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Missing Elements in Strategic Policy Making

Arthur A. Goldsmith

I. Introduction

This paper considers what bearing strategic management has for international development. Strategic management is a set of methods that are supposed to help managers to align organizations with their environments so they can get to their important objectives. Originating in western corporations, these management tools have been lauded as an answer to organization inefficiency and ineffectiveness in developing countries. Despite the claims of vocal proponents, however, formal strategic management techniques have not been proven to make much consistent difference even in business performance. Formal strategic management techniques like SWOT analysis, portfolio matrixes, mission setting, or stakeholder analysis have not been proven to make much consistent difference in how organizations do. Appealing as the idea of managing strategy is, we have no foolproof way to model the process and the jury is still out on whether formal strategic management methods truly do much. Success in organization strategy seems to depend more on the right mental outlook than on specific techniques.

The vogue in international development is for all managers to be more businesslike, using strategic management to guide them. Strategic management is an administrative approach from advanced capitalist countries that puts the emphasis on action, on the consideration of broad, diverse sets of interested parties, and on paying attention to external threats and weaknesses. Unfortunately, the benefits from this strategic management have been greatly overstated.

Strategic management entails formal techniques for setting an organization's long-term course, developing plans in the light of internal and external circumstances (including the interests of key constituencies), and undertaking appropriate action to reach those goals. The approach is touted as a means to strengthen organizations in Africa, Asia, the Middle East, Latin America, and the Caribbean. USAID, for example, has an

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implementing Policy Change project in more than two dozen countries. Project consultants work with host country managers to review strategies and reconfirm organization mandates, to identify internal capacities and constraints in relation to their operating environments, and to analyze stakeholders (Brinkerhoff, 1996). USAID has even turned the tools of strategic management on itself as a way to make the agency more sensitive to its constituents (GAO, 1992).

Few development policy makers seem to realize, however, how shaky the premise for strategic management is. Anecdotes aside, little evidence exists that the strategy framework is a solution for lack of competitiveness in private enterprise-let alone in improving public policy making. Development officials are apt to accept at face value assertions that strategic management techniques generate information, force a thorough consideration of options, avoid surprises, stimulate ideas, increase motivation, and enhance internal communication. Yet, no one can show strategic management leads to these things, desirable though they may be in their own right. Nor is there clear proof that they actually improve strategy in concrete terms, such as leading to lower cost or higher profit.

This is not to disparage the intent of strategic management. No one seriously objects to developing country decision makers formulating long-range goals and laying down a course of action to reach those goals. There is probably little harm in examining an enterprise's assets and liabilities, while scanning its environment for avenues of growth. But the results are liable to be less than promised. These risks are great in developing country organizations, where managers have trouble simply executing the housekeeping chores of management, let alone concerning themselves with strategy (Kiggundu, 1989).

To encourage a more realistic expectation about the effects of organization strategy, I start by critically reviewing this key term itself. Then I will discuss flaws with activities intended to improve strategy, activities that fall under the rubric of strategic planning and its more fashionable successor, strategic management. Finally, I will go over the lack of evidence for benefits from some specific strategy-related tools.

It is important while reviewing the record to separate the formal techniques of strategy making from strategic thinking as an element in management. My criticisms pertain more to the prescribed methods than to the creative thought processes (and good fortune) that may lie behind successful organization strategies. Being able to take a broad and long term view, to learn from the environment and adapt to change-in short, to think strategically-these are useful talents for managers. The problem is that these talents are hard to reproduce. No one yet knows what to tell managers in advance so they can create or foster effective game plans for their organizations. While we can easily recognize winning organization strategies after the fact, how these emerge is still a mystery. Strategic planning and strategic management are meant to secure organization learning and flexibility, but this may be asking too much of any formal technique. Too often, the methods turn into empty ritual, into form filling for the sake of filling forms.

II. ORGANIZATION STRATEGY

Strategy studies in management date from the realization (made in the 1950s and 1960s) that companies in the same industry could succeed taking different paths, while other companies that followed approaches similar to each other were not equally successful. These observations were inconsistent with orthodox economic theory, and strategy offered a possible alternative explanation. For example, several firms might do well in one line of trade by strategies of pursuing different market niches. Other firms might fail with similar strategies because the strategies did not match the unique assets and talents of these firms. In business, strategy refers to a company's long-term game plan. A pioneer in the field (Andrews, 1971: 28) offers the following widely used definition: "strategy is the pattern of major objectives, purposes, or goals and essential policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be." Subsequent writers have argued that you can apply the notion of strategy to any goal-seeking human collectivity, not just business firms. Be they profit or nonprofit, private or public, all are organizations supposed to need guidelines for decisions over the long term.

