

The Poverty of Strategic Management in Dealing with Undefinable Ends and its Alternatives

By Richard Normann^{*)}

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This paper deals with change situations when action is needed but no clear goal or end state is possible to discern. It attempts to analyse the principal demands on leadership for handling such situations, and identifies them as being of the "potentiating" type, i.e. as enabling the organisation to increase its learning and action capability and therefore its capacity to design and move towards new states and solutions."

Introduction

This paper indicates what I think the trends and megatrends for management and leadership for innovation should be rather than describing what they are. The paper takes the perspective of top management and even the top manager, and it attempts more to deal with the right questions which future theory and practice will need to address rather than providing for answers to these – for in my personal experience precious few answers actually exist.

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well as on my experience as consellor to top management and managers. Rafael Ramirez was a close discussion partner for the writing of this paper and contributed many of the ideas.

To position the focal area of this paper, the following figure can be used:

Figure 1: Four types of change situations

	Content and direction of the change...	
	...relatively clear	...relatively unclear
Acute cash crisis	<u>"A"</u> : Need for change realized; direction clear	<u>"C"</u> : Complex analysis; no initial problem to "sell" need for change
No commonly recognized acute crisis	<u>"B"</u> : Strategic content clear: the problem is to "sell" the need	<u>"D"</u> : Most difficult: both analysis and internal marketing of need

The basic difference in logic between the "A" and "D"-type situations is that the former implies action towards reaching a goal or state which is reasonably understood and definable, while the latter situation cannot take the desired goal or state as given. By definition, such a state does not exist or cannot be easily produced as a commonly shared and understood idea. Managing the A-type situation means changing the organization and strategy so that it fits with a desired ends state; this correspond to the "goal view" of planning (Normann 1977) where action to influence the system state can be logically deduced from a more or less clear understanding of the required goal or ends state. In the D-type situation this deductive method breaks down since there is nothing to deduce from. Instead, we must use the "process view" of change (Normann op. cit.).

Organizations as Learning Systems

Given the increasing degree of turbulence which organizations are

facing in terms of relevant uncertainty and complexity in their environments, organizations have a correspondingly increasing requirement for strategic innovation capacity. This capacity enables organizations to have what Ashby (1956) called the "requisite variety" which is required to match the complex variety which they encounter in their environments.

Since an organization's environment is made up of other organizations, which are also increasing their requisite varieties the resulting turbulent (Emery and Trist, 1965) complexity is, for the moment at least, stuck in a "vicious circle" of growth which is responsible for what Crozier (1970) has analyzed as the crisis of governance which modern Western society is increasingly experiencing.

An important distinction to ensure that the increasing complexity can be framed as a redundancy-based asset was offered to us by Holling (Jantsch & Waddington, 1976) in his comparison between a system's *resilience*, which involves the system's capacity to absorb change and persist, and a system's *stability*, which entails the system's ability to return to an equilibrium state after temporary disturbances. Since current organizational environments are characterized by constant, and not temporary, disturbances, modern organizations must be designed for resilience, which as Holling himself shows, means that the system is inherently unstable.

I have previously (1971) shown that there is a distinction between "variation" and "reorientation". The needs of organizations in the type of situation I have described above consist of developing a capacity not only to re-orient themselves, but also to continually develop this capability.

In this paper I articulate how this required dynamic resilience capacity can be respectively achieved in terms of both strategic management (reorientation capacity) and leadership (continuous development of this capacity). As I have done previously (1985), I use the metaphor of organizational learning, understood not only in terms of *how* organizations learn (Argyris and Schon, 1978), but also in terms of organizations *as* learning systems (Michael, 1980; Williams, 1982) to explain the challenges which the current situation demands of top management.

So long as there is turbulence, this means that the focus of action is no longer the ends state, but rather the system's capacity to induce, create,

or design end states the nature of which is unforeseeable. Thus *the focus of action switches to potentiating moves*; to increase the preparedness to take adequate action whenever it will be needed in the future; to increase the capacity for creative design (i.e., for producing surprises). Action is thus needed at a “meta-level”. Action is needed to increase the capability of adaptive action. It is this metatype of action – potentiating action – which this paper deals with.

The type of learning that organizations as learning systems require is fundamentally different from the passive learning that students in schools are generally subjected to. The difference is not merely one of technique, but is rather a much more basic one of epistemology (Emery, 1980; Morgan, 1980). The epistemology of organizations as learning systems involve is active and not passive, the resulting concept of “action learning” (Ramirez, 1983) therefore involves a way of conceiving both the organizations *and* its strategy; indeed, the two concepts can not be considered as separable in this light.

