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The Complements to Strategic Thinking

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Abstract

This chapter explores the intersection of management concepts and strategy-making, recognising that overlapping ideas can enrich strategic thinking. While navigating this complex landscape poses risks—such as blurring the lines between operational and strategic thinking—it is essential to highlight their valuable connections.

Operational management plays a critical role in implementing strategy, and strategic thinkers must engage with operational insights to craft effective plans. Similarly, project and change management are vital tools for strategy execution, requiring alignment with organisational goals to maximise benefits. Crisis management is also discussed as a foundational element for developing strategic thinking.

Additionally, a variety of established tools and frameworks, from Vision and Mission to PESTLE, are examined for their contributions to strategic planning. The chapter concludes with a model illustrating how operational, project, crisis, change, planning, and risk management complement strategy-making, reinforcing their interconnectedness in effective management.

Chapter Outline

This chapter explores the complements to strategic thinking: ideas and tools that enhance the development of effective strategy and ensure its successful implementation.

It highlights the critical role of operational management in strategy execution and emphasises the importance of strategic thinkers engaging with operational experts to create strategies that are not only visionary but also feasible. By incorporating operational perspectives, strategies can be better crafted to ensure practical applicability.

The chapter examines project and change management as essential tools for implementing strategy, each with its own set of characteristics and value. Projects must be directly aligned with the organisation's strategic goals, and those managing them must fully understand this connection for maximum impact. Similarly, understanding the necessity and nature of change is vital for those leading its implementation to optimise success.

While crisis management is not a direct form of strategic thinking, it provides a foundation for developing strategic agility and resilience, making it an important element in strategic thinking. The chapter also addresses a broad array of traditional tools and frameworks that support strategic decision-making, including Vision, Mission, and Values (VMV) and PESTLE analysis. These well-established tools have long been integral to strategy discussions, and their value in providing clarity and direction to strategic thinking is reinforced.

Risk management is explored as a crucial component at all levels of an organisation. The chapter examines how risk management practices, from operational to strategic levels, are

interconnected, demonstrating how tools and steps used at one level can be adapted and scaled to others.

To conclude, the chapter presents a model illustrating how operational management, project management, change management, crisis management, planning tools, and risk management all interlink with and support the strategy-making process. This comprehensive view underscores the importance of integrating these complementary tools to create a cohesive and effective strategy.

Key Points
- A strategic thinker needs to be aware of the complementary fields of management study from operational management to planning tools as they can bring powerful knowledge, skills and behaviours to the strategic thinker's toolkit.
- The complements to strategic thinking can be used to ensure effective implementation of strategy, potentially taking out some of the risk and uncertainty of effective strategy-making.

Operational Management

To describe the different types of management and leadership, we often put 'Strategic' at the top of a pyramid, and 'Operational' at the bottom:

<Figure 2.1 here>

Figure 2.1. The Pyramid of Management

This has been useful to explain that strategic thinking has often been the domain of those at the top of an organisation: the senior management or leadership, and the job of a few (the thinner top of the triangle), whilst operational management or leadership is the job of the many: team leaders and their staff (the fatter bottom of the pyramid). However, over time our thinking has changed, with some organisations recognising the power of those closer to the business being practiced (those closer to the customers) to contribute to strategic thinking.

Strategic thinking is about why (the philosophy and meaning, the why of the organisation), and operational management about the how and the what (the 'doing' or the actions and behaviours that demonstrate and achieve the why).

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STRATEGIC – Why – Philosophy and Meaning - Thinking

OPERATIONAL – How and What – Actions and Behaviours – Doing

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Box 2.1. Strategic compared to Operational

The use of the pyramid (Figure 1.1.) could suggest that strategic thinking is more important than the operational because it is higher up the pyramid or hierarchy. Certainly, those at the top of an organisation get paid more and are accountable at a high level for the organisation, but operational management should never be denigrated as it is extremely important in any organisation. Operational management is the 'getting things done' in an organisation, the short-term jobs and activities, the tactics and actions. It is the domain of objectives, of processes and projects, and the interface with the customer. If we consider an example of a supermarket, it is the stocking of shelves, the baking of the bread, the checkout assistant scanning the customer's shopping, the scheduling of staff. All these things are essential to the success of the organisation.

The difference between strategic thinking and operational management can also be demonstrated with the SOSTAC tool (Smith, 1998) that presents a process of developing a strategy and breaking it down into its smaller components: tactics, that can then be put into action and controlled (monitored and measured). If we align the Pyramid of Management to the SOSTAC tool, we can see that strategy is the higher view, and operational thinking is the domain of tactics, action and control or the smaller steps or objectives to achieve that higher view.

<Figure 2.2 here>

Figure 2.2. The SOSTAC model aligned with the Pyramid of Management

Operational management and leadership are concerned with getting the job done, with operationalising or implementing the strategy made by strategic thinkers. What we should not do is strategise our operations! Continuing the use of the supermarket as an example, cleaning the supermarket at the end of the day is not a strategy, nor is stock replenishment, but each task does contribute to a stakeholder relationship strategy that sees quality of service as key to the value offer of the organisation. When considering whether to call something a strategy, or to judge whether you are involved in strategic thinking, consider whether your discussions meet the criteria we have already discussed as a model for strategy-making, as shown in Figure 2.3.

<Figure 2.3 here>

Figure 2.3. Strategy-Making in Context

There are different approaches to strategy-making, as discussed in Chapter 1, amongst other things called prescriptive and emergent, and we agreed that a hybrid approach was likely to be the most successful in the current challenging environment, where implementation may not follow strategy-making in a linear fashion but may be something done whilst strategy-making and to inform a strategy being developed. Consequently, those simple tasks or tactics to operationalise or implement a strategy are important, but so are discussions during the strategy-making process about what those tasks or tactics might be to ensure effective operationalisation. These are the discussions about whether resources, capabilities, systems and structures are in place, and whether there are risks to effective operationalisation. The SAF evaluation analysis (Whittington et al., 2020) and the use of McKinsey's 7-S Framework (Peters & Waterman, 1982) are examples of testing a strategy for its likely effective implementation. Both models recognise the need to judge whether a strategy is aligned to the operational functions and abilities of the organisation. The 'Feasibility' criterion of the SAF model tests whether a strategy is achievable.

Suitability – Does a proposed strategy address the key opportunities and threats an organisation faces?

Acceptability – Does a proposed strategy meet the expectations of the stakeholders? Is the level of risk acceptable? Is the likely return acceptable? Will stakeholder reactions be positive?

Feasibility – Would a proposed strategy work in practice? Can the strategy be financed? Do people and their skills exist, or can they be obtained? Can the required resources be obtained and integrated?

Box 2.2. The SAF Evaluation Analysis (Whittington et al., 2020, P377)

The 7-S framework asks managers to consider the barriers and supporters to the implementation of a strategy by asking questions on Structure, Systems, Styles, Staff, Skills and Shared Values.

