

Making strategy happen

The leader as a strategist in knowledge intensive companies

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Abstract

This paper investigate the leaders' role as strategists and addresses the issue on how strategic development processes should be organised, led and communicated in order to become positive and actual change activities. Based on data from an ongoing action research project, the paper explores the case of development of strategy and leadership in a medium sized knowledge intensive company. Through our intervention with the knowledge intensive company we experienced how different parts of the company differed in the way the members perceived and conceptualized the role of top management with regard to performing strategy and development. We recognized how organisational structures, responsibility and leader roles were viewed and considered differently from top management, the employees and the middle management. The arena where these differences became most evident was obviously the management meetings. Together with the company, we have looked at this arena aiming to improve and facilitate arenas for dialogues and negotiations, which seemed to play a crucial role in the process of strategizing. Our intention has been to unfold some of the mechanisms that constitute the strategic discussions and decisions in everyday managerial practice.

1. Introduction

Strategies do matter, whether they are set out by top management or are emerging from day to day work between knowledge workers and practitioners. Strategies, or discussions about strategies, can sometimes contribute to the mobilization of knowledge resources. They can bring valuable individuals in organisations together and stimulate actions of development and learning. However, we are continuously met by the challenge of how to manage and nurture “strategy processes”.

Top management driven strategic processes often fail to make the intended and desired impact on the activities needed to make the strategy actually happen (Mintzberg, 1985). This is especially evident in so called professional service firms, due to the nature of the products, practices and ‘production resources’ in these firms. Physical assets can hardly ever explain why such firms succeed or fail. The critical elements are different forms of knowledge, from conceptual insights, individual and collective work routines, to active communities of practice, customer relations, support systems etc. The product is often difficult to specify fully, as new knowledge is often being created in open ended processes (Alvesson 1995; Håkonsen and Carlsen 1999; Gjersvik and Blakstad 2004).

When knowledge has become the most critical resource (Blackler, F, 1995; Spender J.-C, 1996; Conner & Prahalad, 1996; Eisenhardt & Santos. 2002) and much of the power and strategic choices are embodied in the knowledge and the knowledge worker, one may argue that it is hard to employ any management strategy. In knowledge intensive companies, where the critical resources are less transparent and manageable, the leaders are challenged in conceptualizing and communicating their strategy process. We view strategy realisation in such companies as partly controlled by decisions in management and partly emerging through the distributed action and learning by experienced knowledge workers in their daily work (Nelson and Winther 1982, Wernerfelt 1984, Grant 1996, Løwendahl 1997).

Since responsibilities are distributed in practice, management cannot control them in a traditional or strict sense. However, formal strategy processes provide perspectives, set the course and are a basis for allocation of resources. But at the same time, we recognise most developments as results of emerging initiatives fed by enthusiasm and grown from combinations of internal knowledge and external possibilities. Moreover, we draw upon a micro perspective on strategy, focusing on everyday activities and practices (Johnson et.al., 2003). We give a perspective of strategic processes as arenas of discussions and negotiations between knowledge workers with insight, vision, capabilities, and distributed responsibility on the one hand, and management on the strategic level, whose job it is to intervene, correct, enhance and connect other resources on the other hand.

We do not conceive organisations as unified acting bodies that firmly adapt to top management driven strategic decisions. Strategy can neither be reduced to top down decision making nor can it be reduced to clever project management. Leaders are in great positions to meet these challenges and have impact on how strategic negotiations are being facilitated. They have the great potential of acting as strategists. We raise the question of how leaders relate to the concept and practice of strategy in a knowledge intensive company.