What marks a well-functioning strategy? According to Porter (1996: 64), another prominent management theorist, the key is to be distinctive. Gaining a sustainable competitive edge means deliberately choosing one set of activities to deliver a unique mix of value. Strategic advantage is thus less about being efficient (maintaining a favorable ratio of inputs to output) and more about being effective (reaching worthwhile objectives). Drucker's (1974: 45) test of strategy has become classic: "doing the right things" versus "doing things right." Making these tradeoffs to do "right things" is primarily the job of top management.

But is it true that every formal group, business or otherwise, needs a realistic plan to solve problems and reach goals? Does success in organization life really come from being selective, from allocating resources among competing opportunities to capitalize on the organization's special capabilities? Is under performance truly a function of ill-preparation in the face of environmental changes? These questions verge on tautology.

Any organization that succeeds must have an effective strategy, because a defining characteristic of organization success is to follow a game plan that produces results. In contrast, a failing organization by definition has an ineffective strategy or else it would not be failing. There is no doubt that effective strategies are an element in organization success. By most measures of success, the positive relationship between outcomes and effective strategy has to be true. This empty observation does not give any practical guidance to managers.

Identifying a strategy that works is easy after the fact-one simply looks to see what organizations have come out on top. The task is much harder beforehand. It is seldom clear until it has been tried that a game plan is going to pay off. De Bono (1984:143) may be more than half right when he quips that "strategy is good luck rationalized in hindsight."

Many years ago Simon (1946) wrote critically about the proverbs of administration. Much of the advice given managers in classical administrative theory is mutually inconsistent, pointing in opposite directions with nothing in the theory to show which is right. Similar conflicting and unsupported maxims abound in organization strategy. We do not know what type of strategy will be most effective in a particular industry or sector. We are not even sure about the extent to which managers are responsible for strategic success, or whether success is primarily determined by external influences and chance, by being in the right place at the right time.

For instance, strategic persistence ("stick to the knitting" or "if it isn't broken don't fix it") and strategic flexibility ("go with the flow" or "be the first mover") are both considered virtues in strategy studies. When is one course superior to the other? Under what conditions is an organization best served by continued, patient effort, as opposed to trying something new? For every McDonald's or Coca Cola, classic cases of successful strategic persistence, one can usually find a counter example of a company that got in trouble by sticking too long to a given strategy. This may be true of McDonald's today, as sales growth levels off due to market saturation, and the company looks excessively dependent on a few fast food items. In such situations, strategy studies do not provide anything like assured guidance whether to change or not to change the organization game plan.

The idea of strategic fit is similarly ambiguous. It is an article of faith in the strategy field that organizations must be positioned in proper relation to external factors. Allowing internal traits to slip out of alignment with the environment is thought to be trouble. But managers are also warned against being too static, too willing to accept the hand they are dealt. Instead of trying to get in harmony with the environment, successful organizations often get that way by stretching themselves (Hamel and Prahalad,1994). No one in the traditional financial world thought in 1978 that the Grameen Bank in Bangladesh would take off-the strategy of focusing on low- income people was believed to be too risky. Today we know the Grameen Bank's approach can work. A less revolutionary game plan, limited by the conventional boundaries, would never have discovered this new market.

But again it is hard to know in advance when strategy needs to be stabilizing or destabilizing, seeking equilibrium with the environment or not. Opposite approaches can prove equally successful. This could be the explanation for why firms that lack an observable strategy, that show no pattern of balance between their capabilities and their environment, sometimes do well anyway (Inkpen and Choudhury, 1995). The truth is that many strategies are feasible for an organization. There is no one-best path to follow.

III. Strategic Planning

Trying to find the "right" strategy thus is futile. In the 1960s, however, great confidence was placed on devising predetermined courses of action based on assessments of a firm's position and the opportunities open to it-what became known as strategic planning. Many large American and European corporations created strategic planning units to answer these questions.

Strategic planning fell far short of expectations (Mintzberg, 1994). Obviously, it did not prevent many of those same large corporations from decline in the 1970s and 1980s. Dozens of quantitative studies back the impression of failure. Research into the relationship between strategic planning and performance finds no systematic pattern (Pearce et al., 1987; Powell, 1992; Miller and Cardinal, 1994). Some published inquiries find that formal strategic planning produces positive results, but others find that strategic planning is irrelevant or even detrimental to business performance.

For example, Nucor has prospered in the US steel industry while consciously eschewing strategic planning. Its rival big steel companies, meanwhile, faced bankruptcy and downsizing despite their explicit strategic plans. Like Nucor, most Japanese firms mistrust strategy concepts. As Pascale (1984) points out in a classic article, the Japanese suspect the methods are too focussed. They fear that fixing on a limited set of goals cuts off management's peripheral vision and may blind it to changes in customers, technology, and competition.