Structure - How is the organisation structured? Who does what? Who reports to who? Who has authority? Do those authority relations work/or not? Does the structure align with the shared values? Will the structure allow your strategy to be put into action? Are there barriers in place and what can be done about these to ease the transition? What checks and controls are in place to ensure good governance and accountability?

Systems - Systems refer to the overarching, central procedures that run a business. In organisations, systems are the methods, rules, or processes that guide and direct the activities of the many departments in an organisation. They ensure that all the departments and divisions inside an organisation are operating smoothly and efficiently. Systems might include inventory management, information systems, sales information and more.

Styles - An organisation's culture is made up of things like the way its employees interact with one another and its core beliefs. This is an intangible resource which can be difficult to understand but is essential to facilitate the successful implementation of strategy.

Staff - The organisation's human resource management methods and accomplishments or otherwise. Includes recruiting, training, deploying, measuring, rewarding performance, retention and talent management. Where are the strengths and weaknesses and what needs to be done to ease the implementation of your strategy? How does the staffing align with other aspects of the organisation?

Skills - Individual and organisational skills. Do you have the skills to manage the implementation of your strategy? Do skills need to be acquired or developed?

Shared Values - To create shared values, one must understand the organisation's position on economic benefit (for the company) and social value (for the community) at the same time as the larger society, or its position on profit, people and planet. These shared values will include the organisation's position on social purpose and responsibility as well as stakeholder

relationships. The shared values are those qualities, beliefs, and priorities that all staff should be able to agree are important. These are the overarching objectives that all staff will support.

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Box 2.3. The 7-S Framework (adapted from Peters & Waterman, 1982)

Importantly, the strategy developed needs to align with the 6 other Ss for effective implementation. If there is a disjoint or misalignment, then the strategy will not work or will be short lived.

Another aspect of operational management is the monitoring and measurement of tasks and activities daily, ensuring that the organisation is going in the right direction. This monitoring and measurement provide the data and information, and the knowledge, to reassure an organisation that its strategy is working, and is also the source of the warning data if things are going wrong. These measurements are not strategic in themselves but are essential to assess good strategy health. They are also a useful tool in encouraging people's buy-in and in rewarding success by highlighting the relationship between strategic thinking and operational measures that is normally hidden. They help employees to understand the connection between what they are doing and the strategic plans of an organisation (Sneyd & Rowley, 2004). So, it is important to operationalise, but also to make sure that those operational tactics and actions are monitored and measured via mechanisms such as Key Performance Indicators (KPIs). This makes the operational actions 'live' by measuring them but there is also recognition that if not operationalised fully, openly and monitored, the meaning of strategy for the operational layer might be lost or hidden. We will revisit these ideas about encouraging commitment when talking about change management, another management subject that interlinks with strategy-making.

The relationship of strategic and operational management is consequently not one-way (top to bottom or vice versa) and we can be more imaginative than using the standard pyramid! Instead imagine an elevator, with operational management and strategic management riding up and down the elevator and getting off at different floors to input, advise, connect, measure and monitor.

Summary

Operational Management contributes to Strategic Thinking and Strategy Making by ensuring consideration of how a strategy will be implemented before it is introduced. Can it be achieved, and do the various resources and capabilities exist within the organisation, and align with the strategy, to ensure it will not be a failure? Operational Management then implements the strategy via tactics and actions and provides feedback as to its achievement against targets, and its eventual success.

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Case Study: Balancing the Strategic and Operational

Adam Parsons is a Consultant from a Big Four Consultancy with a focus on the energy and natural resources sector. As such, he advises a wide range of clients on navigating the strategic opportunities and challenges associated with the energy transition and the move towards a net

zero society. In the following case study, he considers the challenges there are in operationalising strategy.

'The biggest challenge is bridging the dichotomy between headline strategic, blue sky thinking and what can be operationalised in practise and bringing those perspectives and views together. Often the strategy part of the business is a distinct unit that works very closely with the C-Suite and with the execs. It doesn't necessarily have that breadth of exposure to and experience of operational perspectives across the business.

Strategy making is about bringing together perspectives across an organisation. Ultimately too much strategy making is done by executives in isolation without bringing the organisation on the journey and without really getting into that deeper level as to what the organisation needs, what can bring opportunities and how the risks can be integrated for that organisation. A strategy shouldn't just sit on a shelf, but should be very tangible, very actionable and can be progressed. Getting buy-in at all levels in an organisation is key to making that happen.

What works well is where strategic business partners are embedded in lots of different business units getting a grasp of that working level and the needs of the business that can then flow through into an overarching strategy. It's essential to have a kind of North Star that the whole organisation is working towards. But I think embedding strategy more into the day-to-day of what organisations are doing is key.'

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Box 2.4. Case Study: Balancing the Strategic and Operational

Project Management

Strategic change will lead to some incremental business changes (changes to processes and procedures) and some <u>projects</u>, the latter defined as time-defined, time-constrained, temporary combinations of resources to achieve something new and unique (Slack et al., 2009; Turner, 2014; Meredith et al., 2016; Schelini et al., 2017). In fact, strategy-making is likely to lead to a <u>portfolio or programme</u> of projects (PMI, 2013), with each project bringing about a change to contribute to the overall strategy.

A project can be instigated to develop a product or to investigate a market and plan a marketing campaign. Projects can also be used to construct a building, implement an IT system or carry out research and development. All these things are clearly important to the future of organisations but getting the mechanism for making a strategy work (the how and what) mixed up with the strategy itself is not helpful. There are a set of project management skills and behaviours that have the right to be seen as separate, unique and valuable when compared to strategic thinking and strategy-making, much as we have argued so far for recognition of a particular process and ingredients for strategy-making. Project management skills can be grouped in five process groups of Initiating; Planning; Executing; Monitoring and Controlling, and Closing (PMI, 2018) and you can see some overlaps with operational management and strategic management skills here, but it is valid to say, much as with operational management,

project management is operating on a different level from strategy-making and is more about the how and the what.

Much like the debate regarding operational management however, we must also say that projects should be linked to the strategy of the organisation (Cooke-Davies et al., 2009) (otherwise why are you spending time and money: precious resources, on them?). Successful projects start with a definition of objectives and strategies (Schelini et al., 2017). Strategy is needed to give projects purpose, focus and coherence and projects are needed to implement the change required by strategy-making. If a strategy is not clear, then a project will lose its focus. I remember reading this comment in the i newspaper in 2019: 'There is no doubt that the UK has fallen well behind other countries in terms of investment in improved railway infrastructure. However, what distinguishes these other countries is that their investment plans are based on an overall strategy for their entire rail network and not a piecemeal project-led approach' (Ian Lawson, Milngavie, Glasgow) (i, 2019). The view that there has been a lack of strategic thinking and strategy-making as a foundation of the HS2 project has been borne out by its later failure (UK Parliament, 2024).

