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8 Strategic Management

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Introduction

In today's fast-moving and complex world, strategic management (SM) is vital for organisational success. To remain viable, organisations in private, public and non-governmental sectors must continuously pursue strategies that enable them to generate value in the goods and services they provide to their customers and stakeholders. As noted in Chapter 1, managers transform and use their teams' talents to achieve organisational outputs. They attain this through planning, organising, controlling and directing organisational resources to achieve their corporate objectives. Adding the adjective 'strategic' to management implies the level, nature, and scope of managerial decisions and actions.

This chapter begins with a focus on the evolution and key developments in the field of SM. A discussion follows on the strategic managers' role as the coupling between strategic leadership and the senior management teams responsible for creating organisational outputs. The chapter concludes with a summary of key insights for strategic managers seeking to reconcile conflicting stakeholder demands in a volatile, uncertain, complex and ambiguous world.

Origins and Evolution

SM as a field of study is relatively new and emerged as a sub-topic within scientific management in the latter half of the 20th century. The functions and activities that constitute contemporary SM practices, however, have historic origins in organisations such as the church, the military and other large public bodies (see example 8.1). In the corporate world, SM became established as an organisational best practice in the 1950s and later developed into a science. Led by visionaries like Alfred Sloan, it quickly became an operational blueprint for progressive organisations (see example 8.2), developing a broader scope, and becoming sub-

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discipline in its own right (Joyce, 2015), and a function *sine qua non* for organisational survival.

As introduced in Chapter 1, Henri Fayol identified five key management functions: Planning, Organisation, Command, Coordination, and Control; and noted that business, industrial or corporate activities, regardless of sector, essentially divide into six functional categories (Fayol, 1949, pp. 3-6):

- technical functions;
- commercial functions;
- financial functions;
- security or protective functions concerning people and assets;
- accounting functions which he described as stocktaking, maintaining balance sheets, costs, and generating statistical data; and
- managerial roles (these led to Fayol's management principles, namely: planning, organising, command, coordination, and control.)

While these functional categories have remained relatively constant over time, the purpose of those functions and how they are performed has been the subject of almost continuous debate, with different schools of thought falling in and out of favour. There have, however, been certain constants: the connection between strategy and structure (Chandler, 1962), and that leaders should be cognizant not only of the inner workings and outputs of their organisations (Ansoff, 1968) but of the context in which those organisations operate (Mintzberg, 1981; Porter, 1983; Mintzberg & McHugh, 1985). Mintzberg and Porter (1983) also suggested a bi-directional relationship between strategy and structure. The concept of Strategic Management advocates a future-oriented approach. Successful SM depends on three elements: strategic analysis, systematically analysing an organisation's current operational context; strategic choice, which is about formulating a course of action based on that analysis; and strategy implementation, marshalling the resources required to ensure the strategy achieves the desired effect.

SM takes a whole system view of the organisation and entails two core functions: adding value to the organisational outputs and keeping the organisation competitive. It achieves these by analysing and interpreting organisational capabilities and the external trends that impact the

organisation's mission and purpose, identifying what it ought to be doing, and developing strategies to bridge the gaps. Strategic managers ensure that the organisation is configured for efficient and effective delivery of its current and ongoing commitments and oriented to deal with over-the-horizon threats and opportunities. It is the 'art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives' (David & David, 2016, p. 33) and requires 'the identification of the purpose of the organisation and the plans and actions to achieve that purpose' (Lynch, 2018, p. 9).

Example 8.1: Strategic Management since Sun Tzu's Art of War

Sun Tzu's *Art of War* (ca. 6 BC) has inspired numerous studies of business strategy, its purpose and process (McNeilly, 2012; Gagliardi, 2012). Strategy, according to Sun Tzu, is two dimensional, inward (knowing oneself) and outwards (knowing one's opponents). His principle of authority (unity of command), heaven and earth (the permanent environment), organisation, control and logistics have relevance in statecraft, warcraft and business. Having studied the internal and external dimensions through the prism of these principals, one is able to make difficult choices; for example, whether to go on the offensive or the defensive. While Sun Tzu recommended that war be avoided, he also suggested that victory is not possible without the offensive (seizing the initiative). Many of Sun Tzu's teachings have laid the foundation for strategic theory and have been embraced by businesses.

The Prussian school of military thought applied modern principles such as strategy driving structure, functional specialisms, divisional and hybrid structures as early as the 17th century. It also introduced strategy staff roles that would be akin to today's strategy advisors and strategy teams in organisations. In the 19th century, the industrial age military, particularly under Napoleon Bonaparte, demonstrated the added value of cross-functional management of the military system, coordinated strategy and synchronisation of operations on a mass scale. Embedding such practices brought Napoleon victories against larger and often better equipped competitors. Similarly, the Japanese defeat at the hands of US forces in 1945 had its origins in the 1800s when the US identified future competition over strategic zones of interest in the Pacific and recognised the need to defeat Japan through a naval campaign which culminated in War Plan Orange. This thinking formed the blueprint for the development of US military power, particularly the US Navy. War Plan Orange, with its conceptual origins predating World War I was executed in the Pacific theatre with minor changes due to unforeseen developments like air power and submarines (Miller, 1991).

Example 8.2: Alfred Sloan and General Motors

Under its founder William C. Durant, General Motors (GM) comprised a mixed bag of small manufacturing concerns brought together through random acquisitions in 1908. In 1923, Alfred Sloan took over as General Manager of what was then a small struggling organisation unable to compete with giants like Ford. Sloan identified a lack of coherence among the different units that formed GM and the markets in which it wanted to compete. While GM's senior managers were convinced that the company needed an engineering breakthrough to survive, Sloan's strategic and organisational genius looked for answers in business strategy, not engineering. Within a decade, GM became the largest single employer in the US and was making a profit. From a multitude of organisational innovations introduced by Sloan, was a compelling strategy built around a competitive culture that transformed GM (Sloan, 1963). Henry Ford may have put 'America on wheels' (The Economist, 1999), but it was Sloan who gave American enterprise a blueprint for strategic growth. Sloan put strategy first and structure followed to support that blueprint. Following GM's lead, other major enterprises followed suit and in the decades that followed, Sloan's innovations became the fundamental ingredients for success for enterprises around the globe. Analysing the growth of American Enterprise, Alfred Chandler (1962) concluded that structure follows strategy. However, as others caught up, GM's competitive advantage diminished and by the 1960s, the company was again struggling to add value in the face of quality advantage offered by some American, European and Japanese manufacturers. GM's organisational agility enabled it to adapt to its strategy and gain competitive advantage; however, an inability to create added value, through quality, which became increasingly important to the consumer in the decades that followed, led to strategic drift and decline.

