Institutional Learning: The Essence of Strategic Management
S Ramnarayan and N Mohan Reddy

Strategic management is not a formal, well-laid-out set of techniques. It is the mode in which decision makers understand the context in which they function and initiate decisions and actions for establishing meaningful linkages with the environment. In recent years, strategic management has become important for several Indian organizations due to dramatic environmental changes.

In this article, Ramnarayan and Reddy use the "learning" perspective to evolve a framework of the strategic management process in organizations. Through four illustrative cases, they highlight four clearly identifiable blocks to institutional learning: Single Loop Learning, Analysis Paralysis, Ivory Tower Planning, and Me Too Planning. The paper outlines the likely causes of each of these dysfunctional blocks to learning. The authors propose a set of guidelines for enhancing the effectiveness of strategic initiatives in organizations.

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• The Accounting Services Division of a consultancy firm is going down steadily in performance and yet all attempts to bring a strategic outlook are proving to be futile.
• The Executive Committee of a National Research Laboratory has clearly identified the unit's strategic concerns, but is feeling helpless about initiating any positive action.
• The strategic planners of a bank have ranked customer contact as the most important challenge for the organization, but there is ritualization of the elaborate system designed to monitor this crucial strategic issue.
• The strategic planning workshops are begun in the manufacturing division of a large organization with a lot of fanfare, and yet in a few months time the General Manager and the Human Resources Development Cell conclude that these workshops are getting nowhere and decide to unceremoniously drop them.

These situations are illustrative of the common problems one runs into while initiating the strategic management process in organizations.

In this paper, we explore the above cases to examine why strategic management initiatives run into problems. We identify when the strategic process facilitates discovery of new ideas and initiation of action on them by organizational members, and when the process fails to take off the ground or becomes ritualized. We have viewed the strategic process as institutional learning and used the insights from literature to throw some light on how we should manage the strategic process. We present a framework for identifying and explaining common dysfunctionalities which creep into the strategic process, and suggest a set of guidelines for enhancing the effectiveness of the organization's attempts to reorient itself.
Importance of Strategic Process

Strategic management is the mode in which an organization:

- understands the environment it has chosen to deal with
- initiates decisions and actions for establishing creative and profitable linkages with this environment.

It is important to emphasize that strategic management is not a formal, well-laid-out set of techniques. The strategic process is simply the process by which the environmental conditions and signals are observed, assessed, and responded to.

In India, the strategic management process has assumed importance in recent years due to dramatic changes in the external and internal environment. For instance, several organizations are experiencing competition in the market place for the first time; there are major technological changes taking place rapidly and the managers are wondering how to cope with these changes; the changes in the social environment are reflected in the changing expectations and behavioural patterns of individuals and groups at the work place. Some organizations have remained stagnant for a number of years and are now hard pressed to satisfy the growing expectations of the employees. Curiously, there are also organizations which face just the opposite set of problems: they have been riding friendly waves and have grown large over a period of time, but are now confronting the internal complexities associated with rapid organizational growth, such as conflicting demands of different interest groups and organizational values and norms, which are not in tune with pressures for performance. Many organizations are buckling down under such changes in the environment because they are unable to perform at the level required by customers, employees, financial institutions, and other stakeholders. These organizations have to unlearn their old, obsolete approaches and learn new ways of coping with the external and the internal environment.

The process of unlearning and learning at the institutional level is facilitated through the strategic initiatives taken by the managers. This learning process is the key ingredient of strategic management. Our experience with organizations shows that the managers have to view strategic management as activation of institutional learning to be successful in helping the organization change gears to meet the environmental demands.

Strategic Process as Learning

Learning perspective can enrich our understanding of the strategic process (Schon, 1971; Ansoff et al, 1976; Ginter and White, 1982; De Geus, 1988). Strategic management can be viewed as a process by which decision makers learn about their organization and the environment in which it operates; this learning helps them coordinate the firm's actions and ensure the survival and development of the organization. Some management practitioners go to the extent of saying that the real purpose of the strategic process is not to make plans, but to aid the learning of key decision makers and to change the mental models that these actors carry in their heads. In other words, institutional learning lies at the heart of the firm's ability to live in harmony with the environment over a long period of time. Learning is the process which underlies and gives birth to change. Change is the child of learning.