High-level skills in project management or Project Management Maturity (Schelini et al., 2017) can be the source of advanced resources and capabilities and competencies and as such need to be considered when planning strategy as they are likely to be essential for the effective implementation of strategy. Project Management skills within an organisation are part of the 7-S framework, represented by staff, systems, skills and therefore the provision or otherwise of these in an organisation can lead to strategy implementation success or failure.

Summary

Projects are essential for implementing strategy. While project management operates differently from strategy-making, both must be aligned. Effective strategy provides project focus, while project management skills are crucial for execution, influencing strategic success.

Survival and Crisis Management

Survival mechanisms such as retrenchment, consolidation and divestment, whilst not necessarily focused on growth, may all be appropriate responses to certain conditions, and lead to sustainable organisations. However, there are some conditions that are less easy to respond to because of their surprising appearance in the organisation's environment. During the Covid-19 pandemic in the years from 2020 – 2021, all countries of the world and therefore all businesses and organisations had to manage their lives. Prior to Covid-19, other issues struck the global community, such as the global recession of 2008. After Covid-19, the global community had to deal with the wide impact of the Russian invasion of Ukraine. These events caused 'crises' which demanded a response. Are these responses strategic decisions or are they reactive, short-term, and therefore more operational decisions?

Certainly, emergent versus prescriptive strategy making approaches were discussed in Chapter 1 and it was decided that a hybrid approach to strategy-making would be favourable in the VUCA and wicked global environment in which we are currently operating. Volatility and

uncertainty suggest that events can occur, causing issues to which we must respond, and despite our best efforts in planning for a sustainable future, these events may summon a more reactive rather than proactive response mode to deal with the unexpected. This flexibility or agility should, it is implied by the hybrid strategy-making approach, be built into our systems so that we do not persist with a strategy that has been thrown off course.

However, a demanded rather than planned change is more likely to lead to short-term decisions and therefore counters the sustainable and future-focused characteristics of strategy-making. There may be a time to respond to short-term demands, but we must keep a focus on the long-term. Whittington et al. (2023) discuss turnaround strategies: 'Situations calling for turnarounds include economic recessions, the failure of major investment projects or the sudden collapse of important markets' (p492) and whilst recognising the need for crisis stabilisation they warn 'there is a danger of cutting long-term investments in research and development, training or brand-building, with negative implications for the long-term future of the organisation' (P494).

Le & Phi (2021) saw that Covid, as a crisis, was able to instigate strategic thought, particularly in the use of technology. Crises can therefore be the instigators of strategy and once crises have occurred, they widen the parameters of the known versus the unknown and consequently should enhance the strategy-making process in future. Drucker (1966) required that we change our mindset from one that is focused primarily on 'crises' to be solved to opportunities to be pursued. Crises must be solved but there is a difference between a mindset that is primarily searching for opportunities, and a mindset that is primarily focused on problem solving (the latter being the realm of crisis, project, and operational management level).

Summary

Crisis Management, whilst being short-term, can be the source of change and opportunity that will lead to long-term change. The danger in short-term crisis management is that the characteristics of good strategy-making are abandoned and cause later distress.

Change Management

'Change...is about <u>moving</u> from a current state, through a <u>transition</u> state to <u>arrive</u> at a <u>new future</u> state' (Creasey, 2022).

We discussed change on a few levels in Chapter 1. We discussed the VUCA environment in which we are operating (the nature of change and the speed of change contribute to the volatility, uncertainty, complexity and ambiguity of the environment in which we must operate). We recognised that the need to respond to changes in the environment has led to changes in management and leadership practice through the centuries. We concluded that change is a key characteristic of strategy-making.

Furthermore, as we equip ourselves to respond to change to create sustainable futures for our organisations and for society, the strategies that result from the strategy-making process will bring about change. We hope for positive, beneficial change through our strategies, or at least changes that best responds to the changes we have identified.

<Figure 2.4 here>

Figure 2.4. The Relationship between Strategy and Change

A strategy will foresee and respond to change and bring about change. Thus strategy-making and strategic thinking are inextricably linked with change management. Implementation of strategy (with operationalisation including projects) will require change management. Change management is, as with operational management and project management, a distinct area with particular skills and techniques.

Change management is, as is the case with strategy-making and project management, a structured approach, but whereas projects may close with the delivery of a new product, building, system, market research plan, and a strategy-making process will conclude with a future focused plan for a sustainable, valued outcome for people, society etc., it is the job of change management to get those deliverables embedded, embraced and adopted.

Also, as we confirmed earlier, all business and organisational activities involve people (all our stakeholders, and especially our employees), and change management is concerned with ensuring particularly that people are moved from one state to another, that people are 'carried along'. Successful change occurs when the new state/the future is accepted and is adopted as what will now be.

Change management uses more of the soft skills that we encountered in Chapter 1 when discussing leadership:

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develop a vision, produce change, communicate, create coalitions, motivate, engage, satisfy, build recognition, self-esteem, be personal, be active, create excitement, have empathy, understand and give meaning, search out opportunities, encourage, involve, dominated by the soul, be passionate, be creative, be flexible, inspire, innovate, be courageous, be imaginative, be experimental, be independent, reflection

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Box 2.5. The Skills of Strategic Leadership

The change manager also takes a view of the individual and the team within an organisation (and by connection the community and society) and they recognise that change can be difficult and the transition from one state to another tough (Bridges, 1992; Carnall, 1995; Cope, 2010). The change manager recognises the supporting and constraining forces in change: the Leaders, Focus, Supporters and Laggards (Cope, 2010) and adapts their styles accordingly. We cannot just tell people what to do, but they will need to be persuaded to support us (if we are to gain their commitment and for the change to be adopted successfully).

There are two very well-known models that we can consider when thinking about a systematic, structured approach to change management. Lewin (1947) is the first. He talked about a three-stage model of unfreezing, changing and then refreezing or CATS (Change as Three Steps) and whilst this has been criticised as simplistic and relatively static for today's complex working environment, others explain that this was one model taken from Lewin's work, and he also

discussed field theory, group dynamics and action research (Burnes, 2004a, 2004b; Cummings and Worley, 2016). Another model is Kotter's Eight-Step Process (Kotter, 1996), which has been more recently updated to the 'Accelerate' model (Kotter, 2014), recognising that in modern management functions we work in a quicker, more agile way. But in all models, it is fair to recognise that communication is key, and involvement, collaboration and co-creation are likely to be methods of working that result in greater degrees of stakeholder engagement for effective support for, and embedding of change (Chan Kim & Mauborgne, 2024; Homans, 1950; Granovetter, 1973) . The message is therefore to follow a change management approach when implementing strategy.

Summary

Strategy and change management are interlinked, with strategy requiring structured approaches to change management to achieve successful adoption and embedding of a strategy. Models like Lewin's and Kotter's emphasize communication, collaboration, and stakeholder engagement to embed change effectively.