Key Concepts

The functions and tools that are at the heart of the role performed by strategic managers revolve around two key concepts; these are competitive advantage and value-added:

Competitive Advantage

Competitive advantage is a company's comparative profitability against the average profitability of its competitors (Hill, et al., 2015, p. 82). For commercial organisations, this may mean having a cost advantage over rivals producing similar products, having a unique, differentiation, or a quality advantage over competitors. In the public sector competitive advantage is understood differently. As profit is not the purpose, the absence of external competition can take its toll on the quality of services, efficiency and effectiveness. Public organisations that fail to build and retain a competitive advantage over time also face decline, and ultimately failure. For example, there is active competition from entities that wish to create

and exploit security vulnerabilities in the security sector. Without value-added and competitive advantage, security sector organisations would ultimately concede space to rivals who benefit from the resulting insecurity; for example, the strategy pursued by Fuerzas Armadas Revolucionarias de Colombia (FARC) in Colombia (Taylor II, 2020). Barney (1991) identified four qualities that become a source of sustained competitive advantage; these are referred to as the VRIO framework:

- Is the resource ***valuable***? In a military sense, this implies the utility of the product, capability or service to the military in relation to what it already possesses or can potentially develop. Value is also applicable to spaces, for example, the comparative value of the Crimea to Russia.
- Is it ***rare***? Can competitors easily acquire the building-blocks? Is there control of resources?
- Is it costly to ***imitate***? Can competitors easily replicate the capability, thus achieving deterrence value, or produce substitutes, such as, countermeasures in a military sense? For example, cybersecurity technology.
- Is a firm ***organised*** to capture the value of the resources? Are the military's management systems, processes, structures, and culture able to capitalise on the resources and capabilities?

The explanations added to each of the questions above are intended to indicate how VRIO could be applied to a particular non-commercial context.

Value-Added

Simply stated, value-added is the difference between the price of a product or service and the cost of producing it. Value-added, however, is a multidimensional construct. A value can be added to resources in many different ways and viewed through different perspectives. In commercial organisations, it may be an economic value or cash value to the organisation's activities. For decades, there has been an ongoing debate in the UK over the UK's Nuclear Deterrent's added value to the overall security construct. Those who politically support the idea, believe that the investment in a nuclear deterrent creates security, hence making a notional argument of value-added. On the other hand, those who oppose the need for a nuclear deterrent argue that investment in conventional capability and alliance building is a better alternative,

hence making a contrary argument and a different focus for added-value towards the same end state—better security. Value-added is measurable as the difference between the cost of production of goods or services and their attained market value. There is a strategic linkage between value-added and competitive advantage. The objective of an organisational strategy is to gain a competitive advantage and create value-added. Commercial enterprises do this across various value-adding activities from raw material suppliers to the product's final consumers. On the other hand, the public sector (including defence) holds financial, corporate and physical assets in the pursuit of policy objectives and these are not solely for the creation of profit. Glendinning (1988) suggests that the public sector creates value in public spending through cost minimisation, output maximisation and the full attainment of the intended product or service. While there is implicit competition in public bodies for government funding, such competition is irrelevant from a government perspective, whereas value-added is of fundamental importance. For example, in providing security, value-added is the effective and efficient delivery of capability, freeing resources for other government initiatives.

The Building Blocks of Strategy

SM seeks to attain and retain competitive advantage and value-added over time through organisational strategy. To do so, strategic managers analyse trends that affect an enterprise, from within and outside and produce strategies aimed at steering the organisation to better navigate external influences and changes and prevent the organisation from drifting from its mission and purpose. As a concept, strategic drift reflects a static outlook over time, making the organisation increasingly distant from the reality of changing conditions in the economy, technology, and consumer demands (Johnson et al., 2017). The consequence of drift is a decline in competitiveness and value-added, leading to potential organisational failure. There are three main approaches to avoid drift: developing an early warning system, developing strategic resilience, and encouraging organisational flexibility.

In theory, organisations evolve either through small adaptive changes that can accumulate to produce significant change (the gradualist approach); or largescale changes at opportune moments (punctuated equilibrium approach). Figure 8.1 depicts an organisation’s relationship with the external environment over time (t1 to t3); while the environment over this period changes from e1 to e2. The organisation’s static outlook keeps it at e0 even though at t2, it

could adapt and come close to the external rate of change. At t3, even a significant change leaves a large gap, making failure more probable.

