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ADVANCED STRATEGIC THINKING
Visionary Management

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PREFACE

Visions and strategic management have intrigued Pentti Malaska since the 1970s. This has manifested itself in many ways: in strategic-management consultancy in Finnish companies over the past thirty years, in his research and teaching on foresight and scenarios at the Turku School of Economics and Business Administration, and in his development of the Finland Futures Research Centre. Karin Holstius touched upon scenarios and visions in her teaching and tutoring in international business and international marketing at the same school in the 1990s, and earlier at the Lappeenranta University of Technology. Their joint interest in visionary management found expression in an article in Foresight in 1999.

It has been an inspiring three-year endeavour to look more deeply into the visionary aspects of strategic management. The now completed study extends beyond our initial idea of focusing just on visionary management. The subject had to be put into the wider context of strategic thinking, going back to ancient sources of military strategy and looking at the development of strategic management since its take-off in the 1960s.

Thanks to support from the Foundation for Economic Education (Liikesivistysrahasto), we had a chance to participate in the founding conference of the European Academy of Management (EURAM) in Barcelona in April 2001. Here, for the first time, we presented our joint thoughts about visionary management and how to tackle it as a focus of research. We were lucky enough to have Dr. Steven J. Gold from the Touro University International, California, among our audience. On the spur of the moment he suggested cooperation and was willing to put his doctoral students at our disposal. One year later, at the second EURAM conference, we met Dr. Gold to agree on the details. Ten of his students altogether - as part of their studies – carried out a literature review related to our research subject. We are greatly indebted to Dr. Gold, and particularly to Melissa Dabb and David O. Hernandez, for their insightful contributions.

First and foremost, however, we owe our gratitude to the Rockefeller Foundation. In April 2002 we were invited to spend a research period at their Bellagio Study and Conference Center in Italy in the spring of 2003. This residency was crucial for the advancement of our study. The ambience and facilities at the Bellagio Center gave us a wonderful opportunity to concentrate on research in an atmosphere of togetherness with a group of academics and artists from around the world. We very much appreciate the help we received from the Foundation for Economic Education in funding our travel costs.

We would like to express special thanks to our friend Dr. Ian Wilson. During his several visits to the Finland Futures Research Centre we had the chance to profit from his life-long experience in strategic planning at General Electric, and in consulting on strategy, scenarios and visions. He provided us with many valuable insights into the subject.

We are grateful to the Finland Futures Research Centre for their cooperation and to the Turku School of Economics and Business Administration for publishing the study in its scientific series.

Helsinki, April 2004

Karin Holstius Pentti Malaska

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1 INTRODUCTION

strategic = important
(OXFORD ENGLISH DICTIONARY)

Strategy and *tactics* are ancient concepts found already in *Sun Tzu*[1] - the military classic compiled in China around 300 B.C. - and recognized by Socrates and other philosophers in Ancient Greece. Carl von Clausewitz in his classic *Vom Kriege* (1832) made the conceptual division into tactics and strategy a basis of military doctrine and according to him everyone knew tolerably well under which heading to place any single fact of warfare. Strategic thinking has become important in business conduct as well, because the concepts clarify vital aspects of human decision making and purposeful acting in general.

However, only rather recently has strategic management attracted explicit attention in business and in management research, and its pros and cons have been under dispute in companies. The early introduction of strategic thinking may be traced back to the policy management implemented by Alfred Sloan at General Motors in the 1930s. The underlying doctrine of General Motor's practice, followed by other companies, was systematized by A.D. Chandler in a case study in the early 1960s.

Currently the word *strategy* is used extensively at all levels and in any function in corporations and organizations. The word has higher frequency in managers' language than in managerial conduct; the word *strategic* may often be used merely as a synonym to *important*, just because strategic is emotionally more provocative. The Oxford English Dictionary actually recognizes 'important' as one of the meanings of 'strategic'. When people call their issue strategic they may just emphasize the importance of their saying - and of themselves. But, of course, a more serious strategy discourse is what really matters, and in this study we wish to go deeper.

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[1] A lineage of military leaders in northern China put their wisdom about warfare into written form some 2300 years ago. In the West their text is called *The Art of War*, in China it is still known as the *Sun Tzu*, named for the patriarch of their lineage. In our study we refer to two books, *Sun Tzu* by Wee et al (1994), and *The Art of War,* The Denma translation (2002)

When the two skills, conceptual and pragmatic, successfully coincide in the same individual, e.g. Sun Tzu or Carl von Clausewitz in the military or Alfred Sloan of General Motors in business, a big leap forward to a better understanding of strategic issues and implementation of strategic leadership has been taken. The best strategists are men of excellence in pragmatic leadership.

A strategy is aimed at making a difference and breaking a status quo or symmetry between rivaling forces. The desire to make a difference and break symmetry is equally crucial in business as in warfare; consequently it is important also in business conduct to recognize the different levels of managerial competence, i.e. strategic and tactical. In this study we will emphasize the crucial role of a third, visionary level in advanced strategic thinking.

In the mid-1960s corporate strategy became a scholarly subject in management schools and it has been extensively practiced, researched and taught ever since. During the past four decades researchers and practitioners - from Drucker[2], Chandler[3], Andrew[4], Ansoff[5], and Porter[6], to Hamel, Mintzberg, Wilson, Norton and Kaplan - have made crucial contributions to strategic thinking in business.

Strategic planning cropped up in literature in the 1960s, and during the following decades strategic thinking diverged and management practices in business organizations and among consultants became multifold. Evaluations of benefits and critique of pitfalls have been characteristic for management literature particularly since the late 1980s. The following references offer a good overview of the development and critique by 2000.

Richard Whittington evaluated strategic management in his book, asking provocatively in the title *What is strategy and does it matter?* (1993). A “complete guide through the wilds of strategic management” is in turn promised by *Henry Mintzberg, Bruce Ahlstrand and Joseph Lampel* with their seminal study *Strategy Safari* (1998). They demonstrate by a thorough and up-to-date analysis the number and variance of strategic schools that emerged, as well as the complementary richness of their content. *Ian Wilson* contributes with surveys and evaluations of the 1970s and 1980s, and with an assessment of the future in a series of articles *Strategic Planning Isn’t Dead – It Changed*

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2 Drucker,P.F. (1970) Entrepreneurship in business enterprise. Journal of Business Policy
3 Chandler, A.D., Jr. (1962) Strategy and structure: Chapters in the history of the industrial enterprise. MIT Press
4 Andrews, K.R. (1971) The concept of corporate strategy. Homewood
5 Ansoff, H.I. (1965) Corporate strategy. McGraw-Hill
6 Porter, M.E. (1980) Competitive strategy. Free Press

(1994); Realizing the Power of Strategic Vision (1992); Strategic Planning for the Millennium: Resolving the Dilemma (1998).

Serious doubts expressed by executives have, however, from time to time distracted support and credibility from strategic management. A lesson to be learned was that creating strategic competence and leadership is a learning process different from tactical managerial competence. The expert evaluations show that the substance and practice transformed from long-range planning into strategic management, and today one can even talk about strategic culture. Strategic management has become an indispensable and substantive part of management in companies.

The observed diversification of strategic thinking is, however, still poorly understood and explained. This is one of the issues tackled in this study. Further advancement of strategic management calls for clarification of the paradigm of strategic thinking and understanding of the role of strategic visions and visionary management.

2 PURPOSE OF THE STUDY

Our study is a conceptual analysis of business strategic thinking and the logics of decision making. The study is based on exploration of strategy literature, both war and business strategy, and on personal experience in strategy consultancy, research and management education. The purpose of our study is to contribute to the clarification of strategic thinking and to systematize the underlying logic of strategic decision making. We will summarize our findings in a paradigm of advanced strategic thinking and introduce visionary management as the third layer of strategic management.

Chapter 3 *Strategic thinking in historical perspective* is divided into 3.1. *Lessons from warfare* and 3.2. *Strategy in business conduct*. With Little Turtle's case an illustrative story of a good war strategist is told. Based on the military classics of Sun Tzu and von Clausewitz, three basic ideas of general strategic thinking are abstracted in 3.1.

But business is not war, and this study focuses on business strategy. Therefore the understanding goes by analogy. The war/business analogy was used already by Socrates, when he said that the duties of a general and a businessman are very much alike, as both involve planning the use of resources to meet objectives (Bracker 1980, p. 219-224). Von Clausewitz (1982, p. 202) mentions that war could be likened to business competition, as a conflict of human interests is involved in both. A well received recent book on management, *Sun Tzu – War & Management,* by Wee et al (1994) is altogether based on analogy. To apply analogue thinking is a valid approach in any science.

Strategy in business conduct is studied in chapter 3.2. The discussion of the development from the 1960s to 2000 rests particularly on Mintzberg's and his collaborators' work *Strategy Safari* (1998). Both the increase in strategic activity and its diversification over time is studied. When the environment creates unprecedented challenges, which the current strategic management approach cannot cope with, new approaches will be searched for.

In chapter 4 *Logical elements of strategic thinking*, first of all two kinds of rationality relevant for strategic understanding are discussed. Then we present a logical scheme of good decision making and the cybernetic law of requisite variety in a strategic management context. In our view, all these elements make a contribution to modern strategic thinking.

As a complement to the tactical and strategic levels, a third layer of management - visionary management - is introduced. It is regarded as conceptually distinct from the previous two, and in our interpretation vision subordinates and constrains strategy formulation. Chapter 5 explores visions as a *Third level of management.* We give an overview of how visions and visionary management have been recognized in current management literature.

To guide the organization, powerful leaders have always relied on visions, by means of beliefs, values, stories, slogans, and thought patterns. Chapter 5.3 presents some real-life examples of visionary management.

In chapter 6 *Paradigm of advanced strategic thinking*, a paradigm is developed by generalizing the results presented earlier. A visionary management process in practice is described in chapter 6.4.

Chapter 7 *Discussion and conclusions* gives a summary view of the three layers of advanced strategic management in relation to key elements and building blocks of strategic decision making elaborated in the study.

The suggested three-layer strategic decision making structure calls for different types of managerial competence. Interactive learning and synergy effects between the different layers may bring crucial advantages and benefits to the company. These challenges are, however, elaborated in another study (see Malaska and Kasanen 2003).

3 STRATEGIC THINKING IN HISTORICAL PERSPECTIVE

3.1 Lessons from warfare

Sun Tzu's and Clausewitz's classic warfare studies and what can be learned from an Indian war leader's story convince us that there is a logic of action and decision making on the battlefield, which is applicable by analogy in business. The basic elements of the logic are: (1) making a distinction between strategy and tactics, (2) subordinating tactics to strategy, and (3) keeping strategy flexible to uncertainties of field conditions and resilient to unknown situations. We will start with the story of Little Turtle.

3.1.1 Little Turtle's story [7]

Michikiniqua, alias Little Turtle, was a Miami Indian war leader; his story is an example of carefully thought and skillfully realized military strategy in US - Indian wars in 1790-93. Little Turtle's superiority as a leader and strategist brought his troops two victories over the American army, whereby he humbled two Generals to resign. He also got a third chance to command the troops, and once again he demonstrated that he was a great strategist, as defined by Sun Tzu.

Arthur St. Clair was the second General chosen by the President of the United States to wipe out Little Turtle and the Indian troops of a confederacy of five tribes. As soon as General St. Clair's army of 2000 men had left Fort Jefferson, the Indians hit in small forces along its flanks. The attacks were designed to make St. Clair feel that the Miami Confederacy of tribes was a myth and that every group fought for itself. The light attacks were all part of Little Turtle's grand strategy of battle, intended to give St. Clair a false sense of security. In the meantime Little Turtle perfected his plan in the field for a

[7] Based on information provided in C.Fayne Porter 1967, p. 38-60, and Nies 1996, p. 213-217.

massive attack. He planned the decisive battle and its execution very carefully and entrusted certain areas of the field to specific war chiefs.

No more Indian nuisance attacks for several days, instead scouts provided information about the campground of the army and its split into regulars and militia across a creek. After listening to his scouts, Little Turtle quickly laid out his instructions for positioning and set the time for attack. His 1400 warriors attacked at dawn. Surprise of the enemy – turmoil – cut-down in midstream – hysteria and firing on anything, also comrades. Little Turtle had chosen his ground well, the Indians had cover but the enemy's soldiers were caught in the open; breaking out of the trap was murderous, 950 whites were lost. General St. Clair escaped with the rest of the troop. Soon after he resigned, as General Josiah Harmer had done before him after having been beaten by Little Turtle.

