
Learning to Manage Strategically: Prescription for a Changing World?

Learning to
Manage
Strategically

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This article explores the use of management education for increasing an organization's capacity to manage strategically. The intentions are to provide the reader with a *set of practices* for effective design of management education programmes and to recommend a *set of procedures* for developing those practices.

What is Strategic Management?

Strategic management is management that addresses itself to the viability of the organization. The focus is long term, broad in scope, and addresses the issues of choosing between alternative courses of action rather than addressing "how to" take specific actions. In short, the strategic manager observes the world through the eyes of a designer of future conditions, not as an interpreter of "reality". The world is not a set of events waiting to happen, but a set of possibilities — raw materials for a manager's design.

An operating manager's approach, on the other hand, is viewing the world as an interpreter of events. Both perspectives are necessary for effective action. Over time, organizations appear automatically to fall into the interpretative approach.

From an educational point of view, the challenge is to shift the managers' perspective to a "strategic" one. While managers have become very accomplished in *talking about* strategy, few actually manage strategically. The intention is to design courses that not only produce new conversations, but eventually result in more effective actions.

Claims Made in this Article

The Primary Claim

The primary claim is that management education can be a powerful method of increasing management's capacity to intervene successfully in the normal course of events. Through education we build or improve capabilities or restore deteriorating competences. *Without making this claim, we have no basis for proceeding.*

A functional definition of management education is: providing new distinctions which allow managers to take more effective action. Education is not knowing more.

Learning is not having knowledge to be applied to something, but rather is an assessment we make about an increase in someone's capacity to think

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analytically and to take more effective action. The particular concern in this article is to illustrate a process for designing management education programmes in which participants will learn to think and manage more strategically.

Several additional claims are made.

Managing is Fundamentally the Capacity to Produce Effective, Co-ordinated Action

The job of manager was invented to produce co-ordinated action among the constituents of the organization (including those we usually talk about as existing outside the organization — customers, suppliers, competitors, government, etc.). The traditional list of activities of management such as planning, controlling, communicating, etc., are all tools to produce co-ordinated action or to reveal the effectiveness of co-ordination within the organization. In short, if human beings automatically co-ordinated their activities and we had no breakdowns in co-ordination, the manager would not be needed.

Things Change

Products, people, processes, technologies, economies, competitors, values, expectations, cultures and attitudes all change — just to name a few everyday management concerns.

The Competences of Managers Become Obsolete as a Result of Change

Managerial competence is not forever. On-the-job learning can handle many of our developmental needs, but this is not enough in times of rapid, discontinuous change.

Managerial Obsolescence is Limited to Certain Areas

When obsolescence is acknowledged, one is simply saying that a manager or an entire organization can no longer take effective action *in some area*. Obsolescence is a phenomenon of time and change. Because of change, the necessary conditions in a particular area can no longer be fulfilled satisfactorily. When we fail to make a distinction between those areas where effective actions are being taken and those where they are not (those routines that can be retained versus those that must be abandoned), we lose the focus for an educational intervention.

If obsolescence is simply diminished competence, what specifically causes our competence to deteriorate? We have already referred to change as a source of obsolescence. It may be useful to identify more specific distinctions of obsolescence (Table I). This will help in the design of a learning experience specifically targeted at a particular source of obsolescence.

Type of change	Prevailing attitude
Rapid, discontinuous change	Confusion
Evolutionary change	Blindness
Past successes, slowly deteriorating position	Bias

Table I.
Sources of
Obsolescence

Confusion is a condition of not understanding what is happening or why it is happening. The sense of a shared purpose disappears, co-ordination of action becomes more difficult, and there is a general assessment by all involved that “we don’t like this”. Bringing what actually is occurring into a conversation can be uncomfortable and produce anxiety. This pervasive attitude is typical when an organization has been affected by rapid, discontinuous change. Suddenly, it is as if everything that is known is questioned.

