WHAT DOES IT MEAN FOR AN OGANIZATION TO "DO STRATEGY"?

Dr. Michael E Nagel

Early in my career, I've been passed over for roles in strategy practices at two global consulting firms. To explain their decision, hiring managers said my background was not concentrated enough around what they'd been selling. Rather, they moved forward with transaction and capital professionals who had deep finance experience in buy-side / sell-side deals or complex CapEx events (e.g., think P3 partnerships or building campaigns).

One of these firms aspired to become the leading global strategy advisor, in part by doubling the talent bench of professionals who deliver transaction advisory services.

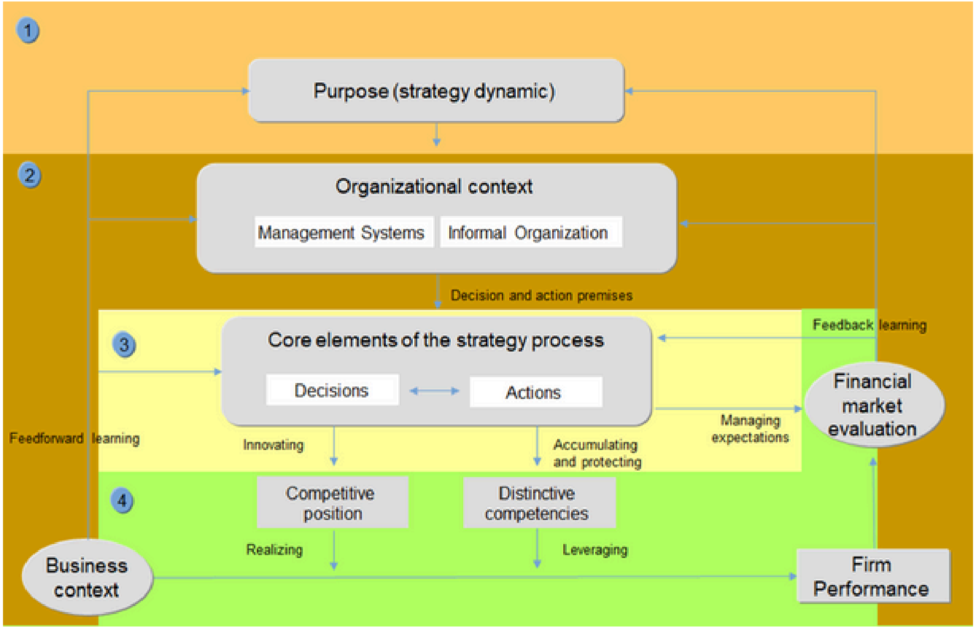
With such focus being placed on these matters, are we right to conclude that practicing strategy is synonymous with analysis and decisions on deals and balance sheet concerns? Moreover, do professionals who come from firms with this orientation largely represent what's needed to be an effective practitioner in the field of strategy?

Doing strategy and having strategy are different things. One way to understand the profession of strategy is to map the sphere of its concerns. In their book Strategy Process: Shaping the Contours of the Field, Chakravarthy, Stewens, Lorange, and Lechner explain that doing strategy is about three activities (i.e., crafting, implementing and changing strategy). [1] They offer a framework that integrates disparate aspects of crafting, implementing and changing. A summary and discussion of the framework follows.

> "Doing strategy and having strategy are different things."

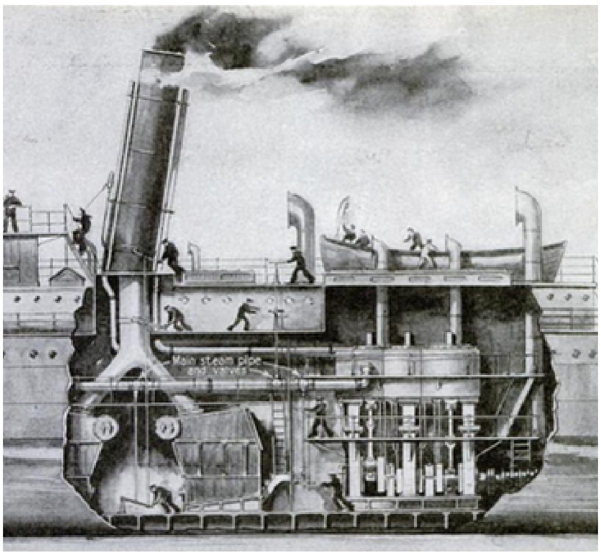
1. Strategy Dynamic: This stream is about how a firm monitors and defines its strategy dynamics relative to others in the competitive environment. Four types of strategy dynamics for any strategy include a) improving a current position perhaps by imitating other firms with a similar strategy; b) optimizing or maintaining an already established and enviable competitive position; c) innovating to go beyond a current position; d) migrating from one strategy (e.g., product leadership) to another (e.g., low-cost).