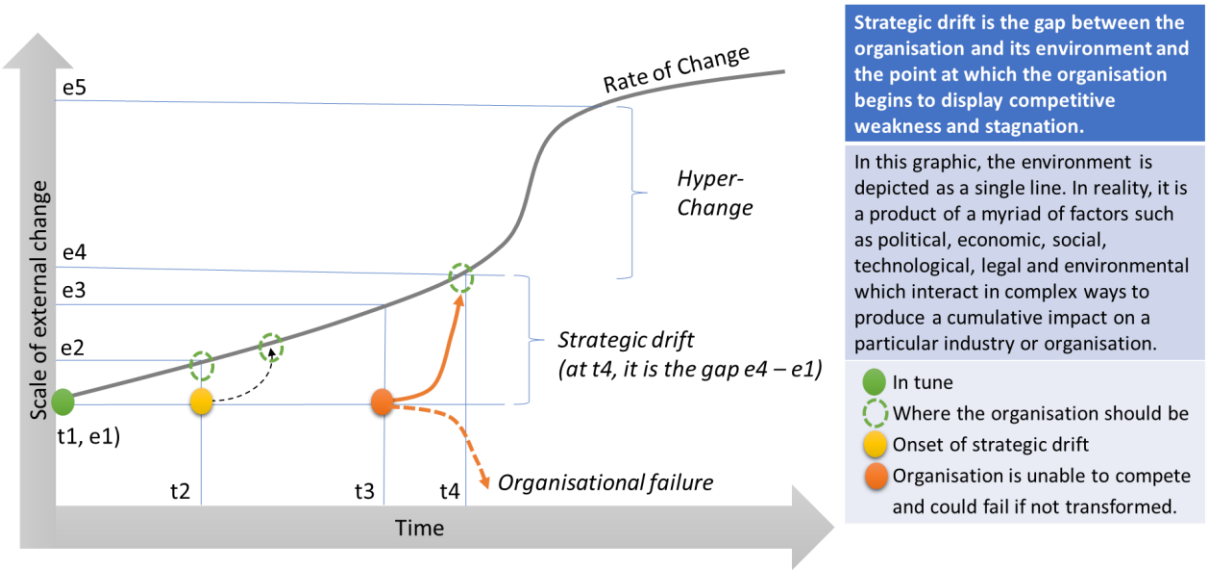

Figure 8:1: Strategic Drift (adapted from Johnson et al., (2017))

Example 8.3: Strategic Drift and its Consequences

The photographic industry and telecommunications industry provide visible examples of strategic drift leading to product or brand failure due to the inability to embrace new technologies or the innovations resulting from their creative application. Digital photography, for example, marginalised Kodak because its leadership failed to recognise the future direction of the industry. Similarly, the smart phone affected enterprises that saw the mobile phone only as communication device (see also Example 8.5).

When an organisation makes a conscious effort to continuously realign and adapt to external change, making small corrections in its internal and external alignment, it is said to follow a gradualist approach. For the military, this may translate into mission-oriented training, regrouping, equipment refits, or the gradual adoption of new technologies etc. The gradualist paradigm is suited only when the rate of external change is relatively low, and when external threats evolve slowly. In periods of hyper-change, flux occurs, where small stepped changes consume time and effort but are insufficient for any meaningful alignment. Figure 8.2 depicts this approach:

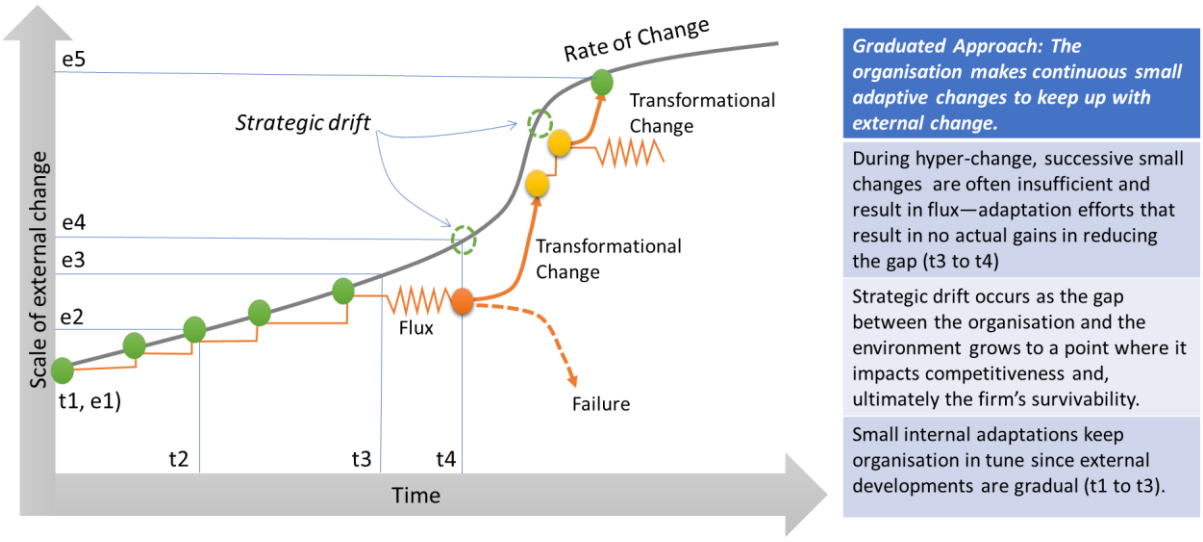

Figure 8: 2: The Gradualist Paradigm (Source: Author)

The second approach is to actively pursue periods of stability while consolidating improvements and making block changes. When such changes are revolutionary, they potentially redefine the environment and may impact upon many associated industries. Figure 8.3 demonstrates this approach:

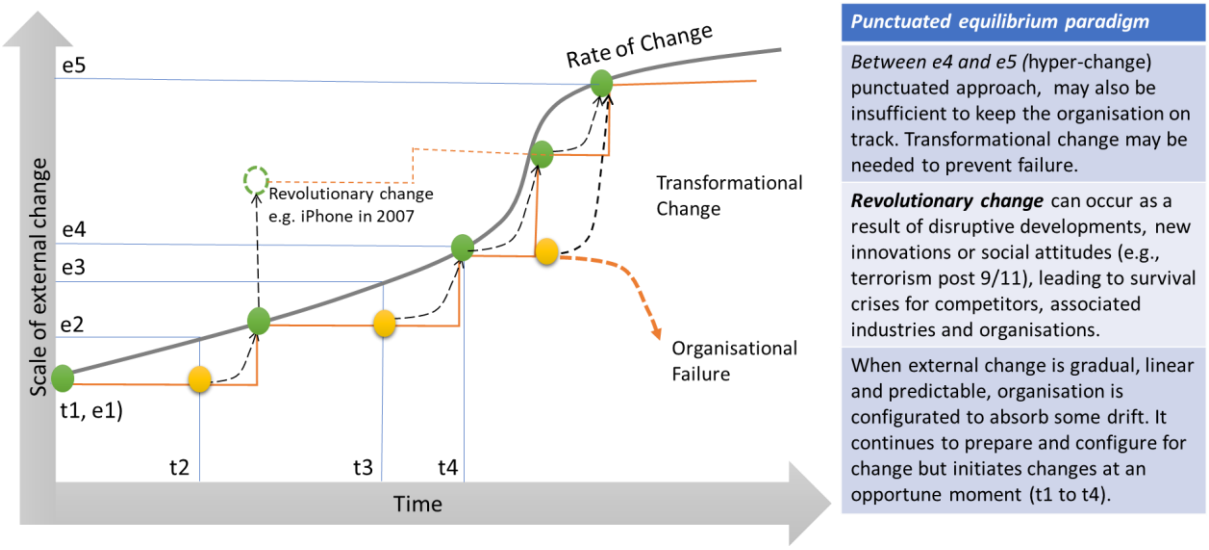

Figure 8: 3: Punctuated Equilibrium Paradigm

The punctuated equilibrium model may be a strategy or a constraint because of the nature of the industry. For example, the aviation industry (due to a highly regulated environment) and sport (due to the relatively fixed rules and bye-laws), compete within periods of regulatory

