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Review Article

Strategic Innovation: Statements of the Art or in Search of a Chimera?

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Rejuvenating the Mature Business: The Competitive Challenge. By Charles Baden-Fuller and John M. Stopford. 1994, Boston: Harvard Business School Press, 281 pp., $27.95.[3]

Business Process Analysis. By Geoffrey Darnton with Moksha Darnton. 1997, London: International Thomson Business Press, 311 pp., £25.99 Sterling.

Leading Change. By John P. Kotter. Boston: Harvard Business School Press, 224 pp., $24.95.

Mobilizing the Organization: Bringing Strategy to Life. By George Litwin, John Bray, and Kathleen Lusk Brooke. 1996, London: Prentice Hall, 301 pp., £18.95 Sterling.

Broken Promises: An Unconventional View of What Went Wrong at IBM. By D. Quinn Mills and G. Bruce Friesen. 1996, Boston: Harvard Business School Press, 210 pp., $22.95.

Organizational Learning and Competitive Advantage. Edited by Bertrand Moingeon and Amy Edmondson. 1996, London: Sage, 229 pp., £13.99 Sterling.

The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation. By Ikujiro Nonaka and Hirotaka Takeuchi. 1995, New York: Oxford University Press, 284 pp., $25.00.

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[3]Available in an earlier edition as *Rejuvenating the mature business: The competitive challenge*. London: Routledge, 1992.

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Strategic Learning and Knowledge Management. Edited by Ron Sanchez and Aimé Heene. 1997, Chichester: Wiley, 235 pp., £27.50 Sterling.

Winning Through Innovation: A Practical Guide to Leading Organizational Change and Renewal. By Michael L. Tushman and Charles A. O'Reilly III. 1996, Boston: Harvard Business School Press, 256 pp., $24.95.

Scenarios: The Art of Strategic Conversation. By Kees Van der Heijden. 1996, Chichester: Wiley, 305 pp., £19.99 Sterling.

INTRODUCTION

Questions of how and why firms can be strategically innovative are related to the more general questions of how and why firms differ in practice. Illuminating, if partial replies to these questions are emerging from multiple perspectives on the resource-based theory of the firm (e.g., Carroll, 1993; Fiol, 1991; Nelson, 1991; Wernerfelt, 1984). However, resource-based theorizing has typically not been concerned with the practicalities of *managing* effective, innovative organizations. In contrast, the ten books selected here do claim to offer "cutting edge" ideas about maximising strategic advantage via innovative management approaches. Their prescriptions draw in varying degrees on theory and empirical observation, though their styles differ markedly. Several works also emphasize the strategic value of managing the acquisition and application of knowledge and thus of organizational learning. Many of the authors have international reputations, their publishers are heavyweights in the management field; so readers—practitioners, consultants, and academics alike—should take their claims seriously.

Accordingly, I aim to convey the flavor of each offering and its insights on the theme of managing strategic innovation and change. I conclude the review with some observations on this theme and on the state of strategy scholarship which these texts exemplify. For expositional convenience, I consider the books in groups. The first group comprises three works concerned particularly with the strategic management of the enterprise in its hostile, competitive environment. Failure to manage the firm–environment interface effectively is a major reason for absolute or comparative decline. Such decline may prompt turnaround or rejuvenation strategies motivated by perceptions of threat and crisis, a largely reactive genesis of strategic innovation. The second group of books pays less attention to the competitive environment. Instead they concentrate on the management of change initiatives, galvanized variously by heroic, inspirational leaders, product champions, organization development (O.D.) consultants, and business process analysts. The third group of books explores the role of knowledge creation and application to sustain and enhance the competitiveness of the innovative firm. Two of these books are collected readings with an academic orientation, whereas all the others have a broader readership in mind.