Time changes the strategy dynamics of an organization and affects the interrelationship of all the other elements in the framework.

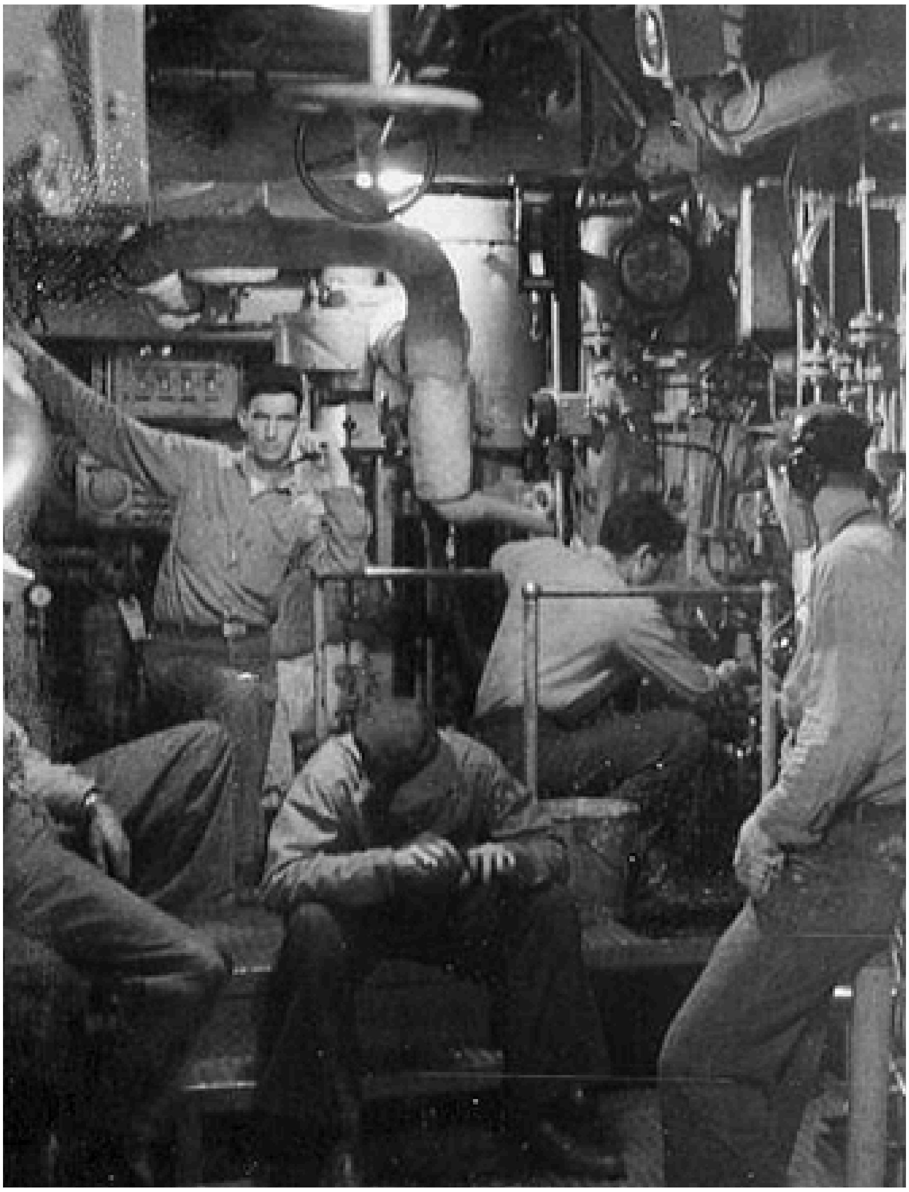


The task of strategy participants in this stream has to do with perceiving and initiating change (or maintaining continuity) to organizational identity and purpose over time. Vetting deals or setting the CapEx agenda may ultimately be a means for achieving changes in the strategy dynamic. However, doing the work to assess the external environment, reflect on fresh intent and evolve the strategy dynamic is its own task. It often requires little transactional talent. For instance, a higher education institution might evolve from a "college" to a "university" identity as leaders apprehend the opportunity to innovate and launch graduate programs which attract new student demographics. This might lead to capital concerns (e.g., real estate, facilities, etc.) related to the delivery of larger volumes or different types of education, but the skill to perceive and workout changes in an organizations strategy dynamics are different.

2.Organizational Context: This stream is about how characteristics in a firm's internal context influence strategic decisions and actions. Here strategists are interested in trying to understand the contextual factors that promote superior implementation and performance relative to firms with otherwise similar characteristics.



There are two broad types of contextual factors that influence actions and decisions and therefore superior performance: 1) management systems (e.g., prevailing structures, planning, control, incentive systems) and 2) informal organization (e.g., values, norms, culture, leadership approach, environment for non-sanctioned experimentation). For instance, Kaplan and Norton cite research on one such characteristic (i.e., the adoption of the balanced scorecard strategic management system), which suggests that firms with formal strategy management systems outperform peers without a formal system. [2] [3] We also understand that a firms leadership approach and culture can be a powerful enabler or constraint in generating new or innovative pathways and supplying the environment necessary to implement strategy. [4]



On the front-end, sophisticated strategy management systems prompt strategist to reach into the competitive marketplace for the sake of gaining insights and crafting strategies. These systems also supply the strategic and performance information needed to communicate internally, across the firm, and externally to the financial markets. As such, strategic management systems, when skillfully used, are capable of providing both predictive and retrospective learning which enables firms to craft, implement and adapt strategies.

Strategy practitioners in this stream integrate the front-end market analysis that flows from stream four leading to refreshed strategies. They design, deploy and adapt management systems and leadership behaviors that enable firms to institutionalize strategy, align resources and improve decision making. This work includes crafting messages across a range of channels to inform external and internal audiences about strategic intent and performance.

They also initiate a range of leadership and organizational development initiatives to positively influence a culture and context with the expectation that these efforts will increase support for the implementation of the current strategy.

The skills needed to perform this catalytic work (e.g., market research, systems thinking, financial and non-financial projections, leadership and organizational development, integrated planning, large project management, performance measurement, communication and change leadership, strategic allocation, data analysis, performance reporting, talent planning, competency modeling, learning experience design, team building, meeting design, facilitation, decision analysis and support, etc.) inside organizations are different from skills devoted to managing capital and transactions.

