and that in the conduct of strategy process research, the what and the how, the content and the process, are best regarded as inseparable.

Most researchers, however, have tended to focus on process in isolation from content. Chakravarthy and White (2002) observe that while content researchers

describe "attractive destinations", the getting there, "the journey", is the preoccupation of strategy process researchers, While recognising the dangers of a disconnect between the journey and the destination, they suggest that the complexity of the strategy process frustrates efforts to establish explicit linkages. Accordingly, a body of work bounded by process has emerged.

Frederickson (1984) defined strategic process as a pattern of organisation behaviour that is visible to executive level members and postulates that the characteristics of that process tend to be consistent across decisions that are clearly perceived as strategic – i.e. there is an assumption of consistency. Chakravarthy and Doz (1992) view strategic process as 'how an organisation through its systems and processes, deliberate or unintentional, achieves or maintains it position.' Underlining the importance of including implementation, Pettigrew (1992) takes the view that the process has two parts – choice processes and change processes, and highlights that the literature accordingly intertwines between strategic decision-making and implementation. Hart and Banbury (1994), argue that strategy making can be conceptualised as a key process requiring purposeful design. Most recently, Chakravarthy and White (2002) simplify several of these views of strategic process into 'how strategies are formed and implemented'.

3. The strategic process, dynamic capabilities, and competitive advantage

Although Hannan and Freeman (1989) suggest that decision processes matter little in the face of external constraints and environmental determinism, most researchers do not share this view. Dean and Sharfman (1996) observe that the argument that processes matter rests on two assumptions. Firstly, different processes lead to different choices. While this may seem intuitively obvious, it should be seen in the light of the observation that environmental constraints play a role in determining choices and thus reduce the importance of choice processes. However, some managers make very poor strategic choices, with devastating consequences for their firms, while others in very similar circumstances make much better choices for their firms. Secondly, different choices lead to different outcomes. Once again, external forces also influence outcomes, but it is unlikely that the influence of external forces eliminates the impact of strategic choice on effectiveness, as it is hard to imagine a situation in which all potential choices will be equally successful or unsuccessful

Hart (1992) observed that firms that demonstrate high process capacity might be expected to perform well on more performance dimensions than single mode or less process capable organisations. Several researchers have advocated explicitly the desirability of combining different modes of strategy making either sequentially or simultaneously. For instance, Chaffee (1985) suggests that there might be a hierarchy of strategy making types, where each successive level incorporates those that are less complex, and that firms accumulate strategic process skills over time.

This is consistent with resource-based theory in that it may be appropriate to think of firms possessing different combinations or levels of strategic processes and capabilities. Resource based theory holds that a competitive advantage based upon a single resource or skill is easier to identify than a competitive advantage that involves multiple competencies. Firms able to accumulate and develop several different process skills into a complex strategy-making "capability" might thus be

expected to outperform less process capable organisations (Hart and Banbury 1994).

In their research, Hart and Banbury (1994) concluded that capability counts, and that high capability is robust i.e. higher levels of strategy making process capability facilitate superior performance in a wide variety of settings and situations, that strategy making process capability seems to make the most difference for large firms operating in turbulent environments and that strategy making processes are significant predictors of firm performance.

Support for the importance of strategic process also comes from Eisenhardt and Martin (2000) who contend that both theoretical and empirical research into the sources of advantage has begun to point to organisational capabilities rather than product market positions or tactics as the enduring source of competitive advantage. Strategy-making is therefore a potential dynamic capability of the firm.

4. Strategic process typologies and sense making devices

As Hambrick (1984) points out, the strategy field is rich in inductive research, based on a search for commonly recurring patterns. This has resulted in numerous classification schemes that offer cognitive assistance and help bring order to an extremely cluttered landscape.

A range of strategy archetypes developed by various researchers is displayed in Figure 1, based on Hart (1992), adapted and updated by the author:

Figure 1: Strategic Process Typologies - A Selection

Allison	Rational, organisational, bureaucratic
Mintzberg	Entrepreneurial, planning, adaptive
Chaffee	Linear, adaptive, interpretive
Ansoff	Systematic, ad hoc, reactive, organic
Nonaka	Deductive, compressive, inductive
Bourgeois / Brodwin	Commander, change, cultural, collaborative, crescive
Frederickson	Synoptic, incremental
Hart	Command, symbolic, rational, transactive, generative
Mintzberg	Design, planning, positioning, entrepreneurial, cognitive, learning, political, cultural, environmental
Bailey / Johnson	Planning, incremental, political, cultural, command, enforced choice

For reasons of space, all these typologies are not examined here. The contributions of Chaffee (1985), Ansoff (1987), Hart (1992), and Frederickson (1984) are particularly prominent, and readers interested in their work are directed to Tables 1-3 and 5-6 attached. In this section, we focus instead on the evolution of the strategic process domain from planning to learning, which are widely considered the polarities of the field (Brews and Hunt, 1999).

The foundations of the strategy process literature lie in the well-known rational model, which calls for comprehensive and exhaustive analysis prior to decision. The rational model applied to strategy suggests systematic environment analysis, assessment of internal strengths and weaknesses, explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goals. Organisationally, this usually called for a formal planning system.

However, behavioural theory has challenged the assumptions of rationality. Nutt (1984) observes that managers do not use the normative methods prescribed by scholars for good decision-making. Most decision processes were found to be solution centred – an approach that restricts innovation – with a limited number of alternatives considered, and perpetuation of biases. Hart (1992) emphasises that individuals and organisations can only achieve bounded rationality. Heuristics and biases in human judgement result in many departures from optimality. The motivational assumptions inherent in rational strategy making process are also questionable. Also, at an organisational level, strategic assumptions and frames of reference can predispose firms to act in certain ways. Independent assumptions about organisational intention and changing roles can result in a "garbage can model" of strategic choice in which strategy emerges out of "organised anarchy" (Cohen et al. 1972). Eisenhardt and Zbaracki (1992), reflecting on rationality in strategic decision making, conclude that people are rational, but only boundedly so, that power wins battles of choice, and that chance affects the course of strategic decision making. Further, although there is a long-standing view of rationality versus bounded rationality as a continuum, rationality is more multidimensional. Decision makers are rational in some ways but not in others. Strategic decision-making is therefore best described as an interweaving of both boundedly rational and political and social processes.