Four-Stage Learning Model

The learning model developed by Kolb (1984) has been widely used for understanding individual learning, and has been applied, with some modifications, to learning at the organizational level as well (Carlsson et al, 1976).

Kolb suggests that the system goes through a learning cycle as follows:

- it is immersed in concrete experience
- it then observes and reflects upon the experience of this situation
- it then begins to form concepts from this situation
- it tests the implications of these concepts in new situations through active experimentation.

Concrete experience and conceptualization and reflection and experimentation represent polarities, and both polarities are essential to the learning process.

Strategic process as outlined in the literature corresponds closely to the learning cycle presented above. Ansoff (1987), for instance, describes strategic activity as consisting of three sub-activities: sensing the need for action, deciding upon an action, and executing it. The sensing phase is similar to the stage of concrete experience. According to Ansoff, deciding stage has been variously called strategy formation or strategy formulation, and has received the
bulk of research attention. Formulation of strategy involves reflection and conceptualization. Finally, the execution reflects the phase of active experimentation.

There are also models in the strategic management literature which view strategic decisions as outcomes of organization-wide systematic strategic planning process (Andrews, 1971; Steiner, 1979). These models present the following stages in a strategic process:

- picking up signals from the environment; articulation of possible goal states
- situation audit; assessment of past, present, and future; assessment of strengths, weaknesses, opportunities, and threats
- clarifying the purpose, mission, charter, goals/objectives; development of strategic options
- implementing the chosen strategy.

It can again be noted that these stages correspond to the stages in learning cycle. To illustrate the 'fit* better, Figure 1 presents the strategic process superimposed on Kolb's learning model.

From Figure 1, it can be seen that the strategic process starts with the concrete experiences of the past, the signals from the environment which convey messages about the present and the future, and also the articulation of possible goal states. In this stage, the organization senses the need for action.

Through the process of situation audit, the system observes and reflects upon these experiences. The observation helps the process of identifying strengths, weaknesses, threats, and opportunities.

The system then begins to form concepts from this situation—the organizational purpose, mission, charter, goals or objectives, and strategic options. It represents the stage of abstract conceptualization.

Finally, the organization tests these concepts through actively implementing the chosen strategy. This includes the monitoring phase. The implementation generates a new set of experiences and the cycle begins anew.

To sum up, we have presented a framework which looks at the strategic process as learning. For integrated learning, all the four stages, i.e., all the steps of the strategic process in Figure 1 are important. When one or more of these dimensions are underdeveloped or overlooked, some aspects of the learning are lost to the organization, and the organization is unable to realize its potential.

Dysfunctional Modes of Learning

The framework presented in the last section looks at the strategic process as learning. We can use this framework to identify the ways in which learning gets blocked and dysfunctionalities creep into the strategic process. Failure of initiatives in strategic management can be traced to neglecting some of the crucial steps in the learning process described above. We can identify four dysfunctional modes in the strategic management process (Figure 2):

**Single Loop Organization.** Here, the organization is caught in the experience-action loop, and there is very little reflection and conceptualization.

**Analysis Paralysis.** In this mode, the organization does not move beyond experience and reflection. The stages of conceptualization and action do not receive adequate attention.

**Ivory Tower Planning.** Here, the strategic planning process concentrates on reflection and conceptualization and the plans remain distant from experience and action.

**"Me Too" Planning.** In this mode, the organization initiates strategic planning not on the basis of its own experience, but because others seem to be doing it. Even after the action phase, the organization's own experience is not reflected upon.

We consider these dysfunctional modes of learning in some detail next.

**Single Loop Organization**

In this dysfunctional mode, the organizations are caught up in the cycle of experience and action. They do a given set of activities over and over again, without deriving any substantial learning from their experiences, because they are caught up in what may be referred to as "single loop learning" (Argyris, 1982). Argyris calls this "low level learning" which only produces successive replacements and refinements of responses. Higher level learning is referred to as double loop learning or deutero-learning (Bateson, 1972). This can open up totally new ways to assemble responses and to connect stimuli to responses, as there is inquiry into the organizational experiences, the underlying themes, norms, and assumptions.

An illustration of a single loop organization is presented in Caselet 1.
Caselet 1

A division of a consultancy firm, which was providing accounting services to client organizations, had recently lost a number of important clients. There was a steady decline in the division's volume of business and profitability, but attempts at reorientation had met with little success.