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. It was a bloody conflict of visions.

Measured by any military standards the Indians had an extraordinary strategic leader in Little Turtle – even the American army and government gave full military recognition to him later - and he had excellent chiefs and warriors on the battlefield to make the strategy work. In 1793 he got yet a third opportunity to demonstrate his superior sense of strategy. This time, however, he faced the question whether to fight or accept peace without fighting.

General Wayne – "Mad Anthony" as he was called - was the third American General charged by George Washington with assembling an army, this time 3000 soldiers, to subdue the Miami Confederacy. While wintering, Wayne trained his army carefully - for a whole year – unlike the generals before him, and his armaments were excellent. His doings and trainings were closely scrutinized by the Indians. Little Turtle gathered reports from his scouts, learned all he could about Wayne's numbers and extensive preparations. Then he called his counselors together and said: This fighter is different, he has many good men, he watches constantly and carefully, we cannot surprise him, and if we cannot surprise him we cannot defeat him. Now is the time to talk of peace.

Little Turtle knew that the white man's strategy would be superior this time; and as a good strategist he consequently suggested his council peace without fighting. At this suggestion his previously so loyal followers turned against him. Little Turtle was deposed. The Indians went to war and were beaten under the new leaders' command. In the peace treaty 1794 the tribes of the Miami Confederacy had to cede away their land; the vision was lost for ever.

3.1.2 Distinction between strategy and tactics

Little Turtle hardly made any conscious distinction between strategy and tactics; he was a man of excellence in practical leadership, instinctively including both elements in his leadership and management. It is only later on when we evaluate his conduct that we can find that his excellence was based on a clear understanding of the two elements of decision making and execution. The distinction is not explicitly presented in Sun Tzu either, but the text can be, and is interpreted accordingly in literature. A distinction between tactics and strategy in warfare is explicitly discussed and elaborated in von Clausewitz's classic *On War* (Clausewitz 1982).

Clausewitz defines strategy as "the employment of the battle as the means towards the attainment of the object of the war" (1982, p. 241). Strategy is the employment, the whole; tactics is the battle, the means separated from strategy. Strategy forms the plan of the war and employment of the means to fight; it links together a series of acts, makes the plans for the separate campaigns and regulates the combats to be fought in each. As the fight is composed of a number of single acts, combats, this means that there are two totally different activities: the *formation* and *conduct* of the actual combats, i.e. *tactics*, and the *combination* of the single combats with one another by a plan with a view to the ultimate object of the war, i.e. *strategy*. Furthermore, Clausewitz clarifies the distinction by saying that "tactics is the theory of the use of military forces in combat" and "strategy is the theory of the use of combats for the object of war" (Clausewitz 1982, p. 172-173, 241).

In Little Turtle's case the distinction between strategic maneuvers and tactical operations in the battlefield can clearly be seen. Strategy consisted of giving a pattern to the battle, choosing the fighters and their chiefs and the place and timing of the battle, framing battlefield operations and optimizing resources; whereas tactics was the real fighting frontier against frontier and man against man for victory.

The other often cited strategist, Sun Tzu, says that with careful and detailed planning one can win, but with careless and less detailed planning, one cannot win (Wee et al 1994, p. 16). Strategy is seen as careful planning and principles which have to be followed in warfare (Wee et al 1994, p. 283-294). Such principles are, for instance, the principle of surprise and the principle of the offensive, which both can easily be identified also in Little Turtle's story.

Tactics is not a concept explicitly discussed in Sun Tzu. Based on the original text, the reader can, however, conclude that tactics is what happens on the battlefield. There are numerous examples in Sun Tzu of behavior in battle, from details about conduct on the battlefield to such warnings as "if reckless, he can be killed", "if cowardly, he can be captured", which are clearly to be regarded as tactics (Wee et al 1994, p. 155). A distinction between tactics and strategy can be found in The Art of War (2002, p. 248) but only in the subject index compiled by the Denma Translation Group; a reader looking for “tactics” is referred to “battle” and “doing battle”, while “taking whole” (p. 65-81) refers to strategy.

Strategy is vital in Sun Tzu. The well known list of the offensive strategies illustrates this (Wee et al 1994, p. 286):

1. The highest form of generalship is to attack the enemy’s strategy
2. The next best policy is to disrupt his alliances
3. The next best is to attack his army
4. The worst policy of all is to besiege walled cities

Each of these four priorities refers to a type of strategic principle and related maneuver, which forms a specific framework for tactical operations in battle. Highest priority is given to the superior strategic skill of just attacking the enemy’s strategy, i.e. attacking the enemy’s plan at its inception and winning without fighting.

The *logical distinction* between strategy and tactics is one of the three basics learned from war strategists.

3.1.3 Subordination of tactics to strategy

The logic of *subordinating tactics to strategy* is another important basic element of strategic thinking to be learned from warfare strategy. It means that the choice of strategy builds a frame and gives direction and objectives to tactical operations, which thus become strategically constrained. An intrinsic feature of strategy – in warfare as well as in business – is, however, that any deliberate strategy is an incomplete plan, because the real situation of the tactical operations influences the finalization of strategy. Tactics and strategy thus become real only in combination and the demarcation line between them is both subtle and fuzzy.

Clausewitz (1982, p. 264, 274) makes several observations about the relationship between strategy and tactics. He says, for instance, that strategy fixes where, when and with which numerical forces the battle is to be fought. Tactics fights the battle, and strategy makes use of the result in accordance with the great object of the war. More succinctly he observes that tactics is the actual delivery of the blow, the battle itself, and strategy the art of using this means with skill.

As Sun Tzu does not make an explicit distinction between strategy and tactics, it is obvious that subordination of tactics can be found only by interpretation of the text. The following statements indicate the relationship between “taking whole” (Ch.3 in Sun Tzu) and “doing battle” (Ch.7 in Sun Tzu): “To win a hundred victories in a hundred battles is not the hallmark of skill. The acme of skill is to subdue the enemy without even fighting…by attacking the enemy’s strategy” (Wee et al 1994, p. 16).

An attack on their strategy was just what the Indians were faced with in the third war, with General Wayne. When Little Turtle observed Wayne’s army in number and their preparations and compared this with his own warriors’ preparedness and armament, he accepted that his strategy was defeated without fighting. He recommended peace because the enemy’s strategy was superior; strategies had spoken so loudly and clearly that there was nothing left to be done by tactical operations.

Subordination of tactics to strategy can be found in business at General Motors already in the 1930s. Whittington (1993, p. 13) points out that Alfred Sloan in a memorandum 1934 recognized the importance of strategy, which he called “policy”, and the importance of keeping it separate from the day-to-day business of operations. Sloan’s two most important principles were, firstly to create constructive and advanced policies, which are vital for the progress and stability of the business, and secondly to recognize this specialization of policy creation independently from policy execution. Whittington summarizes that “policy became the sole responsibility of the top Executive Committee and its advisory Policy Groups, from which divisional managers were rigorously excluded” (Whittington 1993, p. 13).

However, tactics and strategy materialize in combination, and tactical considerations influence the final configuration of strategy. It means that particulars of operations will be rearranged and necessary modifications made in the field. Clausewitz remarks that a strategist can never for a moment take his hand from the work on the field (Clausewitz 1982, p. 241).

The logic of subordinating tactics to strategy is something else than exercising top down leadership. Shared responsibility and shared understanding and commitment in strategy creation, as well as in execution, is a sine qua non in advanced strategic leadership, in business perhaps more so than in warfare.

It is evident that *subordination of tactics to strategy* contributes to creating relevant logical order in the strategist’s mind.

3.1.4 Keeping strategy flexible and resilient

Strategy refers to plans, deliberate forethoughts of the aimed platform of operations, to positioning of resources accordingly, and to how to execute operations toward success. Every strategist knows, however, that things are not going to follow the plans, because many situational and capability features will remain unknown until the final moment of operation in touch with the enemy. Both classics referred to in this study, strongly emphasize consideration of requisite flexibility as a major issue of strategy.

Clausewitz (1982 p. 241) says that strategic maneuvers can be clarified and tactical operations determined only on conjectures. Some of them will turn out incorrect, and many arrangements pertaining to details cannot be made at all beforehand. This applies not only by analogy but directly in business as well.

One of the intrinsic features of strategy is that it is an open plan, and it should so remain in order to stay flexible in the face of uncertainties and in situations unknowable beforehand; and strategy should be resilient ("self-healing") under unavoidable mismanagement. In Sun Tzu the need for flexibility is expressed in these words: "The ultimate in giving form to the military is to arrive at formlessness. When one is formless, deep spies cannot catch a glimpse and the wise cannot strategize. The corollary of formlessness is utter flexibility." In their commentary to the original text, the Denma Group makes the observation: "The general, free from fixation on particular means, responds inexhaustibly to each new situation" (The Art of War 2002, p. 23, 80, 164).

Flexibility of strategic management means the capacity to change a plan without undue cost or delay, when the emerging situation deviates from expectations, and an ability to keep moving toward the goal despite changes in the environment or failure in plans and management.

A strategy which is tolerant to imperfections in the execution and mismanagement of the plan is *resilient*. A resilient strategy is capable of restoring its drive and goals after unexpected disturbances.

The term resilient comes from systems theory, where it denotes the system's capability to regain its state when disturbed, and maintain its objectives in a changing environment within the system's resilience range. (cf. Holling 1973). In business terms, when something new and unexpected shows up in the market, the resilient strategy does not lose control of the company's objectives even if tactical operations occasionally may fail. If the built-in resilience range is exceeded, the business either loses its objectives or the strategy has to be renewed.

Requisite flexibility and resilience of strategy is the third lesson to be learned from warfare strategists.

3.2 Strategy in business conduct

Three important lessons for business strategy were emphasized above: distinction of strategy from tactics, subordination of tactics to strategy, and built-in requisite flexibility and resilience. They occasionally occur also in management literature and are more or less accepted in business, but not with the same logical clarity as in warfare.

In the book *Strategy Safari,* Mintzberg and his co-authors offer a thorough analysis of the development of corporate strategic management from its take-off in the mid-1960s to the late 1990s. The authors give an excellent qualitative account and provide quantitative data in tables and graphs. (Mintzberg et al. 1998, p. 353-359). We will review these results in order to get familiar with the evolution of strategic management during the past decades.

There is another recent book, *The Subtle Art of Strategy* (2003) by Ian Wilson, which contributes to the understanding of strategic management and complements *Strategy Safari*. Based on his 40 years of experience as a corporate planner and chief consultant in strategic management, Wilson gives an insider's view of the development. The book is also path-finding for the new millennium.

There are also significant differences between the military and business arena, which are important to be kept in mind (Wilson 2003, p. 22). In business strategy the time span is a continually evolving and receding horizon, whereas in war the emphasis is on the near-term. In military operations the physical topography is an unchanging territory, while the territory of business is molded by the changing flux of markets and competition; military strategy is normally directed against a singular enemy, but business strategy needs to deal with multiple competitors and with stakeholder interests. Furthermore the primary qualities of military culture are order and discipline, while companies search for innovations and entrepreneurial creativity.

We will contribute to the discussion about strategic management by outlining a holistic pattern of strategic learning.

3.2.1 The initial take-off in the 1960s and 70s

The initial take-off of strategic activity in business in the 1960s may best be characterized as long-range planning with a built-in assumption of a predictable and fairly stable corporate environment, which the companies only need to adapt to with well designed growth plans. Mintzberg calls the dominant strategic thinking of this period the Design and Planning Schools;

Selznick, Andrews, and Ansoff are recognized as the most prominent developers and representatives of these schools. The schools had their active growth period and a plateau of high attention before the 1980s, followed by a decline period. (Mintzberg et al. 1998, p. 353-359)

Wilson writes about the initial take-off, from the late 1960s to roughly 1978, as follows: "Only in the middle to late 1960s did 'strategy' become a popular term in the corporate vocabulary and armory". He continues that strategic planning enjoyed a heyday of almost unquestioning corporate popularity, with GE leading the way, and that GE introduced its new planning system 1970-71. Bruce Henderson had founded the Boston Consulting Group in 1963 to focus on thinking about strategy, and Igor Ansoff and Kenneth Andrews had already published seminal volumes on the topic. But according to Wilson, it was GE's initiative that attracted a great deal of management attention, triggered a "follow-the-leader" movement, and stimulated considerable corporate action and academic research. (Wilson 2003, p. 6).

