What is strategic organisation?

Questions about strategy and organisation have lay at the base of much academic research and writing that have resulted in large and diverse literatures on these topics. We can start exploring these by looking at each term individually.

Organisation

Organisations have come to be the dominant social form of our time – and it is almost impossible to imagine the world in their absence, from getting up in the morning for university or work, listening to the radio, buying a coffee, taking a bus, to checking your emails: organisations are everywhere, running buses, radio stations, putting on advertisements, and making sure coffee beans, hot water and perhaps even a friendly salesperson are there, waiting for you to buy your double espresso. Yet, despite their ubiquity, it is rather difficult to 'define' what an organisation is. A theory of organisation (like any theory of a given subject) would include a system of ideas and principles explaining what an organisation is and how it operates. Such a theory must not only be an observation of facts. It is not only about buildings and, products, people or marketing slogans but requires something more. It needs to entail the construal of those facts to show how the human mind can understand the swirl of all these things, people, artefacts, and processes that we invoke what we mean by 'organisation'.

This is by no means trivial. Where, for instance, does an organisation start and end? Take the University of Liverpool – is it enough to include the lecture theatres, classrooms, and the offices of academics to sufficiently describe this organisation? Doesn't 'it' also extend to the certificates that students earn, their biographies and careers propelled by such a prestigious degree, and therefore their work-lives, their families, and son on? Moreover, what about lecturers? Do we have to include their past experience, and their future ambitions, their publications and so on? As you can see, it is quite difficult to draw a fixed 'boundary' around this phenomenon we call 'organisation'.

Similarly, it is not quite clear what we mean by an organisation being 'organised' – as this assumes some sort of stability or at least some rhythm or pattern in the orchestration of things and events that we come to associate with an 'organisation'. But what is such organisation like? Is it about doing the exactly same thing every day? For instance, can we really speak of the same organization at two points in time, say in 1983 and 2013? While the University of Liverpool, for instance, has been there much longer, is it really the same organisation thirty years on? There are new buildings, new lecturers and professors, different students, and I suspect you would be quite bewildered if I tried to teach you in the same way in which students were taught 30 years ago. There are many other changes that make it difficult to say that we are still talking of one fixed 'unit'. Academics have, for instance, investigated organisational 'routines' and found that, quite often, there are substantial variations in the seemingly fixed ways we work every day, because life always brings new problems and challenges, so that one fixed approach doesn't get one particularly far.

These are some of the basic problems when trying to understand and explain organisations and we can now start to look at how academics have attempted to theorise organisational phenomena.

Early thinkers in what is now called 'organisation and management studies' have come up with a number of metaphors to capture such patterns; the most widely used one being that

of the organisation as a 'machine'. In 1911, Frederick Taylor (you may want to look him up on the internet) took this view and proposed a 'rational perspective' upon organisations. He identified the task of organisation as combining, or assembling many trades and many skills, the most logical way to do so was by analysing each process scientifically and find out what works best and is most efficient. If all the parts would be optimised in this way, Taylor thought, the overall machine (the organisation) would run smoothly. Here, rationality, logic and scientific rigour play a key role in steering the organisation. What is more, individual workers whether on Taylor's famous assembly lines or in offices, in marketing and sales, or in a company's laboratory are only parts of a mechanism: cogs in the machine. This is, of course not only an unrealistic picture of the human being (we are not *really* cogs or other parts of a machine) – it is also potentially dangerous. In the 1990s, for instance, there has been an influential movement which came to be known as 'business process reengineering' (BPR). You can already see from the terminology that BPR refers to a machine-like conception of how organisations work, as there is an assumption that they can be *re-engineered* in the same way as for example a motor or any other mechanical contraption. BPR became necessary in the in the 1980s and 90s after organisations, in particular in the US, had growing drastically in size following a strategy of portfolio development, where large conglomerates like General Electric bought together a large array of diverse business units. To manage these units, portfolio planning methods were developed (such as the BCG matrix, for instance). In the 1990s, then, this trend of portfolio building was increasingly seen to be inefficient and organisations engaged in BPR. BPR, which was promoted and also conducted through the involvement of management consultancy companies, led to large-scale redundancies in the wake of improved efficiency and more streamlined organisational machines.

