A PRACTICAL GUIDE TO STRATEGY

Making strategic thinking, development and implementation accessible

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Ilse Hobbs

SUN PRESS
To my wife, Marieta, who stands by me – JH

To Jan, for all the opportunities, and JP, for endless support – IH
“Anyone who knows me is aware of my intolerance of mistakes ... When I come across an inaccuracy in a book written by somebody else, I become discouraged, wondering whether I can really learn something from an author who has already been proved wrong on at least one point. When the errors concern me or my work, I become furious. The reader of this volume can therefore readily imagine the agonies of embarrassment I am already enduring just through imagining dozens of serious mistakes being found by my friends and colleagues after publication and pointed out, whether gleefully or sorrowfully, to the perfectionist author. In addition, I keep thinking of the legendary figure described to me ... a Norwegian lighthouse keeper who has nothing to do on long nights throughout the winter but read our books, searching for mistakes.”

(Gell-Mann, 1994, p. xv)
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Thanks to Eon Smit, the Director of our school. His quiet leadership is a benchmark case of the art. He and Stephanus also made a huge and extremely successful effort to create international links for our school, including accreditation – one of the few schools in Africa with the EQUIS and AMBA accreditation. Our global links are important.

Thanks to the operational and marketing managers at USB-ED, Lynette Goosen and Willemien Law, for their interest in our programme and creating more opportunities for us to present it.

Thanks to the team in our knowledge centre at USB, a highly professional team that can do global sourcing at the drop of the proverbial hat. But also a warm, friendly and supportive team, with new-economy tools and the age-old value of service.

Thanks to our colleagues, Pat Bastani, Eben Botha, Jason Lobel, Anneke de Bod, Dorette van der Merwe and Leanne van der Westhuizen, who understood that the enterprise was important to us and gave us space to do it.

We started our working life in a corporate environment, but spent quite a few years at Andersen before being asked to start a consulting business at the University of Stellenbosch’s business school. Our strategy work received an obvious boost from colleagues at the firm and some of the firm’s global partners whom we had the pleasure to meet or work with over time, such as John Donnelly, Richard Emerton and John Wiley. We appreciate what we learnt from them and from the firm.
INTRODUCTORY COMMENTS

This is not a “strategy textbook” to replace others. Such a book will strive to be definitive, become drearily repetitive and highly theoretical.

Definitive, because the presupposition would be that it is not necessary to read other books. On the contrary, the aspiring strategist is beseeched to read as widely as possible, but also to go beyond reading and to practice strategy. Our book is aimed at supporting practice.

Repetitive, because in order to cover the whole field in a textbook fashion, everything, or nearly everything that has already been said, will have to be said again. If ever we have a slight criticism of the field, it is the unending repetition from textbook to textbook to textbook. Our book is aimed at supporting other texts and gives those helpful process tips that might not be so readily available in other books.

Highly theoretical, because it seems to us as if many practitioners want to turn the discipline of strategy into a science. This involved and unnecessary complication helps business schools and consultants, but is of little value to a manager trying to get through his or her daily business life. And, of course, this approach is of no value for people in other walks of life. We need strategies to look after our health, care for the environment, mount expeditions, go to Mars, keep our families together, look after our communities, ensure our safety, etc. The business school/theoretical approach could impoverish our lives by removing the strategy approach from all other walks of life and developing it as a discipline primarily in the military and business. At the same time an uncanny observation emerged out of the process directly into our path: making the strategic approach more general greatly demystified the practice, also for business.

We have applied our approach in many walks of life. Over the last few years we facilitated many businesses in diverse industries, such as mining, financial services, manufacturing, energy and transport utilities, etc. through this process, with delightful results. What delighted us even more was when we started to apply the principles at municipalities, chess clubs and in personal development situations, and realised how well it works.

We learnt that strategising is a universal discipline and nothing more than an affirmation of our enduring ability to think. At the same time it challenges us to become more proactive in our thinking and to take charge of our existence, in our personal lives and in everything we do.

But we also learnt that thinking individually is quite different from the challenge of participative thinking. In the age of transformation to a higher order of unified diversity, we have, as a human race, largely failed to uncover inclusive processes in strategy formulation.

Through our book we would like to provide a practical guide on how to increase our ability to think strategically and some tools for doing this in a group environment.

The authors

Cape Town, 2004
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PART 1

UNDERSTANDING STRATEGY
CHAPTER 1

STRATEGY AS CONSULTATIVE THINKING

What it is – creating the lasting plan

Critical issues for this chapter

MYTHS AND REALITY – What is the true essence of strategy?
INHERENT OBSTACLES – What stops us from thinking and participating?
The Drivers of Successful Strategy – What are the essential ingredients for success?
Summary – How do we pull these thoughts together?

