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ADVANCED STRATEGIC MANAGEMENT

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STRATEGIC = IMPORTANT
(Oxford English Dictionary)

INTRODUCTION

We explore the role of visionary management in general strategic management thus continuing our previous research (Malaska & Holstius, 1999). We have called the presentation *Advanced Strategic Management* because of the importance we give to visionary management as part of general strategic management, and we approach the issue from two directions:

SCHOLARLY, i.e. from management & foresight research	and	PRAGMATIC, i.e. from consultancy and education experience

Our hypothesis - well supported by management literature - is that visionary thinking represents an essential element of advanced strategic management; its role and logical place is, however, inadequately dealt with or conceived in management practice and strategy research. We wish to contribute to this research area.

The present study is mainly concept analytical, i.e. we introduce some new aspects of the logic behind strategic thinking and explain what can be learned from relevant literature and strategy researchers' work. The study is, however, also built on our previous results based on consultancy experience with companies since the 1970s and teaching practice in strategic management. A survey of management journals and books conducted in cooperation with doctoral students of Professor Steven Gold at the Touro University International (USA) helped us to get a picture of spread of visionary thinking – sporadic as it still is - in recent management literature. In the spring 2003 we were awarded a one month residence at the Rockefeller Foundation's Research Centre in Bellagio Italy for studying and compiling ideas of advanced strategic management.

Another hypothesis of our work is that changes in strategic management which can be perceived since the 1960s stem from the necessity to change companies by strategic management, due to the changing business environment outside companies and within. Broadly stated, advanced strategic management is a process generating a purpose and guidance to the existence of the company, facilitating its choice of manoeuvres and directing its operations in a changing environment. Näsi and Aunola (2002) put it nicely by stating that strategy is a plot and clue of the company. The Oxford dictionary apparently captures the largest common denominator of strategic thinking by indicating that strategy is most of all loosely a synonym of an important affair.

STRATEGIC MANAGEMENT IN BUSINESS

Strategic management was incorporated into business by *Alfred Sloan*, the president of General Motors, in the 1930s, although he called strategies policies; Sloan's policy planning was exercised at the topmost level of management and regarded as an expertise of the top managers. Policies, of which financial policy was the most vital one, conditioned operational measures and according to Sloan it was important to keep them separate from day-to-day business of operations (Whittington 1993). Policy decisions were aimed to give direction and coherence to allocation of resources and operational activities of the company.

Operational, tactical competence of day-to day operations is judged by short term value-added, cash flows, and profit making within a fixed strategic positioning. Tactical competence is subordinated to and conditioned by the current strategic positioning.

A company's strategic competence is judged according to its ability to anticipate environmental changes and to challenge emerging new opportunities, and yet according to how capable it is to transform this knowledge into a new strategy and tactical measures within the strategy.

From General Motors the concept of strategic thinking disseminated slowly to other companies in US; but more profoundly strategic management took off in the 1960s as formal long-range planning and design of business. Over the years understanding of strategic management was changing and it diversified in content and process. By 2000 quite a number of schools of different strategic management doctrine and practice have been recognized by researchers. Big names associated with the different schools of strategic management according to Mintzberg (1998), Wittington (1993) or Näsi (2002) are *Alfred Chandler, K. R. Andrew, Igor Ansoff, Michael Porter, Henry Mintzberg, Juha Näsi, Gary Hamel, Robert Kaplan and David Norton*.

What caused strategic management itself to change or advance in the course of time since the 1960s till the turn of the century?

The explanation we offer is related to the changing environment as a causal factor and to understanding the company as a purposeful agent according to the law of requisite variety. Consideration of the company's inner development (Greiner 1972 or Lievegoed 1969) is not dealt with in this study and its capability and competence is assumed adequate to keep pace with the anticipated environmental changes.

The study starts with lessons learned from *warfare strategists*, and it is built on making a difference between, on the one hand, operational or tactical, and on the other hand, strategic and visionary decisions, and it conceptualizes *good decision making* and explains it all within the frame of *Ashby's law of requisite variety*.

LESSONS LEARNED FROM WARFARE STRATEGISTS

Speaker's notes to the seminar audience about the subject:

Socrates has said that the duties of a general and a businessman are much alike: both plan the use of resources to meet objectives.

Business can learn from military strategists three lessons about basics of strategy:

1. logical distinction: strategic maneuvers and tactical operations are different
2. subordination of tactics to strategy
3. flexibility of strategy: resilience

Sun Tzu - military strategist
China around 400 B.C. ”The Art of War”
Little Turtle – an Indian war chief of the Miami Confederacy in the 1790s.

Sun Tzu's priorities of offensive strategies:

1. Highest form of generalship: attack the enemy's strategy
2. Next best policy: disrupt his alliances
3. Next best: attack his army
4. Worst policy: besiege walled cities

How applied by Little Turtle?

First of all: a bloody conflict of visions.
Little Turtle and his warriors were fighting for the vision of life or death of their people, while the American government's vision was to conquer more land to be sold with profit to whites.