Vision, Mission and Values and other Planning Tools

Vision, Mission and Values (VMV) statements are popularly seen as requirements for strategy-making. They tend to be the subject of key sections in strategy and strategic management books, and parts of business development workshops. However, the usefulness of these items has been questioned, and this section summarises the difficulties with the tools. However, it is important to ask whether it is the tools themselves that present difficulties, or whether, over time and in application, we have not understood the key principles of those tools, or have applied them incorrectly, causing the difficulties. If this is the case, and we were to revert to the key principles, could we apply these ideas in a more meaningful way? We will therefore look at the tools' principles, assess their intention, and take from our discussion what we should be considering in strategy-making.

This section will also revisit some strategic planning tools, used for strategic management (that was discussed in Chapter 1 and that was argued should be combined with strategic leadership and result in strategic thinking) and we will discuss their pros and cons. Indeed, it will be appropriate to ask once again, as with VMV, whether they are useful for their key principles, which if applied will guide us appropriately to effective strategy-making.

We started to talk about VMV in the 1980s and developed ideas of VMV from then on (Peters & Waterman, 1982; Jaffe et al.,1993). These are still, in the early 2020s, used in management situations. From a review of the literature, and from experience, the key difficulties and principles are as follows:

Difficulties with VMV tools

There is uncertainty in the <u>definition</u> of the tools, and in discerning the <u>differences</u> between them. (Kantabutra & Avery, 2010; Spear, 2017). This is not helped by the grouping of VMV (Chun & Davies; Verma, 2010; Spear 2017) as indeed has been done here, so it can be difficult to be specific about the use and usefulness of each. However, here they have been grouped together <u>because</u> it is difficult to discern their difference, and there is undoubtedly linkage

between them (Dowling & Moran, 2012; Keller et al., 2010; Spear, 2017). Here each of the VMV ideas is discussed.

The **Vision** statement is intended as a description of the future, where an organisation is going, where it wants to be, what it intends to become. It defines and guides the purpose and long-term direction of an organization (Davies et al. 2003; Desmidt & Prinzie 2008; Hirota et al. 2010; Kantabutra & Avery 2010; Verma 2009–2010; Spear, 2017, Rosen, 2023). It is aspirational (Hinton, 2022: Rosen 2023; Gregory, 2016 cited in Haslam & Shenoy, 2018). However, a vision without an environmental scan examining how an organisation might respond to the needs of community and society (the system of which the organisation is a part) seems to be unrealistic, so how is the vision <u>different</u> from a strategy? And what comes first: the vision or the strategy? Here we could argue that a vision is intended to be broad in outlook rather than a more detailed plan (Hinton, 2022) but one might again argue that a broad outlook of where the organisation wants to be is the job of a strategy, and the detail will be in the operationalisation. However, it is likely that an organisation will have several different strategies that all contribute to the overall aim of the organisation, as we found that several projects might constitute a programme to achieve a strategy. Hence, we can understand that, in the discussions about strategy, one still needs an 'umbrella' or 'helicopter' view of where we want to be. We could also just call this the aim of the business, or the purpose?

However, the **Mission** is intended to encapsulate why the organisation exists and what its purpose is or what it is intended to achieve, its value proposition or rationale (Hinton, 2022; Rosen, 2023; Gregory, 2016 cited in Haslam & Shenoy, 2018). In comparing the mission and the vision, if the mission is the why, then presumably the vision would be the what? This is a difficult distinction as the two (vision and mission) seem to be intertwined, let alone this clashing with our previous discussion in 'Operational Management' . One cannot set the what if the why has not been considered. If the idea of setting a vision and mission is tested on a hypothetical organisation, we might get something like:

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SNW is a wood-burning stove fitting company. Its vision is to offer the most reliable, well-fitted and well-engineered heating solutions in its local area.

If we asked 'why,' we might go round in circles to a certain extent, but we could see that asking these questions would at least refine the vision.

The answer to 'why?' might be because it is important to offer a quality service, and the purpose is two-fold, to offer support to the customers and communities around a basic human need for warmth, but also to offer a solution that counters any less experienced and less well-intentioned organisation. But the organisation also wants to be profitable and train and employ people.

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Box 2.6. Applying Principles of Vision and Mission

Two problems have emerged. One is the similarity of the ideas, and the other is that we cannot just dream up a vision and mission without some idea of what is going on in the external environment. Vision and Mission then become, not necessarily a starting point, but a set of questions to ask along the route of strategy-making. And rather than a linear process, a very much circular and reiterative process (much like the emergent strategy-making approach considered in Chapter 1) would result, or at least some sort of filtering process where ideas are tested against a core set of VMV.

If we turn to **Values**, we are looking at what we believe and the ideals that guide action (Rosen, 2023); the distinctive or fundamental beliefs an organization stands for (Quigley 1994 cited in Spear, 2017). Again, it might be difficult to separate these from any simultaneous considerations of the vision and the mission as a person's and organisation's beliefs and ideals will have driven their aim and their reasoning behind wanting to achieve that aim. The idea of values does reflect the importance of considering the culture of an organisation which can be defined as 'the way we do things round here' (Bower,1966), the way that staff interact with each other and the way they get things done. Every organisation is unique in this way because it is made up of people, who are each unique, and the combination of those individuals will also be unique. It is the product of years of history, of who was recruited, when and why and what decisions were made. It does make sense to consider values (or culture) whilst formulating strategy, but again these sorts of considerations will be considered as part of what is considered important (or not) to achieve and the appropriate (or not) approaches to achieving the aim. There also must be alignment (it is difficult to implement a strategy that works against what is expected/accepted and how an organisation has developed over time).

So instead of compartmentalising the questions and labelling them, can we accept the principles and ask a series of questions to determine 'what and how we do things round here':

1. What are we doing?
2. Why are we doing it?
3. How do we do it?
4. What is important to us?

One might go further to look at the other side of the question:

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1. What are we doing? AND What are we not doing/what wouldn't we do?
2. Why are we doing it? AND Why aren't we doing something different?
3. How do we do it? AND What would we not do to achieve our aim?
4. What is important to us? AND What is not important to us?

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Box 2.7. Questions on 'what and how we do things round here'

Issues in addition to the difficulty in discerning the difference between VMV as explained above, include:

- VMV may 'seem 'old hat' or a 'been there, done that' exercise. '(Mirvis et al., 2010, P316)

- The tools are not universally used (Spear 2017), and if they are not always used, how essential can they be?

- The tools can be used inappropriately, with too much discussion, no agreement, and results that are too wordy, lengthy, and indeterminate, which render them unworkable (Hinton, 2022; Rosen, 2023). The longer and more indeterminate the results of discussions are, mission creep can set in.

- The process of developing VMV is too time consuming.

- It is difficult to know who should be involved in VMV articulation. Traditionally it would be top-down but in keeping with other management and leadership developments, we are moving up to an increasingly bottom-up approach (Rosen, 2023). VMV articulation must involve all levels to 'close the gap' between high-minded statements of vision, mission, and values and everyday ground-level practices' (Mirvis et al., 2010, P322). But involving all stakeholders is time-consuming and the likelihood of concluding with something succinct and determinate would be limited.