THE ENTERPRISE IN CONTEXT

Kees van der Heijden's (1996) book has a superb title: *Scenarios: The art of strategic conversation* and a dust jacket to match! Though I might wish the book were "written shorter," a criticism by no means confined to van der Heijden, I recommend it to serious readers, academic or practitioner. The book addresses strategic innovation indirectly, using the concept of the learning cycle to explain and prescribe actions to sustain the effectiveness of large, mature organizations. The core thesis is that imaginative thinking and genuinely interactive debate prompt high quality strategies. The author styles this collective managerial process "strategic conversation," mirroring observations found elsewhere about the importance of dialogue (e.g., von Krogh et al., 1996, p. 171). Van der Heijden details important propositions about how "strategic conversation" helps managers to sustain competitive advantage. They should first identify their firm's essential business idea. They should establish multiple, plausible futures (scenarios) with which the idea may have to cope. They should then assess the robustness of current and emergent strategies in relation to these scenarios and finally, if they judge it to be necessary, they should refine, redefine, or radicalize the idea.

Shell in the early 1970s provides a persuasive illustration. A new (and evidently dissident) internal scenario posited that crude oil prices could explode from $2 to $12 per barrel. This scenario appeared highly improbable to most senior managers at that time. Nonetheless, the scenario prompted analysts to anticipate that a major investment in new catalytic cracking capacity could yield an excellent return in the event of a dramatic future price hike. Even more significantly, their analysis showed that the investment would not lose money even if prices remained relatively stable. To make the investment was therefore less risky than was initially supposed. This controversial scenario therefore became a trigger for action.

Van der Heijden's claims for the utility of the scenario approach are impressive. But for managers to evoke extraordinary, galvanizing scenarios they must be individuals who can think the unthinkable and then be able to articulate its implications with conviction. These exceptional people are needed in influential positions, though outsiders unburdened by the baggage of local culture, assumptions, and hierarchy are sometimes better placed to create such scenarios. Still, according to van der Heijden, the process of strategic conversation works best when it has become institutionalized, hence second nature. Moreover, the author suggests that scenarios stimulate middle managers and technical staff to think strategically, and contribute to scenario development and revision.

A difficulty, however, is that a highly orchestrated approach may dampen creative spontaneity. Moreover, can the firm maintain requisite variety of high quality, collective thinking yet avoid either "groupthink" or divergent, even irreconcilable interpretations (Janis, 1972; Nonaka & Takeuchi, 1995, p. 86; Schwenk, 1986)? Will line managers be committed to an institutionalized process in which specialist scenario planners play a significant part, especially when "very few of the strategic options pursued by organizations are normally generated in formal management meetings?" Most fundamentally of all, is it possible to construct scenarios which are simple enough to be widely communicated and understood, yet sophisticated enough to withstand critical analysis? It is somewhat difficult to reconcile descriptions of scenario planning as artful strategic conversation and as a formalized process, "a natural thinking tool." Perhaps this contrast illustrates the difference between organizational "know-how"—the mechanics of scenario planning and "know-what" (Sanchez & Heene, 1997, p. 179)—the capacity to think purposefully beyond conventional bounds.

In *Broken promises: An unconventional view of what went wrong at IBM,* Mills and Friesen (1996) approach strategic innovation from the opposite direction, namely, the barriers to continued innovativeness faced by large firms (they do not come much bigger than *Big Blue!*). The book offers a lucid and readable account of IBM's failure to keep pace with the changing computer industry in the 1980s and early 1990s, based on the authors' in-company fieldwork and secondary data. Adopting a longitudinal perspective, they argue that IBM has always been a market-oriented *service* business. Given the nature of the computer industry, IBM has experienced long cycles of incremental growth punctuated by revolutionary technological change. Discontinuities have invariably been difficult to manage through; IBM's top management has in effect been required to "bet the company" on each emerging technological paradigm.

