

# The strategist's bookshelf

## Can strategic planning adapt to an era that requires enhanced reactive capability?

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*The Strategist's Handbook*, Timothy Galpin, Oxford University Press, 2023

What business executive wouldn't gladly pay a pretty penny for astute guidance on how to select a successful strategy? Oxford professor Timothy Galpin has responded to this yearning for a reliable process roadmap with *The Strategist's Handbook*, the Oxford University Press compendium of corporate strategy options.[1] The research supporting these extensive findings is the Oxford Strategy Insights Project, which compiled data from 167 respondents in 26 industries and 30 countries regarding their firm's strategy planning processes.

Not surprisingly, though many corporations are seeking more middle management involvement in finding innovation opportunities and making strategic choices, *The Strategist's Handbook* survey shows that traditional top-down planning dominates. It also found that entering new geographic and demographic markets and innovation of products and services remain the strategic priorities, and that 82 percent of the executives surveyed believe that their company's strategic implementation is ineffective.

Still, the *Handbook* helpfully catalogs the many contributions to strategy formulation theory, including SWOT analysis, the BCG growth/share matrix, the Five Forces Model, PESTEL, core competency, RBV

(resource-based view) and blue ocean strategy. Case histories of effective strategy formulation include the disguised firms Midtech, Global Mining, Specialist Consulting, Petrochemicals and BigTech. Unfortunately, the performance results from the cases' strategy processes are not documented.

Nevertheless, we can learn from this handbook how many major firms manage their strategy development processes. The *Handbook's* Table 1 summarizes the survey's important findings:

- Because strategy means different things to different people, it is essential to define key terms such as strategic planning, strategic management and strategic thinking, as well as each element of a firm's strategic management system including mission, vision, values, goals, strategy and measures.
- Strategic thinking skills develop over time from an executive's personal, interpersonal and career experiences.
- Strategy can be deliberate, emergent or a combination of both.
- Democratized strategy reaches beyond the senior management team by involving representatives of internal and external stakeholder groups.
- Inductive strategy starts with broad observations gained from

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quantitative and qualitative data-gathering, with the information then used to identify potential strategies. Deductive strategy starts with identifying potential strategies, then applying quantitative and qualitative data to support or rebut each potential strategy.

- Intuition is part of the strategy process, but if personal bias dominates the initiative that will likely corrupts a firm's strategy process.
- Functional strategies have a key role as a part of business strategy formulation and implementation.
- Changes in strategy most often occur in cases of underperformance, black swan events, change of leadership, competitive pressures, new political or regulatory requirements and pressure from activist investors.
- Multiple internal and external participants may be involved in the strategy process, including senior executives, an internal strategy team, external strategy consultants, the board of directors, middle management and employees, key customers and activist shareholders.
- Potential pitfalls of the strategy process include analysis paralysis, confirmation bias, groupthink and organizational misalignment.
- Strategy frameworks, tools and templates can help target, organize, prioritize, analyze and communicate information that supports strategic decision-making.

Given the abundance of recommended principles and paradigms for good strategy selection, how then should a corporate executive select the appropriate model? Rather than becoming overwhelmed and frustrated by the options, practitioners need to keep in mind that strategy is no more than a description of how a firm can effectively allocate its resources given its competitive situation and its customers' needs. To be helpful to practitioners in this learning process, the *Handbook* provides an array of templates, flow diagrams and self-assessments.

But what's lacking are guidelines for making the key pragmatic choices that have high probability of success. For example, strategists Michael Raynor and Mumtaz Ahmed, based on their identification of exceptional performers,[2] conclude that maximizing return on investment over a period of time will be achieved if firms:

- Emphasize quality over price – price competition is only effective in the short term.
- Emphasize revenue generation over cost reduction – the advantages of higher revenue are more durable.

Nonetheless, many firms fail quickly. What is causing shortening corporate life cycles?[3] Have they all selected strategies that were doomed to fail?

Some firms do not recognize the change in the basis of competition as their industry matures. For example, market share is critical in a growth industry, while low cost and process efficiency are typically the key factors

in mature or aging industries. However, many firms simply fail to relinquish a strategy that no longer is working. We see this behavior often in older firms, in which the culture tends to produce conformity, strategic paralysis and misplaced confidence that their luck will change when the sun rises tomorrow.

Many firms simply cede strategic leadership to the CEO, imputing to him or her insights and opportunities that the staff have overlooked. Unfortunately, many stakeholders are easily duped by the persuasiveness and charisma of cultish CEO strategists. Elizabeth Holmes of Theranos and Jeffrey Skillings of Enron are two recent examples. Both were convicted of fraud.

Nevertheless, today we continue to admire exemplars of entrepreneurship like Steve Jobs of Apple and Elon Musk of Tesla. As German philosopher Arthur Schopenhauer reminds us, a man of talent can hit a target that no one else can hit: a man of genius will hit a target that no one else can see.[4] When a company is pioneering a unique market or developing a novel product, questioning the strategic choices of a passionately committed CEO, however flawed and apparently irrational they may seem, is challenging. Such adventurous and highly successful CEOs seem to be operating unencumbered by the administrative burden of old strategic planning procedures. Perhaps they have a point!

We may well be entering the post-strategic-planning era, in which we prosper by common sense, quick learning and agility. So what's the bottom line for managers in search of an effective strategy in an uncertain and unpredictable environment? The *Handbook's* templates and analyses help, but managers need more. They must:

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- Abandon old strategies if they are not working; do not succumb to the sunk-cost fallacy.
- Quickly recognize and respond to any changes in customer needs, emerging technologies, aggressive tactics by competitors and new regulatory constraints.
- Invest in innovation of products, services and processes. There is no substitute for creativity in service of customers.
- Invest leadership resources to gain the support and trust of the entire organization to implement the chosen strategy.

## Notes

1. Timothy Galpin, *The Strategist's Handbook: Tools, Templates, and Best Practices Across the Strategy Process*, Oxford University Press, 2023.
2. Michael Raynor and Mumtaz Ahmed, *The Three Rules: How Exceptional Companies Think*, Penguin, 2013.
3. D. Clark, Average company lifespan of S&P 500 companies 1965-2030, Statista, 2021.
4. Arthur Schopenhauer, *The World as Will and Representation*, 1886.