In the wake of behavioural theory, Mintzberg's research accelerated the scepticism towards the traditional view. Mintzberg (1978) identified three modes of strategy-making viz. planning, adaptive, and entrepreneurial. The planning mode represented the largest body of published materials at that time, and in the tradition of management science and bureaucratic theory, describes the process as highly ordered, neatly integrated, with strategies explicated on schedule by a purposeful organisation. The adaptive mode was described as a process in which many decision makers with conflicting goals bargain among themselves to produce a stream of incremental, disjointed decisions. In the entrepreneurial mode, a powerful leader takes bold, risky decisions towards the vision of the organisation's future. A compelling argument was also made that in addition to the limitations derived from bounded rationality, there were other significant problems with the planning mode. The dichotomy between formulator and implementer appeared to be based on two questionable assumptions - that the planner was fully informed, or at least as well as the implementer, and that the environment was sufficiently stable, or at least

predictable, to ensure that there would be no need for reformulation during implementation. Mintzberg & Waters (1985) subsequently refined this work and suggested that deliberate and emergent strategies may be conceived as two ends of a continuum along which real world strategies lie. Along this continuum, various other types of strategy may be found - planned, entrepreneurial, ideological, umbrella, process, unconnected, consensus, and imposed – and these are excerpted from their work (1985: 270) in Table 4.

Mintzberg and Lampel (1999) cemented their position as the dominant thinkers in strategic process, by identifying ten different strategy process schools in 1999. On the basis that these represent the most comprehensive, most nuanced, and most contemporary view, some details of these schools are offered below.

Figure 2, excerpted from Mintzberg and Lampel (1999: 28) presents an overview of the ten schools:

Figure 2: Strategy Formation as Many Processes
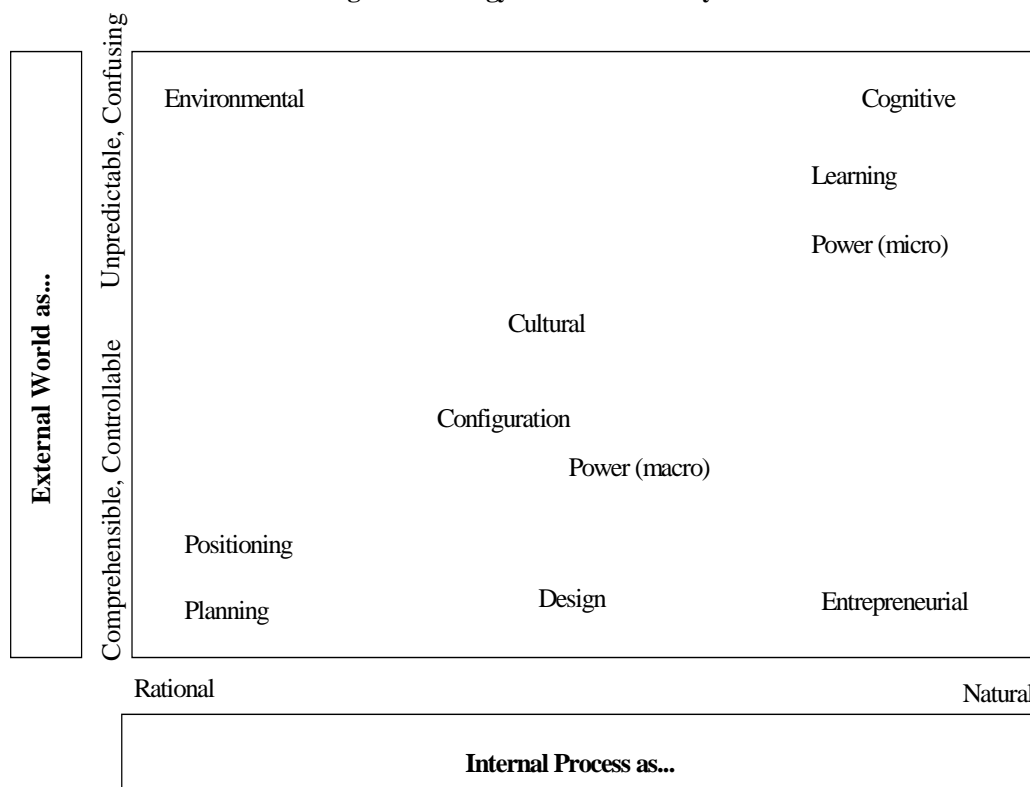
The ten schools may be divided into three prescriptive and seven descriptive categories. Mintzberg and Lampel (1999: 29) acknowledge that while the prescriptive schools are clear and consistent, making the dissemination and adoption of their ideas into practice easier, the descriptive schools are fuller and richer, but are untidy, and "can end up in tangled confusion, generating many contingencies and multiple perspectives that stymie application". The schools comprise:

Prescriptive Schools

Design

In this perspective, which dates back to the 1960s, senior management formulates clear, simple, and unique strategies in a deliberate process of conscious thought – which is neither formally analytical nor informally intuitive – so that everyone can implement the strategies. The design school continues to influence the teaching and practice of strategy even today.

Planning

This school makes assumptions similar to the design school, but significantly, adds the notion that the process is not just cerebral, but also a formal one that consists of distinct stages, checklists, and techniques. The formalisation results in staff planners replacing senior managers as the key actors.