- How often should an organisation be looking at their VMV? If it is too often, then work could become about producing VMV rather than getting anything done!

- These are marketing tools rather than strategy-making tools. They are sloganeering, window dressing, image burnishing and public relations (Mirvis et al., 2010) prone to greenwashing or carewashing. They risk being demonstrative and ingratiating and surface level rather than indicating true intentions and strategic change.

- They can be damaging if an organisation's actions do not fit with what it said it would do.

- Seeing them as separate exercises within strategy-making is problematic and they cannot be divided from the other work that needs to go on in strategy-making/strategic thinking such as environmental scanning.

- Organisations are not using V&M statements effectively as corporate identity cues (Ingenhoff & Fuhrer, 2010; Abdullah et al., 2013; Spear, 2017) despite this being one of their intentions.

- VMV are not unique, and they do not differentiate organisations (Spear, 2017).

- VMV do not pay sufficient attention to employees as key stakeholders (Spear, 2017).

- VMV do not sufficiently align with an organisation's corporate personality (or culture).

- VMV often get conflated with strategic planning and tactic implementation rather than focusing on the overarching principles that guide the organization (Rosen, 2023)

Principles of VMV tools

Despite the issues above, VMV tools were developed and have been used over several years, and we are still using them and talking about them. It may be worth looking at what they were

intended to do, and as previously noted, consider how to take these principles into our contemporary practice, whilst mitigating the risks of poor application.

- VMV can help to recruit, retain and motivate employees (Verschoor 2005).
- VMV provide a foundation and guide to an organisation of where it wants to be and what it stands for, and this guide is needed to ensure that subsequent actions are in keeping with or aligned with the intention of the organisation (Jaffe et al., 1993; Hinton; 2022; Mirvis et al., 2010)
- It is possible to keep the process and the outcome short: "This is what we are here to do."' (Hinton, 2022, Rosen, 2023)
- As VMV are not always used, and the working world is not perfect, perhaps if we did all use VMV, strategy-making would be easier, more effective, and the results would be more understood by stakeholders.
- VMV supply an opportunity to address issues of ethics, culture and social purpose/responsibility that might otherwise be overlooked.
- VMV supply the organisation with a personality with which stakeholders can relate and they differentiate the organisation from others (Rosen, 2023; de Chernatony & Segal-Horn 2003; de Chernatony et al., 2006; Verma 2009–2010; Hirota et al. 2010; Kantabutra & Avery 2010; Chun & Davies 2001; Desmidt & Prinzie, 2008; Ingenhoff & Fuhrer, 2010; Dowling & Moran 2012; Spear, 2017; Hou et al., 2009).
- VMV are part of an organisation's communication tools, telling stakeholders what it is and what it stands for (Suvatjis & de Chernatony 2005; Otubanjo & Melewar 2007; Otubanjo 2012 cited in Spear, 2017)
- Values are only window dressing if they are not acted upon. A good organisation would examine its practices regularly to ensure that there was alignment with the values they had recognised.

Considering all the above, is there a better way to place VMV as a part of the strategy-making process:

<Figure 2.5 here>

Figure 2.5. The Principles of VMV in Strategic Thinking and Strategy-Making

Rather than starting with VMV discussions, we should take a strategic systems thinking view of how the organisation may go forward, and then use the VMV discussions as checkpoints or alignments. This also echoes McKinsey's 7-S Framework for implementation as discussed in 'Operational Management', as it would check that our strategy is in line with our Shared Values and Styles (at least).

Other Planning Tools

When discussing strategic planning or management, an important ingredient of strategic thinking, you will be asked to consider the following models. Each of these models has been in existence for some time and has been used extensively in a range of different contexts. It is now common practice to argue that classical strategy models are only partially helpful (Haslam & Shenoy, 2018) and that they are a conventional process-focussed approach (Nonaka & Zhu,

2012) that need some refinement for the 21st century. However, it is also argued that they offer a starting point (Liedtka, 1998) and that strategic thinkers can be creative and dynamic in using any model.

As with VMV, each model has its recognised benefits, and risks to bear in mind in its application, and these are summarised here:

PESTLE

What it is:	PESTLE is an acronym which stands for Political, Economic, Sociological, Technological, Legal and Environmental. It was developed from the smaller PEST. The idea is to use it as a macro-environmental scanning tool assessing factors or trends in each area that are likely to impact on an organisation. The trends should be assessed as either opportunities or threats, and these can form the basis for strategy-making.
Benefits	- It is a good, understandable place to start. - It recognises an organisation's place in the wider, macro-environment. - It recognises that there may be some issues out of an organisation's control that, nevertheless, it needs to be aware of. - It keeps strategic thinkers up to date with trends. - It is essential to understand the system of which an organisation is part to plan sustainable strategies. PESTLE is a tool that helps to understand that system.
Risks to be mitigated	- It is a static tool and will always be a snapshot in time, so will become out of date quickly. - It can result in an extensive list of daunting threats unless it is used selectively and to prioritise the most critical issues. - If not properly utilised – criteria are considered individually and it is more important to see where criteria inter-relate and interact to form more pressing issues. - It should always be used in combination with other models, such as Five Forces and competitor analysis to give more detail and meaning to individual organisations. - It entails a lot of work and is time-consuming and can lead to 'paralysis by analysis' (see Chapter 3 for a further explanation of this). - It can be subjective. To be useful, involve other people in the analysis. - It needs to be combined with internal analysis to be useful. - An effective PESTLE analysis relies on good data and information being used. If 'garbage in', then 'garbage out' - It tends to concentrate on what is known rather than on future possibilities, so it is not useful for future trends and predictions. - If not used in an intelligent and thoughtful way and discussed as part of a strategy-making exercise, it can be seen and used simply as a tick box exercise: something that has to be done and loses its meaning by doing it.

	• It is one-way. Businesses and organisations <u>can</u> impact on these 'external' criteria (this impact that businesses and organisations can have on the 'system' is discussed throughout this book).

Table 2.1. PESTLE Summary

The PESTLE tool has been used for the structure of this book, and you will see that all criteria are examined further in Chapters 3 – 9. In fact, the book responds to the criticism of the PESTLE model that the relationship is one-way and looks at ways businesses and organisations can impact on the wider environment.

Five Forces

What it is:	Five Forces is a model developed by Porter (1985) to assess the size and impact of five forces that operate in an organisation's industry. It is an industry assessment tool rather than an individual organisation tool but should assess an organisation's role and strength in the industrial system of which it is part (its competitiveness). This is a different layer of analysis than dealt with by the PESTLE, with the organisation in the centre, its industry surrounding it, and the macro-environment surrounding that, the last represented by PESTLE analysis. The five forces are Competitive Rivalry (an assessment of the competition), Suppliers, Buyers, New Entrants and Substitutes.
Benefits	• It is a well-recognised and much used model that has resulted in useful insight into industries. • It contributes useful information to an analysis.