Wilson and many others claim that during the initial period, strategic planning in many corporations was based on a single-point prediction of the future and seemed to operate separated from operational management in the corporate mechanism, with little signs of meshing.

With growing attention and wider spread of the strategic planning practice, the critique against it became stronger, especially after the mid-1970s. Managers frequently criticized the heavy paper work, the outcomes of which were often too abstract and only vaguely, if at all, related to real business operations. According to Wilson strategic planning was successively regarded by top managers as "a fad, an anathema, and just another management tool" and it "bounced around the corporate hierarchy in search of a legitimate role and appropriate home". The critique (in US) culminated with a cover story in Fortune "The Real World Strikes Back: Corporate Strategists under Fire" in 1980. (Wilson 2003, p. 5-7).

Management succeeded in correcting some of the defects of the prevailing approach, e.g. by placing the main responsibility for strategy in the hands of line managers who are charged with the implementation. Another improvement was the invention of new methodological approaches, like multiple scenarios. The strategic management issue had also become an indispensable subject in management schools and in research; strategic thinking started to spread and develop not only through practical employment and consultancy, but also through academic education and research. It became a part of management education and management culture. As a consequence strategic management experienced a new up-swing in the mid-1980s.

According to empirical evidence (Mintzberg et al. 1998, Fig.12-1, p. 353) there is a decline in the activity of the dominant strategic schools in the 1980s but, at the same time, a burst of new strategic approaches, new strategic schools can be observed. Together the new schools make a quantitative and qualitative difference in the total picture of strategic management activity.

3.2.2 Coping with unpredictability

In the 1970s strategic planning confronted many unpredictable discontinuities in the environment, as for instance the Middle East war and the ensuing first oil crisis, the dissolving of the Bretton Woods monetary agreement, large corruption scandals like Lockheed, and the most unlikely catastrophe of Harrisburg, the Thalidomide and Bhopal disasters, and the second oil crisis at the end of the decade. These demonstrated that the business environment was no longer predictable, as assumed by planning, but had become increasingly uncertain. Rigorous strategic planning with single-path predictions can not properly cope with unpredictable discontinuities in the environment.

Increasing uncertainty was systemically, i.e. unintentionally, generated by the new forces molding the business environment. The influences they might bring forth and the companies' possibilities to succeed became unpredictable and contingent. Uncertainty is something else than risk involved in a given choice, and decision making under uncertainty is less familiar to managers than decisions under objective risk. Uncertainty is not a temporary deviation from the predictable; it is a standard part of the modern business environment. An inevitable consequence of generic uncertainty is that strategy should not be based on a single-path forecast but a set of alternative futures that together explore the uncertainty. And that is where scenarios and scenario-based strategies come into play.

The difficulties and problems nurture strategic thinking. Pierre Wack, a scenario pioneer at Shell International in the early 1970s, transformed the management culture of the company to accept the use of scenarios, with excellent results. According to surveys, the use of scenarios started to spread in companies in the late 1970s and gained in importance and recognition in the 1980s and 1990s (Linneman and Klein 1979; Malaska et al. 1983; Malaska 1985).

Scenarios explore the frame of uncertainty in a logical and structured manner, with a set of possible alternative futures (futuribles) with which the company has to deal. (Cf. Mandel and Wilson 1993; Ringland 1997; Godet 2002; Malaska and Virtanen 2002). By using scenarios the decision maker can focus on those uncertainties which the company cannot eliminate, assess the risks and payoff of alternative strategies and plan resource allocation (Wilson

2003, p. 108). With scenarios requisite flexibility and resilience is generated, which is a sine qua non for viable strategic management.

A third prescriptive school of strategic management emerged in the late 1970s. Mintzberg calls it the Positioning School; its main proponent and developer was Michael Porter. The Positioning School took partly over from the two already declining prescriptive schools; in the 1980s it became the dominant strategic school, for a while, and it has maintained a good share of strategic management activity till today.

3.2.3 Diversification

In the 1980s two descriptive schools, the Learning School and the Configuration School, started to contribute; Mintzberg identifies Chandler as the originator of the Configuration School, to which he himself subscribes. Cyert and March, and Prahalad and Hamel are credited as developers of the Learning School (Mintzberg et al. 1998, p. 304, 355).

Five more descriptive schools started to make noticeable but smaller contributions to the total later on in the 1980s. Mintzberg calls them the Entrepreneurial School, Cognitive School, Power School, Cultural School, and Environmental School (Mintzberg et al. 1998, p. 353). In Figure 2 the different schools are depicted according to their relative activity.

In solving diverse problems and meeting challenges in the 1970s, such as unpredictability and uncertainty of environmental changes, strategic thinking transformed from the planning paradigm of the early 1960s to diversified strategic management by 2000. Strategic management appeared to constitute a dynamic field, and it is by necessity becoming more complex and more nuanced over time. In the next chapter the aim is to show that the development, which seems sporadic and appears to be an irregular trial-and-error experience, can be interpreted as a long-term learning process with characteristic features of successive fast growth and stabilization periods. Then, as a consequence one could ask, what might characterize advanced strategic management in the new millennium.

3.2.4 Strategic thinking as a learning process

In this chapter we have summed up the time series of activity of the different schools dealt with in *Strategy Safari* in order to indicate the amount of total activity from 1965 to 1995. This pattern of development is presented as a learning curve in Figure 1.

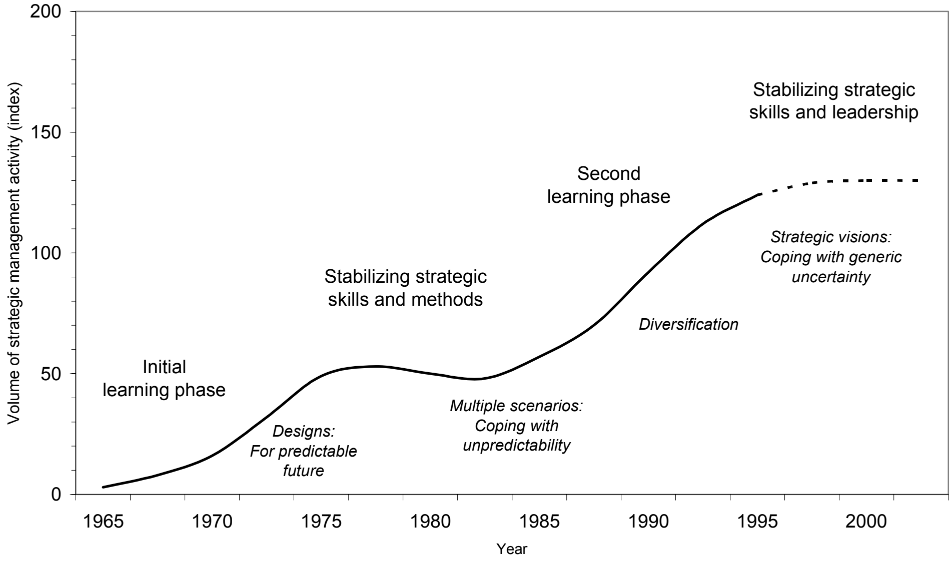


Figure 1: Learning by experience in strategic management. (Based on Mintzberg et al. 1998, Fig. 12-1, p. 353)

When the activity of each school is determined in relative terms to the total, we get another outcome which we call learning by diversity in strategic management. It is depicted in Figure 2.

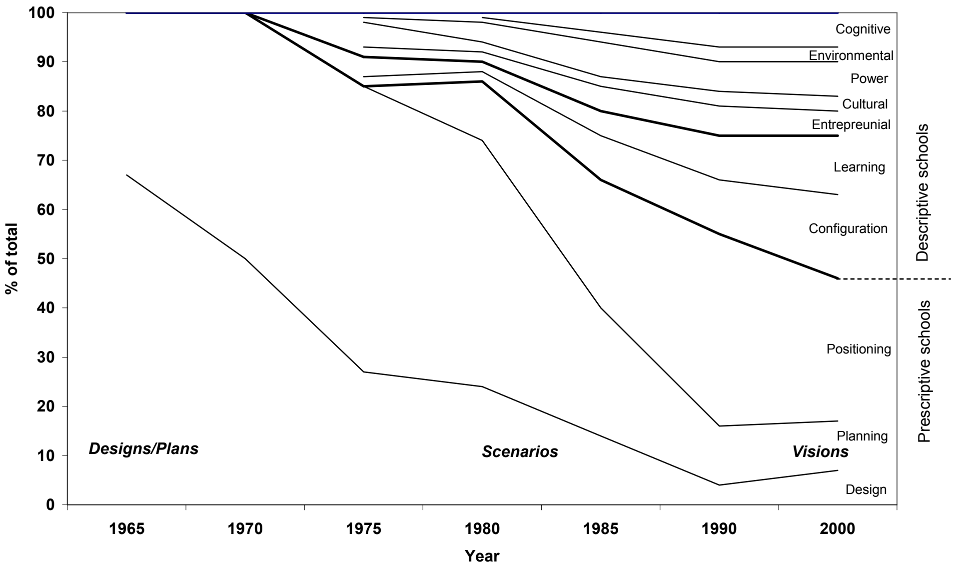


Figure 2. Learning by diversity in strategic management. (Based on Mintzberg et al. 1998, Fig. 12-1, p. 353)

Based on figures 1 and 2 the following observations can be made.

1. The overall total of the activity of strategic management in business and in management research has steadily increased from 1965 to 1995 and beyond; some particular strategic schools experienced a life cycle type of growth and decline, but others substituted their decline so that the total activity appears to be continuously growing. This contradicts any claims to the death of strategic management and rather gives evidence to the opposite (see Fig.1).
2. Strategic thinking, which started as planning and design, has in the course of time been enriched with many new issues and diversification modes; by the turn of the century ten different schools of strategic thought had been identified and carefully analyzed. This confirms the claim that strategic management has indeed changed also qualitatively and is likely to do so in the future (see Fig. 2).
3. In the pattern depicted in Figure 1 strategic management has an initial growth period extending from the 1960s to the 1980s. The Planning and Design Schools were accepted by a growing number of companies, and strategic management was incorporated into the curriculums of management schools, and applied with standards established mainly by consulting companies. The initial take-off of strategic planning was quantitatively impressive.

4. After a rapid growth period, a plateau of total activity associated with a minor decline of the dominant schools was reached by the late 1970s. The plateau, before the next upswing, extends to the mid-1980s. A new and important element of management, use of scenarios, was adopted in some leading companies. The pattern of activity presented in Figure 1 is similar to the general learning curve.
5. It may be hypothesized that the new strategic competence was learned during the growth period and stabilized during the plateau period, with major implications for business competition. The competition changed from mere short-term tactics to competition with strategies. But what was learned also changed strategic thinking itself, and this led to a second learning phase associated with a new upswing in activity (see Fig. 1).
6. The upswing no longer rested on the previous strategic schools, which actually declined. The urge to counteract the critique and enrich strategic behavior created new schools. Mintzberg's results show that the new schools grew more rapidly from the mid-1980s indicating that strategic thinking entered a new learning period; at the same time the business environment became more dynamic. Advanced strategic practices were a managerial response – learning by diversity - to the changing environment and the new forethoughts (see Fig. 2). The upswing in strategic activity has continued till 2000, and we assume that a new plateau will be reached.

The plateau in Figure 1 and a stabilization of strategic management occurred because the pitfalls of strategic practice were corrected and companies learned to cope with an unpredictable future by means of multiple scenarios. One aim of this study is to suggest a new element of strategic competence, called visionary management. The term vision has been used infrequently in management literature, mainly since the 1990s, but can be found even earlier (cf. Ohmae 1983, p. 76).