Positioning

In this view, heavily influenced by industrial organisation economics, the essence of strategy is a choice of generic positions selected through formalised industry analysis, and planners become analysts. The resulting veneer of "science" has resulted in a burgeoning consulting industry based on the positioning school.

Descriptive Schools

Entrepreneurial

This school is centred on the chief executive, and is underpinned by the idea that the strategy process is anchored in "the mysteries of intuition". Precise designs, plans, or positions give way to visions or broad perspectives. Frequently found in specific contexts such as start-up or turnaround, the leader maintains close control over implementation, and the distinction between formulation and implementation assumed in the prescriptive schools begins to wither away.

Cognitive

This school is based on psychology, and puts the mental process – cognitive schema, models, and maps used by individuals and groups to construct strategy in their minds – and the centre of the strategy process.

Learning

The most significant of the descriptive schools, learning describes a process in which strategies are emergent, found throughout the organisation, and action often precedes the plan. Formulation and implementation therefore intertwine. Pascale (1996: 89), a proponent of strategy as learning, observes that 'there is a widespread tendency to overlook the process by which organisations experiment, adapt, and learn. We tend to impute coherence and purposive rationality to events when the opposite may be closer to the truth. How an organisation deals with miscalculation, mistakes, and serendipitous events outside its field of vision is often crucial to success over time. In reality, corporate direction evolves from an incremental adjustment to unfolding events.'

Power

Strategy making is essentially a political process in this school. Persuasion, coalition building, and negotiating are key themes. Micro power encapsulates power play within the organisation, whereas macro power involves the organisational entity using its power over other organisations.

Cultural

While the focus of the power school is self-interest, the cultural school focuses on common interest, and views strategy as a social process rooted in organisation culture.

Environmental

Strategy is essentially shaped in response to the demands of the environment, with the organisation having limited freedom to manoeuvre.

Configuration

This is an integrative school that visualises organisations as configurations i.e. coherent clusters of characteristics and behaviours, and integrates the points of view of the other schools. Each configuration therefore has its own place. Bailey and Johnson (2001) offer the most recent instance of configuration research. Having derived six theoretical archetypes of the strategy process from the literature, they theorise that the strategy development process will be characterised by an interrelationship between these perspectives, and that there will be discernible configurations of strategy development processes described as planning, logical incremental, rational command, muddling through, externally dependent, and embattled command, and these configurations will be discernible by context, whether at industry, firm, or manager level. They also suggest that these patterns of strategy development for an organisation will change over time

Having articulated the ten schools, Mintzberg & Lampel (1999) leave open the possibility that some or many of the schools could represent different stages of the same strategy process. For example, data that is analysed in the positioning school

could feed into the cognitive school that focuses on the mind of the strategist, and the planning school looks ahead, to program the strategy created.

The 10 schools may usefully be recast along the deliberate – emergent and prescriptive – descriptive axes, as shown overleaf in Figure 3.

Although the labels of prescriptive and descriptive are not mutually exclusive – indeed in a discussion with the author (Laljani, 2002) Mintzberg has suggested that planning has descriptive elements and conversely, learning has some prescriptive elements, it is the author's contention that each school has a discernible centre of gravity along the prescriptive – descriptive scale.

This re-mapping highlights that as the strategy process field has evolved away from the rational model, it has also moved away from a prescriptive mode to a descriptive mode, with obvious implications for management practice. In effect, as our understanding of the reality of the strategy process has improved, advice to managers on ways and means in which they can build their ability to make strategy has not kept pace. Similarly, the teaching of strategy remains anchored in the design, planning, and positioning schools.

Figure 3: Re-casting Mintzberg's Schools
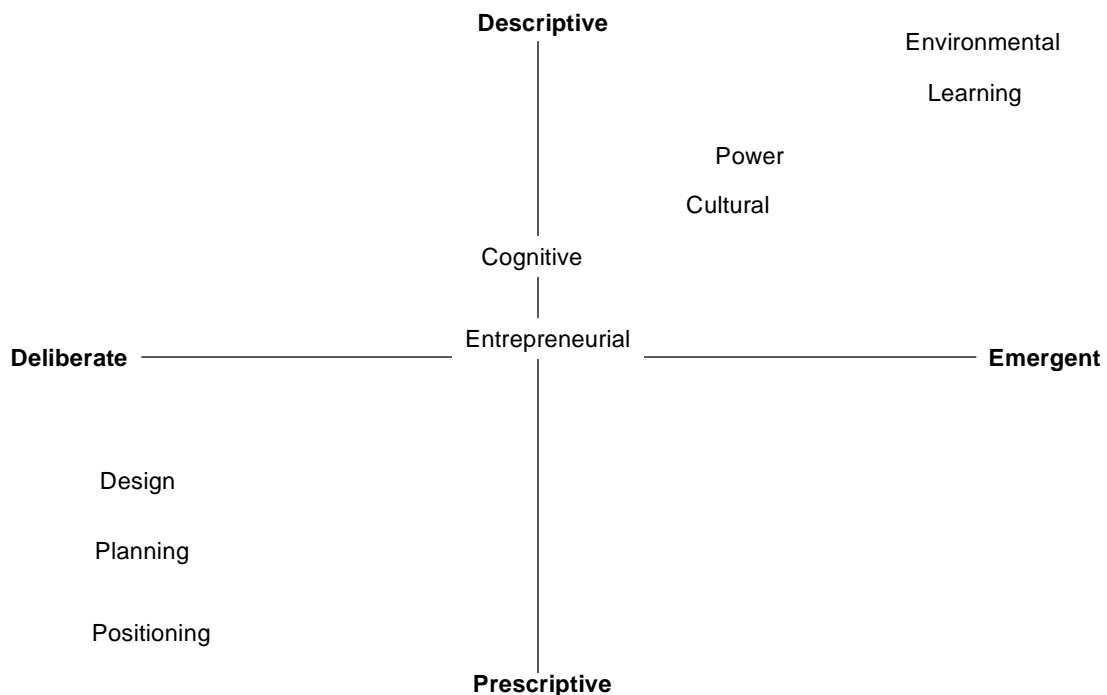
It may be useful to dwell briefly on sense making devices offered by some researchers to assist understanding of the proliferation of models in the literature.