stability interspersed by periods of rapid change, the punctuated equilibrium approach. They can maximise efficiency and effectiveness within both the regulatory environment and the dynamic environment in whichthey operate. The punctuated equilibrium paradigm is also common in the public sector since government institutions must quickly transition to delivering policy changes and new priorities in alignment with political change. A tactical dilemma for boards and top leadership is when and how to transition from stability to strategic change and what exactly needs changing (see Example 8.4).

Example 8.4 Incrementalism in Foreign Policy Development

Observing evolutions in policy decisions, Dahl and Lindblom (1953) introduced the concept of incrementalism (stepped changes) as a mechanism for policy change (Howlett & Migone, 2017). The model dominated other approaches like the Rational Actor Model (Allison & Zelikow, 1999) till the 1990s. Lindblom observed that strategic change is the product of incremental changes that accumulate over time. In contrast, Alison argued that rational policy retains a long-term focus. Rational actors make decisions to achieve a relatively fixed strategic end. Since the 1990s, a new orthodoxy has emerged which aligns more closely with the Punctuated Equilibrium Paradigm where policy follows periods of strategic stability punctuated by upheaval and change. The US policy towards the Middle East since 1991 depicts such a pattern. Dahl and Lindblom warn that this orthodoxy does not supplant but supplements Incrementalism 'through 'atypical' or 'paradigmatic' change to the pattern of marginal or incremental change' that Lindblom et al. posited in the1950s.

Example 8.5: Shaping the Environment

Apple introduced the iPhone in 2007 as its innovative offering in an already established smartphone market. The iPhone was a revolutionary development within an industry that followed a punctuated equilibrium paradigm and consequently left its competition far behind. Arguably, few industries or societies have been left unchanged by the impact of this innovation. These include: the IT industry by way of how software is created and used; the photographic industry by way of transforming photography from a hobby to a part of everyday life; social media and how media is consumed; and fuelling the rise of new social patterns and means of online shopping to name a few (Molla, 2017).

Contemporary organisations operate in what Barber (1992) described as a volatile, uncertain, complex and ambiguous (VUCA) world. Volatility is often the result of the pace of change, unexpected developments, instability and the unknown duration and impact of the phenomena that create it. Uncertainty results from the unknown cause and effect relationships, while

complexity arises from the interconnected parts and variables that interact in a non-linear way. Ambiguity is the absence of antecedents that leads to unknown unknowns (Bennett & Lemoine, 2014). It is also a product of deceit, undisclosed intentions or veiled behaviours and actions of the actors. If we think of organisations as 'living entities' (Ansoff, 1979) or 'bio-social organisms' (Zipf, 1941), then we must consider the way in which operating environments affect, for good or ill, the well-being of that organisation. As discussed in Chapter 2, in a VUCA world, the pace of change necessitates organisational agility and the ability to adapt and become resilient to external changes (Barber, 1992; Zaidi & Bellak, 2019).

Public organisations, including defence, may continue to survive despite strategic drift, poor strategic management or mislaid priorities. When these organisations fail, however, the consequences are often catastrophic. For example, the French revolution resulted in a military revolution and a revolution in military affairs that created a military system quite unlike any in Europe. Militaries and, in turn, countries that failed to understand what was going on, suffered the consequences (see Example 8.6).

Example 8.6: Strategic Management and the Military System

Napoleon employed the possibilities of an industrial age to radically redefine the strategy and structure of the military. The adoption of the strategy of manouever led to new military organisations and systems. Innovations such as *levée en masse*, the divisional system, and supply chain management allowed the French army to move at 120 paces per minute in contrast to its rivals who lumbered on at just 70 paces per minute. A system of information and intelligence and coordination was put in place. The situational awareness and ability to react quickly allowed Napoleon to get inside the opposition's decision loop and synchronise major operations and dispense with set-piece tactics of the time (Lefebvre, 1969).

Example 8.7: Tactical Innovations and Strategy

Similarly, in the opening years of the Second World War the German military developed and applied Blitzkrieg, a high tempo, coordinated form of mechanised warfare, to great effect. Blitzkrieg was an innovative conceptual leap that utilised existing technologies to create value-added in the delivery of combat power. The competitive advantage thus achieved was phenomenal as witnessed in the swift capture of Poland, France and the initial advance on Soviet Russia. The ideas that Blitzkrieg employed existed in literature in the writings of strategists like Tuchachevsky, Svechin, Basil Liddel- Hart and J.F.C. Fuller. Neither the Soviet Union, nor Britain paid attention to these new ideas which explored the potential of mechanised warfare. The appeal to continuing with traditional and well-established military practices (static mindset) resulted in a strategic drift and the ultimate failure of French, Polish, British and Soviet militaries to cope (Liddell Hart, 1967). There is a caveat: tactical brilliance does not compensate for strategic blunders. The ultimate failure of Hitler's Germany was down to faulty grand strategy, not the strategy process or the balancing of ends, ways and means (Beverelli, 2020).

Example 8.8: Strategic Drift – US/NATO Failure in Afghanistan

With the end of the Cold War, the US focussed on airpower, precision targeting and remote warfare. This was based on a perception that the time of protracted wars and land battles involving heavy armour, infantry assaults had passed. NATO in general, with exception of Turkey and Greece, reorganised accordingly through the 1990s. After 9/11, the failure to seize military victory in Iraq or Afghanistan led to rethinking of counterinsurgency (COIN) doctrine (Farrell, 2014). Over six years, the US revised its COIN doctrine three times. Given the adoption cycle for new doctrines from concept to application is around six years (IGT&E, 2012), none of these new doctrines were ever fully effective. The result was confusion (flux) and continued strategic drift and a series of policy U-turns leading ultimately to negotiations with the Taliban, something the US had continuously ruled out for the first eight years in Afghanistan.