IBM's apparent slowness to recognize the paradigm shift from central mainframes to PCs and networked systems underlines the potential of scenario development to explore innovation imperatives in uncertain futures. The authors concur with van der Heijden that when a firm stays close to its customers it has the best view of what constitutes value and therefore what future change directions are likely to be fruitful. However, their most compelling insights concern the demands on IBM's senior managers made by a giant organization which at its zenith employed over four hundred thousand staff. Above all, its managers have needed to reconcile competing, apparently inimical, hence, paradoxical priorities. For example, could increasingly decentralized, operational decision making (to respond faster to market needs in the 1990s) remain consistent with a centralized, integrative and visionary approach to strategy? To what degree should a Japanese-like bureaucracy (which the authors claim had institutionalized constructive debate and historically had enabled critical consensus to emerge on key issues) be dismantled on the grounds that it also discouraged innovation, entrepreneurship, and risk taking? Could IBM sustain a work environment that would balance teamwork with personal initiative, and allow highly motivated individuals to feel secure and be well-rewarded for excellent performance, yet be a work environment that would also ruthlessly weed out marginal performers?

Mills and Friesen have identified a major catalogue of dilemmas faced by IBM in its current quest for rejuvenation, though these dilemmas remain at best partially resolved. As the authors conclude, "this book has been a tale of IBM's problems. Its transformation will be another story." Thus, the book provides ample warnings for CEOs in other large and stagnant organizations. It finishes on a moderately optimistic note but suggests that IBM's options are probably now limited either to cautious incremental decline or once again betting the company on a new strategic direction. In this respect, as elsewhere in the book, the arguments are generally plausible, though some observations are controversial—in what sense are Microsoft and Intel, for example, *niche players* today?

In *Rejuvenating the mature business*, Baden-Fuller and Stopford (1992, 1994) also tackle the problem of transforming the mature enterprise. Mature is arguably a euphemism for ailing; rejuvenating for turnaround. Only in the concluding chapter do they address the challenge for a newly-revitalized firm to sustain strategic innovation. The text draws on their own and others' research into competitiveness and performance improvement, interweaving description and prescription as it proceeds. There are important messages: innovativeness is a function of the firm and its people, not the sector they happen to compete in. Being different, changing the rules of the game, requires a determined, inquiring and nondogmatic collective mindset. Everyone must be willing to challenge traditional assumptions about how things are best done. In particular, managers must challenge taken-for-granted compromises such as the assumption that increased variety of output is incompatible with low unit cost.

Every initiative with the potential to create a growing, satisfied customer base (and, hence, future competitive advantage) should be considered seriously. According to circumstance—successful strategies are always particular to context—innovative strategies encompass many aspects including informal experimentation, enhanced quality via zero defects, internal restructuring, improved communications, listening systematically to outsiders, external alliances, mergers, and acquisitions. During turnaround, the authors say, effective innovation initiatives are (and should be) typically modest in scale though cumulative in impact. As they take effect and confidence grows, more ambitious innovations can be implemented. No initiative, however, should be so ambitious or risky as to lead the top team to "bet the firm" on its success (shades of IBM?). Prescriptions for longer-term innovativeness include calls to upgrade and extend the application of skills and competences (stretching and leveraging), allowing firms to occupy highly defensible competitive positions.

The authors endorse organizational innovations often attributed to the Japanese. These include parsimony—flatter structures, higher productivity by using less of the firm's scarce, but vital resources per unit of output, working closely with customers, and promoting a coherent, consensual, but noncomplacent understanding of the intended strategic direction. Cost reduction is *always* a priority, though it should never override other customer priorities of quality, variety, and speed of response. Baden-Fuller and Stopford emphasize that continuing innovation requires enthusiasm and vitality in the firm, not least by ensuring that those who contribute to corporate success also benefit personally from that success. They cite many examples of successful strategic innovation, while reminding us that no organization has a divine right to survive and persist (though some organizations evidently contrive this illusion, Meyer & Zucker, 1989).