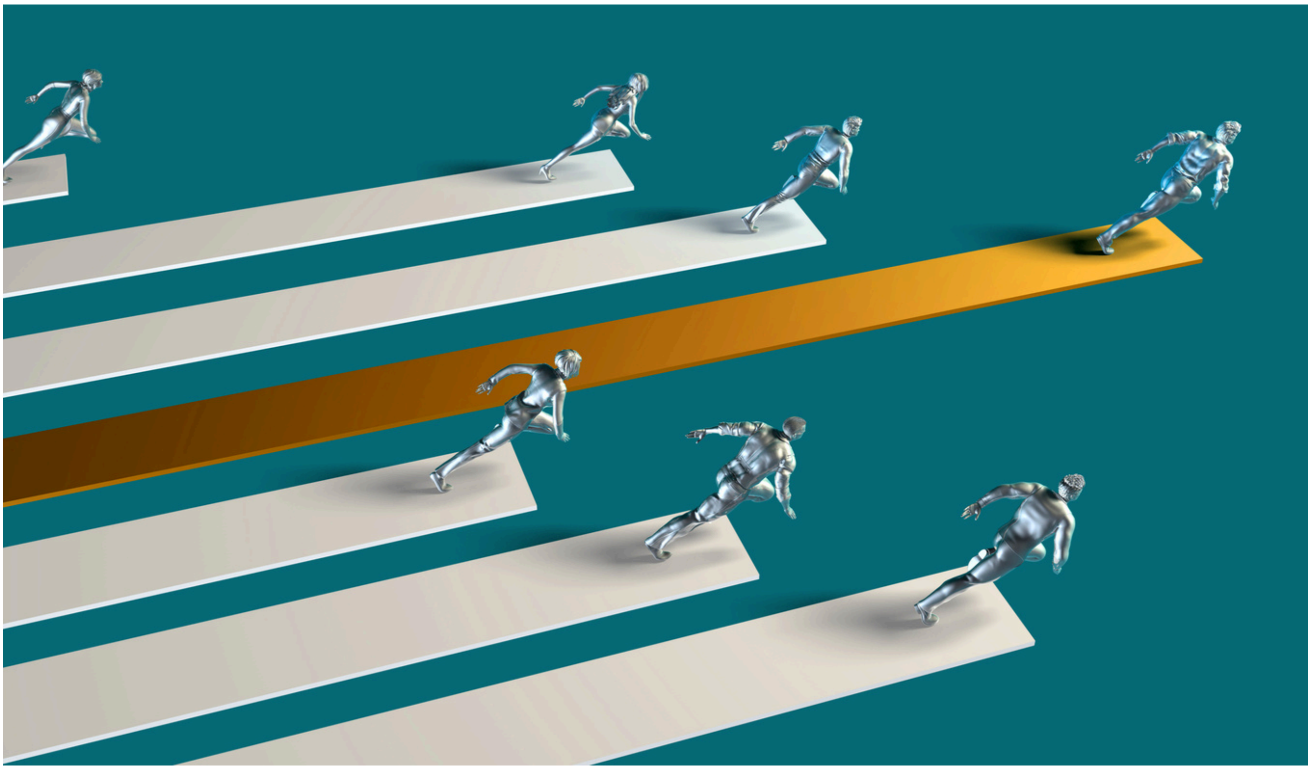
> **The skills needed to do strategy inside organizations are different from skills devoted to managing capital and transactions.**

3. Decisions and Actions: Stream three centers on the two most central components in the strategy process. The two-way arrow between decisions and actions indicates that strategy formulation and implementation are interdependent. It suggests that strategy formation decisions (e.g., innovations and new competitive positions) are analytically / creatively planned BUT also emergent and apprehended.

Here, strategy practitioners are concerned with how to make and implement strategy choices given their current organizational context.[5] [6] They need integrative thinking skills as to deal with the continual management of options and revisions between strategy decisions and actions. Work in this area draws on insights flowing from stream two and the myriad of skills identified there. Moreover, it requires an artful skill of handling the practical content of decisions and actions, as well as their semi-rational and social aspects (e.g., ethics, power, political dynamics, bias, style, history, etc.) which are inherent and influential in all organizations. [7]

4. Business Context and Firm Performance: Stream four is about how a firm's unique competitive strategy and distinctive competencies effect both its position in the business environment and its performance

Here analysts and strategy professionals monitor conditions for the sake of gaining insight and making recommendations. They take a decidedly external perspective and are interested in how a firm might conceive and realize favorable changes in its competitive position. Analysis pivots around organic and inorganic means for fresh innovations and new competitive positions. Practitioners watch for how the field of implementation actions are affecting strategy dynamics and providing new industry insights. Moreover, this analysis feeds recommendations to stream two and three on how to accumulate, protect and leverage distinct competencies for the sake of greater firm performance and for the reward given by financial markets as a result of exploiting these competencies.



With the landscape of organizational strategy now established, let's get back to our opening questions: So, do transaction / capital professionals largely represent **what's needed to be an effective practitioner in the field of strategy?** In short, no. While the fourth stream of strategy work may periodically require the specialized financial talents of transaction / capital professionals so a firm can accumulate distinct competencies and access fresh advantages, strategy is much more than making deals and managing CapEx.