The building blocks of strategy are essentially an understanding of where the organisation is, how it got there, its current capabilities and vulnerabilities, and the threats and opportunities in the external environment. The 'what' and 'why' of strategy are a leadership concern; however, strategic managers are frequently involved in the process and must clearly understand the leadership's intent. SM then is used to deliver options and strategic plans to implement the strategic choice made by the leadership. An extensive suite of tools exists to help strategic managers understand the internal and external factors that aid strategy development. Strategy answers the questions 'why' and 'what', providing overarching guidance and roadmaps that lead to the 'who', 'how' and 'when' of change (see Chapter 14). While these tools were developed in the private sector, they are equally relevant across other sectors and for all types of organisations.

Exercise 8.1

Think about an organisation that you are familiar with and answer the following questions:

1) How does that organisation measure external change?
2) What strategies has it used in the last decade to keep up with change?
3) Does the organisation approach risk as something bad, neutral or an opportunity?
4) Will these strategies be valid in keeping the organisation on track for the next decade?

The Strategy Process

This section focuses on the SM process for the public sector and introduces a selection of associated tools to support managers in undertaking a systematic analysis of the internal and external environment; scenario building; positioning; and ultimately, developing and implementing strategies.

Strategic managers develop and apply strategies for the organisation's future direction and are responsible for ensuring business or service continuity. While continuity may entail critical and strategic decisions on the part of managers, the organisation's future direction is a more significant activity, fraught with risks and challenges associated with assumptions about the future. Determining possible futures, assessing threats and opportunities and positioning the organisation to succeed in a projected environment can be hazardous. Mintzberg and Walters' (1985) concept of emergent strategy as a realised pattern, not expressly intended is particularly relevant in a VUCA environment. They argue that deliberate strategies, albeit useful starting points, have little practical value. *'Futuring'* is a complex activity (van der Duin, 2016), requiring deliberate and detailed strategic analysis to make predictions. Nonetheless, organisations need to generate strategic choices based on how they seek to exploit opportunities, cope with threats, utilise their strengths, cover weaknesses, and deal with risks in pursuit of each of those futures. Importantly, option and choices are invariably a subjective undertaking and often connected with the key decision-makers' individual risk appetites (see Chapter 2). Major components of the SM process discussed above are shown in the infographic below:

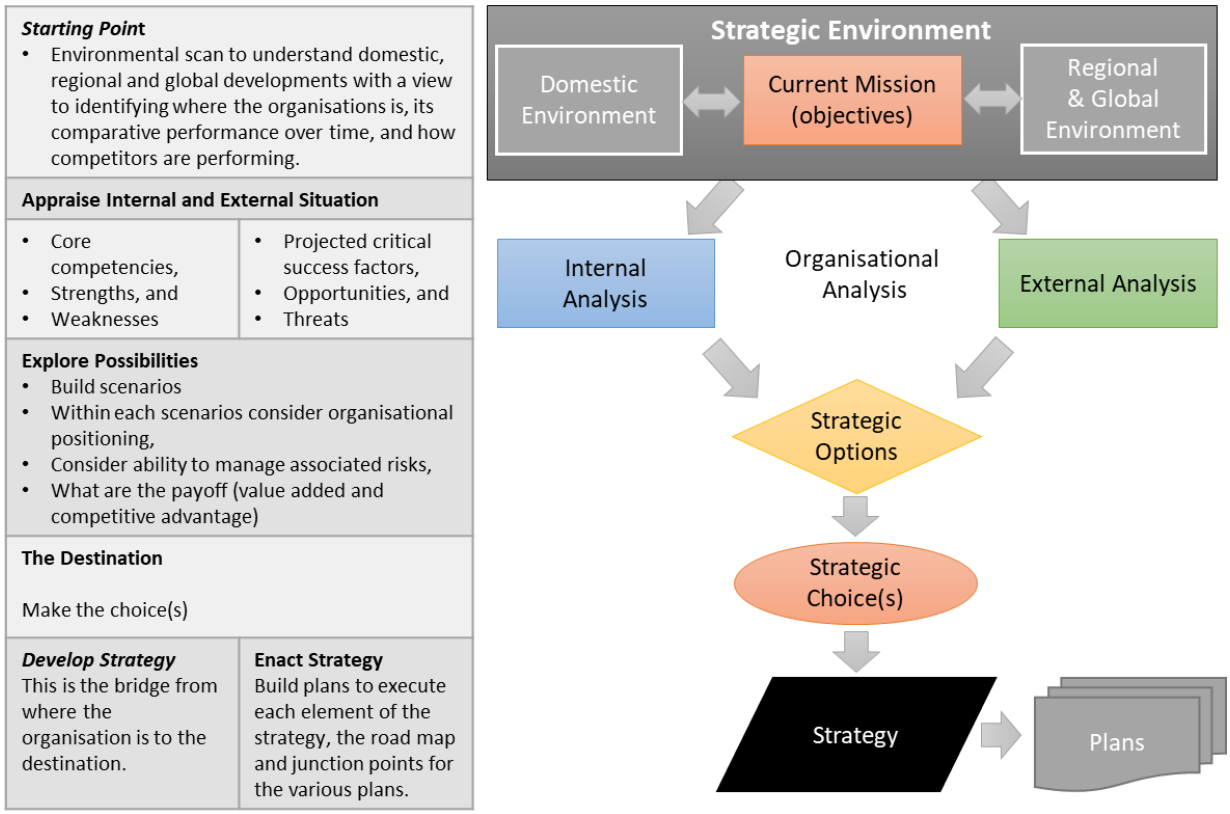

Figure 8: 4: Strategic Management Process (adapted from Zaidi (2009))

Strategic Analysis: Towards a Vision for the Future

Strategic Leadership is responsible for decisions regarding an organisation's purpose, a vision for its future and the core values that drive it. In all organisations, big or small, public or private, the members need purpose. In this regard, an organisational mission statement, vision, and future goals are central to SM as they ultimately influence strategy. In turn, strategy serves as the fountainhead, an overarching guidance for operational and tactical actions that drives the organisation.