FURTHER REVELATIONS FROM INSIDE THE "BLACK BOX"

The second group of books focuses on the management processes underpinning innovative strategic change. Four books explore various themes including leadership and championing behavior, organization development initiatives, and business process analysis. In *Winning through innovation,* Tushman and O'Reilly's (1996) starting point is that of Baden-Fuller and Stopford: the challenge of rejuvenating the mature, conservative firm. The authors describe how established firms with a successful record are often reluctant to respond to technologically-driven, external pressures until a real or perceived crisis is forced upon them. The chapters reflect the authors' respective interests, alternating between macro-organizational analysis and the micro-level of the team, work group, and individual. The pervading thesis is that how strategy is implemented is at least as important as strategy conception. They develop prescriptive arguments about how to implement turnarounds by means of effective leadership styles and culture control. Ideally, the outcome will be the "ambidextrous organization" capable of implementing the dual agendas of short-run efficiency and long-run effectiveness. This it does by sustaining concurrent streams of incremental and fundamental innovation (architectural and revolutionary, respectively, to use the authors' terms). However, we are told little about how this can be achieved in practice. It may be that truly ambidextrous enterprises regard this achievement as a core or meta-competence which they are understandably reluctant to reveal to outsiders, while others are willing to take the credit for turnarounds before we find out if they are truly sustainable.

Tushman and O'Reilly's book is clearly written and very readable. It summarizes key lessons about change management and there are many good ideas and cameos, including some from their own research and consultancy. For these reasons, it could prove genuinely insightful to those who rarely read management texts. Yet I expected more from these eminent authors. They could have given us a more a more reflective, contingent analysis. For example, consider the claim that an effective innovation strategy depends more on leadership qualities and organizational capabilities than on technological prowess. This cannot be *universally* true, and in any event a definition of organizational capability that excludes technological prowess is surely too narrow. The serious strategic innovation student should consider an alternative source, e.g., Tushman and Anderson (1997), a collection of readings which covers more ground and arguably offers better value.

The books by Baden-Fuller and Stopford and by Tushman and O'Reilly both support the view that strategy formulation and implementation are inseparable in reality. John Kotter would presumably agree, but in *Leading change*, Kotter (1996) addressing primarily practitioners, concentrates on the implementation of the "dominant strategic vision." The book is a resumé of the arguments which, mapped out consistently over time, have laid Kotter's claim to *guru* status. Many readers will recognize his distinction between *leadership,* a visionary strategic function (though not necessarily confined to the senior management team) and *management,* a function concerned with implementing these visions and strategies. The text addresses the management of transformation incisively and credibly. To do so, it offers a somewhat simplistic eight-stage, quasilinear process model, though the author acknowledges its limitations as a representation of a highly complex reality.

Kotter argues that, as successful organizations mature, their people become change averse. When they are required to implement transformational rather than incremental change to meet the challenge of new and increasingly global competition, they find it highly problematic. His prescriptions for resolving such difficulties do not depart markedly from those advanced by Baden-Fuller and Stopford and by Tushman and O'Reilly, though he does address the question of whether and how firms can avoid the familiar strategic continuity-and-change syndrome (e.g., Pettigrew, 1985). His effective firm of the twenty-first century conforms to well-rehearsed prescriptions for flattening, simplifying, enhancing responsiveness, getting the right mix of leadership and management skills, and enriching the information base. Beyond this, he has little to say about how effective leaders envision robust, innovative strategies. Here, as in some of the other books, we are offered the sense of a (generally senior) Moses figure saying: "this is the way forward, this is my big idea, trust me: if I'm wrong I'll carry the can . . . ." If this caricature contains even a grain of truth, it is hardly surprising if those in the engine room of the organization will utter a hollow, private laugh and carry on much as before.