In this paper we present data from an ongoing action research (Greenwood & Levin, 1998; Gustavsen, 1985; Sen, Skaret & Roberts, 2001; Whyte, 1991) project with a medium sized professional service company. Firstly we present the company and the background of the research and development project. Then we introduce one major challenge that became evident during the development process and how we met this challenge. Our intention is to unfold some of the mechanisms that constitute the strategic discussions and decisions in everyday managerial practice. The paper provides insight into strategic discourses involving different groups of managers in one knowledge intensive company. We seek to explore the tensions and negotiations emerging from organisational practice. The paper contributes to a better and grounded understanding of the nature of such negotiated, organisational realities, and provides one approach to developing arenas for the different sense-making processes in the organisation. This includes making sense of the organisation's own strategic processes, and "making strategy happen" as a continuous process.

Hopefully, this paper will complement research such as single case studies done by Pettigrew's (1985), the study of managerial work by Mintzberg (1973) or strategy process studies (Chakravarthy & Lorange, 1991; Quinn, 1980), which have all provided substantially contributions to understanding strategy processes (Johnson et.al., 2003). Finally, by studying micro strategy and development in-depth, within a company, we may give insight based on how people engage in the doing of 'real work' (Cook and Brown, 1999, p.387; Jarzabkowski, 2003).

2. The medium sized professional service company

2.1 The company; BranchTech

The paper builds on data from an action research project in a professional service company with 170 employees. The company delivers contract research projects as well as model building and testing for customers, mostly from one particular industry. In this paper, we call the company BranchTech.

BranchTech consists of three departments and three major management levels, i.e. the top management level, the department level (middle management level) and the project level. In addition, the company has defined several critical processes, for instance the market process, business development, etc. Each of these processes is led by a "process owner".

BranchTech is basically a professional service company (Alvesson, 1995; Løwendahl, 2000; Maister, 1993). They provide the market with development of new technological solutions, with problem solving and analyses within defined areas of competence, and they build and test models in laboratory environment, to give their customers assessments and suggestions for improvements of new constructions and solutions before these are built in full scale. This means that BranchTech depends not only on researchers and their methodological and analytical skills, but also on cost effective production and testing of models.

In fall 2004 the CEO and the HR manager initiated a development process, and invited the authors, researchers within the field of knowledge management and organisational development, as external partners in the process. The starting point for the development work was primarily a general interest in organisational development and continuous improvement, but also with a clear idea of particular areas for improvement. One was on *development of leadership and management*, based on both a general concern that this area had received too little attention previously and because it obviously would be a need for a new generation of leaders at top and middle levels in the years to come. The second area of particular interest was *internal communication*. The organisation had 3 middle managers with operative responsibility for 160 people. This lean middle management level is obviously challenging, and vertical communication is one. Also, the people worked distributed on a wide spread physical area, due to laboratory facilities as one reason, and together with a rather conservative office arrangement, this made informal horizontal communication also a great challenge. Finally; previous processes years ago with layoffs due to market difficulties and economic loss, had created a climate of distrust at the time, and it was a concern that maybe some of this distrust between management and some employees still was an issue.

In line with general organisational development principles (Levin and Klev, 2002), a reference group for the development work in the organisation was established, with 2 managers, 4 employees and the 3 external researchers. This reference group had as main purpose to establish the best starting point for a wider initial collection of data from the organisation, as well as participate in initial design of the development process. We, the external researchers, then interviewed 17 employees and 3 group interviews with 10 members of the management group, and had 2 meetings with the management team to present and discuss intermediate findings.

At the same time as the interviews were done, the company received results from its biannual work environment study, where all employees were invited to answer a standardized survey where they evaluated both the immediate social work environment and their own individual situation, but also their nearest leaders, top management, and company staff. As the company is a part of a larger R&D corporation where the same study was done, they had also comparable data from

others as possible “benchmark”. The results from this survey was seen by the management as rather shocking. The general critical attitude towards in particular top management and staff (but also other areas) emphasized even further the need for a development process.

After the initial phase with data collection, and with discussions in the management group and reference group, an interesting seemingly paradox became apparent:

Frustration with organisational and leadership issues: A lot of voices reported general frustration related to management, central staff, organisational issues etc. But at the same time, there were no specific conflict *issues* feeding the frustration.