Argyris and Schon (op. cit.) defined learning as the complex set of activities that enable the identification and correction of error. They defined error as the situation in which expected and obtained outcomes mismatch. At perhaps a higher level of complexity – and here I believe that we are stretching the meaning of the everyday language word “learning” to its utmost limit – learning has to do with the production of novelty; with design and innovation, which may only bear a very limited relationship with any specific “mismatch” between the organization and its environment. At this level of complexity, we enter a logic where the link between problem and solution is very complex. Three levels of learning are used in this paper, adapted from the writings of Argyris and Schon (op. cit.) and Bateson ([1942], 1972):

Single loop learning:

The identification and correction of either a single error, or a single “class” of errors;

Double loop learning:

The learning which can critically question the frame which defines the “class of errors” which can be identified and corrected with single loop learning. “Critically question” involves identifying and changing the assumptions, governing variables, and framing root

metaphors (Pepper, 1966) that define the world view that defines the “class of errors” paradigm one lives in; and

Deutero-learning:

The learning which enables the conditions for double loop learning to take place over time. However, I am extending this to also involve the organizational capacity to *create new frames* rather than just adapting existing ones by reacting to errors.

Relating the above to the initial typology of change situations we could say that double loop learning is necessary in all situations, including the A-type situations. Double loop learning might be temporarily sufficient even for the D-type situations, although these clearly approach the deutero-learning requirement since addressing these situations implies the ability to produce at least one, but probably a series of, unforeseeable end states or outcomes.

Management trends and leadership meta-trends

In this paper, the concepts of administration, management, and leadership are related to the concepts of learning reviewed above in the following manner:

<i>Single loop learning</i>	<i>Double loop learning</i>	<i>Deutero-learning</i>
Single strategy	Management of strategic frames	Capacity to enable & create management of strategic frames over the long run
Administrative Management	Strategic Management	Leadership-statesmanship
–	Trends	Meta-trends

As will be evident, given the existence of turbulence for the organization, each type of learning is considered as being related to the “previous” level in terms of different levels of “logical typing”. Thus, strategic management is a meta-level for the level of administrative management, framing it; whereas leadership-statesmanship in turn

frames strategic management and thus correspondingly is at a meta-level in relation to it.

The remainder of this paper examines what is required of these meta-trends from the point of view of organizations seen as learning systems. The paper does not elaborate on the required trends in strategic management, as they have already been recently developed by many authors (e.g.: Argyris and Schon, *op. cit.*; Michael, *op. cit.*; Morgan, *op. cit.*; Normann, 1985; Pennings, 1985; Ramirez, 1983; Williams, *op. cit.*), but it does refer to this work in order to explain the required meta-trends in leadership and statemanship.

Leadership Meta-Trends for Learning Organizations

Given the focus of this paper, it is not possible to compare the current approach to leadership based on learning theory to that of other, now classical writers, in leadership theory (e.g. Selznick, 1957, Maccoby, 1980) which may in itself provide interesting grounds for further research. Instead I focus on leadership viewed as deuterio-learning, which is first and foremost a kind of action. This action-learning (Ramirez, *op. cit.*) is, as Ozbekhan (1984–85) has shown, an action which is inseparable from the decision to take this action. Further, the decision-action can involve the active decision to take no action, and often will.

It is important to note that leadership in this sense will involve a concomitant followership that involves double-loop learning and not simply passive implementation of decisions taken. As Morgan (1981) puts it:

“the need to replace goal-oriented rationality as a principal organizing theme with an ethic that stresses the need to facilitate the creative interplay and development of contextual relationship . . . as important implications for management and organizational design, emphasizing that the primary task of management rests in the creation of an organizational capacity for learning” (p. 19).

Leadership seen in this light thus involves enabling management's strategic capacity to engage in double-loop learning in the long run. In as much as double loop learning occurs rather sporadically and not on a continuous basis, leadership in effect entails a potentiating capacity to

maintain Holling's (op. cit.) "resilience" over the longer run. It enables what Ackoff (1970) has termed the directing of a corporation's activities to meet future ignorance, and corresponds to what Katseleninboigen (1984) refers to as the "positional" style of chess playing. Ramirez (1985) has argued that this capacity is an "aesthetic" one, quoting Nahm's (1946) observation to the effect that:

"profoundly moving art (is) 'freeing' . . . not only in that it liberates us from the need for action defined in terms of the end os science, morality, and religion but also in this, that it causes productive imagination to transcend the art object an enter upon new 'total situations' in which the ends of action are not specified" (p. 46).