Blindness is simply being unaware of the change. It occurred or is occurring so incrementally that we do not see it taking place. The “boiled frog” metaphor is often used to illustrate blindness. If you place a frog in water and slowly turn up the heat it will not take any action to escape certain death. The nervous system of the frog works so slowly that by the time the information that the water temperature is rising reaches the frog’s brain it no longer has the capacity to move and is boiled. Gradual, evolutionary changes that are not perceived early enough can blindside an entire industry.

Past successes introduce a *bias* that we are already doing things the right way. In addition, we may have made big investments in systems and our culture is shaped to support those past behaviours. Often organizations that have a history of past successes do not recognize the indications that their performance is deteriorating. The mood in the organization is loyal, enthusiastic and ambitious — sometimes bordering on arrogance. It is a challenge to make assessments that contradict the shared belief that “things here are only getting better and better”.

There are undoubtedly other sources of obsolescence, but these are the causes we see most often in organizations. We invite you to add to the list of causes of obsolescence from your own experiences.

The Practice of Management Education

Given these claims, we can now proceed to explore the process by which a management education programme is designed. A useful perspective of the education process is illustrated in Figure 1.

Organizations may become engaged in this process out of two different concerns. From one perspective, they are *anticipating* change and have concerns about future managerial obsolescence (and consequently organizational viability). From this point of view, we could say they are seeking to anticipate future obsolescence, i.e. they are operating from a perspective of *designing the future*. This concern most often arises when we become aware of the conditions of bias or blindness in some area.

From the second perspective, organizational leadership believes they are already in the midst of breakdown and have concerns about the *current* competence of managers and the current performance of the organization. They want to change the trend as quickly as possible. This approach can be characterized as *interpretive*, i.e. managers are observing what is going on and then taking action to modify that. This is likely first to show up as confusion, in the event of rapid, discontinuous change. It can also be a consequence of a lack of awareness of blindness or bias until substantial breakdowns not only make the condition apparent, but demand action.

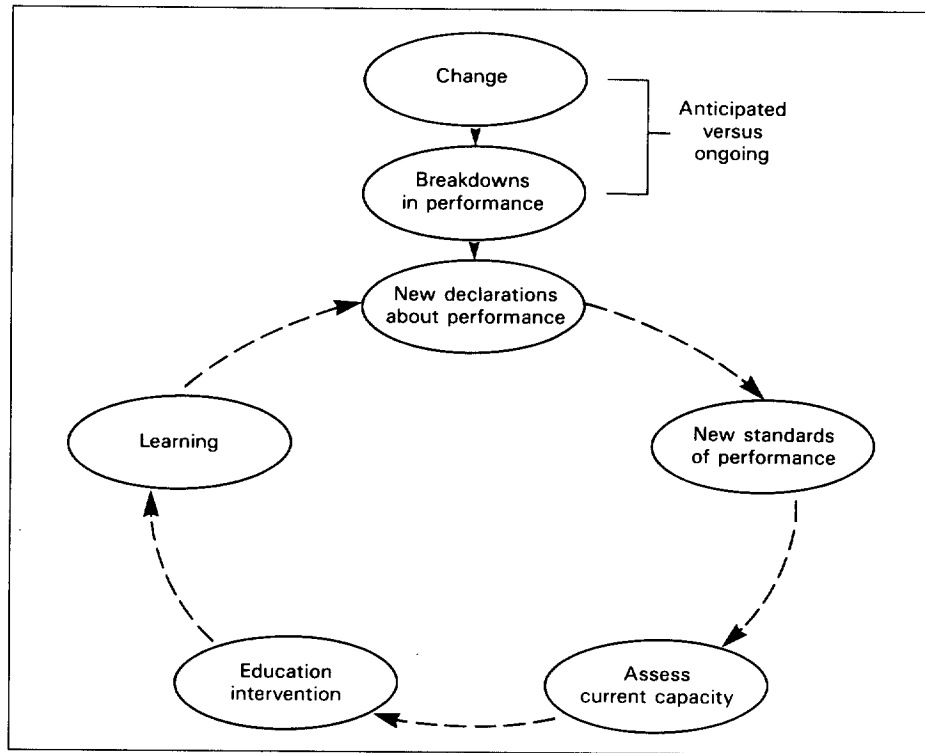


Figure 1.
Learning in
Organizations

These concerns have different implications for the design of an effective management education programme. In general, organizations that anticipate change are more open to an exploration of possibilities in the area of education. Once in breakdown, there is an anxiety about getting it right, i.e. being certain that the programme offered is the “right programme” to get the organization back on track. There is more pressure in that design and organization leadership may have difficulty knowing what to *leave out* of the programme. Everything may seem pertinent.