Pride and content with everyday work: While interviews gave a lot of criticism, none of the interviewed had anything but the best to say about their own everyday working conditions. In fact; people were proud of the job they did, they knew what they were expected to do, had good colleagues to work with, felt they had success in a very tough market, etc. Their nearest leaders got overwhelmingly credits for being good people trying their best.

The frustration in the organisation was not linked to specific conflicts. There were no issues raised where explicit and different interests were clearly raised and debated. Rather, the frustration was just as much about the roles, relations, trust and understanding, as it was about changes or conditions in everyday work situation. One of the areas where the frustration was obvious, was on the different groups of managers and their role in the management meetings and in everyday work and development. As one example, there was a tension between what people conceived as “operative challenges” and “strategic discussions” (using the local terms). We will give a short but hopefully informative presentation of the main stands in this tension.

Strategy and long term development seen from top management

Seen from the top management position, there are certain processes that define what strategic management is, in the role and working day of a top manager in such a company. First, there is a continuous need for communication towards owners about the status of the company, as well as plans for improvements and progress in existing efforts. Meeting with the board is an arena where explanations of past and present as well as plans and predictions of the future, is at the table. The interpretation of past must be clear, the present situation must be seen as under control, and the plans for the future must both point to positive effects and at the same time be trustworthy. The top management needs to produce oversight, analyses, arguments, and reports with trustworthy plans for improvements. Consequently, the top manager experience a strong need for engagement and support from middle managers, process owners and staff, in participating in these activities and deliver parts of the needed material. The explicit leadership style is openness for contributions, but the experience is that the interest for contributing in these processes is very low and limited to a few. Second, there is a stream of meetings with political and governmental bodies, where the future of the industry in general and BranchTech as a knowledge resource is heavily argued for. The “weapons” are analyses that shows the historical impacts in the industry in the past of the research in BranchTech, as well as trustworthy pictures of opportunities in the future if the governments and others invest in the industry, stimulate for investments and growth, as well as finances research done by BranchTechs.

Strategy and long term development seen from the employees

As seen from the position of the employees, the dominant view is that BranchTech does not have any strategy nor long term development plans at all. As one puts it: “All we care about, is making money short term. We do whatever our customers are willing to pay for.” What they see, is the need for being in business with new projects at all time. They sell their own competence, priced per hour work, and are evaluated as individual and departments by their earnings each week and month. From their experience, there are no clear choices made from the top (once people are recruited), there is little room for knowledge development other than through the work in projects. However, this is partly recognized as a fact of life and not as a complaint.

One dominant view is that there are no long term internal choices because actual changes in the market will be a much stronger force than the internal assumptions and decisions. Not only is it seen as the dominant force, people pride themselves as being very good at operating in these tough, shifting market conditions. The external work of the top management towards politicians, governmental bodies, large potential customers, and major R&D funding agencies, is to some degree recognized as an activity, and valued by those who recognize it. But still, the overall picture among the employees is that BranchTech has no strategy, no long term direction, they don't know what the top management is doing, and they doubt that the top management understands what kind of challenges they work with in their everyday struggles for new projects and for more effective work.

Cought in the middle? The middle management and the management meetings.

At the middle management level, we first find those who manage the three departments. The department managers seemed to identify most with the same kind of thinking as the employees working in production and projects; that the everyday problems and locally created opportunities are what should be in focus, while the kind of "strategy discussions" triggered by top management and often also from board meetings makes little sense. Secondly, we find the process owners, whose responsibilities are to some degree to manage processes rather than people and processes. Some of the processes are related to establishing and improving descriptions of work processes and quality standards, others are related to identifying, develop and utilize market and business opportunities. Process owners obviously identify more with the same "strategic discussions", and find more room for their work and input in such debates. Their frustration is more that they do not see how they really influence the actual projects and production directly. They simply produce analyses, ideas and plans, and but see with some frustration that they are less able to be managers of long term development processes which makes difference.