Hart and Banbury (1994) suggest that the literature offers three recurrent variables which may be used to differentiate the various perspectives: rationality i.e. the extent to which the strategic process can or should be comprehensive, exhaustive and analytical in approach; vision i.e. the role of top managers in the strategic process and the extent to which leaders can articulate a clear strategic vision and motivate organisational members to adopt it; and involvement i.e. the extent and type of involvement of organisation members in the strategy making process. Two of these three variables are similar to those identified by Miller (1989), who defines rationality as high information processing versus low information processing, interaction as a high degree of politicking, bargaining, consensus building versus low, and thirdly, assertiveness including levels of risk taking and whether decisions are reactive or proactive.

Ansoff (1987) suggests that the scientific lens or "optics" that researches have brought to their model building have varied and have spanned cognitive-logical, psycho-sociological, social-anthropological, and political, to cite a few, and that these have accentuated the differences among the alternative models of strategic behaviour.

Frederickson (1986) suggests that the various models of strategy formation can be differentiated on six characteristics, which are: what initiates the process, the role of goals, the relationship between means and ends, the concept of choice, how comprehensive organisations are in making individual strategic decisions, and how comprehensive they are in integrating those decisions into an overall strategy.

A fuller explanation of these as excerpted from Frederickson (1986: 283) may be found in Table 5. Frederickson also characterises the polarities in the strategic process into synoptic and incremental approaches. The dominant synoptic type is based on a rational model of decision making, the incremental alternative purports to provide a more accurate description of how organisations actually make strategic decisions. A comparison of these is presented in Table 6 (Frederickson 1983: 566).

5. Bridging the planning / learning divide

The polarities of the schools are perhaps best epitomised by Ansoff, an advocate of planning, and Mintzberg, an advocate of learning. The same dichotomy is reflected Hart's rational and transactive modes, and in Frederickson's synoptic and incremental modes.

Langley (1990) researched the use of formal analysis in strategic decisions and concluded that strategic decision-making is rarely totally encompassed within a comprehensive analytic process, but formal analysis is used in an incremental way in decisions. Formal analysis is used for a variety of purposes in organisations, and the way in which it is used varies from organisation to organisation. Principally, there are three patterns of use: (a) analysis is used for substantive input to decisions, to control implementation, and to ensure convergence towards action, (b) analysis is a key tool of persuasion and verification in the negotiating process between levels of

the hierarchy concerning actions to be taken, and (c) analysis is used in an unproductive way as people stake out contradictory positions, and attempt to gain time in an atmosphere of indecision and divergence. In effect, formal analysis is used not just for decision-making, but also as a social and political tool.

Thanks to decades of planning / performance research which have yielded inconsistent findings, there has been a widespread rejection of formal planning. Brews and Hunt (1999) question this general condemnation of formal strategic planning argue that there is a methodological explanation for the inconsistent research findings viz. poor conceptualisations and measurement protocols utilised to operationalise the planning construct. Brews and Hunt (1999) contend that far from being the antithesis of learning, formal planning may be the necessary precursor to successful learning. Both are necessary, and neither is sufficient. In their view, dissatisfaction with formal planning has surfaced the practices to be avoided in planning, rather than providing support for the proposition that the remedy for bad planning is no planning. In fact, the remedy for bad planning is good planning, which includes learning and incrementalism within its ambit. Though plans should be specific, they must also be flexible, especially in unstable environments. Once formed, firms must be prepared to rework plans incrementally as plans proceed. Additionally, the planning capabilities of the firm can and do improve over time – "firms must both learn to plan, and plan to learn".

6. Searching for the strategist in strategy

Many studies of the strategic process are based on flows of information and decisions, detached from the people involved. What are we to make of the role of the strategist in strategy? Some researchers are silent on this issue, while others suggest that the role is vital.

Although strategy making in the rational model is envisioned as the province of the top managers, this view has given way to the increasing involvement of other organisational members. Difficulties with strategy implementation, and an increased rate of environmental change are often cited as the reason for such involvement (Hart and Banbury 1994). The consensus is that strategy making can no longer be limited conceptually to the CEO or the top management team, and that strategy making is an organisation wide phenomenon.

Ericson, Melander, and Melin (2001) suggest that the role of the strategist varies depending upon the theoretical perspective, and offer the following typology:

1. *The missing strategist*, particularly in the rational / analytical processes. This is paradoxical, for in spite of his / her rational and analytical abilities, his / her contributions to the strategy process remains unacknowledged
2. *The great strategist* – here the importance is highly recognised, and the role is often inspirational, motivational, and visionary
3. *The coalition view* – here the strategist is a gestalt, rather than a single human being, typically made up of the top management group or other coalitions of stakeholders. In this typology, networking and politicking are important means to achieve ends in the strategy formation process

4. *The invisible strategist* – an institutional force, rather than one or more key actors, exercises the dominating influence on the strategy formation process e.g. the organisation's values and beliefs or culture, or industry recipe

Hambrick and Mason (1984) contend that top executives matter, that organisations become a reflection of their top managers, and that strategic choices and performance levels are partially predicted by managerial background characteristics. Managers act on the basis of their incomplete, filtered, and highly stylised understanding of their situations. In order to understand why organisations do things the way they do, and why they perform the way they do, we must understand the values, motives, and biases of the top team. Significantly, in this "upper echelons" perspective, it is also suggested that the characteristics of the top management team matter much more than those of just the single top most executive. Demographic characteristics – such as tenure, functional background, education etc – could be seen as partial indicators of psychological properties and executive dispositions. Despite the limited, imprecise, and surrogate nature of demographics, Hambrick (1984) contends that a number of highly significant associations between executive profiles and organisational outcomes have been observed. In the same vein, Bowman and Daniels (1995) suggest that managers' belief structures are derived from their experience, and report evidence of functional bias in managers' perceptions of strategic priorities.