The senior employees of the division territorialized much of the office work. For example, the secrets of accounts receivable were the province of one senior employee; the mysteries of discount rates and accounts payable belonged to another. Even the employees who performed the specialized functions did not fully comprehend the reasons for some of the actions they executed. Much of the office work reflected the reasoning of the long tenured office manager whose style did not include explanation of his directions.

Like following religious rituals whose original significance had been lost in the mists of history, the office personnel performed countless tasks not understanding their relevance but unwilling, unable, and even frightened to change them. Not understanding the goals of their activities, they could not evaluate and modify their behaviour. The employees were threatened by even minor changes. In such a context, various attempts to reorient the division were obviously met with stiff resistance.

It can be noted from the illustrative caselet that single loop organizations fall short on the assessment of situation and the development of appropriate strategies. There is very little substantive, significant learning that these organizations derive from their experiences. Such organizations survive and sometimes even thrive in environments which are fairly static; but when faced with a rapidly changing environment, these organizations may find themselves outdated, yet unable to learn and reorient themselves.

We find, from our experience, that this dysfunctional mode is caused by three sets of factors: high-differentiation and under-integration, high-integration and under-differentiation (Oshry, 1977), and certain cultural characteristics.

High-differentiation and Under-integration. When an organization has a community of functional specialists with little appreciation of each others' areas, the roles and responsibilities tend to get fragmented, and, except at the very top, no one is able to see the total picture. The problem gets compounded in the absence of effective communication among different functions and levels. Typically, the situation exhibits the following characteristics:

- With narrow specializations, the specialists consider their functional areas as the only important ones. When issues are ambiguous, these managers focus on the aspects of the issues that relate to problems in their areas and perceive other issues as distractions. They use a series of filters based on their own specific focus, and hence many potential concerns and alternatives do not enter their strategic agenda.

- Sometimes, one finds that the apparent energy of the system is high. But on a closer examination, one notices that most of the activity is around turf control, defending one's boundaries, scepticism, and running down of others' ideas. The differences among the different factions are thus exaggerated and distorted. Since their perspectives are partial, the conflicting groups remain ignorant of the side effects of their recommendations. Then they complain that the system consistently ignores their suggestions.

- With strong inter-departmental and inter-level differences, there is little information sharing among managers that can help them understand the different perspectives. Single loop organizations persist with their rigid sub-unit boundaries as long as the resources are abundant and pressure for performance is low.

The situation in these organizations is similar to that observed by ecologists in studies of meal worm communities. Granular stratification of meal allows competing groups to coexist reasonably well. Mixing strata destroys the rules and results in lethal competition (Allee et al, 1971). Significant changes in the environment and pressures for organizational reorientation upset the rules of coexistence in the same way.

Where there is high differentiation, it becomes difficult to integrate managers in the planning process. For proper integration, it is important that managers request and receive the information they need and come up with a range of strategic options. This can happen only if the jobs involve thinking up ideas for the whole organization and bringing them to life.
High-integration and Under-differentiation. Single loop learning in organizations is not only caused by high-differentiation but also by under-differentiation. When an organization minimizes the differences among groups or a decision making group minimizes the differences among individual members by keeping these groups or individuals in continuous contact with each other, the system may become under-differentiated. The tendency to involve all people in all processes, while ignoring the differential skills, interests or energies of people results in a ponderous system—one which is unable to respond adequately to its environment.

Interestingly, by granting that each part of the system influences all other parts, the likelihood of any one part being able to actually influence any other, in other than restraining ways, is diminished (Oshry, 1977). In such a system, no clear and legitimate assignment of strategic responsibility is made; at the same time, for the individuals within the system, reorientation, making changes in the strategic agenda, and carrying the entire organization seem like impossible challenges. Under the circumstances, the energy of the system members and of the system itself tends to remain unfocused.

Cultural Characteristics. It is often observed that past successes create blocks to learning and contribute to single loop learning. Such organizations do not experience any need for fresh reflection and conceptualization.

In a classic experiment in biology, a frog which is placed in a pan of cold water but which still has the freedom to jump out, could be boiled if the temperature change is gradual, for the frog is not aware of the barely detectable changing heat threshold. In contrast, a frog dropped in a pot of boiling water would immediately jump out because it realizes the 'environmental trigger' (Tichy and Ulrich, 1984).