Still, Kotter's book is a good example of *genre*. I cannot say the same of *Mobilizing the organization. Bringing strategy to life,* by Litwin, Bray, and Lusk Brooke (1996). The authors are experienced change management consultants whose agenda mirrors that of Kotter from an organization development perspective. The authors' shared mental model of "bringing strategy to life" reflects their experiences in facilitating turnaround strategies inspired from the top down; the subtext is a thinly disguised sales pitch. Their book adds only modestly to an extensive and familiar literature on politicized and interventionist approaches to managing strategic change (e.g., Johnson, 1987; Mangham, 1988; Normann, 1977; Quinn, 1980; Tichy, 1983). Still, they do present some relevant, moderately detailed case studies of change management in practice. These feature well-known, mostly British corporations including British Airways (interested readers may also be aware of Gregory, 1994, which provides a fascinating counterpoint). Sadly, *Mobilizing the organization* lacks firm editorial coordination. It is evidently the product of multiple authorship; this could have been a major strength if the authors' differing perspectives had been articulated to good purpose. As it is, most chapters have been written seemingly without much awareness of what was to precede and follow it. Despite the authors' claim to broad appeal, the book's most likely buyers will be OD specialists and HRM directors who contemplate using them.

Litwin et al. are at pains to present their approach as highly systematic—they use the word *scientific* quite often. In *Business process analysis* (Darnton with Darnton, 1997), the authors express their desire to articulate a systematic and professional approach to transforming the efficiency and effectiveness of the enterprise. The book can be seen as a manifesto for the development of the profession of business process analysis and redesign (BPAR). The Darntons say: "What we have to offer is the result of coming to terms with the techniques, skills and methods that are required by business process analysts . . ." They justify the need for this inquiry process because they have found that these skills are not commonly exercised: ". . . recommendations for business process change are more likely to be vague and intuitive than . . . based on sound analysis." Their detailed arguments are a reaction against lofty texts on business process reengineering, a term the authors reject. Hyperbole is absent. They develop their material deliberately to the point of being pedantic—which they acknowledge.

A business process converts inputs into outputs, adding value for the enterprise's clientele and other stakeholders. Process innovation, whether technological or administrative, is potentially as significant for strategic competitiveness as new product or market development. BPAR identifies core processes with a view to increasing the output value per unit of input—by simplification, by elimination of wasteful or redundant activities, and by enhancing output quality and reliability. The Darntons observe that despite exhortations by leading figures to use BPAR for radical change, in their own experience most existing processes are necessarily retained. Thus, they echo Tushman and O'Reilly (1996) in that they suggest that *amending* the architecture of business processes is much easier than effecting radical redesign. Given its style and content, *Business process analysis* is probably a book that few chief executives and senior functional heads will read. This is a pity because *inter alia* it reviews the approaches to and skills required for BPAR, as well as the expected payoffs. There are some intriguing aphorisms such as: "we recommend that BPAR is viewed as an ongoing strategic service to the enterprise" and "a modern paradox in organizational design is how to create the most suitable context for the servants [sic] to develop the skills of being creative, innovative and entrepreneurial." The former implies that process innovation is better achieved via systematic BPAR than intuitive fiat and, more fundamentally, that the innovative firm should develop BPAR skills as a core competence. But they offer a caveat too: "we have not yet seen any good examples . . . showing how to build up and exploit deep knowledge and competency [of the enterprise]." So the firm may have great difficulty incorporating distinctive, firm-specific knowledge into enhanced organizational routines via formal BPAR activities.

KNOWING ME, KNOWING US . . .

The third group of books examines the links between innovation, knowledge, and competence. Nonaka and Takouchi's (1995) book, *The knowledge-creating company* asks how effective companies create and exploit idiosyncratic knowledge, building an iterative learning cycle or spiral analogous to the personal "learning loop" (Kolb et al., 1984, p. 32). Nonaka and Takeuchi note: "the essence of strategy lies in developing the organizational capability to acquire, create, accumulate and exploit the knowledge domain." Top managers in particular (but also middle mangers) have the duty to create and communicate a knowledge vision within their organization, for knowledge creation is synonymous with innovativeness and "the new product development process happens to be the core process for creating new organizational knowledge."