The active leadership of deutero-learning must be *visible* and *"for real"*. It implies a commitment to understand errors as necessary parts of the learning process which both the followers and the leader himself take on. This in turn implies that this commitment must be testable by those affected by it (Argyris and Schon, op. cit.), within a framework that will allow for the understanding of errors in learning as being in a dialectic relationship with the due accountability of subordinates (Burns et. al., 1985). Indeed, the action of which this leadership consists is dialectical. An important dialectic which is thus managed is that between authoritarian "power over" and operational "power to" relations (Cohen and Ramirez, 1985; Chapela, 1985) with strategic management personnel. Only "power to" will not do to enable the co-operation required to carry out deutero-learning; whereas sheer authority with no "power to" will be equally ineffective. The dialectic between the two which best works is one which increases "power to" while simultaneously decreasing "power over", i.e., one which enables the company to do what it does well while simultaneously enabling its members to contribute towards effectively increasing the variety of what it does. Perhaps one could say that the effective leader uses his "power over" (which he needs) to allow the others to increase their "power to", i.e., to learn.

In an earlier book (entitled "Management and Statesmanship" in a draft pre-edition) dating from 1977, I have tried to define a number of leadership properties. One activity of leaders is to monitor the environment – not just the close to home task environment but rather the larger eco-system. This activity has been described as contextual appre-

ciation or framing of current activities in terms of a larger context (c.f. Vickers, 1967). Another crucial task of statemanship is to handle conflicts, where conflicts and tensions must be interpreted as a “language” used by the internal political system of an organization to translate perceptions and environmental appreciations of changing business logics, moulded by the different world views of various internal (and external) actors. Statemanship, according to this view, implies the ability to decode the language of tensions and conflicts into a language of business substance. The surfacing of conflicts, as has been vividly pointed out by Argyris and Schon (op. cit.) using the concept of “undiscussability”, is therefore a prerequisite for learning and a primary concern of leadership.

Normann and Rhenman (1975) have pointed out the need of meta-managers to have a high learning capacity of their own in addition to being able to induce learning processes among organizational units and their collaborators.

It is important that leadership can provide an organization with at least a substitute for a defined goal or ends state even in D-type situations, without falling into the trap of prematurely reducing uncertainty and setting precise ends state goals (which is, in my experience, one of the most effective ways of killing creativity and any type of deuterolearning capability). Such a positional statement about the future serves both the purpose of providing standards of evaluation of various moves that the organization may take, and the purpose of providing motivation and energy (c.f. Selznick, 1957) – so much more necessary if there is no well defined crisis.

While I have recently reviewed four important skill areas (Normann, 1985) for what I am here terming to be leaders aiming at potentiating their organization's state with deuterolearning capabilities, it may be useful to reinterpret these in light of the above arguments as a way of closing the paper.

Deutero-Learning Leadership Skills

The first such skill has to do with the norms and action theories for interaction and problem solving, the cognitive aspects of which have been elaborated by Argyris and Schon (op. cit.). It may well be that some types of action theories – stressing the need for discussability,

commitment, open testing of assumptions, and so on – are a necessary prerequisite for an organization to become endowed with deutero-learning capabilities; but I do not think that developing this capacity is sufficient for the kind of organizational learning leadership for which this paper calls. A second type of action skill, then, is the ability to create a language of discourse in an organization which allows sufficient substantive and conceptual capacity to understand the operating environment and the wider eco-system in which the organization functions.

The third type of skill has to do with designing organizational structure and constitution. It has been known since long ago (c.f. Burns & Stalker, 1961) that different types of organization structure influence the orientations, interactions, and learning processes of individuals, units, and the organizations as a whole. I have suggested (1985) that a deeper study not only of organizational structure, but actually of “meta structures” or “constitutions” would prove beneficial to understanding the long term dynamic capabilities of an organization.

The fourth skill suggested is that of “ecological interfacing”. This is based on the idea that any organism tends to reflect, in its own structure and functioning, the environment with which it interacts and the demands which, consequently, it has to live up to (Ashby, *op. cit.*). One of the unique properties of reflecting organisms and social organizations is that they have a certain amount – often larger than one may think – of freedom to choose the type of environment and demands to which they want to be exposed. Thus, a powerful way to influence the learning capabilities of an organisation is suggested by developing an effective action theory of ecological interfacing.

Conclusion

To conclude: there is no one recipe for good leadership, no one best way. There are however some basic principles that must be followed for the kind of leadership that is seen in this paper as necessary for organizations to do well in turbulent environments, i.e., to improve upon the organization's resilience and capability to create over the long run. These principles tend to run counter to those required in more stable situations, in which administering the unchanging capacities which the organization requires to live with its environment suffice.

The principle I have outlined here are ones which my experience as a consultant to senior management indicates are required by top corporate leaders to do their job better. They are presented as an agenda for further research, so as to develop a theory of action which will enable leaders to better lead their organizations within the turbulence which they face today.

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