In a similar vein, organizations which have been successful in the past but are insensitive to gradually changing environment may become "boiled frogs." In this context, it may be noted that in the US, 50-year old corporations represent only two per cent of those initially set up and 50-year old Federal agencies only four per cent (Starbuck, 1983). When a decision making group puts too high a threshold for the entry of information, it effectively closes the organization's window to environmental inputs.

Several other factors, besides the organizational history and past successes, mould the culture of an organization. Certain organizational cultures place a strong value on "activities." In these organizations, the managers are likely to perceive a day spent on reflection and conceptualization as a wasted day. These managers may have a strong need to be on the firing line to feel like "real managers." When attention remains only on activities and the group builds very strong-barriers for the flow of information from outside, the inflow of impressions is reduced to a trickle and the organization becomes almost a stunted closed system.

There are some cultures which expect all managers to be physically present at the crisis points, whether or not they contribute to the situation. In these organizations, it is not uncommon to find managers at all levels being physically present, say, at the site of the breakdown of major equipment, doing precious little, while the lower level employees are actually setting right the problem. Such organizational cultures tend to promote single loop learning.

Unblocking the Single Loop Organizations

In the single loop organization, if the primary villain is high-differentiation, unblocking efforts would have to be aimed at developing awareness of the total system and organization-wide issues. It would be important for the organizational members to experience and develop a common agenda for action. We have had a few recent cases of successful mobilization of this kind in the Indian industry (Ganguly, 1987; Krishnamurthy, 1987), where the leaders have attempted to develop and communicate a set of priorities for action for the total organization. Thus, the strategic process becomes one of developing a common language and thought process, so that individuals and groups are able to communicate with each other, and it becomes possible to build institutional issues and strategic options on the basis of the individual and group concerns.

On the other hand, if the problem is one of under-differentiation, it would be important to get the members to underplay their constant preoccupation with the total system and let them do what they would like to do. For example, the organization may open itself to different perspectives by inviting outside practitioners, experts or newcomers to share ideas. Employee seminars may focus on developments that individual departments are working on. Organizational norms may have to undergo change to let individual managers or groups differ with the dominant view and raise proposals which go against...
the prevailing logic.

Finally, if it is the organizational culture that is keeping the organization on a narrow, uncreative, yet rational path, it would be a good idea to legitimize a certain amount of playfulness in the organization. Playfulness is the deliberate, temporary relaxation of rules in order to explore the possibilities of alternative rules (March, 1971). A strict insistence on purpose, consistency, and rationality limits the ability of organizational members to find new ways of examining their experience.

**Analysis Paralysis**

The organizations in this mode get stuck in data gathering, creation of causal maps, models or scenarios, and do not get down to decision making and action. This may happen because the organization does not trust its unique experiences or its analyses of the situation. Sometimes the firm may find it difficult to take risks to evolve new approaches, particularly those which represent a break from the past. At other times, the problem for the decision making group may be one of overcoming the mental barrier of making and communicating its final commitment to a set of actions and assuming publicly the responsibility for the success or failure of the strategy.

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The members of the Executive Committee (E C) of a research laboratory identified the turnover of young scientists and the development of research programmes in certain critical areas as the strategic issues for the organization. The E C was the top decision making body of the laboratory and met regularly every fortnight. But the discussion of the day-to-day issues and concerns took a substantial part of the time and hence strategic issues were not being addressed. After some deliberations, the E C constituted two committees to examine the issues. In course of time, the committees analysed the issues and made presentations during a half-day meeting convened specially for the purpose. The presentations evoked a number of different viewpoints from the E C members, but the discussions on the issues remained inconclusive. The committee members had, in the meanwhile, become busy with other tasks and the matter was not pursued further.

The issues were revived when it was noticed that the turnover issue remained serious, and no action had been initiated on the research programmes. Another sub-committee was asked to review the matter and make recommendations. This group made another study, presented a summary of the earlier discussions, and outlined some choices that E C had to make. A fresh discussion was initiated and again different views and ideas were expressed by different members. Some E C members sought more data. The meeting ended without any clarity on how the issues were to be addressed. A period of 15 months had elapsed since the group had first raised the two issues, but the actions were still nowhere in sight.