The reality is that even the largest most prominent consultancies do not intend to be full-service strategy advisors, equipped to contribute across the four streams. Rather, playing to their historical strengths, their service offerings are focused on large-dollar less frequent needs, such as deals or sophisticated capital events.

This is because most clients are underequipped internally to effectively handle these matters. The advantage of specialization is clearly at play here. Their staffing models are concentrated on limited plots within the strategy field where the perceived payoff is greatest. Involvement in the other streams of the field, irrespective of how beneficial it might be for the client, is often not central to their client service or hiring agenda. Roger Martin makes a similar observation "Even if you go to a 'strategy consulting firm' after graduation, you are unlikely to do much strategy work. You will earn plenty, do excellent work, and learn a lot about planning and managing projects. But you are unlikely to become a strategist."[8]

For an organization to consistently and effectively "do strategy" there are a variety of leadership, organizational, analytical, creative and social skills required. If the ultimate goal of strategizing is to clarify and monitor how an organization creates future value, strategists need the range of skills described above, which equip them to maintain a dual focus (i.e., an external market focus and an internal organizational focus). Equipped with data, insights, perspectives and choices, effective strategy professionals"do strategy" by acting as master facilitators, capable of navigating a wide range of issues and continually bringing the organization to winning decisions and actions.

Seven Core Capabilities to Do Strategy

External Environment Analysis – Analyzing competitive dynamics, market conditions, and positioning opportunities

Integrative Thinking – Synthesizing strategy formulation and implementation across multiple streams

Systems Thinking – Understanding interconnections between context, decisions, actions, and market dynamics

Facilitation & Convening – Facilitating decisions and navigating complex organizational issues

Change Leadership – Leading transformation while managing political and social dynamics

Performance Management – Designing strategic management systems and resource allocation frameworks

Organizational Development – Shaping culture, leadership, and capabilities to enable implementation

References

[1] Chakravarthy, B., Stewens, G., Lorange, P., Lechner, C., ed. (2003), Strategy Process: Shaping the Contours of the Field, Blackwell Publishing, United Kingdom

[2] Norton, D., 2006, Building a Strategy Focused Organization: Mobilize Change Through Executive Leadership, Palladium Executive Leadership Conference, Boston Massachusetts, July 13

[3] Kaplan, R., Norton, D., 2008, Integrating Strategy Planning and Operational Execution: A Six-Stage System, Balanced Scorecard Report, Harvard Business School Publishing, Vol 10, No., 3 p., 1-6

[4] Beer, M., (2009), Sustaining Organizational Performance Through Continuous Learning, Change and Realignment in: Locke, E., (Ed.), Handbook of Principles of Organizational Behavior, Wiley, p. 537-555.

[5] Lafley, A.G., and Martin, Roger, Playing to Win:How Strategy Really Works (February 2013). Harvard Business Review Press

[6] Martin, Roger, Overcoming the Integrative Strategy Challenge: Bridging Foreground & Background, (September 2024), Medium / Playing to Win:How Strategy Really Works (February 2013). Harvard Business Review Press

[7] Yu, Howard H. and Bower, Joseph L., Taking a 'Deep Dive': What Only a Top Leader Can Do (May 2010). Harvard Business School General Management Unit Working Paper No. 09-109

[8] Martin, R., The Lost of Strategy. A Restoration Project, (December, 2021), Medium

Collective Breakthroughs

Unlock power to achieve what's next

Collective Breakthroughs advances Breakthrough Intelligence (BIQ) - the missing science that explains why some collectives achieve exponential results while others plateau despite exceptional talent.

In an era of disruption and division, leaders need the capability to work across divides and engage the causal forces that generate breakthrough- not just individual heroics.

We develop leaders and organizations in the capability to recognize and engage the hidden dynamics that determine collective outcomes. Through research-backed assessments, learning solutions, and organizational interventions, we help teams, organizations, and movements develop breakthrough capability.

Collectives working with BIQ science unlock the power to achieve results others thought impossible.

Learn more at collectivebreakthroughs.com