Scope of Declarations

Subsequent to anticipated or existing change and breakdown, the leadership of an organization makes new declarations or restates old ones. The nature of their declarations is another major design consideration. In his book, *The Age of Unreason*, Charles Handy comments on the statement by George Bernard Shaw that “all progress depends on the unreasonable man”, the argument being that, “the reasonable man adapts himself to the world while the unreasonable persists in trying to adapt the world to himself; therefore for any change of consequence we must look to the unreasonable man or, I must add, to the unreasonable woman”. The tool for adapting the world to oneself is the *declaration* — a promise to create a reality that is different from the one that would show up without the declaration. New declarations take many forms — and indeed have over the past few years. It is very popular to make declarations

in the areas of quality, customer service and taking care of employees. If senior managers have conviction about the declaration they are making, the next step is to take the actions necessary to build the capability to make the declaration true in the eyes of the marketplace.

Declarations can range in scope from the introduction of an entirely new strategic direction for the organization, major initiatives (quality programmes, market research, decentralized decision making, etc.), to new performance objectives (increase our Return on Equity (ROE), market penetration, profitability, etc.). All may be present in some organizations and they may be more or less well thought out. Frequently we have found that there are so many new declarations that the level of co-ordination and subsequent performance is diminished, i.e. they have the opposite of the intended result.

When the leadership of an organization makes a declaration it is presupposing causality. For example, the declaration, "We will increase shareholder value", assumes that the actions and resources needed to increase shareholder value are present or can be obtained, and that having increased shareholder value will benefit the organization. The declaration to increase customer service also presupposes the capability and some value in doing so, such as greater profitability or market penetration. In the design of an education programme to support a declaration, it is necessary to reveal and question assumptions about causality.

The power of declarations lies in developing the capacity to take action to make them valid. Without that capacity they are not only meaningless but can diminish the trust that customers, employees, suppliers, etc., have in the organization's leadership. For this reason, design of education around the declarations of the organization provides a very powerful focus for any set of programmes. It requires that we have an explicit understanding of the declaration that the leadership is making. Determining which declarations leadership sincerely and passionately commit themselves to is of central importance in the design of an education intervention.

New Standards of Performance

A natural question following a new declaration is: What standards will we use to measure our performance? We have to identify rigorous standards of performance which make it possible to operationalize our new declarations. *Otherwise, we simply hope our declarations show up as if by magic.* What is it that managers will have to start doing, or do more competently, in order to make these declarations true? How do the new declarations differ from those made in the past?

New standards of performance are often left unspecified or articulated so generally that they are of no value for design. For example, the declaration "We will manage more strategically" provides little or no direction for design. We need to know what strategic management looks like in action. Another breakdown with standards of performance is that they are only included at the level of outcomes. "We will increase our ROE by three points" is a measurable outcome, but provides little or no direction unless we know what actions we

take that impact on ROE. To most managers in large organizations, how to make an impact on ROE is a mystery. Rigour is required for setting effective standards of performance, but it is important to avoid confusing rigour with measurement. A rigorous standard of performance simply allows managers to know whether the actions they are taking are appropriate for producing intended results. Quantification will suffice where direct measurement is not possible. The only constraint is that those who do the quantifying are competent to make the judgement.

If the commitment is to manage strategically, what specifically was missing that caused the leadership of the organization to be concerned about strategic management? Using the declaration of strategic management as an example, the following questions can be useful in designing new standards:

- (1) What assessments preceded the conclusion that you need to manage more strategically?
- (2) How do you know you need to manage more strategically?
- (3) If your declaration succeeds, how will you, your employees, your customers, and others know that it has succeeded?

