

Is this the end of strategy as we know it?

Strategy is changing rapidly in response to a volatile environment but, **Martin Friesl** argues, that is making it more important than ever

“

A “fleet” metaphor is symptomatic of today's corporate world. Gone are the days, it seems, of grand corporate strategies that aim to maximise synergies across businesses by painting a picture of coherence for shareholders that often turns out to be a mirage



The CEOs of Siemens AG and Volkswagen AG recently announced new strategies intended to steer them through the wild and partly uncharted waters of increased globalisation, a digital revolution, unravelling trade agreements and political instability.

In an unprecedented act of synchronicity, Siemens' Joe Kaeser and VW's Herbert Diess independently of each other used the same metaphor to describe their future strategies: Siemens and VW are going to transform from "tankers into agile fleets of ships". For both companies this will mean a simplification of corporate structures and a stronger independence for product divisions.

Siemens and VW are, of course, not alone in doing this. There seems to be a trend (or even a need) among large, diversified and mature corporations to become faster, more innovative and more reactive to changing trends. A critical observer might even question whether the same consultants were involved? But let's not go there.

In any case, the "fleet" metaphor is symptomatic of today's corporate world. Gone are the days, it seems, of grand corporate strategies that aim to maximise synergies across businesses by painting a picture of coherence for shareholders that often turns out to be a mirage.

Indeed, it seems that the speed and complexity of the current business environment means the end of strategy as we know it. This seems obvious:

steering a tanker is a little different to making sure an entire fleet is moving in a particular direction. Strategy work in the latter scenario deals with a potential paradox: to manoeuvre quickly, the captain of each ship needs to be autonomous. Yet too much autonomy bears the risk of the fleet dissipating. Finding a solution for this conundrum is the future of strategy – and its biggest challenge.

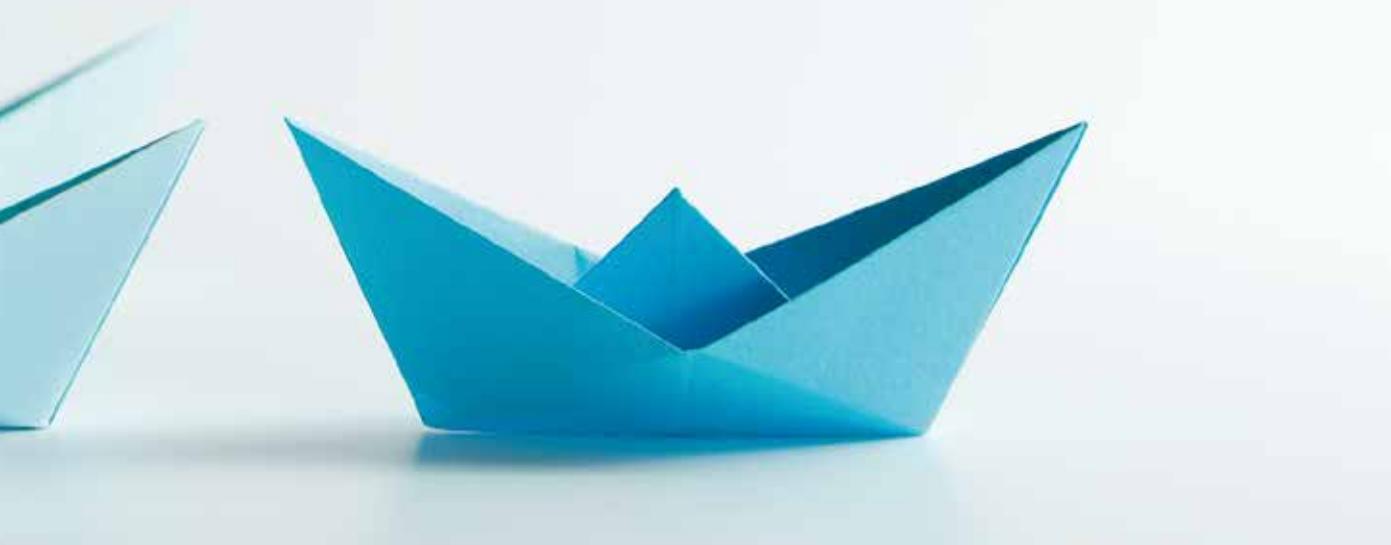
Three types of strategy work are particularly important:

Strategy as purpose

The increased need for flexibility and agility requires the renaissance of a somewhat old-fashioned strategy classic: the creation of a shared understanding of "purpose" as a premise of firm-level strategy – "what is it we try to achieve and for what reason?"