Causes for Analysis Paralysis. Analysis Paralysis is caused by a number of factors. Some of these are discussed next:

- Managers are concerned with the transactional activity which is also referred to as operations management and the adaptation activity or strategic management. The two activities coexist within organizations and compete with one another for attention, skills, resources, and money (Ansoff, 1987). Gresham's Law of Planning proposes that, if left uncontrolled, the operational activity suppresses the strategic activity (March and Simon, 1958). In other words, when the strategic process does not take into account the strong intercoupling between the operating and the strategic work, paralysis by analysis is likely to result.

- Positive actions are unlikely to emerge from a strategic process which has become highly ritualized (Lenz, 1987). Sometimes, the process is made too formal, predictable, and rigid. In the presentation and discussion of plans, emphasis is placed on form and style rather than content and sub-
stance. The deliberations become an end in themselves. In such organizations, the decision making group views the strategic process as a set of mechanical steps rather than as a guide to reorient their actions.

The ritualization of the planning process can also result from the dominant group's lack of serious commitment to the organizational reorientation. The lack of concern may spring from a number of factors, and we will not deal with them in this paper. But it is important for us to note that the absence of strong commitment gets reflected in the dominant group going through the motions of planning, but not infusing those steps with life through their visible support and energetic action.

Finally, when the planning cells in the organization lack sufficient influence within the system, the strategic process can get ritualized. In such cases, the analyses of the planners may be belittled. No actions are initiated on the analyses because these are perceived as not dealing with the "real issues" or the "big picture."

- Analysis Paralysis is also caused by absence of common ideas and expectations on the part of the decision making group. When the group has no clear internal standards which can serve as a benchmark for examining and evaluating new inputs, generation of fresh data only adds to confusion.

The top management group in a hospital that we worked with typified this problem. When in doubt, the group would order data collection. On many occasions, it was not even clear as to how the additional data were to be used. When the group's voracious appetite for data was discussed, a critical assumption of the group came to light: insights into the issues can emerge only from more and more data rather than from the group coming to grips with what it wanted to achieve in a given situation. Not surprisingly, the group missed out on a number of promising ideas because it kept delaying decisions on new proposals.

- The strategic process requires that the leader or decision making group communicate in specific terms the intentions of exploring specific opportunities or taking certain actions. Some organizations are characterized by frequent changes at the top, multiple interest groups or a culture of 'not rocking the boat.' In such organizations, the act of sharing one's purpose, showing one's hand, and committing oneself to a course of action carries the inherent risk of becoming vulnerable to criticism or even attack.

Even in large organizations with complex decision making processes, the final strategic decisions are attributed to the leader or the decision making group. Sometimes the decision makers are faced with the mental barrier of making the final irrevocable commitment, putting their stamps on a set of decisions, and assuming responsibility for the success or failure of the strategy. This final act would seem like a big risk if the decision makers are unable to mobilize other organizational members and feel somewhat isolated from the rest of the organization. Absence of the willingness to be identified with a set of priorities causes analysis paralysis.

Energizing the Analysis Paralysis Organization.

Decision making groups which find it difficult to move beyond experience and reflection have to be helped in committing themselves to a course of action. These groups have to make the required investment of time and emotional energy to the strategic process.

To ensure that the strategic activities get adequate time, the group should evolve an explicit plan for reallocating the operating responsibilities or modifying the priorities. Unless this is done, the operating responsibilities would suppress the strategic activities.

The group may also find itself running out of time for strategic decisions, if it is excessively preoccupied with nitpicking and generalizations. If the strategic process has become excessively rational, rigid, and formal, it would be important to loosen up the system and infuse greater entrepreneurial spirit in it. A successful CEO told us how he follows a simple procedure to infuse life into the strategic process. He asks the managers to explain their new proposals and plans in simple language across the desk. He believes that it is easy to hide behind complex charts and models, but to make a simple presentation, a manager has to think really hard.
The importance of the top management’s visible support to the strategic process cannot be over-emphasized. Quite often, analysis paralysis is caused by the absence of clear and strong top management commitment to the strategic process.

Finally, the decision making group should fully understand the purpose and limits of data. It should evolve clear decision rules, standards, and objectives. It is only the internal standards which convert data into information and insight.