4 LOGICAL ELEMENTS OF STRATEGIC THINKING

In chapter 3.1 we presented three basic features or relationships in strategic thinking: distinction between strategy and tactics, subordination of tactics to strategy, and keeping strategy flexible and resilient. We regard these features as the first three building blocks of what we will call the paradigm of strategic thinking. Additional elements to be elaborated are the logical scheme of good decision making and the law of requisite variety. The following table illustrates the five building blocks in our paradigm of strategic thinking at this stage of the study.

Table 1. Paradigm of strategic thinking

Paradigm of Strategic Thinking
1. Strategy vs. tactics 2. Subordination strategy – tactics 3. Flexibility and resilience
4. Good decision-making 5. Law of requisite variety

We find it justified to use the term paradigm for our conceptualization of strategic thinking. The paradigm concept, as used and developed by Kuhn (1970), has been interpreted in different ways. We are inclined to accept Pietilä's (1983, p. 83) view that Kuhn's paradigm concept can be compressed meaningfully into three groups; one of them is relevant for our study. This so called construction paradigm (term coined by Pietilä 1983, p. 83) refers to some concrete example showing how a problem can be solved or an idea can be applied. We hold that a new conceptualization of strategic management is called for to understand what has happened in strategic management during the past four decades, and at the same time to incorporate new ways of looking at strategic management in the 21st century.

Before assembling the logical elements of our strategic management paradigm, we will briefly discuss different kinds of rationality - deliberate and systemic rationality - each of which plays a role in proper understanding of strategic management. Deliberate rationality is the rationality of the known and controllable, which governs planning and management. Systemic rationality governs those events which, albeit cause-and-effect phenomena remain unknown and off control; they are often referred to as luck, misfortune or chance. For tackling them flexibility and resilience of strategy is crucial.

4.1 Deliberate and systemic rationality

In *Strategy Safari* (Mintzberg et al 1998, p. 12, fig.1-2) the terms deliberate and emergent strategy are used for the two kinds of causation or logic. (Cf. also Whittington 1993, p. 3). Business intentions that are fully realized as plans can be called deliberate strategies; plans provide no room for learning from the actual situation. The emergent strategy (Mintzberg et al. 1998 p. 11) stands for a pattern of events not expressly intended or articulated; neither can the strategy be controlled in advance. In practice, the realized business strategy unfolds as a combination of the two: as a deliberate business plan and its finalization in the market.

These two forms of causation are expressly characterized by Thomas Sowell in his book *A Conflict of Visions*; he calls them articulated versus systemic rationality (Sowell 2002, p. 45).

Systemic rationality is a cause-and-effect rationality, as e.g. the laws of Nature, although unknown to human individuals. For example, there is a reason why water expands when it freezes to ice, although most of us do not know what that reason is, and at one time no one knew the reason. Natural expansion is independent of anybody's aims or intentions. Actually it would be irrational to assume that one could deliberately do something contrary to cause-and-effect rationality; it simply wouldn't work. Everything may have a cause and yet human beings may be unable to specify what it is, and everything may have an effect yet human beings may not be able to specify it. An emergent strategy belongs to the realm of systemic rationality with its causes and effects emerging in the actual market situation, but it is believed that those remain outside human capacity to plan and control in advance.

An un-manipulated free market (if one exists) serves as a good case of systemic rationality. The changing prices, wages, and interest rates adjust the economy to shifting demands, technological changes, evolving skills, and increasing division of labour – without any of the actors knowing how their individual responses affect the whole. Individual deliberate rationality may exist in the market – like Mr. Soros for example – but it is largely incidental or may implicate use of insider knowledge. The wisdom of the "invisible hand" of the market is not the wisdom of the human actor. According to systemic rationality it is legitimate to believe that high quality of decisions is more due to opportunistic incentives than to deliberate long-term intentions based on human knowledge or good aims. The free and un-manipulated market economy delivers the goods people want, but those who make it work cannot readily explain why it is so, because no one knows it. (Sowell 2002, p. 45-48).

If the rationality is regarded as purely systemic, the best any one can do is to trust the unarticulated skills of tactical practitioners and offer opportunistic incentives. Some managers maintain that there is in fact no need for neither deliberate strategy nor real possibilities to formulate it; according to them intentional attempts other than short-term opportunistic behaviour may only lead to futile disasters. The only viable strategy and vision for them is short-term opportunism.

Whittington differentiates two approaches to strategy - the evolutionist and processualist - in which systemic causation in the sense of our study is regarded as the only viable rationality. (Whittington 1993, p. 2). The observable 'strategic' pattern will then be a chain of short-term business transactions one after the other, for better or for worse. This sounds like the 1990s neo-capitalism with short-term financial incentives; it is in fact an old echo from 400 years ago (cf. Hobbes 1660). In the wider context of rational behaviour these 'opportunistic strategies' remain an option, but not as well grounded or as beneficial as the strategies with deliberate elements. An interesting case of systemic rationality is told by Leo Tolstoy when he analyzes Napoleon's Russian war in the epilogue to his novel *War and Peace* (Tolstoy 1969, p. 424-469).

The other mode of rationality is deliberate or articulated specification of causation. This logic is applied whenever pre-justification is required, e.g. in plans or arguments concerning desired means to an end.

When deliberate causation is applied, the company justifies its strategic actions with a rationally grounded and articulated plan. The general logical scheme of deliberate causation of action was formalized by G. H. von Wright. His scheme reveals in a simple form, called the pragmatic syllogism, the logic of deliberate deeds (v. Wright 1986). Obviously strategic maneuvers belong to a regime of deliberate rationality, and tactical operations mostly to systemic rationality.

There is always overlap between the two causations. Deliberate decision making proceeds on grounds which are known and articulated. But at the other end of the spectrum reasons unknown in any given situation must be taken into account when considering the need of flexibility.

The different strategy schools emphasize, mostly unconsciously, deliberate and systemic rationality with different weights.

4.2 Logical scheme of good decision making

Irrespective of the management school or the management style used, for the manager the issue is always a question of making good decisions. A view of good decision making can be found already in the teachings and thoughts of Aristotle (Nicomachean Ethics, book III). The first rule for making a good decision is to clearly state the valuable end and objectives the decision maker desires. Two further aspects of a good decision are valid knowledge and thorough understanding of the situation in which the decision will be executed, and valid knowledge of the means and resources available to the decision maker. Finally we have to combine all three - purpose, situation and resources - by sound logic, with a future vision or perception in order to make sure that the means are suitable for the end. This logical scheme of good decision making, which we call an Aristotelian scheme, is illustrated graphically in Figure 3.

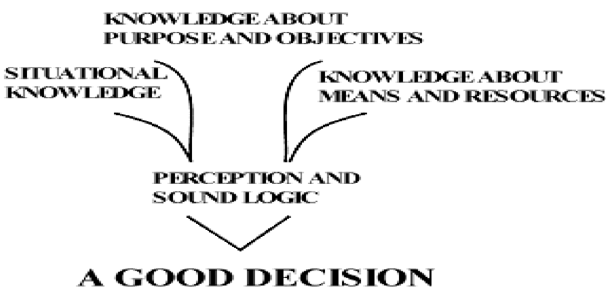


Figure 3. An Aristotelian scheme of good decision making

The scheme of good decision making is an essential part of the paradigm of strategic thinking. Good decisions are needed for tactical operations and strategic maneuvers, and also at visionary level.

4.3 Law of requisite variety

The law of requisite variety comes from cybernetics, and usually it is called Ashby's law. It states that when changes in the environment occur, an organization or any purposeful actor has two alternatives to choose from: either the organization gives up its purpose and objectives, or it decides to renew itself accordingly. The need of renewal of the company is the sole motivation for strategic management and choice of a new strategy.

When applied to management the law of requisite variety explains why strategic management practices diverged into several strategic schools, why critique aroused, and why corrections were made. Strategic management is a purposeful action, and whenever a company loses its advantageous market position, strategy needs to be improved or renewed. Mere tactical flexibility is inadequate. Renewing strategies is a learning process for management, confirmed by studies. Based on his survey among US companies and his long experience Wilson observes: "Compared with its record ten years ago (1980s), strategic management is now (1990s) a far more effective instrument for shaping the course of a corporation or a business unit." Development of strategic thinking is far from complete, as most companies indicate; respondents feel that they are far from realizing the full potential of their strategic planning system. (Wilson 1994, p. 23).

5 THIRD LEVEL OF MANAGEMENT – VISIONARY MANAGEMENT

When a company's business is well established, it means that it has positioned itself strategically in the market and in relation to its investors, clients and competitors. A strategic position offers the company competitive advantage to run and vary its tactical operations. How well the company is able to utilize its current position depends on its tactical business competence under the given circumstances. When the environment changes in ways which the previous approaches to strategic management cannot cope with, the company needs to change not only its position, i.e. its strategy, the strategic management itself needs to be transformed for facing new challenges. The observed diversification of strategic management schools is a good demonstration of this.

At present unprecedented business opportunities are emerging thanks to new scientific and technological knowledge; they are associated with rapid development of micro- and nano-technologies in physics, or fifteenth-technologies in time scale, space explorations, internet societies, or with globalization of business operations. Managers must be able to capture options hidden behind these "shifts of the tectonic plates of the business landscape", as Andy Grove of Intel put it (Wilson 2003, p. 11). At this moment of time, on the threshold of a new era, a third level in corporate strategic thinking, i.e. visions and visionary management, is coming into play.

In this chapter we will concentrate on visionary management, or foresight or forethought management; there are many names for the same thing. It has also been called futuring, e.g. by Harper (2001), in contrast to long-range planning, which tends to extrapolate the past in order to forecast the future. We regard visionary management as an essential element of advanced strategic management.

We start by introducing concepts in visionary thinking, as they are to be found and have been defined in literature. We will then proceed to some examples of visionary management in practice.

5.1 Vision in literature

Numerous variations on the definition of vision can be found in literature. McGivern and Tvorik (1998) refer to ten authors concerned with analyzing the meaning of the concept, and they mention definitions such as "vision is an ideal and unique image of the future", "vision is an over-arching concept that embraces the organization's values, guiding philosophies, and tangible image", and "visioning provides the organization with a clear sense of direction, a powerful mobilization of energy, and it provides the individual with the sense of being engaged in something important". (cf. Collins and Porras 1991; Nanus 1992).

In line with some of the above definitions, Rampersad also sees vision as an image of the desired future, and adds that mission and vision together form a management instrument which indicates what the organization stands for, for which purpose it exists, what its primary goal is, where it wants to go, how it plans to reach this and finally, which important points everyone in the organization should concentrate on. (Rampersad 2001)

Miller (2001, p. 140) observes that vision has been defined as a direction, goal or dream, or as the path to what the company wants to become, achieve and create. An important point is made, when vision is seen as an aim for the future at any level, such as team, department or organization level. The importance of engaging more than top management in the visioning process is observed also by Sanders (1998, p. 136) when she points out that a clear vision of the future is important, but it needs to be based on a real foresight process and not only on one person's image of the future.

In *Strategy Safari* several studies concerned with visions and visionary leadership are presented. Vision is seen as characteristic to the Entrepreneurial School, which sees strategy formation as a visionary process focused exclusively on the leader. Vision then appears to be a mental representation of strategy, expressed in the head of the leader and serving as an inspiration and a guiding idea. (Mintzberg et al. 1998, p. 124-147).

A quote from Hamel and Prahalad (whom Mintzberg associates more with the Learning School) makes it quite obvious that their key concept 'strategic intent' is a synonym to what is meant by vision in this study: "… strategic intent envisions a desired leadership position and establishes the criterion the organization will use to chart its progress…. At the same time, strategic intent is more than simply unfettered ambition." (Mintzberg et al. 1998, p. 219). Also Campbell and Yeung (1991, p. 145-146) relate vision directly to strategic intent and point out that mission is the first step in strategic management. In their view mission is associated with a way of behaving, while vision is more associated with a goal. Most management researchers do not separate the two concepts but they do understand vision so, that it also includes ways of behaving.

Normann observes that the concepts mission and vision have become so common and popular that there may be something universally attractive in them, although they mean different things to different people. In his view vision implies a gap between the present state and an imagined future state of the organization, while mission is related to “what role we have in what larger system”. (Normann 2001, p. 275-276). He also says that the vision may be stated in terms of mission, which seems to complicate things further.