Accordingly, Nonaka and Takeuchi focus their book on product and technological process innovation. They give a fascinating account of knowledge development and exploitation, mostly in Japanese firms. Their examples of innovation have more depth than those in, for instance, Baden-Fuller and Stopford's book, and they are supplemented with extensive theoretical elaboration. Stripped of abstractions, their core argument is that innovative firms exhibit characteristic mechanisms and structures which enable them to create and exploit new knowledge. These firms reconcile priorities and imperatives that others would see as conflicting, for example, recognizing and exploiting the complementarity of tacit and explicit knowledge. Innovative firms, they say, combine analytical with intuitive approaches, personal freedom with group interaction and commitment, leanness and efficiency with redundancy in the deployment of scarce resources, and so on. Other propositions include an obsession with openness, sometimes through quite stylized interactions including off-site meetings outside working hours and a wealth of communication channels—formal and informal—within and beyond the firm. They have top managers who articulate challenging visions, but with sufficient ambiguity to encourage initiative and creativity in subordinates. They recognize the imagination and integration skills of middle managers and technical staff who mediate tacit and explicit knowledge in order to develop new knowledge. Innovative firms make flexible use of multidisciplinary taskforces and accord them the freedom to experiment and explore creative solutions to intractable problems. They share a sense of urgency and crisis in pursuit of important objectives. They also believe in the strategic significance of job rotation, especially for those young and able enough to exploit the learning potential of boundary-spanning roles.

I would be surprised if these propositions—and others—did not apply to almost all innovative firms. My reading of Nonaka and Takeuchi's examples, admittedly from a Western perspective, suggests that innovative Japanese firms devote extensive resources to projects; they form large, well coordinated teams, and they second staff to key markets to gain first-hand knowledge. The exemplar firms are highly systematic in seeking to make intuitive, experiential knowledge explicit and to diffuse it more widely in the enterprise. They manifest objective, rational thinking about new product benefits and specifications, and they evolve clear perceptions of core skill areas on which to build future advantage. Moreover, these firms have pragmatic, results-oriented cultures where respect for individual contributions engenders a constructive mutuality between the firm and its employees and where the motivational impact of "little wins" in anticipation of bigger ones is well understood and exploited.

All in all, this book is another that could have been "written shorter," but it is one I recommend nonetheless.

The last two books in this selection also examine strategic competitive advantage through the lens of organizational learning. Both are collections of papers from an eclectic mix of academic researchers, consultants, and practitioners. Their central theses are that by managing and exploiting current knowledge, managers develop distinctive and valuable organizational competences which underpin future competitive advantage. The emergence of ideas about knowledge, competences, learning, and competitive advantage constitutes a significant development in the strategy literature, introducing a more dynamic perspective that is consistent with the emphasis in resource-based theorizing on developing and exploiting unique resources, routines, and (often tacit, idiosyncratic) personal skills.

In the prologue to *Organizational learning and competitive advantage* edited by Moingeon and Edmondson (1996), Argyris reminds us of the distinction between single loop (adaptive) learning and double loop (meta) learning. The editors present this distinction as between "learning how"—incremental recipe development—and "learning why"—exposing and understanding causal relationships through sophisticated diagnosis. In practice, these modes are not always separable, though one may contribute more than the other to the creation of advantage in context.

In Chapter Two, DiBella et al. identify "learning orientations" that produce viable organizational learning styles and they explore factors that facilitate learning. Spender then highlights the complexity of competitive situations where multiple forms of knowledge are in play (tacit/explicit and individual/shared knowledge). In Chapter Four, Baumard integrates Spender's ideas with those of Nonaka (Nonaka, 1991; Nonaka & Takeuchi, 1995), and illustrates how knowledge changes form and the inferences to be drawn from such changes. Nanda then conceptualizes the links between organizational knowledge and the resources and competences relevant to strategic innovation. He reminds us that the resource-based view recognizes competition in both product and factor (input) markets and of the importance of cumulative, firm-specific investments in tangible and intangible assets. Moreover, since core competences are the product of cumulative endeavor, they are difficult to revise rapidly and, hence, are sources of both advantage and constraint on future action. Andreu and Ciborra examine core capabilities through the strategic applications of information technology.