What you can see from this is that the way in which organisations are viewed relates directly to which actions are being legitimised as it may be easier to justify laying off of many people if they are viewed to be only 'parts of a machine', rather than, say, parts of a family who they have to feed. We will encounter such rational bases of organising, and also of steering the organisation strategically, throughout this module, in particular when we will discuss the predominantly North-American approaches to understanding and prescribing strategic courses of action.

It is worth mentioning a couple of variations to the image of the machine, which have come to populate academic literatures on organisations. First, there is the work of the German sociologist Max Weber who, in the 1920s proposed 'law' to be the basis of modern organisations. He suggested that modern organisations are governed by 'rules'; made by senior management and adhered to by lower managers and workers in institutions In such bureaucracies, there is little need to worry about organising processes as, once senior management is trained in establishing rules and lower ranked employees at following them, the running of the organisation would require little further consideration. One interesting aspect here is that, in addition to an affinity with the image of the machine, there is a clear top- down tendency; 'thinking' is left to senior managers and 'doing' to lower ranks. We will also come back to this issue when we will look at evidence from studies that look at processes of strategising in organisations and suggest that this portrayal of the organisation as a top-down, hierarchical phenomenon does not correspond with 'reality'.

However, in particular since the 1990s academics have started to replace the rather stale and static image or metaphor of the machine when speaking about organisations. An entirely

different way of viewing the organisation is to use the image of an *organis*m. Organisms are, of course, living systems and as such they interact with their environment and some are better adapted to the particular contextual demands than others.

The image of organisations as organisms is very appealing, as it allows us to understand how, sometimes, organisations that have performed very well disappear. They may face extinction, for instance when they are not able to adjust to new demands, for example when markets change (think of the European Union, for instance) or when technological breakthroughs require new ways of operating (think of the book market before Amazon, music before Apple, information before Google, or photography before the digital age). Researchers who think of organisations in terms of organisms therefore often pay heed to environmental dynamics, employing terms like 'stability' or 'turbulence'. It is also clear that viewing the organisation as an organism means that the 'boundaries' between the outside and inside are less clearly demarcated. While machines have clear surfaces, edges, and outlines, organisms co-evolve and interrelate with their environment. To 'manage' an organism is a very different affair to managing a machine and, depending on what view one subscribes to, very different ideas about what it may mean to 'organise' may ensue. More recently, organism metaphors have been extended and partly replaced by other images that emphasise distributed intelligence, networks and the like, culminating, for the moment, in images that show organisations to be variously connected, for instance in the form of open source movements or crowd sourcing.

There are many more ways of understanding organisations and you may want to read Gareth Morgan's book: 'Images of organization' (Sage, 2006, London) for an overview, or you refer to the work of Barbara Czarniawska who has written much on organisations as action nets, or you may find the publications by James R. Taylor (e.g. his recent book 'The situated organization' with co-author Elizabeth J. van Every; Routledge, 2001, Abingdon, Oxon) about the communicative basis of organisations interesting.

Whichever book you read, however, it is important to bear in mind that the concept of 'organisation' is not straightforward and that whatever perspective is taken, there are different assumptions about what one is dealing with and what (strategic or tactical) courses of action may be suitable.

Strategy

This brings us to the term/concept of strategy, which is equally subject to a diverse and often co-existing set of worldviews, theories and positions. Some of these are compatible, while others are based on starkly differing assumptions about the nature and relationship between organisations and their environments - as well as the possibilities for managers to design, implement and control strategic directions.

We can get a sense of these views when we look at the emergence of the term "strategy", stemming from the Greek 'strategos'. In classical Greece, strategos referred to the office (i.e. the position, or function) of a general in command of an army. Later it came to denote a board of generals occupying political functions more generally. From these Greek origins has emerged an entwinement of strategy with military contexts and vocabularies. There are of course other military connections; most famously perhaps the ancient military treatise 'Art of War' by Sun Tsu, or von Clausewitz's recollections of his military expertise 'On War'. What we therefore find is that much of the language used in strategy texts up to our day (and even

when dealing with perfectly benign and peaceful 'organisations') is one of 'attacks', 'positions', 'leaders', 'supply' and 'resources' – terms which would have made equally as much sense to Greek, Chinese or German military commander many centuries back, as they do to modern day business 'strategists'.