Kaplan and Norton point out that vision and strategy are essential complements; while vision creates the picture of the destination, strategy defines the logic of how the vision will be achieved. They also note that, in practice, the vision can be appealing but at the same time lacking in credibility until a strategy is developed to show how the vision would be accomplished. (Kaplan and Norton 2001, p. 74). Strategy can also be seen as emerging from a vision which represents the desired future state of the organization (Ackoff 1993).

Wilson said in 1992 that a vision is “a coherent and powerful statement of what the business can and should be (ten) years hence” (Wilson 1992, p. 18; cf. also Wilson 2003). Harper (2001, p.xii, 156) talks about having the answers before anyone else even knows the questions, and he says that visionary companies operate with a time horizon at least twice as long as that of proactive companies, because proactive companies look for emerging markets, whereas visionary companies look for markets or industries to create. Many different time spans for visioning are suggested in literature, such as five years, ten years or more, and it is frequently pointed out that the visionary management process is an ongoing, forever changing and adapting process of improvement, and the management must measure their strategies against the vision constantly. (cf. Robert and Racine 1988, p. 33-47; Rampersad 2001, p. 3) These authors seem to imply, without stating it explicitly, that the choice of strategy is somehow subordinated to or constrained by the dominating vision. This supports our view that there is a third level of management.

Whereas some of the above definitions mix up vision, values and philosophy, Wilson (1992, p. 20) draws a clear line between a corporate vision statement and the statements of mission and philosophy. According to him, mission states the basic purpose of the business, philosophy articulates corporate values, and vision describes the shape of the future business, sets specific goals and drives strategy. In a way it would be convenient to be able to say, as some researchers and practitioners do, that we should dispense with visions altogether and deal only with reality. But that statement is a vision in itself, and it may be the most utopian vision of all.

A vision has also been described as a “pre-analytic cognitive act” by Schumpeter. That is what we feel before we have engaged in any systematic reasoning. Visions are the foundation on which strategies are built. In strategic management a vision gives a sense of causation, and it sets an agenda for both thought and action.

5.2 The visioning process and visionary management in literature

Kaplan and Norton (2001, p. 72-73) position the concept vision very much in the same way as Wilson did (1992). They include (1) mission, (2) core values, (3) vision and (4) strategy as the first four steps in a continuum for translating a mission into desired outcomes. Whereas the mission and core values remain rather stable over time, they argue, the vision’s role is to clarify the future direction of the company and to launch “the movement from the stability of the mission and core values to the dynamism of strategy” (Kaplan and Norton 2001, p. 73). They also point out that the vision can be accomplished only if it is decomposed into a strategy which in turn consists of smaller steps. (Kaplan and Norton 2001, p. 75). A step by step approach has been used by one of the authors of this study since the 1970s when conducting visionary management sessions in Finnish companies. The approach has been called management by next step guided by company vision. (Malaska and Holstius 1999).

Morden, referring to eight other researchers, divides what he calls the visioning process into three distinct stages: 1) the envisioning of an image of a desired future organizational state, which 2) when effectively articulated and communicated to followers, serves 3) to empower the followers so that they can enact the vision (Morden 1997, p. 668-676). Westley and Mintzberg also outline the importance of a shared vision and their opinion is that leader and follower participate together in creating the vision and that the vision comes alive only when it is shared (Westley and Mintzberg 1989, p. 20-21). And the follower(s) might be as important as the leader. One of many management phrases coined by Peter Drucker is “you cannot be a good leader unless you have a good follower”.

Morden (1997, p. 669) refers to a study from 1985 of ninety successful US public figures. He found that vision communicated and translated into practicalities was identified as essential to the organization for building a climate of organizational trust which would act as the glue that unites leaders and followers in a common purpose. Campbell and Yeung (1991) look at this the other way round and say that the lack of a vision can hinder the organization, because the people cannot help but be uninspired if the organization lacks a compelling purpose, a vision. Robert and Racine (1998) found in their research comprising 3000 organizations that over 80% felt that they were operationally competent but strategically deficient. McGivern and Tvorik (1998) summarize contemporary research (11 studies between 1984 and 1995) as advocating that organizations which utilize effective vision driven strategies are able to sustain above average profits. Wilson (1992) finds that the payoff for strategic vision is sustained competitive advantage, greater employee commitment, and increased shareholder value. McGivern and Tvorik (1998) also summarize that the contemporary literature urges organizations to utilize vision driven strategies as a method to increase competitive advantage in the global marketplace.

Visionary management as a term was hard to find in literature; an extensive search has not yielded much. Vigil (1993) actually uses the term, almost as if it were accidentally. He discusses vision as a motivating force for employees and adds that visionary management – a technique combining the participatory management and visionary leadership styles – can be a useful tool in overcoming obstacles to motivating employees. (Vigil 1993, p. 27).

Rampersad (2001) points out that visionary management uses the vision to manage the organization. He also talks about a visionary management process and divides it into several successive phases, such as development of a personal mission/vision, development of an organizational mission/vision, situation analysis, strategy formation, and planning and implementation. Here again no distinction is made between mission and vision. This strengthens us in our belief that the concepts vision, visioning process and visionary management need to be further clarified so that visionary management can be included as a third level in advanced strategic thinking.

5.3 Examples of real-life visionary management

Typically, powerful leaders have understood the value of visions to guide the organization. Strategic plans and tactics are easy to understand and communicate in economic terms, whereas visions must be communicated through motivation, beliefs, values, stories, slogans, and patterns. Visionary management language and competencies are distinct from those of the strategic and tactical layers. The following examples demonstrate the visionary level of strategic management in some interesting real life cases.

1. How Stalin changed his vision of the war in 1942

Hitler's as well as Stalin's vision of the war had for some time been focused on Stalingrad, as planned by Hitler in Operation Barbarossa. But, suddenly Stalin changed his view by adopting a new vision called Operation Uranus during the most desperate times in Stalingrad. Antony Beevor (1999, p. 220-228) makes this very clear in his recount of history. He tells about the moment of shifting to a new vision in the following way:

The new envisioning dates back to 12 September, the day that Army General Zhukov was summoned to Kremlin after failed attacks against Paulus's northern flank. General Vasilevsky, Chief of the General Staff, was also present in Stalin's office. Zhukov was asked to explain again what went wrong, and Stalin demanded to know what was needed for Stalingrad. "Well, … another full-strength army, supported by a tank corps, three armoured brigades and at least 440 howitzers, all backed by an aviation army." But Zhukov and Vasilevsky hesitated, they murmured together and agreed that another solution would have to be found. "And what does another solution mean?" Stalin asked. "Go back to General Staff and think over very carefully indeed what must be done in the Stalingrad area", he told the generals. The following evening they returned to Stalin's office. "Well, what did you come up with?" he asked them. (Beevor 1999, p. 220-221).

Zhukov explained their new vision: "The city of Stalingrad … should be held in a battle of attrition, with just enough troops to keep the defense alive… Then, while the Germans focused entirely on capturing the city, the Stavka (Soviet Supreme General Staff) would secretly assemble fresh armies behind the lines for a major encirclement, using deep thrusts far behind the point of the apex." Eventually, Stalin saw the advantage of the much more ambitious operation (i.e. the new vision). On that night of 13 September, Stalin gave this plan for deep operations his full backing. He instructed the two men to introduce a regime of the strictest secrecy. "No one, beyond the three of us, is to know about it for the time being." The offensive was to be called Operation Uranus. Zhukov was not just a good planner; he was the best implementer of plans. (Beevor 1999, p. 221-222).

The plan (a strategy) for Operation Uranus (the vision) was simple, yet daringly ambitious in scope. "The main assault, over a hundred miles west of Stalingrad, would be launched south-eastwards from the Serafimovich bridgehead, a forty-mile-long stretch south of the Don… This point of attack was so far to the rear of the Sixth Army that German mechanized forces in and around Stalingrad would not be able to get back in time to make a difference… This would mark the encirclement of Paulus's Sixth Army and part of Hoth's Fourth Panzer Army." Most generals back in Germany were convinced that the Soviet Union was incapable of two offensives. (Beevor 1999, p. 226-228).

The new vision was victorious. The Germans were caught off guard and Paulus's army surrendered, which changed the entire dynamics of World War II.

2. **Jeroen van der Veer**, President of Royal Dutch Petroleum Co.

In the Annual Report and Accounts 2002 (Royal Dutch 2003) Mr. Jeroen van der Veer writes to the company's shareholders: "2002 was a pivotal year. We delivered robust and competitive profitability in testing conditions and made great progress in pursuing our strategic goals – making four major acquisitions and investing in organic growth. We worked hard to live up to our business principles and commitments on sustainable development. We are well placed to maintain momentum in uncertain times."

This statement captures in a nut shell the three levels of strategic management studied in this paper: tactical, strategic and visionary.

"We delivered robust and competitive profitability in testing conditions" can be interpreted as referring to tactics and the company's tactical competence. "(We) made great progress in pursuing our strategic goals – making four major acquisitions and investing in organic growth" tells about strategy and strategic maneuvers reframing the tactical operation area. "We worked hard to live up to our business principles and commitments on sustainable development" and "We are well placed to maintain momentum in uncertain times" show visionary insight of a chosen and valued future committed to by strategic management.

3. **Jack Welch,** CEO of General Electric

"From the day that Dr. John F. Welch, Jr. took over as GE's CEO, he articulated, strongly, clearly and constantly, a vision for the company that stressed two elements (of his visionary idea): restructured portfolio and a revitalized culture. He has consistently implemented these two elements in tandem, although, for the first 6 or 7 years, portfolio restructuring was the first priority" (Wilson 1992, p. 19).

"The twin elements of restructured portfolio and revitalized culture share the common thread of global competitiveness. Simply, if GE is to be a world-class competitor, then competitiveness – and all that it takes – must be engrained in the corporate culture." (Wilson 1992, p. 19).

The restructured portfolio (vision) meant, according to Wilson, that GE would only be in those businesses in which it was or could be number one or number two in the global market. The revitalized culture focused on achieving excellence and entrepreneurship, leanness and agility, and a boundary-less company. It also aimed at reducing bureaucracy, at moving faster and demanding the very best from everyone. Welch was fond of saying that the aim is to combine "the sensitivity, the leanness, the simplicity, and the agility of a small company" with the strength, resources, and reach of a big company. (Wilson 1992, p. 19).

Vision is hard to phrase in precise economic terms. It is more like a belief, a world view, a pattern, a corporate culture. However, the vision can be rigorously argued for. Some part of the rationale for this vision reflects Welch's character and management style. But the larger part stems from changing conditions in the business environment.

4. Lou Gerstner, CEO of IBM

Lou Gerstner seems a bit controversial from our point of view, because it is told that when he took over as CEO of IBM, he frequently said that "the last thing IBM needs right now is a vision." However, Wilson points out that during the following nine years Gerstner delivered both short-term discipline and a new long-term vision. (Wilson 2003, p. 42, box 4.2).

Gerstner behaves as a visionary leader in an interview in Business Week (1995), which is introduced with the statement "Lou Gerstner does have a vision". "One of the great things about this industry is that every decade or so, you get a chance to redefine the playing field (create a new vision), we're in that phase of redefinition right now" Gerstner told Business Week. One of IBM's fastest-growing units in 1995 was Integrated Systems Solution (of information services), handling mega-outsourcing deals for the company's biggest clients. With its order backlog worth $ 30 billion, it was growing more than 33% a year.

Gerstner said in the interview that there was no question that the PC-based model (the old vision) no longer was the future. The speed with which the Internet emerged in the mid-1990s caught all industries related to this technology by surprise. "We are re-conceptualizing our old businesses, we're bringing them into this new model," Gerstner said. (Business Week, 1995, Oct.30, p. 40-49).

Gerstner's vision opened up minds in IBM for a huge new market to play around. The world of networking differs from hardware and software industries. It calls for new types of services, concepts, and business competencies.

5. Koji Kobayashi, Chairman of the Board and CEO of Nippon Electric Co.

Koji Kobayashi joined NEC Corporation in 1929 as an engineer, was elected Director in 1949, President in 1964 and Chairman of the Board and CEO in 1976. He was an early pioneer and visionary leader who envisioned the coming era of information society. During his long career at NEC the company advanced the realization of this vision by providing the needed engineering and business solutions. The term *communications* was coined for the first step of the vision.