Risks to be mitigated	• It is a static tool and will always be a snapshot in time, so will become out of date quickly.
	• It cannot be as detailed as is required to really understand a business. It should be used in combination with other tools (PESTLE and competitor analysis) for full coverage.
	• If not properly utilised – criteria are considered individually and it is more important to see where criteria inter-relate and interact to form pressing issues.
	• Criteria should be prioritised.
	• Criteria should be applied specifically and contextualised for individual businesses.
	• The model needs to be applied regularly to keep aware of change.
	• The difference between industries has become increasingly blurred.
	• Competition is potentially global and unknown.
	• What are considered substitutes has become less clear over time (this is linked to the blurring of boundaries between products and industries).
	• Newer models would add other forces to reflect the VUCA environment, including:
	    ○ The competitor's level of innovativeness
	    ○ Exposure to globalisation

	o Threat of digitalisation o Industry exposure to de/regulation activities (Isabelle et al., 2020) o Complementors (Johnson et al., 2017) o Coopetition (Crick & Crick, 2020)

Table 2.2. Five Forces Summary

Competitor Analysis

What it is:	A tool to compare an organisation with its direct competitors to understand strengths and weaknesses according to the critical success factors that any customer might expect from an organisation operating in that competitive field.
Benefits	• This can be a simple tool, systematically assessing an organisation and its competitors against certain criteria. • Statistics, reviews, and other evidence, that is available publicly, can be used to assess the organisations' performance. • The results show a clear comparison between competitors, and it is easy to recognise the gaps in an organisation's offering. • The results enable an organisation to identify its strengths in comparison to a competitor, to build on those.
Risks to be mitigated	• Whilst a lot of information is available openly, there will always be information that is less accessible that could be essential to a detailed and reliable comparison and assessment. • It may be difficult to identify critical success factors, although market research, and readily available review sites can be useful sources of these. • It might be difficult to identify competitors in increasingly blurred industries and in the globalised economies of which we are part. • The analysis is current and may not look to the future, although when carried out as part of a suite of analyses (including Five Forces and PESTLE analysis) it should be possible to obtain a holistic assessment. • One must ask oneself, in line with the debate about competitive advantage in Chapter 1, whether relative value will lead to sustainability, or whether absolute value should be sought.

Table 2.3. Competitor Analysis Summary

Resources and Capabilities Analysis

What it is:	This analysis tool is part of the internal analysis of an organisation and details the assets that an organisation owns and its abilities to use those assets well that then combine to create clear competencies in an organisation. These can be the source of strength for an organisation and can be built on in strategy-making. This tool can also examine an organisation for gaps, showing where assets are not used effectively, and these constitute weaknesses, which need to

	be worked on for success. There are specific Resources and Capabilities analysis tools (such as Value Chain and VRIO) but a simple table can be used to list resources and capabilities to start recognising what a company owns and what it does with what it owns. Resources can be categorised under headings such as financial resources, human resources, physical resources and technological resources. They can also be split into tangible and intangible resources.
Benefits	- A straightforward way of listing and appreciating what the organisation has. - Information should be readily available to anyone working in the organisation, and someone working outside should be able to access a lot of the relevant information from the organisation's website, public records (if applicable) and sometimes from business comment on organisations (such as industry articles/media reports). - It provides a snapshot from which to base future developments.
Risks to be mitigated	- There is the potential for this assessment to be subjective when it comes to assessing the way an organisation uses its assets. For example, different departments in an organisation may criticise other departments, especially if they do not have full understanding of their operations. However, this can be useful too as it shows internal perceptions of issues which are useful at this stage to examine and either support or dismiss with evidence. - Whilst useful as a standalone piece, this work will be most helpful when understanding how resources and capabilities in an organisation compare to others and/or the requirements of the external environment, so as with other models, this tool should be used in conjunction with others to make a holistic assessment.

Table 2.4. Resources and Capabilities Analysis Summary

Value Chain

What it is:	Porter (1985) developed the value chain as an assessment of the strengths and weaknesses of each primary and supporting function of an organisation and its contribution to the final value of a product or service. Each function should be assessed by its cost compared to the value it brings to the final product or service. Overall price minus overall cost of the sum of these functions will equal profit margin. The primary functions in the original model were: Inbound logistics, operations, outbound logistics, marketing and sales, and service and the supporting functions were firm infrastructure, human resource management, technology development and procurement. Over time, versions of the model have been developed, including a sustainability value chain which considers the environmental impact of each function in the value chain (Soosay et al., 2012) or a social value chain which, as the name suggests, would look at societal impact.
Benefits	The value chain analysis provides a high level of detail, looking at each function's contribution to the overall value of a product or service. This means that strengths and weaknesses can be focused on specifically, rather than

	looking at the organisation as a whole. This tool identifies how and where an organisation provides value.
Risks to be mitigated	• Historically this tool has been perceived as most applicable to a manufacturing business, but this tends to show a lack of imagination and the tool <u>can</u> be applied to services. • Given the discussion in this book about sustainability, a value chain that looked at the full picture of environmental, social and economic impact would be most beneficial to an organisation.

Table 2.5. Value Chain Summary

VRIO

What it is:	VRIO stands for Valuable, Rare, Inimitable and Organisationally Embedded. It started out life as VRIN (Valuable, Rare, Inimitable and Non-substitutable) but the N was thought to be too like the meaning of Rare. This is Barney's (1991; 1997) model and represents his emphasis on the Resource-Based View of competitive advantage as it is a tool to assess the strengths (or weaknesses) of internal resources and capabilities. The tool asks strategic thinkers to consider an identified resource (let us say its brand for example) and ask questions: Does it bring value to the organisation and to our customers? Do only we own this resource? Is it difficult to copy by our competitors? Do we have the systems and processes in place in the organisation to fully exploit the value of the resource? If we answer yes to each of these questions, then the resource holds sustainable competitive advantage. If the resource or capability you are assessing has none of these characteristics, then there is no advantage, and in fact your organisation is likely to be at a competitive disadvantage. If the resource or capability has value but nothing else, then your organisation is likely to have competitive parity. If Valuable, Rare not inimitable or organisationally embedded then Temporary Competitive Advantage, and if the resource or capability has all four characteristics, then this represents Sustainable Competitive Advantage. This tool allows a strategic thinker to identify what are threshold resources and capabilities (anyone operating in the same area will have them), compared to what are distinctive resources and capabilities (they set the organisation apart from others).
Benefits	Rather than just identifying resources and capabilities in a list or table, the VRIO tool evaluates those resources and capabilities to see which represents a strength or weakness, and this added information can allow a strategic thinker to think of options for the future.
Risks to be mitigated	As identified in Chapter 1, the idea of competitive advantage may be less useful now, in the VUCA environment, than it was previously. McGrath (2013) said that with the speed of change and with the blurring of product, service and industry boundaries, as has been discussed already on numerous occasions, the tool is likely to be of use, but a strategic thinker needs to recognise the limits to its use.