None of this means companies must be better off without strategic plans. Sometimes failure to map out strategy does not work. Porter (1996), for example, contends that the more spontaneous, less exacting Japanese approach is no longer viable. These firms tend to lack differentiating strategies, encouraging them all to imitate one another in cutthroat competition from which none can prosper. Their customer focus, Porter goes on, is not a strategy per se because it does not provide any guidance about priorities and how to make tradeoffs. Trying to respond to all consumer demands can lead to being spread so thin nothing is done well, or else uses so many resources that the opportunity cost becomes excessive. Reasons like this may help explain Japan's contemporary economic difficulties. The point is that few contentions about strategy are supported in any scientific sense. Every example has a counter example.

IV. STRATEGIC MANAGEMENT

Critics see two reasons for strategic planning not living up to expectations. First, because organization environments are so complex, distant outcomes cannot be plotted in advance. Longer-term planning makes the most sense if each management decision has few predictable outcomes, which is not so in real-world organizations. Trying to look ahead may work all right for day-to-day activities, but is usually a waste of time over a more extended period. The impossibility of plotting distant outcomes is why Wildavsky (1973: 153) once said that planning is a more proper subject for theologians than social scientists. Strategic plans seldom do much more than project present trends forward incrementally, and thus can completely miss big, discrete changes. Too much planning even can lead to organization rigidity-exactly what good strategy means to avert. If planning channels thinking and behavior, it runs the risk of driving out innovation. Any reduction in creative thinking and action, in turn, may make it harder for the organization to answer the unexpected challenges it is bound to encounter.

The second widely acknowledged problem with strategic planning is that it separates forecasting from actually doing things. Many strategy theorists (Michael Porter, for instance) are engineers or admire that profession. There has been a close connection between their background and attempts to create a positivistic approach to strategic planning and management. Too often, even they had to admit, planning was little more than a ritual with little real-world impact. Prepared by staff or consultants who lacked operating responsibility, strategic plans seldom enjoyed support among line managers. This led to such classic problems as "paralysis by analysis" and "death in the drawer," as firms failed to convert plans into action (Ansoff and Sullivan, 1993:174). This blueprint approach was derided for being elitist and top-down.

In an effort to rescue strategy from the ivory tower, the field began to remake itself as strategic management (Wall and Wall 1995). The new term emphasizes that allowances must be made for contingencies. In place of strategic planning's alleged preoccupation with analysis and the laying out of grand schemes, strategic management recognizes action and assessment as critical components of strategic success. This attempt to salvage strategy has involved more style than substance, however.

According to the revised view, managing strategy is more than a matter of plotting actions in advance. The game plan must be drawn up so it can be enacted. This means getting most people's approval of the proposed method of proceeding, and mastering quickly the lessons of experience to fine tune the strategy. In the new approach, strategy is seen more as something to be negotiated, not engineered. The accent is on finding mutually-agreed on game plans. Keeping ahead of rivals calls for collaboration and a commitment to being watchful and receptive to new ideas. Since people at the top of the organization are often wrong, they must improvise and use practical experience to define and solve problems.

In flagging implementation as an important matter, strategic management has tried to move away from a command-and-control model of strategy making, and called attention to the political side of running organizations (Benveniste, 1989). Top management may present a unified face to the outside world; that face is really a mask that hides internal tension and rivalry. Decisions about strategy, it was realized, result as much from organization politics as from impartial analysis. Interest groups exist within all organizations, and many real decisions get made after the formal meetings, in the hallways and behind closed doors. To get their way, successful managers must negotiate, bargain, and form coalitions.

Strategic management thus can be divided into five broad tasks. (Obviously, these activities overlap in practice. The list is not a sequence of isolated steps; it is a conceptual synopsis of the strategy making process.).

- *Mission and goals*. Understand the special purposes for which the organization exists and form a vision of where the organization needs to be headed.
- *Analysis*. Examine the external situation and internal resources.

- *Formulation.* Craft a strategy to put the organization in a strong position, taking advantage of internal assets and openings in the environment.
- *Implementation.* Carry out the chosen strategy in an economical and timely manner.
- *Monitoring.* Evaluate performance and make adjustments in light of experience and changing conditions.

While incremental and participatory strategies seem more pragmatic, no bright line demarcates strategic management from strategic planning. Intelligent planning must involve implementation and monitoring, too,- not just analysis and formulation. The theory, if not the practice, of strategic planning was never to produce unrealistic blue prints that had to be followed no matter what. Ways of reaching objectives always were supposed to be taken into regard. So strategic planning and strategic management overlap to a large degree, and the difference is largely a semantic one. Several techniques have emerged under the strategic management label. Whether these specific approaches produce results is questionable.