"My belief, that it is the mission of communications to create the conditions under which *anyone, anywhere, can talk with anyone else at any time*, was the starting point for my 53-year career in Japan's telecommunications industry". During five decades NEC grew into a leading business in communications, which supplied products to more than 130 countries maintaining production facilities in twelve. (Kobayashi 1982a, p. 18)

To supplement its communications solutions, NEC entered the computer field in 1957 and adopted the new vision *Computers and Communications*, briefly *C&C.* The main idea was that the previous term *talk* was to be supplanted by a *broader understanding of information of any kind, particularly in digital form*. (Kobayashi 1982b, p. 8, 13). As a consequence, NEC developed several breakthrough technologies for the market to make the vision to come true.

After the successful realization of the visionary step *C&C*, Kobayashi observed that "if 'C&C' technology is to advance and become a more integral part of people's lives, the technology itself has to progress more closely to human needs". The most important aspect of "C&C" became the man-machine interface. Kobayashi referred to the new step of the vision as *Man and C&C*, stressing the importance of progress in software technology and media technology (Kobayashi 1982b, p. 2, 16). The renewed vision was expressed as *all mankind exchanging information and utilizing information together at any time and in any place* (Kobayashi 1982b, p. 13).

"M and C&C" was classified into three business segments: public systems (community, national and global level), business systems (office and factory), and home systems (sophisticated intelligence systems). (Kobayashi 1982b, p. 17-18).

Kobayashi said that there was no end to examples of technological solutions that had to be generated for the new vision. They ranged from mobile phones, robotics, and intelligent home aid systems to automatic interpretation facilities in international communication at global level.

"The vision of Global Integrated Communication Networks and Services based on C&C is one which promises to bring peace, harmony, and prosperity for all humankind", assured Kobayashi (1988, p. 232) in the spirit of the Club of Rome, to which he belonged as an esteemed member.

6. Visionary management in medium-sized companies

Several big corporations were mentioned by Wilson (2003, p. 73) as examples of visionary leadership. Our experiences with many companies in Finland have revealed that visionary management is not only something for the big business; it certainly is a generally applicable – and applied - element of advanced strategic management and leadership also in medium-sized companies. Among the companies in our consultancy experience, a well documented case is Partek Ltd (construction materials, limestone) under the visionary leadership of Sakari T. Lehto in the 1970s and 1980s. (Malaska 1973; Lehto 1990, 1996; Smeds 1998, p. 223-250).

As shown in this study, there are substantial differences between the strategic planning practice in the 1970s – with some remarkable individual exceptions - and the varieties of strategic management practices that emerged in the 1990s. The development may be understood as a natural learning process from the first take-off of strategic planning schools to more advanced practices of strategic management.

A paradigm of advanced strategic thinking will be presented in chapter 6, with emphasis on our definitions of tactics, strategy and visions and the related three levels of decision making. Chapter 7 offers a summary view of the three layers of advanced strategic management in relation to the key elements and building blocks of strategic decision making we have elaborated in this study.

6 PARADIGM OF ADVANCED STRATEGIC THINKING

Advanced strategic management can be defined as running a business on the basis of a coherent vision of what the business can and should be in a continuously changing environment. In warfare vision is something extraneous, it is only implicitly present as the ultimate objective of war, as a given prerequisite for the whole undertaking. In business, vision belongs to the realm of management, in addition to tactics and strategy, and together they form the key concepts of strategic management. The building blocks of the logic behind strategic management, and other researchers' contributions to the subject area, were dealt with in chapters 3-5. We will now proceed to presenting our view of the three levels of strategic management and our paradigm of advanced strategic thinking. In the process we hope also to answer – at least partly - Mintzberg's (Mintzberg et al. 1998, p. 373) call for a "strategy formation, which combines all the schools", and Wilson's (2003, p. 31) call for "integral strategic management".

6.1 Tactics, strategy and vision

Tactics is a term rarely found in managerial literature; operational activity (as distinguished from strategic maneuvers), and operational control as used by Anthony (1965), would come close in meaning. Anthony makes a "distinction between the activities properly referred to as management and activities that relate to the performance of specified tasks". The latter activities he calls operational control and defines it as follows: "operational control is the process of assuring that specific tasks are carried out effectively and efficiently". Furthermore he points out that the tasks to which operational control relates are specified, so that little or no judgment is required, and that the focus is on execution. (Anthony 1965, p. 17-19).

When turning to dictionaries for a definition of tactics, the following can be found. Merriam-Webster's dictionary first gives a definition of military tactics "the science and art of disposing and maneuvering forces in combat", and secondly a definition that is also applicable to business tactics "the art or skill of employing available means to accomplish an end". These definitions can serve as a starting point also for our purposes, but they must be enhanced with the following observations. *Tactics* appears in direct touch with competition, it is the art of deploying business forces in the day-to-day operations with customers and competitors. *Tactical competence* is judged by short term value-added, cash flow, and profit making, and it is guided by budget control. *Tactical operations* are constrained by given resources conditioned by the strategic frame.

Strategy aims at making a difference and breaking the status quo between rivals. Strategic competence is determined by the manager's ability to frame the possibilities of tactical operations, to determine the positioning of resources, and to decide on and execute strategic maneuvers when the environment changes. Change of strategy means choice of a new position, reframing the use of available resources and redefining targets and objectives. Strategic competence is measured with long-term stakeholder value, and judged by how wisely managers transform their knowledge of the business and the environment into a better strategic position in the markets. There are many manifestations of strategy: investment mix and diversification profile, products and location of resources, growth objectives, mergers and acquisitions, change of leaders, etc. A strategy dictionary in the 1980s contained over twenty different strategic maneuvers to consider, and in the new millennium, due to technology development and globalization, the strategy options have increased as never before.

If strategy should be captured in a concise definition, it would actually come close to the definitions offered by Webster's and the Oxford Dictionary, for military strategy: "The art of a commander-in-chief; the science of planning and directing large-scale military operations, specifically of maneuvering forces into the most advantageous position prior to actual engagement with the enemy". Adapting this to a business context, our definition of strategy would be: Strategy is the art or science of planning and managing a company's operations, specifically of positioning the company in the markets (as distinguished from tactics) to achieve sustainable advantage over the competitors. This definition recognizes the distinction between strategy and tactics.

Vision plays a crucial role as a new element of advanced strategic thinking, and visionary management forms a third layer of strategic management. Finding the opportunities that lie hidden in generic uncertainty requires an entrepreneurial attitude and the skillful use of multiple scenarios. In conditions such as we are facing now, a dynamic, realistic and responsive strategy is a sine qua non for success. Globalization demands a new kind of social and environmental responsibility, which should be recognized as part of the corporate vision.

In this study, vision is understood as the driving force of management. It is a shared mindset, held by the principal actors, concerning the entrepreneurial business concept and core competence areas of the company for long-term success. In our consulting experience the vision created for the company was widely shared with the employees and it was also communicated to stakeholders and outsiders. A vision could best be characterized as an empowered success story of the company’s future. In some cases it involves a creative destruction of the current business idea, but often it is a new allocation of existing strengths and an establishment of a more powerful strategic position in the market. There is no single right answer to the question, when a company should switch to a new business arena, and when it should just renew its strategy within the current vision. Or when just fighting back tactically is the best the company can do. To know this and to make the appropriate decisions is a real-life test of management and leadership competence.

6.2 The three levels of management

Business, unlike war, is a continuous flow of opportunistic, strategic, and visionary decisions and their modifications according to situational opportunities and challenges. The three varieties of decision-making in advanced strategic management are illustrated in Figure 4. The position of the three arrows also indicates the hierarchical relations between the three levels of management; the time frames are only suggestive.

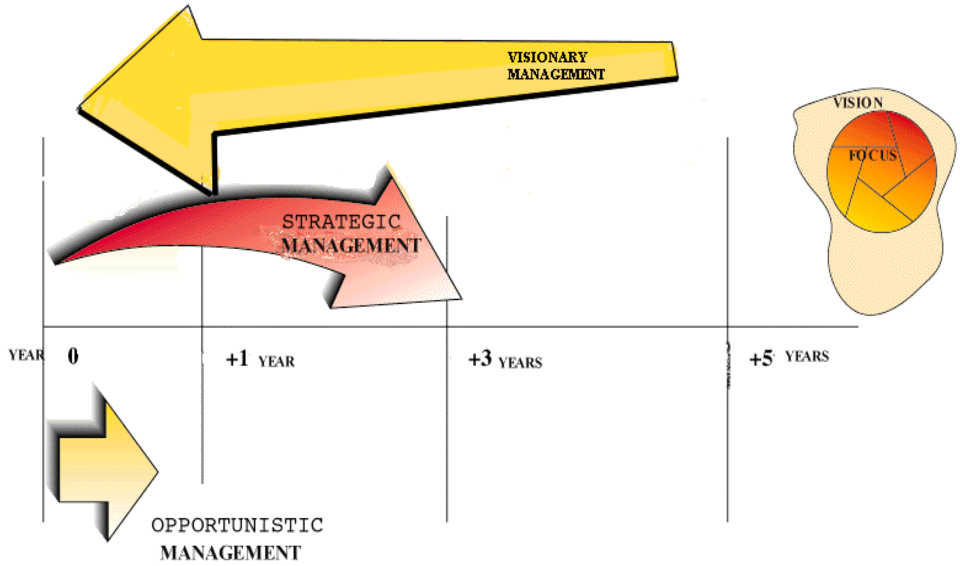


Figure 4. Visionary, strategic and opportunistic management.

The time horizon of opportunistic management hardly surpasses one year, whereas the visionary time horizon can vary from short to long and very long. The horizon is determined by the owners' interest, the rate of change in the environment and the company's intrinsic capability to learn and renew itself. These factors may be contradictory, and usually create a management dilemma of short-term versus long-term success.

A well known and useful pattern for elaborating strategic vision in business is Wilson's pentagon (Wilson 2003, p. 62, fig.5.1). Wilson emphasizes six elements needed to ensure a complete and coherent vision for the company: *business scope, business scale, product and market focus, competitive focus, image and relationships,* and *organization and culture*. Developing a strategic vision is an integral part of strategic management; the vision shapes the future of the company, sets the specific business goals, and drives strategy formulation and maneuvers.

However, vision is not just an inspiring story told and shared, it is an action program to be realized. The objective of strategic thinking is not the plan, but the action, i.e. the real strategic maneuvers and tactical operations that this thinking sets in motion. The action orientation in the visionary management process can be illustrated with five key questions, which Jack Welch of GE used to put to his SBU managers (Wilson 2003, p. 28-29):

1. What are your market-dynamics globally to-day, and where are they going over the next several years?
2. What actions have your competitors taken in the last three years to upset those global dynamics?
3. What have you done in the last three years to affect those dynamics?
4. What are the most dangerous things your competitors could do in the next three years to upset those dynamics?
5. What are the most effective things you could do to bring your desired impact on these dynamics?

Wilson gives the most elaborate analysis so far of visionary management with an eight-step visioning process. We agree with him that the power of visionary management lies in its synoptic and integrative approach to strategy. (Cf. Wilson 2003, p. 55-74).

We see visionary management as an intrinsic part of an advanced and participatory form of strategic management. It involves the creation and successful fulfillment of a dynamic and shared vision of how the organization can - and should - meet new challenges. Visionary management is driven by a clear set of resilient strategic principles and awareness of corporate responsibilities and the uncertainties of the business environment.

We have recognized three main variants of decisions: tactical or opportunistic, strategic, and visionary. When *tactical* decisions are made the situation is known with certainty, and success is controlled on a short-term basis; the available resources are fixed and the purpose of tactics is to maximize immediate opportunistic profit and cash flow. In the case of *strategic* maneuvers the perspectives are longer term. The situation is assumed to be unpredictable but still explicable with scenarios within the time frame of the decision; reallocation of resources is a reaction to the expected changes, and the purpose of strategic adaptation is to strive for growth and/or improved return on investment. In other words, the purpose is to improve the position for opportunistic operations. *Visionary* decisions are appropriate when the future is assumed to include discontinuities, and when the arena of opportunities is assumed to be generically uncertain. Visionary companies compete with their strategies. New skills are needed to reframe the business; the purpose is to maintain excellence of performance, create novel options, and provide for survival in the longer run. This threefold view of decision making in a business context – based on our Aristotelian logical scheme of good decisions - is summarized in Table 2.