Important building stones in Little Turtle's grand strategy:

1. Deception or surprise principle (Sun Tzu)
2. Extensive scouting for information about the enemy

1. Deception, surprise
As soon as General St. Clair's army moved, the Indians hit in small forces along the enemy's flanks. These attacks were designed to give the impression that the Miami Confederacy was a myth, and each tribe fought by itself. It was intended to give St. Clair a false sense of security.

2. Scouting
Little Turtle engaged in extensive scouting to gather information about camping, numbers, preparations.

Meanwhile he planned the decisive battle and its execution very carefully. The Indians' surprise attack at dawn resulted in turmoil, hysteria, and firing at anything, even comrades.

Gen. St. Clair lost half of his army and resigned.
Cf. Sun Tzu's strategy priorities. 2-3

But General Wayne was different.
He trained his army carefully for a year. It consisted of regulars, and they were 3000 (St. Clair had 2000).

Meanwhile Little Turtle learned all about Wayne + army.
He had them closely scrutinized, and he knew all about their numbers and preparations, and also the fact that Wayne was scouting constantly.

Little Turtle: this fighter is different, he has many good men and he watches constantly, we cannot surprise him. And if we cannot surprise him, we cannot defeat him. Now is the time to talk about peace.

Cf. Sun Tzu's strategy priorities. 1.
Little Turtle knew that the white man's strategy was superior this time.

But what happened?
When Little Turtle suggested peace without fighting, his loyal followers turned against him, and he was deposed. The Indians lost the war under the new leaders' command. In the peace treaty 1794 the tribes of the Miami Confederacy had to cede away their rich Ohio country.

Without fight conditions might have been more favorable. Cf. business friendly/hostile take-over, alliances.

Lessons learned from Little Turtle's warfare:

1. Logical distinction between strategic maneuvers and tactical operations
In Little Turtle's story a distinction can clearly be seen. A strategic maneuver means giving a pattern to the whole war and guiding battlefield operations accordingly (with small nuisance attacks, and then the massive surprise attack). And the tactical operations include real fighting, man against man.

This distinction is made by Sun Tzu as well as von Clausewitz, the German war strategist in early 1800.

2. Subordination of tactics to strategy
A strategy choice gives frames and constraints, it gives direction and objectives to tactical operations. The intrinsic nature of strategy is that it is incomplete, and it should so remain in order to be flexible and insensitive to mismanagement in field conditions. Tactical considerations influence the final configuration of strategy. Consequently tactics and strategy become real only in combination.

3. Flexibility of strategy, i.e. resilience
A deliberate strategy can never be finalized in all its details beforehand. It must be brought to the field as incomplete.

Particulars of practical operations must be rearranged on the spot and necessary modifications can be made only in the field.

Because of the incompleteness inherent in any plans strategy must be flexible and its execution must be tolerant for imperfections

Then the strategy is perfected and realized in field conditions.

We are proposing the term resilience for the two typical traits of strategy for a) flexibility and b) tolerance of imperfections.

The term resilient is borrowed from systems theory and it denotes the system's capability to retain its state when disturbed, or to maintain its objectives in a changing environment.

The book about Sun Tzu' war strategy was introduced to Japan around 700 A.D. The first Western translation - in French - appeared 1000 years later. Paris 1772.

It is widely thought that the Japanese have used military strategies in their business practices when conquering world markets.

Book by Kotler et al 1985 ”The New Competition”. The authors find that the strategies the Japanese have used in business very much resemble Sun Tzu's strategies.