Table 2.6. VRIO Summary

SWOT

What it is:	The origins of the SWOT tool are difficult to define. It has been attributed to a few Harvard professors working in the 50s and 60s. It is ubiquitous in strategic thinking. It is an acronym and stands for Strengths, Weaknesses, Opportunities and Threats and users are invited to create a checklist of these items for the organisation on which it is focused. It can therefore form a summary tool from which to develop strategic ideas. Also see TOWS which takes the SWOT summary and then asks the users to match Strengths and Weaknesses with Opportunities and Threats to formulate strategic plans.
Benefits	- SWOT is very well known and is a powerful summary tool to list points all in one place. - SWOT is a good assessment of where an organisation is now and what options may be available to it. - A SWOT takes the external analysis from PESTLE, Five Forces and the competitor analysis tools to complete the Opportunities and Threats criteria, and it takes the internal analysis from the Resources and Capabilities analysis to populate the Strength and Weaknesses criteria.
Risks to be mitigated	At times, the SWOT is used as the only tool rather than a summary tool and if this happens, it can be limited in depth. The previous stages of external and internal analysis will increase the depth and therefore usefulness of this tool.

Table 2.7. SWOT Summary

TOWS

What it is:	Weihrich (1982) took the SWOT tool and made it work to develop strategic futures. The TOWS tool looks like the SWOT tool in that it is a matrix and the Threats, Opportunities, Weakness and Strengths are listed, but the point of the TOWS is to ask how a threat can be minimised, and how an opportunity maximised through effective use of strengths. Weihrich listed the various options as: - Maxi-Maxi: strategies that make the most use of strengths to capitalise on opportunities - Maxi-Mini: use its strengths to minimise or neutralise threats - Mini-Maxi: make the most of any new opportunity to overcome weakness - Mini-Mini: a defensive strategy to minimise internal weaknesses and avoid external threats
Benefits	- It is a systematic ending to a strategy-making process, taking the results of the process so far and slotting them into a tool that can help plan the future. - Strengths, Weaknesses, Opportunities and Threats are prioritised and matched so that strategic thinkers can see the connection of internal resources and capabilities to the environmental possibilities presented by the business/social/global environment.

Risks to be mitigated	• It can be mixed up with SWOT, with users not taking the opportunity to match the internal and the external

Table 2.8. TOWS Summary

SAF and other Business Case models

What it is:	A strategic proposal will be considered for its viability prior to implementation, and an argument put to senior members of staff to approve implementation. SAF stands for Suitability, Acceptability and Feasibility, and it has already been used in this Chapter, in the section on Operational Management (Box 2.2.). A strategic thinker must justify their ideas, explaining how their strategy faces the opportunities and threats presented by the business environment (Suitability) and how it maintains the organisation's value and purpose. Acceptability is a consideration of stakeholder support and the potential risks that the strategy presents. Are those risks acceptable? Feasibility considers whether the resources and capabilities are in place for the strategy to go ahead. Thus we see that the work done on analysis using other tools will be useful at this stage of the strategy-making process. Other business case models can be used and may be more suitable depending on context. For example, a Five-Case model (APM, 2019) considers Strategic Case, Financial Case, Management Case, Economic Case and Commercial Case. Or a Cost-Benefit Analysis (but including wider benefits and costs than just financial), may be suitable.
Benefits	• All strategies need to be discussed and presented in some way to gain approval. Putting forward the business case for something to happen benefits once again from the use of a systematic process of considering all the criteria of a successful strategy.
Risks to be mitigated	• As discussed in Chapter 1 when Value was discussed, these tools need to reflect the context of the organisation for which they are used. A tool that reflects the model of strategy-making discussed in Chapter 1 may be as useful a tool in strategic thinking assessment. Is the strategy Sustainable (balancing environmental, societal and economic responsibilities); of Absolute Value (not depending on transient competitive advantage); cognisant of the role of People, responding appropriately to Change, recognising the value of Hybrid, and Long-Term.

Table 2.9. SAF and other Business Case models Summary

Evidently there are a large number of models and tools linked to strategy-making and strategic thinking. Strategic thinkers are likely to use a range and contextualise them for their needs, as the following case study shows.

Case Study: An Application of Planning Tools

Jayne Sowerby-Warrington is the Assistant Director - Corporate Property at Lincolnshire County Council and in the following case study, considers the use of tools and processes for strategic thinking, the contrast between the strategic and the operational and the need to embed strategic direction across departments through effective communication.

To get to grips with her department's future, Jayne carried out a diagnostic piece of work: finding out as much information in terms of actually 'where are we now?' and then mapping out 'where do we need to get to'. As a result, Jayne re-modelled her department's activities under four pillars: culture and vision, resources, leadership and policies, processes and systems.

Jayne also used a model with the acronym VMOST and asked What's the Vision? What's the Mission? What are the Objectives? And then distilled these down to Strategies and Tactics and then made the tactics into smart objectives for the team with the appropriate level of ownership.

'We review the tactics every month and we're starting to review them for the next couple of years...trying to embed strategy across the department is important. Strategic thinking is great, but if you were working for me, you need me to communicate that and you need me to distil it in terms of what does it mean. We've worked hard to get out the key messages. We've had online sessions and awaydays, team meetings at every level. It's constantly talked about and it's translated into the kind of activities that people can really relate to because I do think sometimes high level strategies that are not really communicated well and distilled, are probably not that effective. As a strategic leader, you've got to learn to balance the strategic and operational.'

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Box 2.8. Case Study: An Application of Planning Tools

Summary

Planning tools are critical to strategic management and therefore form a part of strategic thinking as discussed in Chapter 1. They should be used creatively and imaginatively however, and an understanding of their principles, risks and benefits will allow for a more informed use of them.

Risk Management

There are many layers of risk and risk management is applicable for operational management, project management and strategic thinking.

At the operational level, we use the risk assessment and management process as part of everyday business and the implementation of this can be seen in health and safety assessments, the institution of standard operating procedures to reduce risk of physical or emotional injury, death and trauma or less seriously, to reduce the risk of wastage or to institute appropriate cleaning or caring protocols in line with regulations. We carry out a risk assessment for projects to understand the risks to the completion of the project and use the same risk

assessment and management tools, assessing the likelihood and impact of factors such as supply delays, cost increases, staff and expertise shortage, client changes as well as operational risks and external environmental risks that we may foresee or not (note the overlap with crisis management).

There will always be risk at all levels because there will always be uncertainty, and that uncertainty is a key feature of the VUCA environment in which we operate (see Chapter 1 for a discussion of 'The Complex Environment'). As the size and complexity of what we are doing grows, so does the risk. And as size and complexity grows, from operational to project to strategic thinking, so does the impact if a risk turns into an issue.