By contrast, Wooldridge and Floyd (1999) offer a "middle management perspective" with their finding that involvement in the formation of strategy by middle managers is associated with improved organisational performance. Specifically, consensus among middle managers does not impact organisational performance, but involvement does. The implication is that top managers must encourage middle managers to think strategically; that the involvement of middle managers must be substantive, and that this is best achieved in settings where individuals are given the freedom to critically examine strategic decisions.

Floyd and Lane (2000) present a distillation of previous research findings in the form of ten specific roles that top, middle, and operating management perform in the strategic process. These are displayed in Table 7. Each of the ten roles involves processing information and taking action that facilitates change. It should be noted, however, that there are overlaps across the roles, and also that the definition of top, middle, and operating management varies considerably across organisational settings.

Other research also makes it clear that executives and managers can assume a variety of postures and roles. For instance, Bourgeois and Brodwin (1984) suggest that the role played by top managers can range from that of a "commander", where strategy is consciously formulated at the top and issues to the rest of the organisation to what might be called the "sponsor" where strategy emerges from below and is merely recognised and approved from the top. Similarly the complementary role played by managers can range from "good soldier" where members execute the plans formulated by top management to "entrepreneur" where they are expected to behave autonomously and pursue new initiatives.

In response to the increased awareness of the role of cognition in strategic issue diagnosis and problem formulation, cognitive researchers have weighed in with significant contributions towards understanding the mind of the strategist, but many unanswered questions persist. Schwenk (1988) identifies several topics related to cognition that impact the decision process, such as cognitive heuristics and biases, which result in assumptions and cognitive maps. In addition, analogy and metaphor may be the means by which assumptions from other problem domains are applied to new strategic problems. Eisenhardt and Zbaracki (1992) suggest that there is a need to better understand the heuristics of senior managers, and a need to explore which heuristics are most relevant to strategic decision making, how they work, why they work, and when they are most appropriate. In addition, while the role of insight – the juxtaposition of competing alternatives or problems leading to a quantum shift in gestalt - is recognised, both theory and findings are in short supply in this area. The study of intuition is another way to create a more realistic view of how strategic decision makers actually think. Equally, social and political conflict in the strategic process is inadequately understood. Are some sources of conflict more beneficial than others? Is there an optimal level of conflict? How does conflict relate to decision quality? How can strategic decision makers gain the benefits of conflict without the costs?

7. The development of strategic capability: individual versus organisation perspectives

Since researchers have offered both individual and organisational perspectives, it is this author's premise that strategic capability resides at the intersection of the individual and the organisation.

Eisenhardt and Martin (2000) observe that strategic decision-making is a dynamic capability in which managers pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm. Further, they suggest that repeated practice is an important learning mechanism for the development of a dynamic capability. Practice helps people to understand processes more effectively and so develop more effective routines. The codification of experience into technology and formal procedures makes that experience easier to apply and accelerates the building of routines. Mistakes also play a role in the evolution of dynamic capabilities. Small losses, more than either major success or failures contribute to effective learning. While success often fails to engage managers' attention sufficiently so that they learn from their experience, major failures raise defence mechanisms that block learning. Pacing of experience also impacts development of capabilities. Experience that comes too fast can overwhelm managers, leading to an inability to transform experience into meaningful learning. Infrequent experience can lead to forgetting what was learned previously and so result in little knowledge accumulation.

Shrivastava and Grant (1985) also postulate that strategic decision processes have a relationship with a critical related process, namely organisational learning, which may be defined as the autonomous capacity of organisations to create, share, and use strategic information about themselves and their environments for decision making. Decision makers cope with uncertainty by searching for, acquiring, and then using relevant information. These activities may be institutionalised in organisational

learning processes, which shape the organisation's knowledge base about action-outcome relationships and the influence of the environment upon these relationships. To the extent that strategy formation draws upon this knowledge base, strategy is influenced by learning processes. Managers therefore need to design and develop learning systems that support strategic decision process within their organisation.

Johnson (1988) proposes an "organisational action" view of strategy formation in which strategy can best be seen as the product of the political, cognitive, and cultural fabric of the organisation. A key driver of strategic thinking is the set of assumptions and beliefs taken for granted by managers, and held relatively common through the organisation. This set of assumptions and beliefs amounts to what other writers have referred to as a paradigm. The paradigm is a generalised set of beliefs about an organisation and the way it is or should be. Since it is taken for granted, it may be difficult to surface as a coherent statement. The paradigm is closely related to the dominant organisational routines, which in turn play a substantial part in shaping strategy in the business. Specifically, the paradigm plays a central role in the interpretation of environmental stimuli and the configuration of organisationally relevant strategic responses. Johnson (1988) argues that the paradigm is preserved and legitimised in a "cultural web" of organisational action in terms of myths, rituals, symbols, control systems, and formal and informal power structures that support and provide relevance to core beliefs. The key implication is that this organisational context may restrain individual ability to think and act. Ideological heterogeneity in management systems, deliberate assumption surfacing and challenging devices, and active involvement of "outsiders" with less adherence to the organisational culture or paradigm therefore become important as part of the strategic process.

Along the same lines, Starbuck (1983: 93) argues that 'decision making is non adaptive because behaviours get programmed through spontaneous habits, professional norms, education, training, precedents, traditions, rituals, as well as through formalised procedures'.

Frederickson (1986) adds to the organisational perspective by asserting that the relationship between structure and strategy is reciprocal. Structure can have a profound and deterministic effect on strategy. Organisations that differ in their dominant structure (centralisation, formalisation, complexity dimensions) are likely to make strategic decisions using very different processes.