These questions reveal inadequate standards of performance and can sometimes lead to identification of an even more powerful declaration of future possibilities for the organization.

Assessment of Current Capacity

The next stage in the model is the assessment of the current capacity of managers to meet new standards of performance. This is traditionally referred to as a needs assessment. It is rarely focused on linking specific management performance standards to a new declaration. It is more likely to be a broad-based questionnaire or open-ended interview asking managers to provide a self-report on what they believe they need to know in order to do their jobs more effectively. This approach leads to many breakdowns. First, it presupposes that managers *know what they do not know*, i.e. that they are *not* blind to the limits of the capacity to take effective action within the organization. This can be a valid assumption in a limited number of areas. Non-financial managers often say they would like more knowledge in the area of finance. Finance people might say they want more information about marketing, etc. But frequently there are areas in which the manager must take action but does not know what he or she does not know. The needs assessment is then automatically invalid.

The risk of focusing on what may be currently missing, rather than anticipating future needs, is a second concern in the area of needs assessment and is of crucial importance. If the declaration is "To become more strategic in our approach to management", by implication the organization is probably driven by day-to-day operations or is internally focused. This suggests that it may be a challenge for managers to anticipate future organizational capabilities.

A third concern in the area of needs assessment is that, even when aware, managers may resist revealing what they do not know or what they believe they

need to know. It is generally not acceptable for managers to talk about what they do not know. After all, most of us have learned that it is better to have answers than to generate more questions. Revealing doubts about our own capabilities may be interpreted as weakness.

We have found that these three sources of invalidity can be reduced by entering into speculative conversations with a manager or a group of managers about what competences must exist in an organization in order to fulfil a particular declaration. It is then possible to speculate about how education might address the development of those new competences. This process makes the issues less personal and places it in the area of future possibilities rather than past mistakes or incompetences.

Anticipating Breakdowns in Programme Design

At this stage, we are ready to design our education programme. The design process has several pitfalls. Many of us have strong opinions about education and management that can influence the chosen design. It is important that the presuppositions of the design team are revealed prior to beginning the design process. This can be accomplished by pursuing serious answers to the questions:

- (1) What is a manager?
- (2) What is learning?
- (3) What is a strategic manager?

Sometimes the answers to these questions can be surprising — *even to the respondent*. Sharing our presuppositions allows us to create the shared understanding necessary for the design process.

Earlier we articulated our belief that managers were created to produce co-ordinated action within an organization. We also stated that we consider learning to have taken place when a person's or an organization's capacity to take effective action has increased over some period of time. The *learning individual* and the *learning organization* are moving away from obsolescence. We consider change to be a permanent condition of living, obsolescence the consequence of change, and learning the antidote to obsolescence. Our conclusion is that learning is a fundamental competence that individuals and organizations must possess for survival.

Establishing Conditions for Effective Learning

In this section several conditions for effective learning are proposed.

Reduce the Content in Educational Programmes

We tend to place excessive focus on content in educational programmes and spend too little time on the context of the manager's decision making. Learning requires reflection on fundamental assumptions and future possibilities. By content, we mean information, details, frameworks, procedures. Content usually pertains to how to do something — increase quality, improve customer service, increase profits, achieve greater market share. In our experience, management education programmes, particularly those designed for senior managers, tend

to follow university models and consist primarily of content with few opportunities to practise new actions, speculate about future possibilities, or question our own presuppositions. We believe content should be no more than 50 per cent of a programme and probably even less, with the balance consisting of speculation within the context of the organization's issues. Re-creating an organization's context through customized case studies and simulations provides opportunities to practise new actions and test assumptions, i.e. to speculate.

Speculation focuses on the question of what we should be doing. In management education speculation is a way to approach questions such as: What is quality or customer service for our business? What are the sources of profitability and market share? How do we know that? Speculation is a way to uncover and channel the shared knowledge that managers already possess. Content may also reveal new possibilities for action, but it does not typically question if these actions are consistent with the declarations of senior management in this area. If you intend to increase competence in the area of strategic management, *content* will not produce the intended results.