Table 2. Characteristics of tactical, strategic and visionary decisions related to the Aristotelian scheme of good decision making

DETERMINANTS OF DECISION	Opportunistic, tactical decision making	Strategic decision making	Visionary decision making
SITUATION assumed to be	Known	Unpredictable but explicable with scenarios	Discontinuous and uncertain creative destruction
PURPOSE and OBJECTIVES	Maximize profit, cash-flow or short term benefits	Adaptation to environmental changes for growth and better ROI	Excellence of long-term performance, finding new arenas, survival in the future
MEANS AND RESOURCES available	Fixed and conditioned by strategy	Reallocation of available and attainable resources within prevailing vision	New skills, reframing of business, envisioning, creating new capabilities
Management	*By control*	*By strategic positioning*	*By visionary leadership*

6.3 The paradigm of advanced strategic thinking

Opportunistic, strategic and visionary management are related to each other in an intriguing way. Opportunistic behavior - i.e. tactics - is to react in the best possible way to the situation at hand. Tactics is aimed at achieving immediate results: getting orders, satisfying customers, making money, and creating cash flow. If the world were static and perfectly known, opportunistic management might, in a specific situation, be the best possible strategy and vision.

However, the world changes, and just keeping the company unchanged no longer offers any opportunities. Therefore strategic management is needed. The managers prepare the company for changes; they look for new constellations, for better ways to reallocate resources and to position the company in the market. The costs incurred in the reallocation process must be balanced against the profit increase and additional growth from the more efficient opportunistic behavior, which is facilitated by strategic maneuvers. Strategic decisions are reactive, because they are adaptations to anticipated changes in the business environment.

In contrast, visionary management is always proactive. It strives to define new business areas for the company and it comprises creation of new capabilities and organizational competence, and acquisition of new know-how and skills. The visionary management process ends up with a clear vision to renew strategic options and position the company in the new markets. The cost to the company has to be balanced with novel strategic choices and favourable opportunistic moves.

We can now present our *paradigm of advanced strategic thinking* completed with visionary management (Table 3):

Table 3. Paradigm of advanced strategic thinking

Paradigm of Advanced Strategic Thinking
1. Strategy vs. tactics 2. Subordination strategy – tactics 3. Flexibility and resilience
4. Good decision-making 5. Law of requisite variety
6. Visionary management

Advanced strategic thinking has the following merits:

- It covers both long-term and short-term perceptions
- It stresses the reframing of business to new challenges (the vision), adaptation to anticipated changes in the environment (strategic change) and it guarantees requisite flexibility of operations (tactics)
- It recognizes the unpredictability of the environment with scenarios, and generic uncertainty with visioning
- It stresses leadership for motivating employees and for empowering them with responsibility according to their best skills and competence
- It combines deliberate rationality and analytical solutions with entrepreneurial intuition and perceptional spirit
- It stresses the importance of systemic rationality when determining requisite flexibility and resilience

6.4 The visionary management process in practice

After having dealt with strategic thinking in general and its most advanced element, visionary management, in particular, at different levels of abstraction – definitions, relations between concepts, decision making – we now proceed to presenting how a visionary management process can be realized in a company. The presentation in this chapter is a summary recount of how the process can be, and has been, carried through in several medium-sized companies.

6.4.1 Introductory remarks

Visionary team work must be conducted in a disciplined but creative way. It must provide a vision which shows the company's intent for the future in sufficient detail, i.e. where the company is capable of going and to which challenges they want to commit themselves. Otherwise the work does not support entrepreneurial decision making and empowerment of employees in the company. The employees – preferably all of them – should first be properly and fully informed about the envisioning task; it is crucial that they are involved from the very beginning and inspired to contribute to the process. A good means of engaging them is to use a questionnaire where people can enumerate weaknesses to be amended, strengths to be preserved, and opportunities to take advantage of. Over the months a tentative blueprint for the company is worked out by the team and a visionary intent is suggested to the decision making body. What the visionary blueprint contains depends on the company. A checklist for team work successfully applied in consultancy is presented in Table 4.

Table 4. Checklist for a visionary work agenda

Company specific topics I:

1. What are the strategic business areas in the company’s interest for the future
2. Scale of the company, growth directions and rates
3. Portfolio of different business ideas selected, and ways to make them profitable

Business idea specific topics:

4. Product groups, services, and technologies
5. Customer segments and quality segments
6. Marketing channels and networks
7. Core competences, key skills and resources, and management systems

Company specific topics II:

8. Company's internal synergic competences, resources, and management systems
9. Company’s strategic culture, values and leadership

The vision must be comprehensible also to stakeholders, it must speak the language of the company. It is a communication means to tell people what kind of a firm they work for while pursuing their own success; it also informs customers and other stakeholders about the company’s concrete prospects and interests, its trust in the future, and its values and ways of doing business. The vision may also attract potential allies to get in touch and join the vision.

Several methods and approaches are useful in the work of a visionary management team, e.g. the Trend library, Business reframing tools, Assessment of social styles, Appraisal of the team’s problem solving capability, Visionary workshop for generating vision intent, and Next step approach. Some of these are briefly described below based on the experience of the authors.

6.4.2 Communication field effect

A vision is created by using all human faculties: thoughts, emotions, and willpower. It cannot be the result of an outside expert's analysis. The team work and the employees' needs and wants have to be disciplined so that the vision also enhances development of personal success stories. *Thoughts* are for knowing and understanding the factual and unfolding world around, *emotions* bring commitment to the work, choices and objectives, and *willpower* is needed to make it all happen in practice. When the three faculties are coherently oriented in common pursuit, the contribution of each person and the whole team is amplified.

In a visionary management project the team members are inspired to communicate openly and extensively during creative sessions so that their communication leads to new self-understanding and a shared orientation. What is generated is a directional effect as illustrated in Figure 5. Each jointed arrow represents a team member with the three faculties, thoughts, emotions and willpower, more or less bent in the same direction. The striving of the whole team in a common direction, i.e. towards the vision and a shared orientation, appears as a field effect. At the onset of the visioning sessions the arrows, instead of striving towards a common bend, might go in diverse directions. In the worst case the company's benefit from its management team might be minimal. Visionary management stretches the individual arrows and orients them in a common direction defined by the vision. Vision creates a communication field effect.

THOUGHTS	EMOTIONS	WILLPOWER
to know and understand the world and yourself	**to commit yourself to choose and achieve**	**to make it happen**
(x)	**(y)**	**(z)**

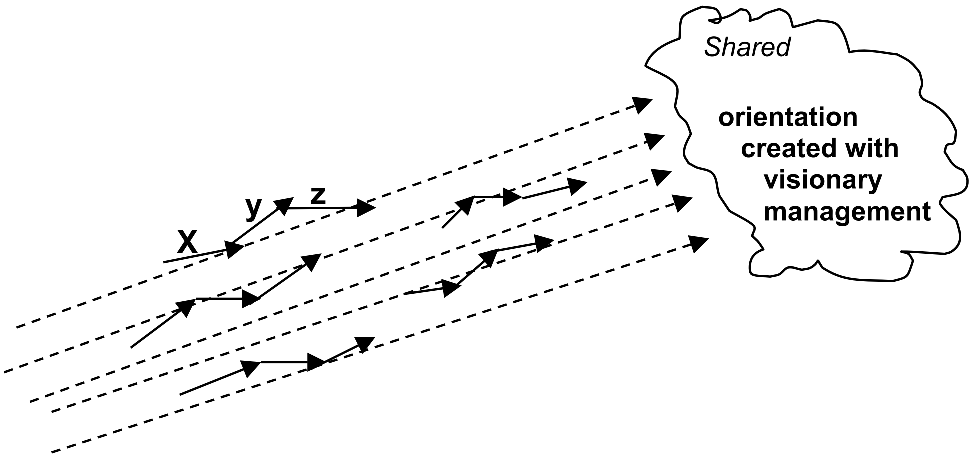


Figure 5. Communication field effect in visionary management on each individual and the team. A three-fraction arrow represents an individual member, the group of them represents the team, and the dashed arrows the field created by communication.

According to our experience the communication field effect is crucial for the success of the process.

6.4.3 Social style effect

The communication field effect can benefit from a diversity of social styles among the managers. With a rather simple procedure the social style of each team member can be assessed and a profile of styles in the team can be formed. (Darling 1991). The differences in style between managers may indicate communication strength and difficulties in the team and in everyday work. Figure 6 illustrates the spread of social styles in a case company.

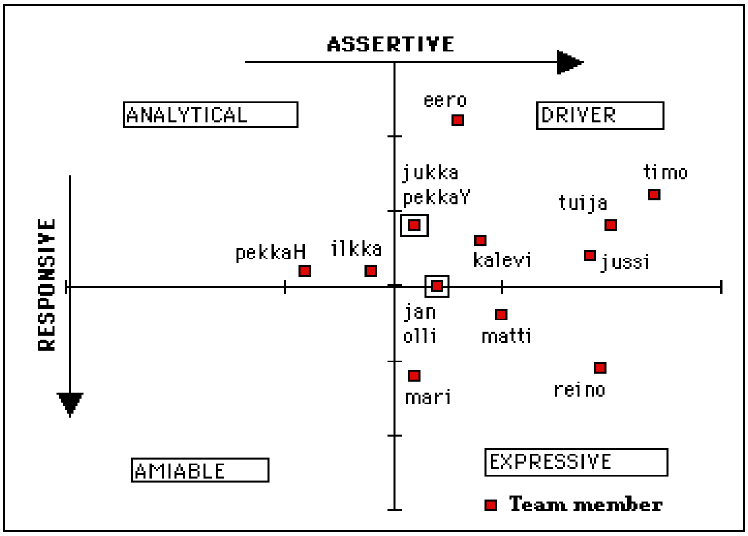


Figure 6. Social style profile of the team in a case company. The texts in the bars are Darling's style components and each dot represents a team member's social style.

The social style assessment serves as an opening discussion, and the purpose is to build trust and to benefit from the diversity of social faculties.

6.4.4 Creating vision intent

A crucial part of the visionary working process is an intensive workshop during which the team creates a stockpile of ideas for the vision. The ideas are merged by applying Thomas A. Edison's notion, that when there are two good ideas, a third and better one can be generated from them. Major opportunities are thus emerging. The merits of each opportunity as a visionary target for the company are scored. The opportunities are also scored as a challenge: how demanding are they for the company if chosen for reframing? The team then chooses the most promising opportunities for further evaluation. Figure 7 graphically illustrates the two-dimensional scoring of opportunities, where each dot represents a vision intent. The intents number 1, 2 and 3 were evaluated as the most attractive ones.