Collis argues rigorously and in somewhat arcane language that organizational capability (dynamic enhancement routines) can be an independent source of profit. His broad claim may seem uncontroversial, but his detailed thesis addresses strategically important issues. Beer et al. equate failures of organizational innovation with inferior capability to *implement* new strategies and they advocate an analytical process to overcome inertial and other organizational barriers. Ambitiously, Orton attempts to summarize the *oeuvre* of Karl Weick with particular reference to "reorganizational learning." His review is a useful summary, though readers may regret the lack of examples. Finally, Phills examines the barriers to strategic change as seen by external consultants. Regrettably, their views are not contrasted with those of the executives involved.

Strategic learning and knowledge management, edited by Sanchez and Heene (1997), also seeks to integrate various perspectives on learning, knowledge creation/exploitation, and core competences. Part of a suite of publications endorsed by the Strategic Management Society, it is better focused and cross-referenced than Moingeon and Edmondson's book, albeit at the cost of some repetition and questionable sequencing of the papers. Following the editors' introduction, Lowendahl and Haanes argue that researchers should treat the organizational *activity* as the major unit of analysis, since a competence cannot be measured independently of its application (nor, presumably, can it be *developed* independently). Hall categorizes intangible assets, drawing on Boisot's (1986, 1995) social learning cycle, as do Boisot et al. in the next chapter. The latters' discussion of Courtauld's competences in fiber production is particularly insightful, as is Sanchez's later chapter in which he contrasts know-how, know-why, and know-that. These two chapters alone could justify purchase of the book for readers who have not previously encountered these ideas.

The remaining chapters are divided into empirical studies (by Wright, Klavans and Deeds, Post, and Lang) and further conceptual examination of core competences (by Sivula et al. and Quelin). Topics include competence development and valuation; competence extension across divisional boundaries and via external alliances; path dependency of competence development; tacit vs. explicit knowledge; the appropriation and protection of advantageous knowledge; and the efficacy of modularity in product and organization design as an aid to competence development. Klavans and Deeds' statistical study explores the links between technical and commercial capabilities in U.S. biotechnology start-up firms and the success of these firms in value creation. The papers in Sanchez and Heene (1997) open an important window on current academic and close-to-practitioner thinking about leveraging knowledge for innovative strategic management.

GENERALIZATIONS ABOUT INNOVATIVE STRATEGIC MANAGEMENT

I draw three conclusions from these books. Firstly, innovative strategic management, like core competence, is probably best regarded as a virtual entity. To use Mintzberg's (1985) terminology, it is a *realized* set of constructs. One implication is that actions to create novel products and technologies, and managerial and administrative routines will not necessarily succeed, given unpredictable future organizational and environmental contexts. Hence, strategic innovation requires vision, determination, risk taking, and luck at least as much as detailed planning. But if contingent, flexible approaches to strategizing are needed to cope with a turbulent and dynamic world as Van der Heijden (1996) and Post (in Sanchez & Heene, 1997) suggest, how are we to reconcile this implied reactivity with the notion of envisioned, deliberate innovation. It seems that strategic innovation is best realized as continuing, imaginative, and proactive organizational enhancement, not isolated, spasmodic change episodes. Furthermore, as Tushman and O'Reilly (1996) suggest, successes come from taking multiple, well-informed bets, that is, implementing parallel innovation streams, some of which will get results even as others fail.