Ivory Tower Planning

In some organizations, the strategists often reflect and create abstractions sitting in their ivory towers. This brand of planning becomes an empty exercise because the plans remain too distant from action. This is, perhaps, the most critical malady in the strategic process—the gulf between the planning and the action levels—which results in the absence of shared meanings among them, and creates a sensitivity gap between the planners and the implementers.

The sensitivity gap occurs when strategy formulation and implementation are considered as separate sequential processes. In this mode, only a small part of the organization is involved in the attempts to learn while the rest of the organization which has to ensure the implementation of these plans remains distant from this learning. When there is psychological distance between the planning and the action levels, the nature of assumptions and sentiments remain different at these levels, there is no meaningful sharing of views, and it becomes difficult to produce valid information, make informed choices, and develop an internal commitment to those choices (Argyris, 1976).

We have the following caselet from a bank which illustrates this dysfunctional mode.

Caselet 3

The corporate headquarters of a bank had realized the need for reorienting the bank operations. They hired a few MBAs at the headquarters and assigned them the responsibility of studying competition, developing plans for growth, and setting appropriate policies. The new group identified enhanced customer contact as the primary challenge and evolved a system by which the branch personnel would call up a certain number of customers every month. The branch managers were given the task of ensuring that these calls were regularly made. An elaborate system to monitor customer contact was also developed.

At the branches, most personnel did not have a college education. They had worked their way up the ladder and were exposed primarily to the operational aspects of the branch. They had very little knowledge of the bank’s new schemes and felt uncomfortable about the new system. The branch managers were responsible for dividing up lists of customers and monitoring to make sure that each person met his/her quota; however, they were also largely resentful of the new system.

The planning group at the corporate headquarters did not visit the branches and knew little about what was actually happening there. They were mainly keen on the reports from branches, which they summarized for the higher management. They evolved a formula for customer contact index and worked out quarterly indices for each branch.

Slowly, the documentation of customer contact became more important than customer contact. Telephone calls in numbers became more important than any real performance measures.

Factors Responsible for Ivory Tower Planning. As the above caselet indicates, ivory tower planning results from several sets of factors which are discussed next:

- In some organizations, strategy formulation and strategy implementation are treated as separate processes to be carried out at different parts/levels of the organization. First, strategy formulation is taken up where the focus remains on inquiry, and then the implementation is initiated with the focus on action. This organizing logic creates two classes of organizational members—the "new breed" of staff specialists who are steeped in sophisticated techniques and analytical elegance and the "old-line" managers on the front-line caught up in the day-to-day pressures. Obviously, emergence of these two distinct classes results in a managerial tug-of-war and poorly executed strategic plans.

Consideration of strategy formulation and implementation as separate sequential processes creates its own brand of organizational processes. For example, one finds in these organizations that the planners feel vulnerable with respect to their organizational status particularly when going one on one with strong line
managers. A safe harbour for these planners is professional jargon and complex analytical procedures, which are independent bases of power for offsetting the prerogatives and status of line executives (Lenz and Lyles, 1985). Such processes only create dissensions within the organization.

This is not to undervalue the importance or value of specialized skills of strategists, planners, advisers, and consultants whose profession it is to create ideas, formulate objectives, make forecasts, and translate these into proposals, designs, and plans. Our purpose is to pinpoint that they run the risk of losing the feel for what works and what really matters. If they do not stay in touch with the implementation levels, their ideas will become unrealistic.

The other major trap they get into is that they evolve a model or plan which is too complex for line executives and communicate this information by teaching. A group of planners in the Royal Dutch Shell Group of Companies learnt how inefficient teaching was when they realized that they had spent nearly 15 man years preparing a set of scenarios which they then transmitted in a condensed version in 21/2 hours, only to find out their audience had no clue as to what they were talking about (De Geus, 1988).

- The style of the top managers can magnify the problems listed above. The potential usefulness of strategic planning to top executives may allow some of them to get carried away with it. They may use the plans as remote control devices. Planning and monitoring processes become highly formal and build a wall between the top executives and the rest of the organization. As is evident from our caselet, in such situations, the programmes succeed on paper but fail in reality.

- In addition to inquiry and action, an important part of the strategic process is mobilization. This refers to the development of appropriate organizational capabilities and generation of commitment for the strategy. Organizational members become committed when they play a role in the discovery of the strategic options. A major problem with the ivory tower planning is that it ignores the mobilization aspects. As a result, the means become the ends in themselves. For example, in the above caselet, documentation of the calls to the customers became more important than the strategic objective of enhancing customer contact.