Strategy delivers change. For this to happen, a clear understanding of the starting position and the destination are essential. Implicit in this is the nature of the change to be delivered and the gap that the organisation must cover from where it is today to where it intends to arrive at some point in the future. The PEST tool, or EPTS as it was originally called (Aguilar, 1967), provides a simple structure to undertake this analysis. PEST is an acronym for Political, Economic, Social and Technological factors that influence the environment within which an organisation sits. Two additional factors are frequently considered in this analysis; these are Legal and

Environment. To focus the analysis further, the industry context can be added so that each of the six factors is seen through the prism of a context. For example, a National Security Council may add ‘Security’ or ‘Military’ as a focus.

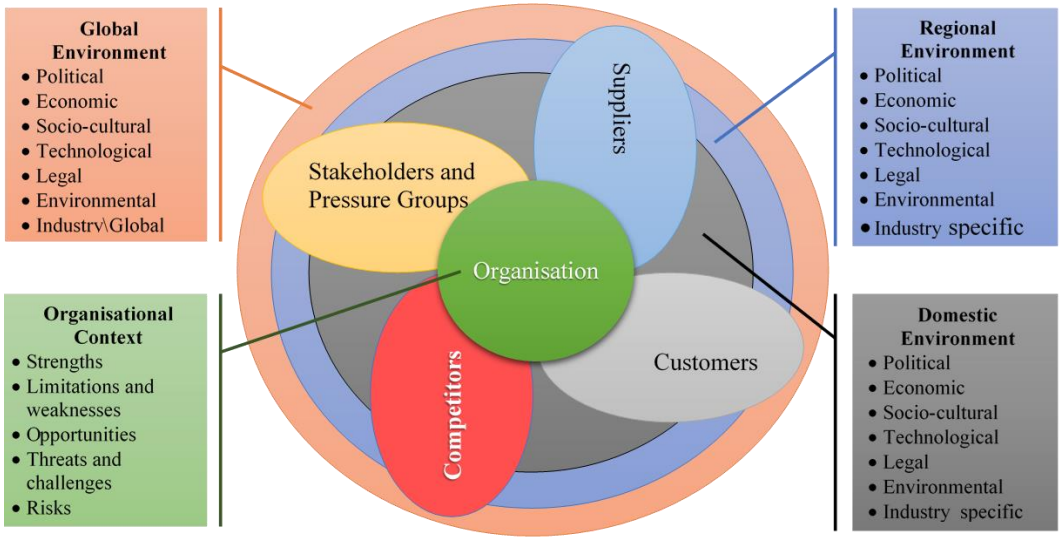

Figure 8:5: The Strategic Environment (adapted from Zaidi (2009))

When doing a PEST analysis, it is useful to look at the domestic, regional and global contexts as each may have an impact on the organisation. The output is an understanding of possible futures and the scenarios presented in each; typically expressed as hypotheses with the likelihood of occurrence and potential impact. This enables an initial understanding of the organisation's trajectory from the present towards a particular convergence in the future. To what extent are its aspirations realisable, and how far it could drift or be pushed towards detrimental outcomes by external developments or active interference (indicated by the ovals). For example, if a strategy in need of change is continued, the organisation will continue to drift away from its mission (strategic drift). Figure 8.6 below represents a probable future:

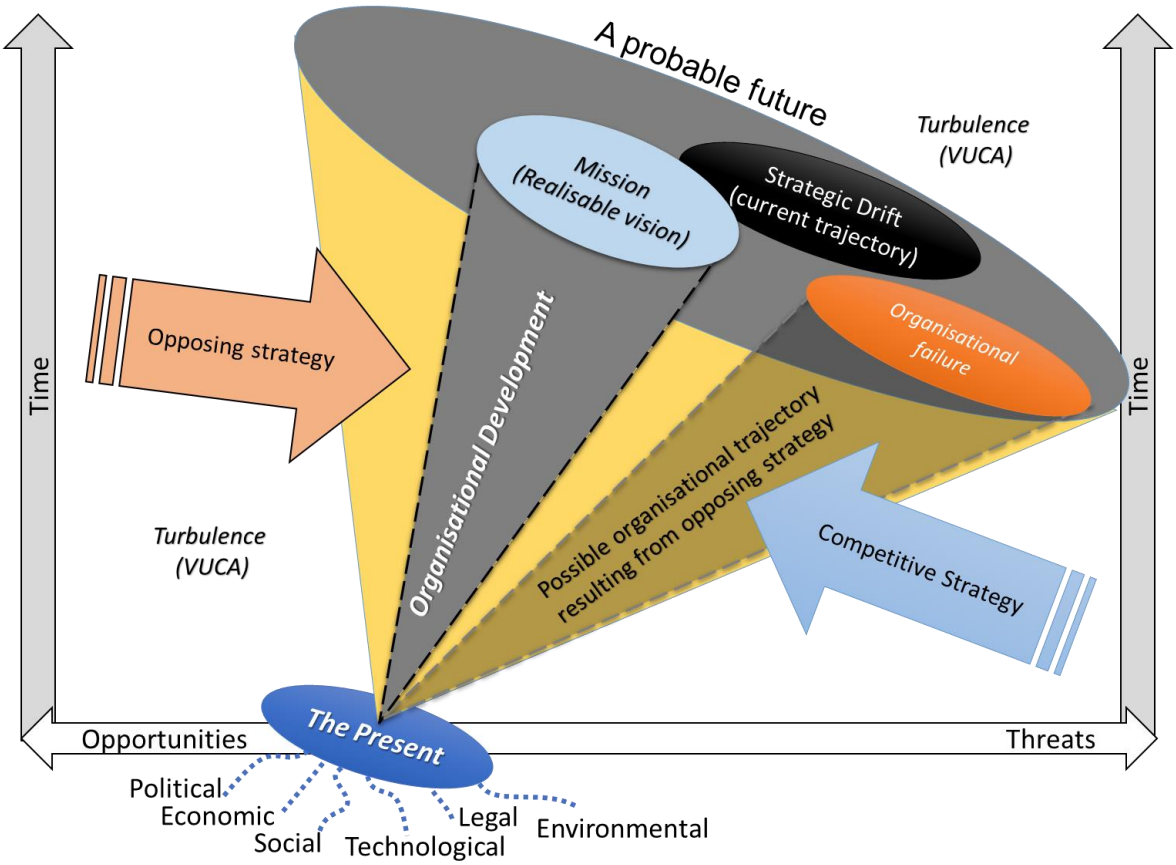

Figure 8: 6: A Probable Future, Organisational Drift and Positioning (adapted from Zaidi (2009))