Frederickson and Iaquinto (1989) also suggest that strategic decision processes are likely to exhibit considerable inertia, resisting all but modest change. This feature can also be described as momentum, or simply habit.

8. Management praxis and logical incrementalism

Managers must work with the paradox that high performance appears to require the simultaneous mastery of seemingly contradictory skills. Hart and Banbury (1994) contend that 'high performance firms were simultaneously planful and incremental, directive and participative, controlling and empowering, visionary and detailed'.

Purity of process therefore appears to be much less important than the nurturing of multiple, competing and complementary processes of strategy making deep within the organisation.

In sympathy with this need to straddle paradoxical processes, "logical incrementalism", an integrating methodology sometimes also described as "purposeful muddling" has been proposed as the normative ideal for strategy making by Quinn (1980). Logical incrementalism is underpinned by a desire to tap the talents and psychological drives of the whole organisation, to create cohesion, and to generate identity with the emerging strategy. In this model executives may be able to predict the broad direction, but not he precise nature of the ultimate strategy that will result. Accordingly, top managers focus on identifying a broad direction, allowing the details to emerge over time. Rather than seeking to be comprehensive - the ideal of rationality – top managers work to create a general sense of purpose and directions that will guide the actions taken by organisation members. Executives managing strategic change 'artfully blend formal analysis, behavioural techniques, and power politics to bring about cohesive, step by step movement towards ends which are initially broadly conceived, but which are then constantly refined and reshaped as new information appears'. (Quinn 1980: 3).

In his research, Quinn (1980: 17) observed that 'successful managers acted logically and incrementally to improve the quality of information used in key decisions, to overcome the personal and political pressures resisting change, to deal with the varying lead times and sequencing problems in critical decisions, and to build the organisational awareness, understanding, and psychological commitment essential to effective strategies. By the time the strategies began to crystallize, pieces of them were already being implemented. Through the very processes they used to formulate their strategies, these executives had built sufficient organisational momentum and identity with the strategies to make them flow towards flexible and successful implementation'. In logical incrementalism, strategy formulation is a continuously evolving analytical – political consensus process with neither a finite beginning nor a definite end. 'The total process was anything but linear. It was a groping, cyclical process that often circled back on itself, with frequent interruptions and delays' (Quinn 1980: 13). This model of strategy making is akin to 'fermentation in biochemistry rather than an industrial assembly line'.

9. The state of the domain, and implications for further research

While the domain has been enriched by its multi-disciplinary pedigree, it has suffered from a lack of links with strategy outcomes, and with some notable exceptions, a focus on discrete decisions rather than patterns of decisions and actions over time. An over-emphasis on base disciplines has resulted in fragmentation and a lack of multi-disciplinary perspectives in the same study.

The domain has also experienced methodological constraints. Most studies of strategy process to date have been retrospective case histories conducted after the outcomes were known; with the attendant risk that prior knowledge of success or failure may have resulted in bias (Van de Ven, 1992). While the case studies have provided rich insight, generalisability has been problematic given their context specificity. Additionally, much of the work has been characterised by small sample

sizes and self-reporting of phenomena, with the possibility that correlations do not reflect causality, and conversely that reciprocal causality is a very real possibility (Wooldridge and Floyd 1999). Frederickson (1984) asserts that the field is characterised by little testing of many of the observations, and that the lack of empirical testing in strategy process research can be attributed to poorly trained investigators, the intangible nature of strategy process constructs, and the practical difficulties of doing strategic level research in terms of organisational access. Consequently, most studies of the strategic decision process have produced either a very focused set of observations regarding one process question, or a very rich but loose description of the entire decision process. Similarly, Bailey and Johnson (2001) suggest that researchers have sought to derive explanations through the application of unitary frameworks whereas the reality is that the strategy development process is more likely to be multifaceted. It is also apparent that there is an overwhelming geographical bias, as much of the research remains based in the USA, with some European activity (Pettigrew 2002). Perspectives from Asia or other parts of the world are conspicuous by their absence. Redressing this balance, and also conducting real time studies of strategic change processes as they unfold in their natural field settings using new methods and skills of action science will give this domain an added impetus.

10. Conclusion

Thanks to the efforts of various researchers, our understanding of the realities of the strategic process has become richer and more finely grained over the years. However, much more remains to be done. In particular, many of the findings are descriptive, and do not lend themselves immediately to application in managerial practice. In other words, there are significant gaps, both in theory and practice, in our understanding of how the strategic process can be managed better to produce the desired strategic outcomes. At the same time, there is considerable evidence to suggest that strategic capability is at the heart of the strategic effectiveness of the organisation. Consequently, an investigation into the nature and dimensions of strategic capability, given what we know about the realities of the strategic process, as well as how such a capability may be acquired or developed within organisational, team, and individual perspectives, offers a meaningful agenda for further research.