Over a period of time, many organizations have found that ivory tower planning makes the implementers passive; the staff strategists assume greater role in making the day-to-day decisions from headquarters which may be severely out of touch with the reality; this contributes to further passivity on the part of line executives, and the vicious cycle continues.

**Bridging the Gap between Plans and Actions. It is important that the imposed direction and guidelines from the top should be balanced by encouraging more creative thinking in the divisions that are closer to and interacting with the environment all the time. When there are effective processes in place to ensure that people discover new ideas and act on them, the problem of ivory tower planning is unlikely to occur.**

Our study of the strategic process in a progressive, highly diversified firm provides valuable clues on how to bridge the gap between plans and actions. A change was taking place in the company's method of formulating, the strategic plan: the bottom-up planning was being converted into a top-down procedure. In the earlier system, the plans were built from the divisional roots and in the new system, the headquarters started the planning process by putting together a draft plan for all divisions, and then the divisions were asked to review the plan and initiate dialogue on the changes to be made. The new method was expected to save on the overall effort and substantially reduce paper work.

Interviews with the divisional managers indicated that the change did not lead to ivory tower planning. The divisional managers could still come up with innovative proposals which were not originally envisioned at the top level. In spite of the top-down approach, the divisions continued to contribute substantially to the strategic process.

Our study revealed that the critical factors which were responsible for the ability of the system to facilitate institutional learning were as follows:

- Mutual recognition of the resources of line executives and top managers. The top man-
agers were, therefore, willing to actively seek inputs from line executives and vice versa.

- Evolution of clear guiding principles for the strategic process. Even in conflict situations, there was a high degree of agreement on superordinate goals.
- Creation of common language and thought process for strategic process. The concept of strategic planning was not something that was perfected in the senior ranks and handed down to all divisions. Over a period of time, the top executives, the divisional managers, and the strategic planners had jointly gone through certain experiments and experiences.

"Me Too" Planning

For some organizations, strategic management is nothing more than a fad. These organizations start certain actions because they see others following those steps and having some success. They initiate popular programmes without carefully examining the fit between these new approaches and their own unique experiences.

This is also what the "technique" oriented consultant is accused of. The technique orientation tends to reduce the entire management to a few generic concepts that purport to have applicability over a wide range of businesses. There have been a number of such techniques which have been held up as the new and improved medicine that would cure organizations of all the ills. But in organizations which have mechanistically tried to implement these approaches, these techniques themselves have died an early death.

The major problem with the "me too" planning is that there is insufficient inner-directed behaviour on the part of the organization. As a result, the techniques and strategies are not backed by organizational capability and commitment.

Caselet 4 provides an illustration of "me too" planning.

**Caselet 4**

The General Manager (GM) in the manufacturing division of a large organization had decided to initiate workshops on strategic planning for his managers. The idea had originally come from the corporate Human Resources Development (HRD) cell. The other divisions had already initiated strategic planning and the GM did not want to lag behind.

The members of the HRD cell met the GM to discuss the proposed programme. The GM suggested that the programmes be started at the middle management level, while the HRD personnel recommended initial workshops for the GM and his team. The GM felt that the senior personnel were tied up with other matters and it would not be possible for all of them to attend the programme together. Ultimately, the HRD cell agreed to organize four programmes to cover the middle level managers and take up workshops at higher levels in the second phase.

The middle managers who attended the first workshop found the material covered in the programme interesting, but not particularly relevant to them. Nevertheless, they raised a number of issues which needed the attention of higher management. These issues were fed back to the GM and the executives directly reporting to him. This group felt that the middle managers had raised those issues because they were unaware of certain new developments in the division. They recommended that the future programmes should only deal with concepts of strategic planning and the changes that middle managers can make at their own level.

The HRD personnel approached the second programme with this agenda, but found that they could not justify this new thrust and logic even to themselves. The reactions of the participants to the second workshop was lukewarm. The third and fourth programmes ended up finally as courses on 'interpersonal effectiveness.' The original idea of the second phase programme for higher level managers was neither raised by the GM nor the HRD cell and the proposal was quietly dropped.