Figure 2.6. The Scale of Risk Related to Operational, Project and Strategic Management

A risk is a prediction, the issue is the reality, and the risk assessment and management approach is intended to try to foresee and have a plan to handle the issues should they arise. At least this is risk management in its more reactive sense. At the strategic level, risk is slightly different. It is twofold. We hope that risk can be foreseen and labelled as a potential threat and proactive actions can be planned to reduce that threat or to equip the organisation to deal with that threat. So, strategy-making can be seen as a pre-emptive strike against risk, threat or challenge, a way to embrace it as opposed to deal with it. On the other hand, risk must also be factored into the implementation of a strategy once it is designed, and, with project and operational risk assessment and management, strategic thinkers must consider the potential issues that could arise in the implementation of their strategies and plan actions to handle them.

Nevertheless, the process is mostly the same as demonstrated in Table 1.10.

Operational	Project	Strategy-making

Identify the Risk
• Technical
• Financial
• People
• Environment
	Identify the Risk
	• Financial
	• Technical
	• Commercial
	• Execution
	• Legal
	• People/Stakeholders/ Environment/Social
		Identify the threat or challenge:
		• P
		  E
		  S
		  T
		  L
		• E

Assess/Evaluate it	Assess/Evaluate it	Assess/Evaluate it
• probability of the risk occurring (the likelihood of a particular outcome actually happening) • the impact of it occurring (the effect or result of a particular outcome actually happening) There are a number of risk assessment tools available, including assigning 'low, medium or high' to probability and impact, or assigning numbers to show degrees of probability and impact.		

Plan Ways to Minimise or Eradicate the Risk	Plan Ways to Minimise or Eradicate the Risk	Plan Ways to Embrace the Threat or Challenge
Choose an Appropriate Response	Choose an Appropriate Response	Choose an Appropriate Strategic Response
Build this Response into the Plan	Build this Response into the Plan	Implement the strategy
Monitor	Monitor	Monitor

Table 1.10. The Process of Risk Assessment and Management at Operational, Project and Strategic Levels

<start box>

Case Study: An Assessment of Strategic Risks

Adam Parsons is Consultant from a Big Four Consultancy with a focus on the energy and natural resources sector. As such, he advises a wide range of clients on navigating the strategic opportunities and challenges associated with the energy transition and the move towards a net zero society. In the following case study, he talks about risk in strategy-making.

'Risk and strategy are too often conflated, and good strategies are often put aside because of what in many ways are more practical risks that could be worked through and shouldn't inhibit the development of the overarching plans. Yes, implementation needs to be part of strategy, but there does also need to be that distinction between what is your overarching aim and what are the kind of modular steps to getting to that.

In terms of risk appetite, we're in a very uncertain world right now. And we've seen lots of commitments to invest in perhaps some of the riskier elements of that world in the renewables and low carbon space being dialled back by some of the biggest players in the energy sector and that is concerning. These things need to happen, these changes will have a material impact on the ability of societies to operate in this world in a safe and secure way, and the energy sector is critical to making that happen. That overarching risk aversion is a concern.

However, I would say that some of the organisations that I've seen be successful are those that have embraced risk. For example, look at some of the players that in the 1990s, early 2000s were rooted as oil and gas majors in the energy sector, but made a bold decision that they were going to make a complete pivot in strategy. They got their business behind it, recognised that it would require a lot of hard work, engagement with policymakers, development of new skills and capabilities at pace, an appreciation of new commercial models and new ways of doing things, new ways of treating projects and approving projects. These organisations made that jump early, the risk that they took was very significant and they were in fact in many ways bolder than many organisations would like to be. They were early movers, but ultimately you look at some of

those organisations now and they are the largest wind developers in the world and they're the most resistant to some of the shocks and volatile energy prices that we've seen around the world. They saw the opportunities and are now capitalising and building on that.

This comes back to the point that strategic thinkers need to own a decision, own the overarching goal. Be confident, trust the decisions you're making and not flip flop every few years in response to changing external conditions.

There are different types of risk. Strategic risks are:

- how are you going to deliver the strategy that you're setting?

- what are the barriers to entry to delivery: skills barriers, external perceptions, political risks, technical constraints?

- are there commercial risks and are those risks too big?

These strategic risks need to be distinguished from the practical, day-to-day risks and it is often those practical risks that inhibit people from pursuing perhaps some of the bolder, more ambitious strategies because people too often get distracted by some of the more practical and the easier to think about risks because they are more straightforward to understand and it is easier to recognise the impact of them, but ultimately those are practical project-based risks, not ones that should inhibit development of overarching strategies. For those practical risks, mitigations can be implemented down the line and don't need to be answered at the upfront point that you're developing a strategy.'

Box 2.9. Case Study: An Assessment of Strategic Risks

When considering risk, there are also some overarching challenges to consider, of prediction, a collaborative approach and reputation.

Prediction

Prediction of what might happen is difficult and uncertain: 'Forecasts aren't facts: they're the best predictions experts have' (Coulter, 2013, p81). We are always operating in an unknown environment, and we cannot possibly know the future. We tend to do our best within the parameters of what has happened before and what we know to predict what might happen next, although some creative thinkers can imagine beyond those boundaries (Steve Jobs used to

question why Apple would ask its customers what they wanted as <u>they</u> couldn't possibly imagine the possibilities, whereas he could).

There is also the issue of optimism bias 'which drives us to favor (sic) information that supports our positions (typically successes) and suppress information that contradicts them (typically failures). When events depart from our expectations, we tend to escalate commitment, irrationally directing even more resources to our failed course of action—throwing good money after bad.' (Kaplan & Mikes, 2012, PP51-52). Hence the point from Maylor that the only people who give reliable estimates are depressed (Maylor, 2010).

Collaborative Approach

We can accept that operational management is different from project management is different from strategic thinking, but all of these levels of management, leadership and thinking have a small system going on around them, including people, the environment, the organisation and as with the size of the risk due to complexity and size, the size of the system also changes. But the approach should be the same. Given that systems thinking is relevant at all levels, then it makes sense to collect views from the variety of perspectives operating within that system to draw out as much information as possible. This also reduces the risk of subjectivity, and inability to imagine the possibilities (and restrictions) on practice.

Reputation

Finally, a point on reputation. An inability to assess and manage risk appropriately at all levels can be damaging to an organisation in terms of its reputation. Reputation is a valuable, intangible asset that, when good can meet the VRIO criteria (valuable, rare, inimitable or organisationally embedded) and its inimitability (its inability to be copied) is likely to make it a strong resource (Kull et al., 2016).

Summary

Risk Management is relevant at all levels of an organisation and should be used at Operational Management, Project Management and in Strategy-Making. The tools for consideration of risks are largely the same at each level, although the impact of a strategic decision, given its wide-reaching consequences for the system of which it is a part, is likely to be large.

Chapter Summary

This chapter has considered the management and leadership subjects of operational management, project management, survival and crisis management, change management, VMV and planning tools, and risk management, showing how these subjects complement

strategic thinking and strategy-making. The following diagram shows the interplay of these subjects with strategy, its development, and its implementation.

<Figure 2.7 here>

Figure 2.7. The Complements to Strategic Thinking

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