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Table 1: A Commentary on Chaffee's Strategy Process Models
Linear Model
The linear model corresponds to what others have called the planning model, and assumes a progressive series of steps of goal setting, analysis, evaluation, selection, and the planning of implementation to achieve an optimal long term direction for the organisation. The term linear was chosen because it connotes the methodical, directed, sequential action involved in planning. In this model, top managers are portrayed as having considerable capacity to change the organisation, and organisations are necessarily tightly coupled. Interest in the linear model waned in the mid 1970s as the strategic problem came to be seen as much more complex. Reflecting on Chaffee's categories, Johnson (1988) notes that the time consuming and forward looking nature of planning results in decisions made today based on beliefs about the future. If such decisions are not to be a waste of time, one must assume that either the organisation is well insulated from the environment or that the environment is relatively predictable. The model also assumes that organisations have goals and that accomplishing goals is the most important outcome of strategy.
Adaptive Model
Adaptive, a term also used by Mintzberg, involves incremental strategic change, although explanations of this phenomenon vary considerably from those who see it as essentially logical or rational and those who account for the phenomenon in terms of satisficimg behaviour in a political or cognitive limits context. The adaptive model differs from linear in two ways – monitoring the environment and making changes are simultaneous and continuous functions. The organisation is viewed as a complex system and the boundary between the organisation and its environment is highly porous. Action is responsive to the nature and magnitude of the perceived or anticipated environmental pressures, and advance planning is relatively unimportant. The adaptive model relies heavily upon an evolutionary biological model of organisations. Rather than assuming that the organisation must deal with the environment, the adaptive model assumes that the organisation must change with the environment.
Interpretive Model
Development of the interpretive model parallels interest in corporate culture. A recurring theme is that the organisation is based on a social contract, and assumes that reality is socially constructed. The interpretive model is embedded in an "organisational action" view of strategy in which strategy is seen as a product of political, programmatic, cognitive, or symbolic aspects of management.
Comment
Chaffee's models can be interrelated in a hierarchy of systems, made up of a mechanistic linear model, a biological adaptive model, incorporating linear, and a cultural interpretive model incorporating both linear and adaptive strategy. A key proposition is that organisations improve their strategic management as they progress from one model into another.

Table 2: A Commentary on Ansoff's Strategy Process Categories
Organic Model
In the organic model, strategic behaviour is unmanaged, serendipitous, and determined by socio-political forces. When confronted by a crisis, the organisation focuses its attention on finding a survival solution, but the process remains organic and unguided by logic. Power is distributed among several groups, and no group is powerful enough to impose its will on the rest. Bargaining and power struggles are the mechanisms through which choices are made. There is a multiplicity of cultures, and no agreement upon common goals. These organisations can only survive in environments that put little pressure on the organisation to use its resources effectively.
Reactive Model
Strategic behaviour in reactive model organisations is an incremental adaptation to dysfunctions in organisational performance. The environmental setting is characterised by slowly evolving challenges and low competitive intensity. Strategic behaviour is a result of the interaction between the organisations survival drive and organisational inertia. In both organic and reactive modes, the word "manager" is rarely encountered – the operative word is the organisation or the firm.
Ad hoc Management Model
Under ad hoc management, the firm is a deliberate shaper of its own development, and the logic of this development is largely inertial. Management chooses and guides strategic development through steps that are logical incremental extensions of the prior historically successful steps. Key managers are individual actors and they make their decisions "locally" without reference to a global plan. However decisions by different managers are consistent with one another because they grow out of a mutually experienced strategic history of the firm. The perspective deployed is psycho-sociological, and managers are very much in evidence. Environments are strongly competitive, growth is strong and extrapolative, and the new challenges are incremental and local in the sense that they affect only one part of the firm
Systematic Management Model
Lastly, in systematic management, the firm is guided by a comprehensive and explicit strategy, which is systematically planned and co-operatively executed. The firm tries to anticipate rather than react, and based on an anticipation of future threats and opportunities from the environment, firms make a choice of their future strategy. Decisions are not "local" but "global", made through an organisation wide systematic strategic planning process. This model is based on logical reasoning, and assumes that top management is committed to leading the firm into new strategic domains whenever the necessity for doing so becomes clear, and that management relies upon comprehensive logical analysis in selecting the new domains. It also assumes that reasonable people will do reasonable things, even if these things violate historical inertia.

Table 3: A Commentary on Hart's Integrative Modes of the Strategic Process
Command Mode
A strong individual leader or a few top managers that exercise total control over the firm. Strategising is a conscious, controlled process, but centralised.
Symbolic Mode
In symbolic mode, top management creates a compelling vision and a clear corporate mission, and defines basic philosophy and values. The use of symbols, metaphors, and emotion are central to this process. The role of top management is to motivate and inspire organisation members with a clear mission, shared values, and an emotionally appealing corporate vision or dream.
Rational Mode
The rational mode is characterised by a high degree of information processing with formal analysis often used, the process is institutionalised through formal strategic planning, and organisation members participate in a formal system requiring upward sharing of data and information. The result is a detailed plan of action. To ensure implementation top management carefully monitors and controls subordinates and holds them accountable for performance against plan, and structure follows strategy.
Transactive Mode
In transactive mode, the essence is strategy making based on iteration and learning. Strategy is crafted based on an ongoing dialogue with key stakeholders. Cross-functional communication is central. Feedback and learning necessitate an iterative approach.
Generative Mode
Generative mode organisations are dependent upon the autonomous behaviour of organisation members. Strategy is made via intrapreneurship. Ideas emerge upwards and employee initiative shapes the firm's strategic directions. Top managers are primarily involved in selecting and nurturing high quality proposals that emerge from below. The role of top management is to encourage experimentation and risk taking. The five modes are not mutually exclusive – it is assumed that firms will develop skill in several modes over time, resulting in varying levels of strategy making capability.

Table 4: Description of Types of Strategies – Mintzberg & Waters

Strategy	Major features
Planned	Strategies originate in formal plans: precise intentions exist, formulated and articulated by central leadership, backed up by formal controls to ensure surprise-free implementation in benign, controllable or predictable environment; strategies most deliberate.
Entrepreneurial	Strategies originate in central vision: intentions exist as personal, unarticulated vision of single leader, and so adaptable to new opportunities; organisation under personal control of leader and located in protected niche in environment; strategies relatively deliberate but can emerge.
Ideological	Strategies originate in shared beliefs: intentions exist as collective vision of all actors, in inspirational form and relatively immutable, controlled normatively through indoctrination and/or socialisation; organisation often proactive *vis-à-vis* environment; strategies rather deliberate
Umbrella	Strategies originate in constraints: leadership, in partial control of organisational actions, defines strategic boundaries or targets within which other actors respond to own forces or to complex, perhaps also unpredictable environment; strategies partly deliberate, partly emergent and deliberately emergent
Process	Strategies originate in process: leadership controls process aspects of strategy (hiring, structure, etc) leaving content aspects to other actors; strategies partly deliberate, partly emergent (and, again, deliberately emergent)
Unconnected	Strategies originate in enclaves: actor(s) loosely coupled to rest of organisation produce(s) patterns in own actions in absence of, or in direct contradiction to, central or common intentions; strategies organisationally emergent whether or not deliberate for actor(s)
Consensus	Strategies originate in consensus: through mutual adjustment, actors converge on patterns that become pervasive in absence of central or common intentions; strategies rather emergent
Imposed	Strategies originate in environment: environment dictates patterns in actions either through direct imposition or through implicitly pre-empting or bounding organisational choice; strategies most emergent, although may be internalised by organisation and made deliberate