It is evident from the above caselet that the strategic programmes remained disconnected from the organization's real strategic process. We have noticed that "me too" planning results mainly from the following set of factors:

- Sometimes the organization may use the technique without understanding the key assumptions underlying the particular model. Not only are the underlying premises not fully understood, the managers even let the analytical techniques or models put blinds or filters on their thinking by permitting the technique's variables and parameters to define the form and scope of a strategic issue. The managerial understanding of an issue is thus artificially
constrained (Lenz, 1987). In such cases, the whole programme becomes so mechanistic that managers on the implementation line see the programme as nothing more than, the "boss's latest fad," because they perceive no relationship between the abstractions that fill their strategic plans and the organizational reality.

Theoretical models are simplified analogs of reality which are inevitably incomplete. Too much reliance on these models is akin to working with images rather than with reality. For the strategic process to be meaningful, the techniques should only be considered as broad guidelines for designing a future for the organization.

- The success of the techniques in another context gives a false sense of security to the imitators. They become more interested in packaged solutions rather than searching and developing solutions from within. In other words, "me too" planning reduces the prospect for using dialogue, discussion, and exploration as means of testing as assumptions and fostering institutional learning in the strategic process.

- "Me too" plans run into implementation problems because they ignore the aspect of developing the internal commitment. In addition, mechanistic application of techniques fails to realize the importance of examining the organization's present skills, abilities, beliefs, and values.

Perhaps the most important problem with the "me too" plans is that they give the managers the impression that relationship among key variables behaves in accordance with certain 'universal laws.' The managers get conditioned to a set of expectations regarding organizational outcomes. When these outcomes do not materialize, they conveniently label the problem as "resistance" on the part of the other organizational members. This labelling helps them avoid facing up to the possibility of their own performance failure with respect to the strategic process. Thus, when a group perceives a set of outcomes as 'resistance' on the part of others, the group itself becomes resistant to further exploration.

In the above caselet, the GM did not like the middle managers raising organizational concerns in the workshop. This unexpected outcome could have led to learning and mid-course corrections. But by not confronting the issue, the GM and the HRD cell moved towards the inevitable decision of dropping the strategic planning workshops unceremoniously and paving the way for cynicism about future change efforts within the division.

Getting the "Me Too" Planners to Introspect.

Several organizations derive useful lessons for managing a given situation from what others have done or what they themselves have done in the past in similar situations. It is, therefore, important to note that use of others' experiences, models or techniques is, by no means, a bad idea. The problem occurs only when the model starts constraining the managerial understanding of the issue, putting severe limits on the creativity of the organizational members, and closing the windows of the decision making group to the signals from within.

The decision makers should explore the key assumptions underlying the techniques and the models, and use these only as aids. It is important for them to raise questions such as "What makes us tick?" "What are the advantages of this model?" "What are its limitations?" and "How should we adapt this technique for our purposes?" In other words, the decision makers should use the models only as guides and not give up the valuable methods of dialogue and discussion with organizational members for fostering institutional learning.

Finally, the decision making group should keep its antenna tuned in to receive the organizational signals. If the group starts identifying strongly with the technique, it becomes rigid in its approach. The members may then react negatively to any data which do not fit into the expected pattern. The group should be open to all signals and facilitate constructive inquiry into them. The facilitation should be in terms of understanding the unexpected outcomes and creating a new synthesis of different views and values. It is only when the institutional learning is made possible that the organization can increase its internal capability to deal with environmental turbulence and expand in its capacity to manage complexity.

Conclusion

In light of the increasing rate of changes in the environment, strategic management process has be-
come very important for our organizations. Yet, a number of decision makers feel that this process does not travel too far in their own firms. This paper provides these managers a diagnostic framework.

We have viewed the strategic process as institutional learning and used the insights from the learning literature to throw some light on the question of how we should manage the strategic process. We have identified four dysfunctional modes that the strategic process commonly gets into, and discussed the factors which cause these dysfunctionalities. The decision makers can use this perspective to diagnose the nature of problems in the strategic process in their own organizations, and identify what actions are required to direct the process or to redirect it if it has gone awry.

The fascination with techniques and analytical models in strategic management should not obscure the vision of the essential ingredient that is the heartbeat of any strategic management system, namely, the ability to foster inquiry, mobilize, and act. This also clarifies the nature of contributions expected from the CEO and the strategic planners. They need to develop learning capabilities within the organization.

References


