The making of strategy

Anastássios Perdicoúlis

Assistant Professor, ECT, UTAD (http://www.tasso.utad.pt)
Senior Researcher, CITTA, FEUP (http://www.fe.up.pt/~tasso)
Visiting Researcher, Oxford Institute for Sustainable Development, OBU, UK

Abstract

Learning patterns of ten famous schools of strategy, revealed through decision model analysis (DMA).

1 Introduction

Mintzberg, Ahlstrand, and Lampel (1998) compiled and popularised ten ways of making strategy, designated as 'schools'. Let us examine these schools for their learning patterns (Perdicoúlis, 2010, pp.36–44) through a decision model analysis (Perdicoúlis, 2014, DMA$_{[M]}$).

2 Driven by data

People often derive their concerns from data — for instance, air temperatures above 40°C call for special 'heat-protection' status, and then each one applies their own rules to select the most appropriate among a known set of measures, to make up their own strategy (Figure 1).
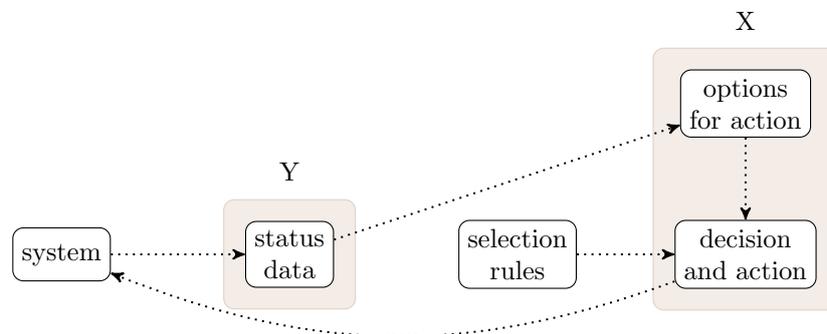

FIGURE 1   The 'data' learning model (Perdicoúlis, 2010, pp.36–38)

Three schools of strategy are driven by data, as they are all based on the SWOT technique (Perdicoúlis, 2012a,b): (a) the 'design' school, in which strategy formation is a process of *conception*, (b) the 'planning' school, in which strategy formation is a more *formal* process, and (c) the 'positioning' school, in which strategy formation is an *analytical* process, providing alternative generic strategies or 'positions' (Mintzberg, Ahlstrand, and Lampel, 1998).

In data-driven planning, the options for action are created directly from status data, and the selection rules are static. As this type of planning involves little formal preparation, these two key elements of the strategy making process can be either (a) hierarchically imposed, and usually explicit (e.g. corporate policy, the law) or (b) spontaneous, and usually implicit (e.g. *ad hoc* or 'spur of the moment') such as an 'inspiration' or following 'the way our friends did it'.

3   Guided by experience

One level above data, formal *education* and *experience* help people form their own mental models about complex systems — for instance, 'how the world works' or 'how to keep healthy' (Perdicoúlis, 2013). When used *tacitly*, such mental models are responsible for the 'inspiration' of the data learning model (§2). When used explicitly, mental models become the reference platforms (e.g. 'conservative' or 'avant-garde' thinking) to identify options for action and/ or to establish selection rules. However, if the explicit mental models are used without an adaptation to the specific system of interest, they have the value of mere 'imprints' or stereotypes (Figure 2).
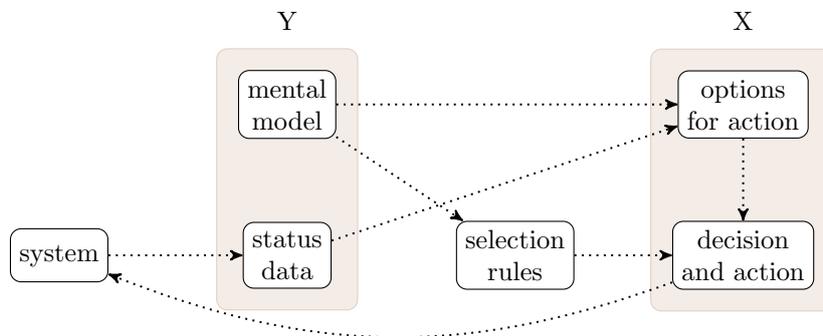

FIGURE 2   The 'imprinted' learning model (Perdicoúlis, 2010, pp.37–40)

Two schools are likely to be using the 'imprinted' learning model, employing generic mental models that are not meticulously studied and adapted. The 'entrepreneurial' school, where strategy formation is a *visionary* process, uses experience in a unique and glamorous way: through the figure of a charismatic and trusted leader; in this case, everyone is after a personal vision or dream, which is indeed identifiable but does not need to provide explanations of its relation to the circumstances.

Opposite the 'personal' and 'vision' characteristics of the entrepreneurial school, stands the 'learning' school: strategy formation is an *emergent* process combined with an attitude of 'coping with a complicated' world. This school teaches from Life's experience and is practically useful for 'muddling through', which due to ints nature cannot include a proper analysis of, and adaptation to specific situations.