A powerful tool for scenario building, contingency planning, and cause & effect analysis is Jerome C. Glenn's (1971) Futures Wheel analysis tool. The tool graphically presents the direct and indirect future consequences of a particular change or development. For scenario building, the analysis begins with a term describing a particular change placed in a circle in the centre and plotting the immediate or first-order consequences of that from the centre. The process is then repeated for each of the first-order consequences. The result is a series of connected circles flowing from the central change being investigated. The interconnections also allow relationships to be identified and crosslinked with other developments; the analyst can then build a set of possible scenarios. A futures-conscious perspective emerges. Finally, working from the outside inwards through each of the connected circles, contingency responses can be developed by answering the question 'so what?'.

However, with competition hastening detrimental outcomes (opposing strategy), the organisation could be marginalised or fail altogether (organisational failure). A competitive strategy that deals with external threats and helps the organisation develop internally will be needed to achieve a positive outcome (realisable vision). A competitive strategy achieves this.

Strategy deals with three primary resources (or currencies), time, space and relative opposing capabilities (RoC). Of these three, time is the only irrecuperable entity. The interpretation of space and RoC is context-dependent. For example, for an army, space represents the geographical space, the real estate, while RoC is the relative sum of the combat power, including morale and training. For a business, space could imply market capture and reach and RoC, the differential in resources like brand value, human capital, and financial strength available at a firm's disposal in relation to its opposition.

Organisational Analysis

Several tools are available for qualitative and quantitative internal analysis of an organisation and its fit within its current environment (Evans, 2020). The SWOT tool, developed by Albert Humphrey in the 1960s, has become a quintessential planning tool. SWOT is an acronym for Strengths, Weaknesses, which are internal to an organisation, and Opportunities and Threats, which are external to the organisation. Being an abstract tool, the SWOT can be done in various ways, including qualitative, quantitative, visual or a combination of these.

Strategic Options

Having completed the environmental, external and internal scans, narratives on possible futures emerge. Discussions among stakeholders and strategic managers are essential to inform policy, guide strategy and drive plans to propel the organisation in the desired direction. Orientating for the future is fraught with danger. All predictions and calculations of external interference have associated risks.

Risk Analysis

Risk management has been covered in Chapter 2. The purpose of risk analysis in strategy is to inform emergent strategy in terms of the branches and sequels available to strategic leaders and strategic managers and enable informed decisions.

Positioning

Having considered each option and associated risks, the strategic manager and the top leadership must decide where the organisation is to be steered in the future. Positioning of the organisation in the projected future is the redefining or retuning of the organisation's purpose, vision and mission and takes place when reviewing the strategic options available to the organisation together with associated risks and potential gains in each of the options. The infographic below presents the SM process overlaid with the tools discussed above:

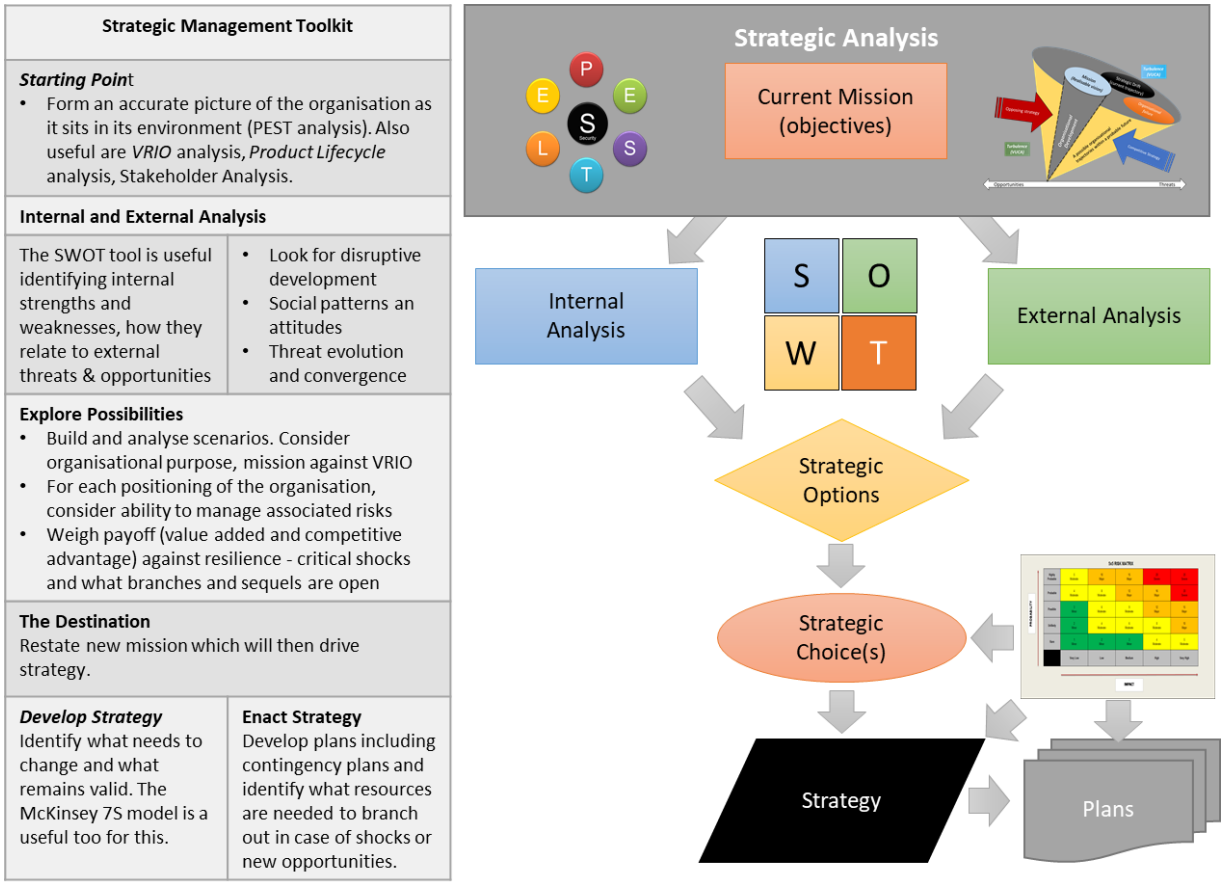

Figure 8: 7: Strategic Management Process and Associated Analytical Tools (adapted from Zaidi (2009))

