

Strategic Planning as a Contributor to Strategic Change: A Generative Model

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In this paper, I describe an alternative model of a strategic planning process that attempts to link planning processes both with new views of the sources of competitive advantage and with the multiple theoretical lenses used to understand strategic change. I hypothesize that this is possible in a redesigned planning process that engages a broad group of organizational members in a strategic dialogue in which hypothetical futures are generated and tested, in a cognitive loop; then implemented as new capabilities, in a behavioral loop.

This paper takes as its focus the relationship of strategic planning to strategic change. It hypothesizes that a 'generative' model of planning processes, which I contrast with a more traditional approach to planning, offers the possibility of linking the two concepts more effectively. The argument utilizes learning and cognitive theories to support its point, and locates this discussion within the mainstream of the literature on strategy-making processes. It then delineates the specific differentiating dimensions of the generative model, posits the model's impact on firm performance, and finally, draws out implications for testing. © 2000 Elsevier Science Ltd. All rights reserved

Linking Theorizing About Strategy with Theorizing About Change

The field of strategy, since its inception, has been primarily concerned with the search for sustainable competitive advantage (Rumelt *et al.*, 1994; Teece *et al.*, 1997). As the pace of change in the business environment has accelerated, this focus on sustaining

advantage has increasingly translated into a strategy-making process fundamentally concerned with equipping organizations with the capability to deal successfully with a changing environment. Against this backdrop, the debate about the specific value of strategic planning has raged on for years, with influential scholars like Henry Mintzberg (1994) arguing that formal strategic planning is incapable of dealing intelligently with uncertain environments, and other scholars asserting that planning processes are most effective in turbulent environments (Hart and Banbury, 1994; Miller and Cardinal, 1994). The question that remains unanswered, despite the wealth of scholarly attention devoted to both evaluating the success or failure of historic approaches to planning and to describing alternative non-plan based approaches to strategy formulation, is whether there exists any single approach to strategic planning that is consistent with and supportive of the central role that successful accomplishment of strategic change plays in sustaining competitive advantage?

Prior Literature

The seminal early works on formal planning processes (e.g. Ansoff, 1965; Anthony, 1965; Lorange, 1980; Steiner, 1979) link the value of strategic planning explicitly to the management of change. Lorange, writing in 1980, argues that 'the purpose of strategic planning is thus to accomplish a sufficient process of innovation and change in the firm ... if a formal system for strategic planning does not support innovation and change, it is a failure.' Steiner (1979) concurs:

'Strategic planning is not a simple aggregation of functional plans or an extrapolation of current budgets. It is

truly a systems approach to manoeuvring an enterprise over time through the uncertain waters of its changing environment to achieve prescribed aims.' (p. 16)

In moving beyond discussions of the purpose of planning to the specifics of the processes advocated, strategic planning processes, as Lorange and Steiner describe them, are oriented towards the selection of objectives and product/market choices by senior management, that a firm's lower level managers were then responsible for programming and implementing. Planning, in this view, provided a mechanism for setting and reviewing objectives, focusing on choices of long-term significance, identifying strategic options, allocating resources among them, and achieving corporate-wide coordination, monitoring, and control. Thus, despite the avowed centrality of change to strategic planning, the specific processes advocated appear to be better suited to the coordination and control function, than to the facilitation of change, especially if that change required speed in responsiveness, local knowledge, or radical changes in strategy.

Anthony's original conception of planning processes bears little evidence of the bureaucratized processes that strategic planning has often, in the minds of its critics at least, evolved into. Anthony distinguished between strategic and operational planning, at length. Strategic planning, he argued, is a process that is both creative and analytical, is issue rather than calendar-driven, and is primarily concerned with external data, usually not financial in nature. Systematizing an approach to strategic planning is inadvisable, he argued, in that it is likely to dampen the creativity so essential to the process. He also cautions against confusing strategic planning and long range planning, sounding much like Henry Mintzberg in the process:

'In some companies, the so-called five year plan is nothing more than a mechanical extrapolation of current data, with no reflection of management decisions and judgment; such an exercise is totally worthless.' (p. 58)

In his exhaustive review of the planning literature, Mintzberg (1994) makes an argument that many have found compelling, that these traditional planning approaches are more likely to impede, rather than facilitate, successful change under conditions of uncertainty.

Mintzberg's concerns about the deficiencies of formal planning, with its strong roots in premise of rationality, are supported by emerging theories that have gained prominence in the broader context of the strategy and change literatures in the intervening decades since the above model of strategic planning processes were developed. In the strategy field, the concept of the resource-based view of competition has emerged prominently in the literature (Wernerfelt, 1984; Montgomery and Hariharan, 1991;

Teece *et al.*, 1997). It has been argued to represent new views of the source of competitive advantage itself, with its focus on each individual firm's unique bundle of capabilities and assets, and their appropriateness for achieving the firm's specific strategy and meeting the needs of its marketplace. As Teece *et al.* (1997) note:

'...the dynamic capabilities approach can be seen as an emerging and potentially integrative approach to understanding the newer sources of competitive advantage. We suggest that the dynamic capabilities approach is promising both in terms of future research potential and as an aid to management endeavoring to gain competitive advantage in increasingly demanding environments.' (p. 510).

This increased focus on the selection and development of capabilities, rather than the selection of products and markets as the central preoccupation of strategists, has been complemented by the enormous practitioner popularity of the concept of 'strategic intent' by Hamel and Prahalad (1989). The strategic intent perspective makes the development of a future-focused and transformational organizational vision central (Hamel and Prahalad, 1994), in contrast to the 'fit' emphasis of the industry structural theories that have been so influential in strategy (Porter, 1980). Taken together, these new views of the sources of competitive advantage would appear to call for planning processes capable of greater creativity, flexibility, opportunism, and more rapid implementation.

The literature in the area of strategic change has seen the increasing prominence of new theoretical approaches, as well. Kajagopalan and Spreitzer (1997) describe the evolution of the strategic change literature from one focused primarily on content issues and the premise of rationality to one that recognizes the complexity of the 'black box' of human processes of learning and cognition which underlie change. Whereas the rational lens has viewed strategic change as a process concerned with 'the deliberate analysis of strategic alternatives' in a linear fashion, with 'little scope for experimentation and learning', as Kajagopalan and Spreitzer note, much recent work has focused on two alternative lenses — the learning and the cognitive. The learning lens, these authors argue, sees change as an iterative and evolutionary process that is not linear, in which managerial actions play a central role. Similarly, the cognitive lens takes as central an enacted view of the environment where the interpretive process of individual managers is key and is shaped by belief structures. These authors offer an integrative view that pulls together the three perspectives, and acknowledges the contribution of each:

'The rational lens perspective reflects a crucial aspect of the reality facing managers, namely, that changes in strategies must match the requirements of a firm's environmental and organizational contexts in order to be successful...The cognitive lens perspective indicates that gaps between

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