In Order to Learn We Must be Willing to Acknowledge that We May Not Know
The presupposition here is that we cannot learn if we are already convinced that we know. The first steps in the process of learning are the acknowledgements that we may not know, someone else may have a different and valuable perspective to offer, and we are willing to learn what they know.

An Area of Concern Must be Specified

What is it we intend to change as a result of this programme? Do we want more effective strategies? Better co-ordination? Higher profits? Greater market share? More satisfied employees? At most, one or two of these can be pursued in a management education programme. Pursuit of all of them may only serve to reveal a manager's blind spots — what the manager "does not know he or she does not know". This, of course, can be an important outcome, but too broad a focus will not produce new organizational capabilities.

Standards of Performance are Required

Even if the first three conditions are present, adequate standards of performance are frequently missing. All participants may know is that they are supposed to do something "better". In the worst case, they assume they are being sent to a programme to be "fixed". This is quite different from leaving a programme with an assessment such as: Our company has declared a new strategy of customer service. Our traditional approaches to co-ordination and delivery of services to our customers do not produce the level of satisfaction we want our customers to report. Together, we will invent new approaches to co-ordination which will eliminate the top five complaints that our customers now have about our service delivery.

This type of assessment drives us to develop new standards of performance for producing competence.

Provide Opportunities to Practise New Actions

Traditionally, management education provides few opportunities to practise new actions. When we do have opportunities to practise new actions, the scenario is substantially removed from a manager's everyday context. To re-create the managerial context, case studies are a beginning, simulations move us further towards action, and on-the-job coaching is best. We can give people texts, cases, notes and lectures about something, but it does not mean they know how to do it. Practice is missing. When we practise behaviours outside the normal operating context, we may not be able to reproduce these new behaviours back on the job. What is needed is contextual practice. When we learn to drive a car or fly a plane we mix classroom time with real or simulated practice. We require this in part because of the potentially extreme consequences of incompetence in driving a car or flying a plane. In the area of management, where our primary concerns are productivity and taking care of others, we do not have any standard practices for learning which require recurrent contextual practice, although the negative consequences of incompetence may be substantial. Building practice into an educational programme is essential to developing new behaviours. Simulations with extensive feedback and coaching offer one solution to the dilemma of action within context.

In designing management education programmes, it is important to create a context that is:

- (1) relevant for participating managers;
- (2) focuses the programme on realizing the declarations of senior management.

In the case study that follows we illustrate the practices that we followed to design management education programmes for Allstate Insurance.

**Procedures for the Design of a Management Education Programme:
A Case Study**

Allstate Insurance Company, a large multi-line underwriter, approached us to design management education programmes for the three most senior levels of management in the corporation. The nature of their request was preventive. They were performing effectively in the marketplace, recognized a number of changes occurring, and sought to increase the competence of the management team by shifting from an internal operational focus to a strategic focus. In fact, the shift from an internal to a strategic focus was their primary declaration of what they intended to accomplish with the management education activities.

The leadership of the corporation had made the assessment that survival in the 1990s and beyond would require that they do things "very differently" than they had been. The organization was built upon a tradition of promoting from within and rewarding people for tenure with the company. They had a loyal core of managers at all levels committed to the organization and supportive of the organization's senior leadership.

The senior manager who initially contacted us was one of the first officer level managers to be hired from outside the organization. His personal declaration

was to drive an external perspective deeper into the organization in a way that would generate a more effective and unified response to the marketplace.

Beginning the Design Process

The design process was based on their declaration that survival would require doing things “very differently” than they had in the past. Though it was not clear yet what “very differently” meant, we were all convinced that it would require a different set of commitments and actions on the part of Allstate managers. Initially, company leaders made two assessments that influenced programme design:

- (1) We need to know more about what is going on in the marketplace and what approaches our competitors might take in the future. Our success has isolated us. We know “our” way, but are not sure of where competitors, customers and consumers may be heading in the future in this industry.
- (2) We need to improve our capabilities to work as an integrated team serving our customers. We have been taught to achieve individual goals and status. Perhaps we need to do more to improve team performance. The differentiation between functional units has made it increasingly difficult for us to have conversations with each other, much less work together on projects.