Exercise 8.2

Take a moment to list your current goals and objectives (personal and professional). With this mission statement in mind go through the following steps:

- Do a SWOT analysis of yourself. Remember strengths and weaknesses are internal to you and linked with resources you control, and your skills and abilities. Whereas the opportunities and threats are external to you and sit in the social and professional environment that you operate in.
- Next, consider the how the external environment might evolve over the next 10 years (the PEST tool is useful for this analysis).
- Once you have captured the main factors, answer the question ***'so what'?***. You now have answers to how your current situation and the external environment impacts on you and your current mission.
- Where do you see yourself in the next 10 years within each of those possible futures?

The answers provide you with building blocks of strategy, beginning with a set of choices. The next step is strategy development:

- Analyse each of these choices in the light of risks and payoffs associated with each of them.
- Make a choice based on where you can maximise your potential (positioning). Develop this into a vision and a mission statement.
- Once you know where you are and where you need to go, the resources available or needed to get there can be balanced against friction and the opposition visualised on the way.

Contemporary Discourses in Strategic Management

Continuity and Change

A common issue a strategic manager must deal with is how to balance continuity of service while producing change. The larger the scale of change, the more severe the challenge. When, for example, Western-Union transitioned from a communication company to a financial organisation, it was able to build new business units while phasing out the old. A common strategy for commercial organisations confronted with large scale change is downsizing or refocussing products and services. Such choices are not usually open to public organisations such as the health services, or security sector organisations such as the police, the military and border-forces.

Strategy and Structure

Chandler's thesis thatstrategy drives structure, has dominated industrial thought for at least two decades. Mintzberg's concept of Emergent Strategy was a neat summation of how strategy must adapt as the organisation charts unexpected external threats or shocks. This approach is internalised in military thought and practice, as evidenced by the common adage, 'no plan survives first contact with the enemy'. In a VUCA world, there is a tenuous relationship between strategy and structure, requiring the former to also adapt to the latter. The result of this tension is a need for resilient structures and adaptive strategies. Ideas like Blue Ocean Strategy, which approaches strategy from a non-structural lens, has systematically reconstructed and reversed the structure-strategy sequence to some extent (Kim & Mauborgne, 2009).

Strategy as a Function

Strategy is simultaneously concerned with continuity and change in the face of active competition and changing environments. It is rare, however, for public or private sector organisations to have dedicated strategic management teams who advise and coordinate all aspects of strategy from its development to execution, evaluation, and revision; military institutions being an exception. Despite the renewed interest in SM across industries and sectors, Zook and Allen (2001) observe that between 1988 and 1998, seven out of eight companies from a sample of 1854 failed to create growth; whereas, companies with dedicated strategy teams performed better. Later, they reiterated the need for dedicated leadership teams that form an epicentre of SM (2010). Adding strategy to Fayol's list of six primary organisational functions will be increasingly important for organisations to manage the impact of VUCA.

Example 8.9: Strategic Management as a Formal Function

The UK Research and Innovation (UKRI), was established in April 2018 and is a non-departmental public body of the UK Government. UKRI brings together seven Research Councils, Research England and Innovate UK to support research within and across disciplinary domains. One of the key centralised functions introduced with the launch of the UKRI, was the role of an Executive Director of Strategy with a dedicated team to support and advice senior leadership on a single strategy on behalf of all constituent parts of the UKRI. This centralised function is a significant step forward from mere coordination between the Research Councils (UKRI, 2020).

The UK Ministry of Defence (MOD) introduced a Director General Strategy to advise government on defence and oversee strategy implementation. This was later discontinued with the establishment of the National Security Council in 2010 (Devanny & Harris, 2014). An advisory function within the MOD now has a Directorate of Strategy and International. This body oversees policy on NATO, European Union and key bilateral defence relationships as well as strategic planning and strategic policy matters, e.g. nuclear deterrence, cyber (UK Government, 2020).

At the state level, the establishment of a national security council (NSC) as a unified body charged with advising political leadership on security policy and strategy has become common around the world. The practice originated in the US when the Truman administration drafted the National Security Act of July 26, 1947. This was part of a general reorganisation of the US national security apparatus (Office of the Historian, 1997). Today, the NSC, chaired by the President, plays a central role in the coordination of foreign policy. Its composition and role, however, have changed several times due to myriad factors, most prominent being external developments or the needs and preferences of successive administrations. Over 50 countries now have similar entities. The UK is a relatively late adopter, having set up an NSC in 2010 (Devanny & Harris, 2014). What is important is not the existence of such high-level bodies but how they are used. This is often a very subjective debate contesting the role of agency over structure or strategy. Individual preferences of the chief executive often play a major role, as was noticeable in the US under President Trump. In principle, an NSC is a powerful coupling between political leadership, the security organisations, public bodies, industry, and other stakeholders, including the public.

Conclusion

SM is vital to the conduct of business and provision of services and has become an essential component for organisational success in today's fluid security environment. In the context of the public sector, strategic management provides a vital link between political leadership and the organisations that make government work. The requirement for dedicated strategy teams to advise senior executives and leadership is becoming increasingly important. Organisations that have formalised strategic management, whether public or private, have generally performed more cohesively, produced better goods and services, created value-added and remained more competitive. The greatest benefit for the public sector that SM offers is perhaps overcoming discontinuities that result from tenured leadership positions that can result in muddling through in the short term rather than taking an over-the-horizon perspective.

Questions to consider

1) How do the key SM concepts of Value-added and Competitive Advantage relate to your industry or organisation?
2) How would you genralise the relationship between strategy and structure in periods of hyper-change?
3) How can strategic management help break-down industrial and organisational 'silos' in the defence and security sector?

Suggested Further Reading

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