The top manager, the department managers, the process owners and central staff have formed one management team in the company. They have had regular meetings, where they have discussed past performance, strategic options and granting funds for internal development projects and other initiatives to support activities across the

departments. And mainly, this was the arena where the top manager tried to raise issues seen as strategically important and often enforced through board meetings. However, both the department managers and the process owners claim that value of attending those meetings were relatively low. Departmental leaders were to a large degree passive participants in debates where they felt they had little to contribute with, and seldom brought anything from the meetings into their own department. And the process owners were more active participators in creating ideas, analyses and plans, but at the same time with a feeling that their real influence on actual and future activities in the departments was minimal.

Worlds apart?

There is no such thing as a homogenous organisation. Organisations come into being as meaningful construct from people relating to and making sense of them from their own everyday activities. In BranchTech, the problems did not arise primarily from differences in interests or related to concrete decision making situations, but rather through people experiencing them and others as somehow have too different and incommensurable ways of thinking. “Strategy processes” and “strategy discussions” was at the production level interpreted as something unrelated to what they experienced as important challenges in their own everyday work and development. Seen from an outsider perspective, we could claim that this is a wrong understanding. The everyday efforts of selling new projects, the way they organize the production, how spreading of knowledge is done in practical everyday activities, how they create and use networks in the market and to colleagues, what kind of norms and values they nurture in their practices, etc., is obviously highly relevant for their future long term development and as such very much part of “strategy”. The distance between the “operative” focus and “strategy” is thus not a practical distance, but a distance created by their own conceptualization of organisational practices and the lack of relevant arenas and communication to overcome it.

In this understanding, the role of the middle manager is particularly important. In traditional hierarchical organisation, the middle manager has as his/her primary role to design work routines, to control work and report information upwards, and finally to execute decisions made at levels above. In modern organisations and in knowledge intensive companies in particular, the role of being a “translator” between different levels and activities becomes far more important (Nonaka and Takeuchi, 1995). The middle manager translates understanding of knowledge, relations and customer relations into the broader, more abstracted picture in which strategic assessments and ideas are shaped. And he/she translates changes that transcend existing practices and borders into a something understandable and meaningful seen from a more specific practical context. In BranchTech, this translation was absent, and the different levels remained “worlds apart”.

New arenas; re-shuffling and redesigning management meetings

With this background, the frustration of the different managerial roles and the experiences from the existing management meeting, a workshop was organised for the management group to deal with these issues. The workshop was guided by some main principles:

- *Action learning perspective*: the analysis presented above was the interpretation from the research team. What counts for action, however, is the conception developed in the group of managers themselves. It is their interpretation of the situation that guides their actions, and it is their conceptions of future needs for managerial roles and arenas that should also guide the development, not external analysis from researchers.
- *Keep it simple*: The solutions should be easily and intuitively seen as practical solutions to well understood challenges.
- *Practical validation*: Whatever solutions the group of managers initially find with respect to future roles and arenas, the quality of these solutions should be evaluated by their practical workability and not by comparisons with theoretical models.

The initial understanding of the challenges to the group of managers and to the existing management meeting was discussed in the group before the workshop, and the workshop itself was organised to create discussions and solutions as follows:

“You have previously agreed that there is a need for different types of managerial meetings/arenas for different purposes. The goal of this workshop is to describe what meetings/arenas, why, who should participate, and how often you should meet.”

In the process that followed, the focus was initially deliberately practical. The idea was to start with needs and activities, and then decide about what to call the arena/meetings that was needed, instead of starting with a theoretical concept (like “strategy”) and then try to discuss what this could mean in terms of discussions and action. The groups simply identified what kind of issues they, or some of them, needed to meet to discuss and possibly decide about, and what kind of reasoning about their own practice and development that was underlying this stated need. The important questions to specify for each arena would be:

- *Purpose related to activities.* What should be output from the arena, and why is that important? What could be examples of output that would illustrate, practically, to the group that the purpose of the arena is. What would be examples of agenda that would produce the discussions that leads to the desired output?
- *Participation/Roles.* Who should be involved, and why are they needed? Who should participate, both in order to create the relevant discussions and decisions, but also to produce the desired effects in the organisation?
- *Time.* How often and for how long should the actual participants meet?