1. MYTHS AND REALITY

Strategy is, for many people, a weighty subject. The subtle meaning seems frightening to some
and seems to convey a sense of near mystical and charismatic power to others. It also seems
like a state of mind or ability that a lot of people aspire to and many people believe is beyond
them. The question is whether these perceptions are valid.

The practical concept of strategy is actually quite the opposite. It is not a science nor a
profession. It has been around in its military form for ages, but in all other aspects it is quite
new (less than 50 years) as a discipline, or field of study. Nor is what strategy aims to achieve
complex. Hitt et al. define strategy as:

an integrated and co-ordinated set of commitments and actions designed to exploit
core competencies and gain a competitive advantage. (Hitt et al., 2003, p. 9)

It is not always beneficial to try and find a “perfect” definition, nor does it make much sense
to try and force learners to blindly memorise such definitions. But what does this definition
(which, by the way, seems reasonably accurate) really say? It merely challenges the strategist
to consider key variables, map out a set of activities based on these considerations and follow
this map, in any possible enterprise. One could extend this practical summary to say:

When trying to achieve any goal in any human endeavour, consult widely and let all affected
parties consider their strengths and advantages, all the weaknesses and disadvantages,
map out a course of activities to achieve the goal and implement these activities.

2. INHERENT OBSTACLES

This simple definition within itself points to the following inherent obstacles facing the
strategist:

- Heuristics;
- Individuality;
- Exclusivity; and
- Lack of pervasive strategic thinking.
2.1 Heuristics

De Bono said:

... the main purpose of thinking is to abolish thinking. The mind works to make sense out of confusion and uncertainty. The mind works to recognize in the outside world familiar patterns. As soon as such a pattern is recognized the mind switches into it and follows it along – further thinking is unnecessary. (De Bono, 1983, p. 39)

The brain as an organ gave human beings the evolutionary advantage over other mammals. It is also the most demanding organ in the human body. It consumes 20% of all energy that the body receives, and is also first in line when energy is sparse (which means other organs always collapse first when you are starving!). As such our bodies created a natural system to "conserve" brain energy that actually drives us not to think. In fact, if you had to rethink every move and decision of every day, then modern life would be impossible. The person that overcomes the natural tendency to not think, irrespective of ability, will already have a jump on competitors. Anecdotal evidence suggests that 70% of important business decisions in the world are made based on heuristic reaction rather than thought. The first inherent obstacle in our definition is therefore acting rather than consideration (see box on heuristics).

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<th>Heuristics</th>
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<td>“A heuristic is a rule of thumb that is used to simplify complex decision-making situations” (Robbins, 1983, p. 401). Steers also calls heuristics “obvious solutions or previous solutions that worked in similar situations” (Steers, 1984, p. 281). One should be aware of heuristics as they inhibit thinking and should be overcome by the strategist.</td>
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<th>Certain thought constructs will help the reader to identify heuristics and develop thinking alternatives:</th>
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<td><strong>No previous thoughts are perfect.</strong> One should use and integrate what others think, but most scientific thought is subject to correction and even the most perfect scientific theories are revised over time. Many approaches in management theory are far less robust than we think and a remarkable quantity of data, interpretations and conclusions that managers are presented with in the daily course of business is incorrect. One can challenge “optimal thought” and should do this often.</td>
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<td><strong>Very little can be determined with certainty.</strong> At some stage incomplete data will have to be accepted and integrated. Waiting for absolute answers will invariably cause the decision-maker to wait indefinitely and finally make a thoughtless decision, if a decision is made at all.</td>
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<td><strong>Don’t accept the first satisfactory alternative.</strong> Don’t think &quot;up to&quot; a solution, but rather think to generate multiple solutions. March and Simon maintain that &quot;most human decision-making, whether individual or organisational, is concerned with the discovery and selection of satisfactory alternatives; only in exceptional cases is it concerned with the discovery and selection of optimal alternatives&quot; (March and Simon, 1981, p.138).</td>
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<td><strong>We are born with a tendency to be biased.</strong> Bias (though strongly criticised when identified) is part of our everyday lives. It is caused by an unwillingness to accept that we don’t know everything (therefore we will rather accept gross assumptions), a tendency to oversimplify the complex and an unwillingness to accept randomness (a condition better explained by chaos theory in Chapter 4).</td>
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