This idea has been central in one of management's great books, Chester Barnard's 1938 seminal work, *The Functions of the Executive*. An agile and autonomous "fleet of ships" will only work if they share the same "co-ordinates". It is precisely the need for speed that requires companies and organisations to make sure that the direction of travel is fully understood.

This understanding gives business units, departments but also individual managers the autonomy to decide the means by which they get there. Yet what does it take to create such a sense of purpose?





Strategy as orchestrated dissonance

Complex environments invite different and often conflicting interpretations, meaning there will be tensions regarding the right course of action. Research increasingly shows that innovation and change happen as a result of these tensions – and from constructively engaging people at all ranks of the organisation.

A number of companies such as Intel and IBM have started to engage the creative potential these tensions offer by opening up their strategic conversations to involve as many people as possible. They include people both inside as well as outside the organisation in order to benefit from the clash in perspectives. How can managers deal with conflicting perspectives in a creative way?

Strategy as experimentation

Transforming large organisations into nimble fleets of ships also highlights the need for corporations to deal with fast-paced change, slower innovation cycles and the quick erosion of any advantages a firm might have. It is an invitation to experiment with new approaches, technologies and solutions.

Design thinkers and management scholars agree that strategy is increasingly about the ability to conduct cost-effective and quick experiments in order to learn from failure faster than the competition. Yet, this often requires smaller units, akin to start-ups, that create the space for experimentation but also reduce risk.



“

Transforming large organisations into nimble fleets of ships also highlights the need for corporations to deal with fast-paced change, slower innovation cycles and the quick erosion of any advantages a firm might have. It is an invitation to experiment with new approaches, technologies and solutions



Sinking a single boat does not sink the fleet. It also raises the general question about how managers can create environments where people feel safe to experiment.

These ideas of strategic thinking and the reality of strategy making in many businesses and organisations are in direct contrast to the traditions of strategy education offered in many business schools. So what does the future hold? The future of strategy work, as described earlier, affects how we teach strategy, but we also need to consider who we, as strategy educators, think strategists are.

The current strategy curriculum is often exclusively focused on (or at least heavily skewed towards) strategy as a predominantly analytical exercise. This results in the foregrounding of strategy “frameworks” and the application of these frameworks as the central pedagogical principle.

This is also evident in the content of major strategy textbooks. With few exceptions, the content of many texts is highly similar and draws on a canon of work that is very much rooted in industrial organisation economics of the 1970s and 1980s and the resource-based view of the firm of the 1990s and early 2000s.

This is not to say that the existing curriculum has become obsolete. This is not the case. However, I do argue that strategy education in business schools can play a stronger role in preparing students to take an active role in setting the purpose of their future organisations; in enhancing their ability to deal with and constructively facilitate conflicting points of view and in becoming entrepreneurs who are willing to take the risk and try new ideas.

However, this requires business schools to bring these complexities into the classroom. The strategic management module on the Lancaster MBA tries to incorporate these elements. The idea of conflicting points of view (between students but also between the trio of tutors delivering the module) and the reflection on the very purpose of business are the central pedagogical principles that enable students to explore strategic options for real businesses.

Moreover, the future of strategy work sketched above also requires us to rethink who the strategists of the future are. In a fleet of ships, strategy work no longer resides solely with the CEO and a group of corporate strategists. Rather, the development of a shared purpose, the negotiation of conflicting views and the launch of experiments are a collective endeavour. With increasing autonomy, the responsibility for strategy needs to be dispersed across many different individuals, who are in very different roles and on different levels of the hierarchy.

Recent strategy research increasingly highlights the dispersion of strategy work in many different contexts. It also highlights the severe demands this creates for individual managers and their ability to cope with conflicting views and create momentum for new initiatives and experiments. This calls for an increased need for the theory and practice of strategic management in the curriculum of business schools.

The end of strategy as we know it does not imply that strategy becomes less important for firms. In fact, I hope I have argued the exact opposite.

Strategy becomes even more important for the future success of companies and organisations and it becomes even more pervasive in the everyday work of managers. The educational implications of the future of strategy work are a major opportunity for business schools. Putting an even higher emphasis on the strategic capabilities of business school students (undergraduate, postgraduate and post-experience) is a chance for profile building and differentiation in an otherwise crowded space for business education.



About the Author

Martin Friesl is Professor of Strategic Management at Lancaster University Management School, UK, and Associate Editor of the International Journal of Management Reviews. His research mainly focuses on strategic renewal and bottom-up strategic initiatives. His work is published in leading peer-reviewed journals and has received awards for its implications for practice