ASHBY'S LAW OF REQUISITE VARIETY APPLIED TO BUSINESS

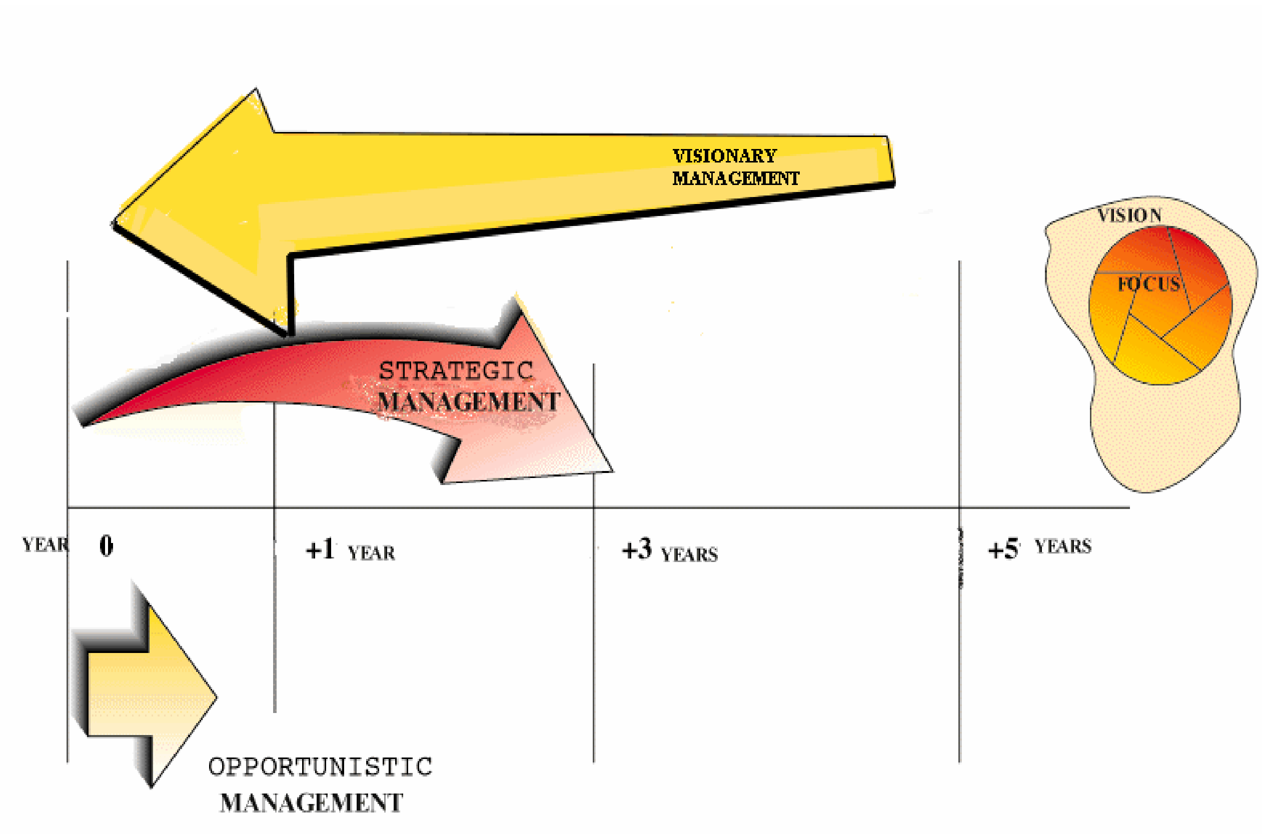
To succeed in a changing environment a company has two major options to choose from:

- either it decides to remain unchanged and accepts to give up its purpose and objectives, or
- the company changes itself by strategic manoeuvres in order to cope successfully with changes in the environment.

A company's strategic competence is determined by its ability to scan environmental changes and new opportunities emerging, and ability to transform this knowledge into new strategy.

ARISTOTELIAN SCHEME OF GOOD DECISION MAKING as applied to ASM

THE VARIETY OF GOOD DECISION MAKING IN ASM



Operational measures, strategic manoeuvres and visionary development are all part of managerial decision making; good tactics, good strategies and workable visions have much to do with how to make good decisions.

The Aristotelian scheme is applicable for *short term operational decision making* as well as for *strategic decision making and visionary development decisions* in the company. The only differences between the cases are in the content of information about the three key elements: (1) knowledge about objectives or purposes, (2) knowledge about means or measures, and (3) knowledge about situation or environment.

VISION, STRATEGY, AND TACTICS

A vision refers to a shared mindset held by the principal actors of the company concerning the entrepreneurial core competence and concept of company's long-term business success. The vision describes in detail the success story of the company, which is conditioning, directing and guiding strategic decision making. Visionary management generates a framework and platform for strategic maneuvers and a vision is realized through strategic management.

A strategy is a choice of resource re-allocation and positioning in the competitive market in order to support and condition tactical operations. A strategic maneuver provides a change of strategic positioning of the company in the markets as a response to anticipated changes of the business environment. Renewing strategy is a deliberate maneuver based on scanning of the business environment and consideration of the company's advantages accordingly.

Tactical operations are opportunistic operative transactions of the company done day by day for cash flow and profit maximization. Tactics is an ad hoc interplay between business actors and clients. Tactical operations are limited and conditioned by the fixed resources available at the very moment of operation.

CHARACTERISTICS OF THE DECISION MAKING VARIETIES OF ASM

Determinants of decision	Opportunistic decision	Strategic decision	Visionary decision
Knowledge of purpose and objectives	Maximize profit and cash-flow in a short term	adaptation to changes with a better strategic positioning, ROI, growth objectives	Excellence of competence, long-term survival, entering new business, long-term success story
Knowledge of the situation or business environment	certain and constant	uncertain but predictable	unpredictable, emergent, discontinuities expected, to be a change agent itself
Knowledge of means and resources	tactical measures with fixed resources conditioned by the current strategy,	Strategic manoeuvres, i.e. reallocation of available and liquid resources, subordinated to the prevailing vision of the company	acquiring new skills and knowledge, reframing of business, envisioning, creating new capabilities and identifying the purpose and character of the company's existence
Learning mode	**Management by budget control**	**Management by balanced scorecard**	**Management by long term renewal**