Secondly, as Hampden-Turner (1990) observed, strategic innovation requires enterprises to accommodate and resolve multiple dilemmas. They must balance a variety of apparently conflicting outlooks and priorities; extreme postures and responses are almost *never* appropriate. These dilemmas include (no implied rank ordering of significance) the need to balance:

- Effectiveness (choice of domain and offerings) with efficiency (low cost, high service levels),
- Advantage from relative position (in markets and competitive standing) with advantage from unique assets and competences,
- Informed, once-in-a-generation bets on discontinuous change with continuing, low risk, incremental change,
- The development and protection of new (and potentially appreciating) knowledge with the exploitation of current (and potentially wasting) knowledge,
- Advantage from internal skills and assets with advantage from external sources of competence,
- Single-minded simplicity of approach with complexity and/or requisite variety,
- Respect for inspirational, intuitive, artful leadership with respect for grounded, analytical, scientific management,
- Centralized strategic direction with decentralized implementation initiatives, and
- Collective responsibility with personal autonomy.

Achieving a dynamic balance within and among these dilemmas is a high level organizational competence that requires sound judgment, adaptability, and a willingness to revisit past decisions.

Thirdly, the emerging perspective on creating and exploiting knowledge is potentially a most fruitful route to understanding strategic innovation, notably but not exclusively in so-called knowledge-intensive firms. For example, much has been made of the advantage-creating value of tacit knowledge. Spender (in Moingeon & Edmondson, 1996) and Nonaka and Takeuchi (1995) both highlight the value of *shared,* unarticulated knowledge. Conversely, Sanchez (Sanchez & Heene, 1997) observes that tacit personal knowledge is difficult to exploit organizationally and that even when clearly articulated it does not readily become shared property, hence it remains problematic for the firm—let alone for its competitors—to exploit. These observations express major differences of position which are difficult, but not impossible to research. At present, however, theoretical propositions require more careful thought and synthesis so that research hypotheses are better formed and testable. Nonetheless, we should be optimistic that this angle on strategic innovation will yield valuable insights from future research.

REFLECTIONS ON THE STATE OF STRATEGIC MANAGEMENT SCHOLARSHIP

These books claim to offer insights arising from empirical research on strategy and change via academic and clinical (consulting) studies. While acknowledging that they are not necessarily representative of current endeavor, they provide a window on the progress of strategic management scholarship.

Few of these studies conform rigorously to conventional methodological positions. By this I mean either hypothetico-deductive, generally statistical, and/or cross-sectional approaches using large samples, or inductive (inferential) approaches based on a single (or small number of) richly detailed, longitudinal case studies. The first approach is virtually absent here. Many of the authors draw on case studies, but few present particularized findings in convincing detail. Mills and Friesen, Post, and to a lesser degree Van der Heijden, and Nonaka and Takeuchi are exceptions. Many draw on multiple, but sketchy case examples whose provenance is unclear, and they cite instances that superficially "prove" the point rather than developing well-grounded arguments. Mere repetition does not validate a claim and in the absence of convincing empirical support, claims and categorizations sometimes appear little more than fashion statements. Initially, one accepts a claim on trust; after a while, trust gives way to skepticism, then disbelief and lack of interest. Indeed, when shorn of contextual detail, even quite profound insights may seem banal pronouncements.

Of course, by economizing on detail, authors contain the length of their books, a factor of no little importance to publishers. Paradoxically, then, most of the books are significantly longer than they needed to be. Of particular disappointment, too, they are often reluctant to advance claims and develop arguments that are adequately located in the relevant, extant literature. The inference is that authors and publishers should review the value added by a proposed new work more critically, to include the proper recycling and developing of extant ideas, integrating these with the author's own ideas in order to improve our collective appreciation of the outstanding current controversies, the implications for best practice, and suggest possible new directions for inquiry. It is to be hoped that commissioning editors will sometimes be willing to think beyond their apparently standard recipe for a successful management text: a catchy new phrase or concept; be first to market; above all, appeal to the airport bookstore clientele.

To summarize, then: ten books; multiple voices; various common themes; and promising, if underresearched perspectives that draw knowledge, learning, and strategic innovation closer together. If these books represent statements of the art, then the art still has a lot of development potential! Then again, if for now innovative strategic management is still something of a chimera, it remains in my view a quite fabulous beast worth continued tracking.

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