4   Moved by knowledge

Observant individuals will be tempted to actively form their mental models after studying the 'system' they are interested in — for instance, the enterprise and/ or the market. Such mental models are consciously custom-made, but they are still led by generally expressed concerns (Figure 3). This 'deeper' learning model notably lacks a clear and focussed image of what is being sought, commonly known as 'objectives' (cf. Figure 4).
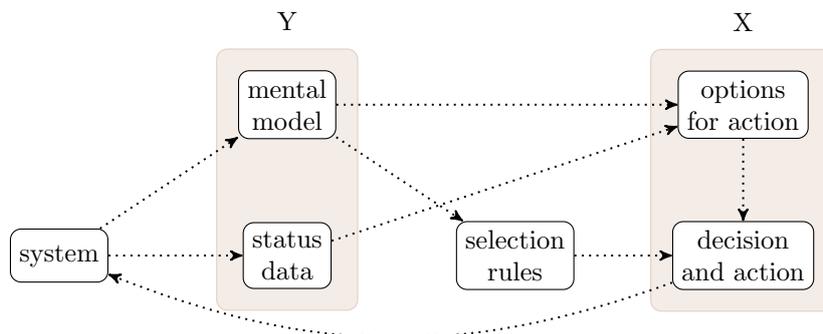

FIGURE 3   The 'deeper' learning model (Perdicoúlis, 2010, pp.40–42)

Two schools are likely to be using the 'deeper' learning model in their strategy formation. The 'cultural' school uses collective experience to form shared mental models, often encapsulated in proverb-like expressions. As this is a non-technical school, the 'cultural' mental models are likely to be tacit, and the formation of options and rules is likely to remain generic.

The 'environmental' school, which shapes experience from external 'environmental' factors such as the marketplace — e.g. 'how the market works' — is also observant to reality. However, catering to the diversity of environments, it is likely to remain at a general level of concerns rather than objectives (cf. Figures 3 and 4).

5   Acting upon cognition

The next step towards the advancement of learning models (§2–§4) is to add some operational detail to what is being sought — i.e. the objectives (Figure 4). Since the concrete connections of the mental model with reality (§4), the formation of strategy establishes a commitment to detail that must be honoured by any learning model that aspires to be more advanced — e.g. the 'systems' learning model (Figure 4).

The specificity of the objectives means more than making tangible requests: it is an important *reality interface* of the mental model. It is not sufficient to 'know how things work' and derive options for action and selection rules: it is also necessary to pinpoint what we 'want out of this' (i.e. the intended outcomes) at the corresponding level of detail. And it is this detail of the objectives that will enable the search for concrete, directed, and *realistic* action, thus taking full advantage of the mental model used in most strategy schools.

Of the ten schools of strategy, the only one that dares seek technical detail — and, by extension, perfection — not only in the object of interest (e.g. enterprise) but also in the way we think about it
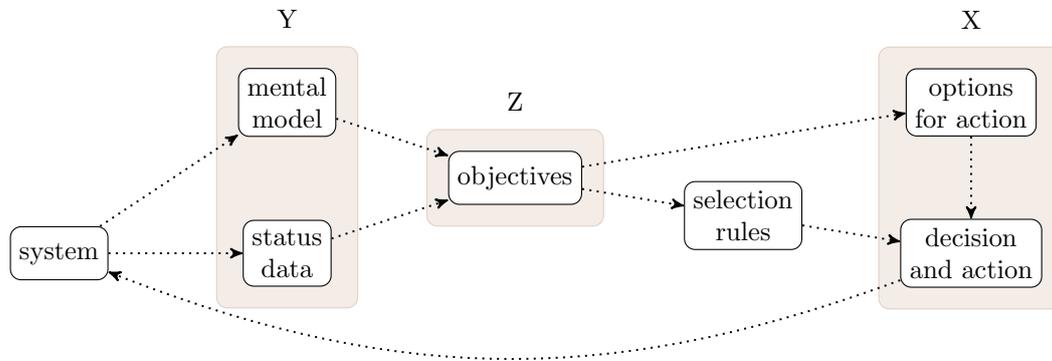
FIGURE 4   The 'systems' learning model (Perdicoúlis, 2010, pp.42–44)

(e.g. mental models) is the 'cognitive' school. Systems Planning℠ (Perdicoúlis, 2010) is one among the various interpretations of the cognitive school of strategy.

6   Discussion

Two schools are excluded from the correspondence with the learning models: (a) the chameleon-like 'configuration' strategy school, which can effectively point towards any of the other schools, and (b) the negotiation-based 'power' school, which maintains a high degree of flexibility and adaptability.

Altogether, there are many types of strategy schools and corresponding learning models to suit the various styles and needs of individuals and cultures. Some of them opt for more formality and others for less, which creates an interesting diversity. In similarity to choosing a school for our children, the question remains: Which school is the best?

All of these schools are equivalent in the sense that all they create strategy. The difference is in *the way* they create strategy — mainly in the learning models they employ. It should follow that the *type* and *quality* of the ensuing strategies is not exactly the same across schools, and it would not be surprising if the quality of a strategy were directly proportional to the *effective* investment into its formation — e.g., investing in the relations of the mental model versus collecting more data. However, as it happens with most schooling, the choice is often made on criteria of convenience — and in the case of strategy formation, that is likely to reflect 'familiar ways of reasoning'.

7   Conclusion

The ten famous schools of strategy correspond to four learning models, with different patterns of detail and demand. This correspondence captures common attitudes towards mental models, the formation of options, and selection rules, and helps to clarify the panorama of strategy-making.

References

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