The explicit output of such a process is a plan for different types of arenas, sorted by issues and participants. The perhaps more interesting output, however, is to have processes of sense making based on practical needs and experience. One of the meetings decided upon was a “strategy meeting”. But instead of starting with their different implicit conceptions of strategy and engage in more and less meaningful debates created by such conceptions, the group had started with a set of issues and

processes they wanted and needed to create, and then chose to call this arena “strategy meeting”. And instead of having a small group of middle managers seemingly disengaged in strategy discussions, the workshop sought to let participation be a consequence of a shared understanding of purpose and roles of those who should become part of the arena.

3. Conclusions

Consequently we have seen that in order to “make strategy happen” leaders have to be willing to engage as strategists. Not by employing top-down management control, neither by dictating actions on a micro level, but rather by clarifying responsibility and creating space and arenas to discuss content of leadership roles. Leaders can act as strategists by setting the conditions and creating the environment where choices of actions are made. We have also experienced that there seems to be a paradox in organisations with regard to comprehending and working with strategy and development issues in general. On the one hand both leaders and workers express great confusion and frustration over how they are organised, controlled and managed. The debate seems as never-ending and impossible to overcome and solve. On the other hand, when you ask for impressions and experiences from everyday work it looks as if the work i.e. selling and running of projects, market and client operations etc. runs perfectly well. It occurs to us that there is a continuous need for addressing strategy and development issues, despite the relatively well functioning organisation. This is because, we argue, organisations are social arenas and the organisational reality is negotiated by its members, who all have different views of the organisation. “Making strategy happen” will thus be to act as a translator between different leaders and employees with various positions and roles in a continuous process.

We conceive ‘doing strategy’ as negotiations, reconciliations, and exchanges between people. Strategies shape work practice and at the same time strategies are being shaped by the activities performed in the organisation, in a reflexive manner. Leaders cannot maintain roles as the primary strategists in knowledge intensive companies, meaning that they cannot set the course and decide where to go and what to produce without paying attention to the existing discussions. We have shown how leaders can play the role as strategists by providing arenas for negotiations and sense-making

among and in-between the different layers of the organisational members. Leaders and other organisational members in the knowledge intensive company in this case study, tend to relate differently to strategic discussions. The discussions and frustrations have often been based on different understandings of concepts, models, and ideals. Paradoxically, we do not recognize these controversies in the everyday work practice of the organisation. We have shown that it is important to go further down, analysing the micro activities, in order to understand the mechanisms that constitute the different strategy practices. This has been done by facilitating and developing new meeting arenas in the company.

BranchTech is in the process of creating new meeting arenas that all addresses specific organisational challenges of which projects should be employed, which ideas and initiatives should be facilitated and developed, which markets should be prioritised and penetrated as well as activities concerned with controlling and planning, human resource management etc. These arenas, and even more important, in the process of developing them, the project team (researchers, leaders, managing director, employees, central staff and the 'process owners') has been engaged in BranchTech's sense-making discussions. Our overall impression is that the leaders experience the new leadership meetings as meaningful and valuable i.e. setting the ground for real dialogues and negotiations. However, we have not done any evaluation of how the new meeting arenas function, and we underline that we are at an early stage in the process and thus cannot conclude whether the initiatives are failures or successes. Moreover, we believe that our intervention and the important initiatives taken by BranchTech will affect the strategic discussions as well as decisions in the future, at least in the long run.

Our contribution has been to unfold our experiences and research of micro strategizing and development work –and studies. Hopefully, our paper can shed light on some of the dilemmas and challenges concerning both working as strategists and doing research in the 'strategy field'.

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