Table 5: Frederickson's Critical Strategic Decision Process Characteristics

Process Characteristics	Description and Questions
Process initiation	*Concerned with how and where the process is initiated.* Is the process initiated as a reaction to problems/crises, or the proactive pursuit of opportunities and interests? At what level (operating or strategic) would a stimulus have to appear before members would recognise it as being strategic? What level assumes primary responsibility for initiating the process?
Role of goals	*Issues regarding the role that goals play in the decision process.* Will decisions be made to achieve individual versus organisation-level goals? Will goals be 'remedial' changes from the status quo, or 'positive', future intended states? Are the goals likely to be conceptualised in precise versus general terms?
Means/ends relationship	*Concerned with the relationship that exists between means (alternatives) and ends (goals).* What is the likelihood that means will displace ends (goals) in the decision process? Will goals persist in the face of significant changes in the available means?
Explanation of strategic action	*Considers alternative explanations of the process that resulted in strategic action.* Is strategic action most accurately characterised as intendedly rational strategic choice, the result of standardised organisational processes, an internal process of political bargaining, or some other explanation? What is the likelihood that strategic moves will be incremental versus major departures from the existing strategy?
Comprehensiveness in decision making	*Attempting to identify the factors that limit the comprehensiveness of the strategic decision process.* Is the primary constraint on the comprehensiveness of the strategic process top management's cognitive limitations, the detail achieved in the design of standardised organisational processes, or managers' parochial perceptions?
Comprehensiveness in integrating decisions	*Concerned with how comprehensively individual decisions are integrated.* What level of integration is achieved to form an overall strategy?

Table 6:
Differences Between Frederickson's Synoptic and Incremental Strategic Decision Process

Characteristic	Synoptic Processes	Incremental Processes
Motive for initiation	The Process is initiated in response to problems or opportunities that appear during the constant surveillance.	The process is initiated in response to a problem or dissatisfaction with the current state.
Concept of goals	The process is directed at achieving a specified goal or future intended state	The process is directed at achieving a modification of the current state. The process is "remedial."
Relationship between means (alternatives) and ends (goals)	The goal is identified before and independent of the analysis of alternatives. Decision making is an "ends-means" process.	The remedial change outcome is considered at the same time the means for achieving it is analysed. The processes are intertwined and simultaneous.
Concept of choice	The final choice of an alternative is dependent on how it contributes to the achievement of the goal. Decision quality is known only when it is shown that this decision provides the best means to the specified goal.	The final choice of an alternative is made by combining the considered alternatives (means) and their possible consequences (ends) and simultaneously selecting the one that yields the most desired outcome. Decision quality is judged by the agreement achieved in choosing an alternative (the means to the end)
Analytic comprehensiveness	When making individual decisions the process attempts to be exhaustive in the identification and selection of goals and the generation and evaluation of alternatives. All factors are considered.	When making individual decisions the strategy considers only a few alternatives to the status quo as alternative actions and only a restricted range of consequences in their evaluation. All possible factors are not considered.
Integrative comprehensiveness	Conscious attempts are made to integrate the decisions that compose the overall strategy to insure that they reinforce one another. The strategy is viewed as a consciously developed, integrated whole.	Little attempted is made to integrate, consciously, the individual decisions that could possibly affect one another. The strategy is viewed as a loosely linked group of decisions that are handled individually.

Table 7: Roles in the Strategic Process (Source: Floyd and Lane, 2000)

Roles	Behaviours	Documenting Studies
Top management Ratifying	Articulate strategic intent monitor Endorse and support	Hamel & Prahalad (1989) Burgelman (1983a) Hart (1992)
Recognising	Recognising strategic potential Set strategic direction Empower and enable	Burgelman (1991) Mintzberg (1983) Hart (1992)
Directing	Plan Deploy resources Command	Ansoff (1987) Schendel & Hofer (1979) Bourgeois & Brodwin (1984)
Middle management Championing	Nature and advocate Champion Present alternatives to top management	Bower (1970) Burgelman, (1983a,b; 1991) Woolridge & Floyd (1990)
Synthesising	Categorise issues Sell issues to top management Blend strategic and hands-on information synthesise	Dutton & Jackson (1983) Dutton & Ashford (1993) Nonaka (1988) Floyd & Wooldridge (1992)
Facilitating	Nourish adaptability and shelter activity Share information Guide adaptation Facilitate learning	Bower (1970) Mintzberg (1978) Chakravarthy (1992) Chakravarthy (1992)
Implementing	Implement Revise and adjust Motivate and inspire; coach	Schendel & Hofer (1979) Nutt (1987) Hart (1992); Quinn (1980)
Operating management Experimenting	Learn and improve Link technical ability and need Initiate autonomous initiatives	Argyris & Schón (1978) Burgelman (1983a,b) Burgelman (1991) Hart (1992)
Adjusting	Experiment and take risks Respond to the challenge	Hart (1992)
Conforming	Be a good soldier Follow the system	Bourgeois & Brodwin (1984) Hart (1992)