A large number of managers throughout the organization were invited to gather their perspectives on the changes that were occurring, what capabilities might be needed for the future, what capabilities might be missing now, and how they thought the organization could get from here to there. A key question was: If, as a manager, you are managing for the long term, are market- and customer-driven, seeking sustainable competitive advantage, and want to learn to be proactive, what can we provide in the area of management education that will improve your effectiveness? This question generated responses that were consistent with our initial proposal and the recommendations of senior management. The broad categories that emerged as critical again and again were:

- (1) *Strategic thinking*: How do we develop a strategy and implement it? How do we use the strategy to set priorities for all of our managers and staff?
- (2) *Service marketing*: Who in the area of services has used the discipline of marketing effectively to target markets and to effectively identify and meet the needs of their customers? What lessons are available to us?
- (3) *Team building*: How can we break down the functional smokestacks that evolved in our company’s (and industry’s) history? We need to develop ways to communicate with others outside our functional area. Our biggest concerns about customer service are concerns about breakdowns in collaboration among functions.
- (4) *Finance and accounting*: What do I need to know to be able to assess whether my department or the organization is doing well? How can I

assess that our performance is deteriorating? What are the levers available operationally to improve my performance according to critical performance ratios?

- (5) *Personal management effectiveness*: Why do I have a difficult time coordinating action with some members of my staff or some members of senior management? How can I effectively present my opinions? How can I respond more effectively to the concerns of others? What are my blind spots and where do I need to develop colleagues who are better at analysing the situation?
- (6) *Future trends*: What are the trends in this industry for the future? Are there trends in place that should have an impact on what we are doing right now? What are our competitors doing? Where will the growth markets be in the next decade? What offers can we make that will be attractive to the consumer in the 1990s? How do we retain our current customers? How are their lives changing and what can we do to help?
- (7) How do we translate learning into new practices and more effective action? We need opportunities to work with other functional areas, to examine the relationship between different variables and financial ratios and measures. How do I design products and services to appeal to different market segments? What do they value? Can we reflect together about what is urgently needed in our organization?

The design team, consisting of corporate members and our staff, began with a serious exploration of how to include these content areas in a week-long programme. These managers had been exposed to very little company-based management education in the past and it was important that the programme provide a fundamental understanding of the basic disciplines of management. It was equally important that they learn new ways to work with colleagues outside their functional areas and that they develop an organizational rather than functional perspective. The objective was to transform functional managers into managers dedicated to becoming strategic managers — in short, managers observing the world through the eyes of a designer of future conditions, not just as interpreter of present conditions.

The approach for Allstate management education was to begin with a mid-level management course. The majority of managers in the organization are at this level and an increased capacity to manage strategically would have the most immediate impact through this audience. Programmes for the officer level and board level of management followed.

The officer-level course was an elaboration on the design of the one-week mid-level course and included two one-week sessions separated by a month. Since the officers are, in a sense, an intact work group who have an impact on many of the major policy decisions of the organization, the areas of strategy formulation and strategy implementation were emphasized. Dialogue, discussion and team sessions account for most of the programme.

Participants in the management and officer-level programmes requested that what they learned be delivered to the most senior leadership in the organization,

i.e. the board. “To act on what I now know requires the commitment, support and understanding of our top level of leadership”. A series of one- and two-day sessions for the board-level managers are presently being delivered.

To date, only 50 per cent of the mid-level manager targeted audience have participated in the management programme, but many new conversations are taking place in the organization. The management education programmes have served as a catalyst for change. It has been gratifying to observe the changes taking place in an organization that, in its own words, was considered “complacent and conservative”. New initiatives are taking place in the areas of quality, customer service, market research, distribution, systems technology and human resources practices. Opportunities to reflect on the future together and to explore new possibilities have produced a different organizational culture in the past three years — one well on its way to doing things “very differently”.