It is not only the language that has retained a military tone; also the modus operandi is often reflective of military planning processes. The strategy literature often suggests the analysis of the landscape and the assessment of the organisation's resources in order to plan particular strategic moves and campaigns, and to fight for positions, defend them, as if the marketplace behaved in the same way as a landscape filled with enemies and friends. In military as well as in business contexts there are therefore particular demands placed upon leaders to not only be able to analytically survey a scenario, but to also gain the support of followers and to deal with the day-to-day situations that disrupt and endanger carefully laid out plans and idealized scenarios.

However, this military perspective has more recently been amended, challenged, and opposed, and a number of alternative conceptions of strategy have emerged. In addition to (or as an alternative– depending on the particular school of thought), there are researchers suggesting that military-style planning is not an ideal means of dealing with a world that is continually on the move; where the only seeming stability is that of continuous change. Interestingly, this perspective stretches back to the ancient Greek philosophers; this time to a philosopher called Heraclitus of whose writings only some fragments remain. One of the most famous of these is his claim that 'all things flow' (you may have heard of a number of variations of this saying, such as 'one cannot step in the same river twice' or 'the only stable thing is change'). Assuming that the world changes all the time means that planning one's courses of action for the future is a somewhat futile endeavour. Henry Mintzberg, an often cited strategy researcher, calls this the 'fallacy of predetermination' – referring to the difficulty of making reliable, long-term predictions about the future so as to develop plans of action. For instance, who would have predicted the recent changes in Middle East, or the possibility of a multi-dip recession in the UK some five or more years back? Similarly, who will be able to predict – with enough certainty that it is possible to produce detailed plans for the future – what is going to happen in the worldwide education sector, the housing market, the European monetary union, and so on? At a conference organised in in 1968 a group surrounding the brilliant thinker Gregory Bateson suggested printing car stickers saying: "HELP STAMP OUT NOUNS"; and a bit later the eminent organisation theorist Karl Weick suggested that we should not use nouns (like organisation) but verbs (to organise) when we do our research, to pay heed to the active and changing nature of the world. You see, nouns make us think in static ways; about fixed entities when, really, what we talk about are many different processes that continually change because 'all things flow'.

This module reflects these challenges and commences by looking at the role of the organisational environment. We start with the structure of the industry within which a firm operates and investigate its implications for the possible performance of a firm and the strategic directions necessary to attain abnormal returns. However, despite the appeal of rational, systematic, and scientifically enhanced analysis of the organisational environment and its internal resource base in order to compute ideal courses of action (as is typical for a top-down planning approach to strategy, for instance), many question marks remain. In this module we will therefore look at both the more rational (and often predominantly North-

American approaches) to marshalling the business environment, as well as the more critical (and often more European) approaches that have come to understand strategy from sociological, philosophical, critical or ecological perspectives. We also question the notion of 'change' as an opposition to 'stability' and investigate how 'strategy' can be initiated in light of continuous changes, complex and contingent environments and the implications of organisational cultures and habitualised work routines which may resist change attempts initiated by managers.

This module contains six lectures. These start from the more formal investigation of the strategic context and the possibilities for strategic analysis and control. We then move towards the 'inside' of the firm, where we discuss resource bases, competences and capabilities of the firm.

What 'is' Strategic organisation?

While many influential scholars treat problems of organization and of strategy together, others see them as separate issues. As early as 1956, *Administrative Science Quarterly*, a top-tier American journal (above, we suggest you look at the ABS list to find out how journals are 'ranked', that is, how highly they are regarded by academics and how often the ideas published therein are cited), has focused more exclusively on issues of organisation; *Organization Studies*, a top European journal was founded in 1980 with a similar focus. Strategic issues, on the other hand, have been the sole concern in journals like the (American) *Strategic Management Journal* (founded in 1979). This split has also been evident in academic groups, and quite often, it seems, there is not too much discussion between them. One of the reasons for this is that issues of 'strategy' are routinely related to disciplines of economics and populated by quantitative and large-scale studies. *Organisation Studies*, on the other hand, often draws on sociology and even philosophy, which has led to some fundamentally different and partly incommensurable ideas about how to understand and guide organisations strategically.

Such splits do not necessarily have to be sustained, however. You can see from more recent journals like '*Strategic Organization*' that both areas may very well be dealt with together. Researchers of strategy practice, for instance, make a conscious leap from the economic foundation of strategy towards sociological understandings of how human agents operate within strategic contexts. We will encounter this work towards the end of or lectures, when we investigate strategy as practice research approaches.