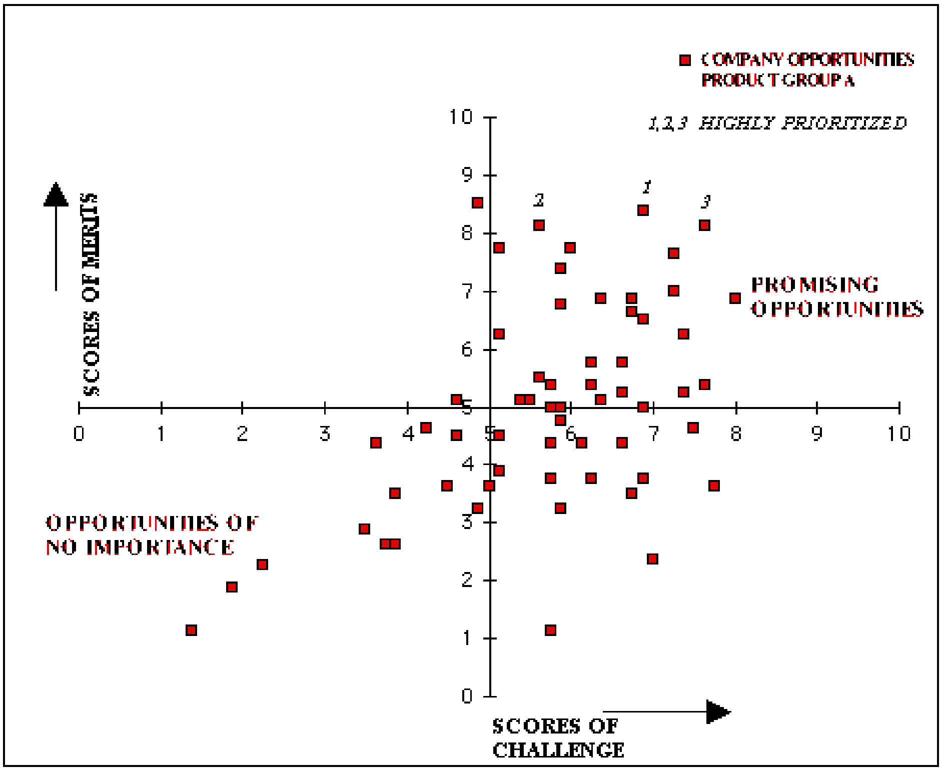


Figure 7. Assessment of opportunities and finding vision intents in a case company

6.4.5 Next-step approach

However, having a vision is not enough. Usually it is too broad at first, and getting to reality requires a focused vision. After this the team has to reflect the present situation against the focused vision. Now it is possible to realize how the company's present performance and capabilities differ from the vision. The differences are then adopted as new bases when setting visionary objectives for the company. Present performance has been achieved with the company's current core competences, skills and resources. These might not be sufficient for achieving the objectives of the vision. Often new core competences, skills and resources have to be acquired or developed. This is called the visionary development task. This line of thinking is illustrated in figure 8: the visionary objectives are on the vertical axis, and the horizontal axis represents the need of skills and resources for achieving the objectives.

Visionary development is always an ambitious reframing of the company's business, which cannot be made in one step. Instead the company's visionary development is a step-by-step process. When the development tasks have been defined they have to be prioritized, and then the strategically most important next steps are chosen. This is the interface of strategic management and visionary management, the next steps being part of them both. Figure 8 demonstrates this logic graphically.

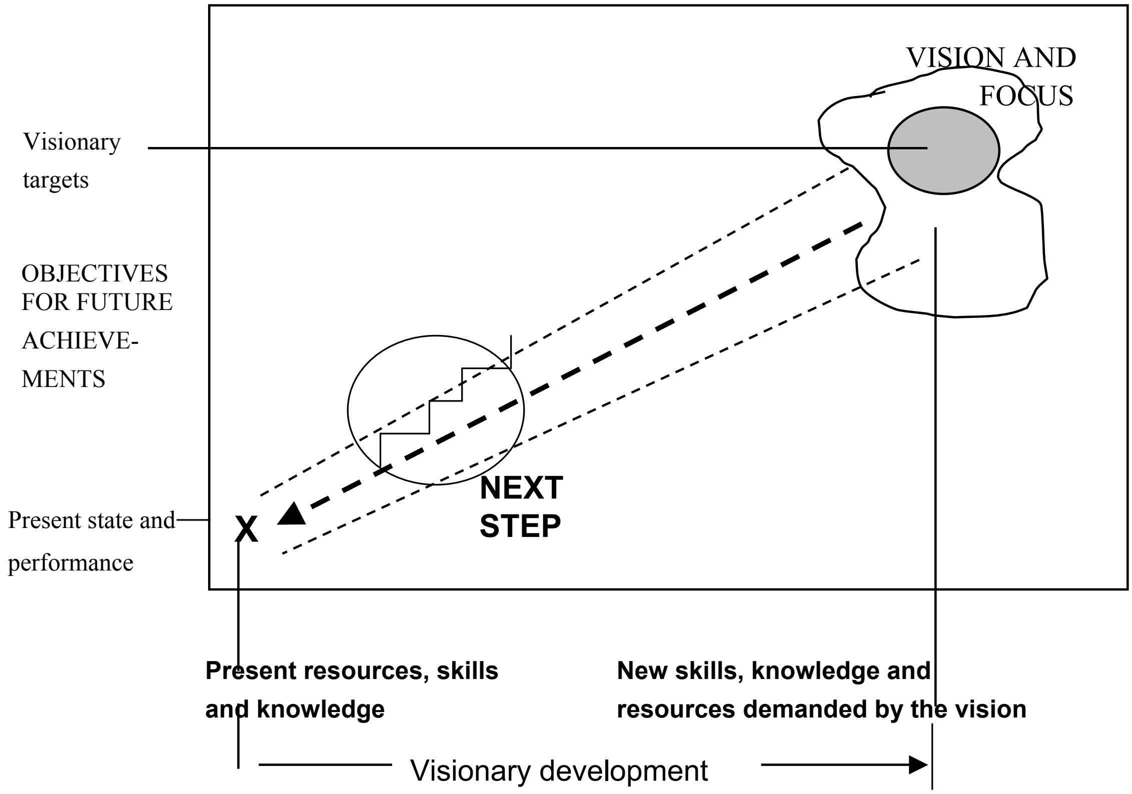


Figure 8. Visionary development step by step

7 DISCUSSION AND CONCLUSIONS

In most of the literature, visionary management still seems to be a somewhat elusive concept without a clear role in strategic management. Doubtless the concept is recognized by eminent strategy researchers, and they often have a box for it in their systems. However, only Wilson has elaborated visionary management more systematically and made it an essential part of the company's strategic culture.

At the outset of this study the intention was to concentrate on visionary management, but as soon as the first drafts started to materialize it was evident that the subject had to be inserted into the wider context of strategic management in general. Thus the purposes of the study were set to comprise (1) exploration of strategy literature, both war and business strategy, (2) clarification of strategic thinking and systematization of the underlying logic of strategic decision making, (3) summarizing the findings into a paradigm of advanced strategic thinking while at the same time introducing visionary management as the third layer of strategic management. From the beginning it was self-evident that the approach would be theoretical as well as practical utilizing also own previous research, and education and consulting experiences.

Strategic thinking in the company's decision-making process was carefully analyzed. The earliest strategy classics - the oldest one from 300 B.C. - constitute the starting point for the study, although they are concerned with war and not business. By means of analogue thinking it was possible to extract three elements which are vital for good decision making also in a business context: a) the logical distinction between strategy and tactics, b) the subordination of tactics to strategy, and (3) flexibility and resilience of strategy.

Strategic management was introduced as late as in the 1960s in companies as well as in management education. Once strategic planning had taken off, it rapidly gained in popularity up to the 1980s, but the critique of its shortcomings and apparent failures also increased in fierceness.

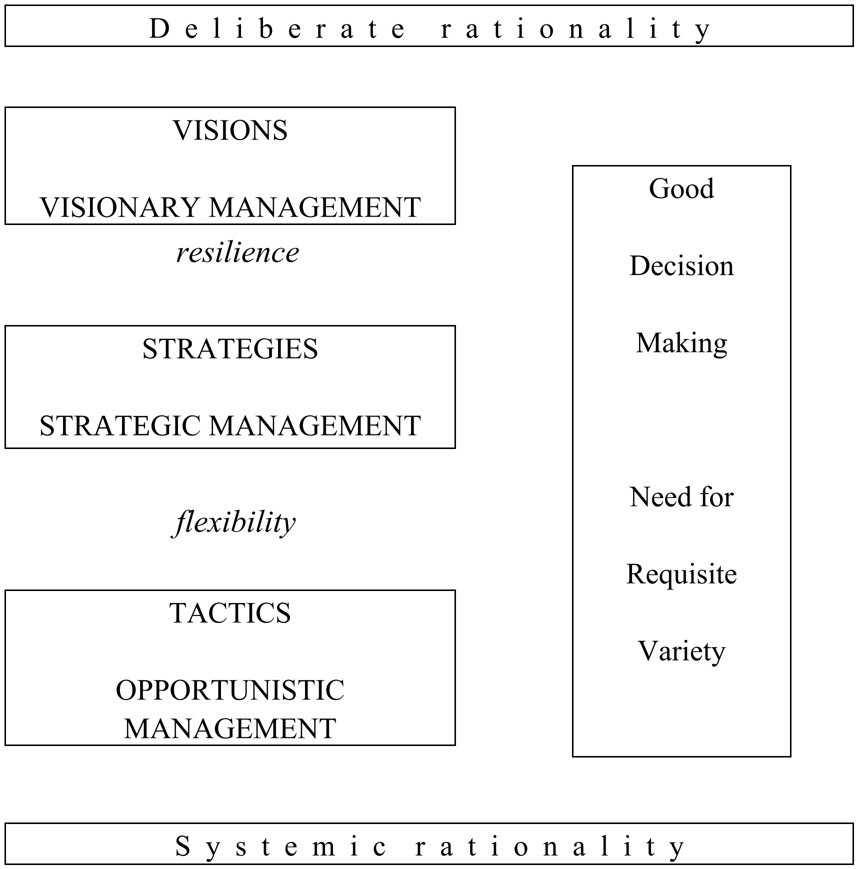
In the early 1980s strategic management activity leveled off, but at the same time new ways of thinking and new methods were adopted, the most important one being the scenario approach. Scenarios answered the call for new strategic planning tools to be applied in an environment which no longer was predictable. During the late 1980s strategic management entered a new growth period; the older so called prescriptive management schools partly lost their attraction, strategic management diversified and a number of new so called descriptive schools took over.

While the critique of strategic management continued loudly and visibly in management journals in the 1990s, leading strategists turned to visions. The terms visionary management and visionary leadership cropped up in managers' and researchers' discussions when searching for ways to cope with new changes in the environment and with a new kind of generic uncertainty about the future, including new challenges posed by globalization and technological development.

An important conclusion can be drawn when observing the development of strategic management during the past decades: strategic thinking has always been - and still is - a learning process. At each stage of the process, new methods and practices are learned in order to cope with present and future changes in the environment, or to act as a change agent. While analyzing this development a new paradigm of strategic thinking emerged. We propose that a three-layer conceptualization of business strategy is needed to clarify the issues and systematize the underlying logic of strategic decision making. We have called our systematization the paradigm of advanced strategic thinking. It rests on three simple principles analyzed in the study: (1) awareness of the different roles of tactical operations, strategic maneuvers and visionary intent, (2) a scheme of good decision making and (3) the need for requisite variety.

Table 5 was compiled to show the relationships between the concepts discussed in the study.

Table 5. Three layers of advanced strategic management



Visions, strategy and tactics form a conditioning but not rigid hierarchy and the related management types have different time frames and are concerned with different kinds of decisions (cf. Figure 4 and Table 2). The three key concepts are interrelated so that tactics is subordinated to strategy, and vision drives strategy formulations and strategic maneuvers. Therefore visionary management is an intrinsic part of advanced strategic management.

To completely understand how the three hierarchical decision-making levels are interrelated, it was necessary also to consider deliberate and systemic rationality. Planned action is deliberately rational (top of hierarchy Table 5). Systemic rationality lies behind most cause-and-effect events in the field of tactical operations in the markets (bottom of hierarchy Table 5). Events of systemic rationality often emerge and unfold contrary to what has been planned or deliberately targeted. They may be regarded as chance phenomena or as good or bad luck but, anyway, they can be managed only with requisite flexibility and resilience of strategy. As flexibility is more of a tactical characteristic it was inserted between tactics and strategy, while resilience, being more a strategic characteristic, appears between vision and strategy in Table 5.

The best understanding of the roles of vision and visionary management might be achieved with real-life examples. We have therefore presented some cases and related them to the theoretical frame of our study.

Finally we have shown, rather cursorily, how a foresighted manager could proceed in applying a visionary management process to generate a strategic vision for his company. We shortly discussed a visionary work agenda, and indicated how to prepare and inspire participants for an envisioning process, how to get them to strive in the same direction, towards the vision, and how to find promising opportunities.

The study combines a concept-analytical discussion about the role of visions and visionary management with some examples of real-life visionary management, and with a presentation of special tools and methods that can be used by management in an extended envisioning process. We trust that this approach gives the interested reader a good overview not only of the conceptual role of visionary management in advanced strategic thinking, but also of successful experiences made, and procedures that could be used to prepare for uncertainties and new opportunities by means of visionary management.

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