



Learning to Make Strategy: Balancing Discipline and Imagination

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Companies learn how to make strategy by doing. Most companies have few occasions to learn, however, because strategy making is typically a sporadic exercise undertaken only during major discontinuities. In a reality where the value of new strategies erodes rapidly, companies must pay attention to how fast and how well they are able to create new strategies and migrate to them. Advice for strategy making emphasises either discipline (e.g., rigorous, elaborate planning) or imagination (e.g., attempts to think outside the box). Neither discipline nor imagination alone, however, is as effective as both are together. In this article, the authors review the strengths and limitations of both discipline and imagination, and conclude by discussing ways in which companies can balance discipline and imagination in their strategy making. © 2001 Elsevier Science Ltd. All rights reserved.

Introduction: learning to make strategy

General Instruments, a successful manufacturer of set-top cable boxes, was accustomed to setting the technical standards in the industry. It had a rude awakening, however, when deregulation of the cable TV industry widened its competitive field. Suddenly, satellite, fibre-optic lines or software could compete to provide the same functionality for the user, threatening to render General Instruments' hardware set-top cable TV boxes obsolete.

GI's yearly budgetary ritual provided little help to cope with these changes. As the pace of change in the industry accelerated, the 100-page annual reports, which took months to generate, became largely irrelevant before they could be widely read and were essentially ignored. It was rumoured that someone confirmed a lingering suspicion to that effect by placing a \$100 bill inside a report at the beginning of the year, and found the bill

in exactly the same place a year later. The gears of the strategic planning process turned meaninglessly at GI.

Ed Breen, the chief executive, along with a few other members of the senior management team, had an idea of how the company could respond, but they knew it would be essential for the entire senior management team to agree on a strategy to mobilise the organisation. To this end, 20 senior managers gathered for a three-day retreat in the woods of Kiawah, South Carolina. There, together with an outside facilitator, the group evaluated GI's situation and discussed a vision for the future of the company. For Breen, the meeting would be successful if it served to generate buy-in and commitment among top-level managers. By the end of the meeting, GI had a new strategy ready to put in place.

Recognising that strategy making in the rapidly changing environment would have to happen more often, Dick Smith, Senior Vice-President of Business Development and an instrumental player in the strategy making process, wondered how GI should approach strategy making. The current planning process was clearly ineffective. Furthermore, the Kiawah experience did not seem easily repeatable: even though it accomplished the goal of defining the future direction of the company, some managers thought it excessive to devote three full days for that sole purpose, considering the day-to-day issues that had to be dealt with "in the trenches". Smith wondered what kind of intervention he could devise that would meet GI's new-found needs for strategy making.

GI's situation is increasingly commonplace. In a reality where the window of opportunity for a strategy to generate new wealth is steadily shortening, new strategies have to be constructed more often. The demands of the dynamic and competitive business environment can potentially overwhelm an organisation's tried-and-true methods for making strategy. Companies feel the need to hone their capability for strategy making, the capability to create quality strategies more frequently. Value creation, and indeed survival, has become intimately associated with the ability to *continually* create innovative business strategies.

Such capability must be learned by doing. While generic recipes for strategy making are available, most companies have few occasions to put them in practice, because strategy making is typically a sporadic effort undertaken only during major discontinuities. Outside help is always available, but not always effective. For this reason, the new reality is making it gradually and—for some—rather painfully apparent that new wealth creation requires more than enforcing rigorous planning or embarking in ad-hoc efforts to set up strategy with outside facilitation.¹

Smith's quandary reflects that of many senior executives who are responsible for devising ways to enhance the strategy making capabilities of their organisations. He had several options to ponder. First, Kiawah-like meetings could be held whenever strategy making was needed. Second, the company could try to reinstitute the creative phase, the original Phase 0, of its now mainly budget-

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