V. Portfolio Matrix Analysis

One falsely rigorous technique for evaluating an enterprise in light of its opportunities is portfolio matrix analysis. The technique involves studying each of a firm's several product lines as an element in a portfolio of investments. A portfolio matrix is a two-dimensional display comparing the strategic positions of a diversified company's activities. The matrix gives a simple, visual way of choosing investment priorities. The method is sometimes applied to the public sector. Many government organizations are in multiple businesses that -are only marginally related. Resources must be allocated among these unrelated businesses.

The best-known matrix was developed in the 1960s by the Boston Consulting Group. According to the theory behind this matrix, two factors predict whether a line of business will produce or use cash: the market growth rate (slower growing markets are expected to demand less new investment) and its share of the market (larger market shares are expected to generate larger cash flows due to experience curve effects). Thus firms ought to look for a balance between cash- users and cash-producers, and should invest their resources accordingly.

Businesses with a high market share in a slow-growth market (designated "cash cows" in the Boston Consulting Group scheme) are expected to generate surpluses over what they need for reinvestment.

Businesses in rapidly growing industries are thought to be "cash hogs" (or "rising stars") due to the investment requirements of fast growth and low internal cash generation owing to less experience. Businesses that have a small part of the sales in a slowly growing industry are called "dogs" because of their alleged dim growth prospects and inability to produce large cash flows. The logic of the matrix is for firms to use excess cash from cash cow units to subsidize the expansion of the rising stars. The weaker dog units should be divested or put on a bare maintenance budget. By shifting financial resources among business units, managers supposedly can optimize the performance of the whole corporate portfolio.

The accuracy of strategy matrixes can be tested. The results are devastating for the Boston Consulting Group approach. One study reports that over half the businesses that should have been cash users according to the matrix were, in fact cash providers. Also, one-quarter of the businesses expected to be cash providers turned out to be cash users (Buzzell and Gale, 1987). The matrix gave bad advice, and among other problems encouraged ill-considered mergers and conglomeration of firms.

Part of the reason for these problems is that market share is far less a predictor of profitability than expected. Yamaha forged ahead with its plan to enter the piano market in the United States, clearly a dog business according to the Boston Consulting Group approach, and it eventually supplanted Baldwin, the industry leader. Diamond International, on the other hand, found that its supposed cash cow, playing cards, did so poorly it had to divest that business unit.

The error with this method (and similar matrixes) is that it relies too little on hunches and emotion. Matrixes treat strategic questions as if they were quantifiable and verifiable, with single solutions. Strategic questions are not like that. To solve problems in strategy, lateral and paradoxical thinking are sometimes needed. It is critical to be able to redefine the context or mind set of the business or other organization. Instead of helping managers step outside their routines and challenge the basis of what they do, matrixes tend to come with ready-made, and often wrong, answers.

VI. SWOT Analysis

Strategic management encourages managers to scan their enterprise and environment for avenues of growth. One popular way to systematize such scanning is SWOT analysis. The acronym stands for an organization's key internal strengths and weaknesses and its external opportunities and threats. The technique involves auditing the organization for strong and weak points on the inside, while concurrently looking for favorable and unfavorable circumstances outside the organization. These situational factors are listed and ranked. The idea is to find fits between abilities and opportunities while working around weaknesses and threats.

The assessment of organization capabilities and environments would appear to be especially important in the developing world, as government organizations are made more decentralized. With decision-making authority being pushed to lower levels of the bureaucracy in many countries, public administrators have more cause than ever before to think about internal and external factors in a strategic way. The method is well-received. USAID'S PC project, for example, has tried to promote capacity for SWOT analysis in several developing countries. Participants in workshops to develop an enterprise network of business persons in West Africa even affirm that SWOT analysis is among the most useful analytic tools they were exposed to (Orsini et al. 1995).

Yet, as a methodology, SWOT analysis seems most likely to prove only what everyone already thinks is true. There is no solid basis for identifying the important internal and external factors facing an organization, no objective system for weighing their significance. So the results of SWOT analysis can be a theoretical and arbitrary, strongly influenced by who is doing the examination. Managers have no special claim to objectivity. When they look at an organization's attributes, their perceptions are colored by their positions and their responsibilities. What are perceived as internal strengths and weaknesses differ from person to person (Stevenson, 1976; Ireland et al., 1987). We do not have a way for knowing who is right and who is wrong.

Similar misperceptions may slant judgements about external threats and opportunities. According to Jackson and Dutton (1988), managers are predisposed to make threat inferences concerning their environment. In Jackson and Dutton's research, the subjects were quicker to see dangers than opportunities, and they were quicker to disavow the opportunities they did see. Evidently, when managers scan their surroundings they erroneously overstate the negative, and understate the positive. Milliken and Lant (1991) find managers' interpretations also are influenced by their organizations' experiences. A recently successful organization is likely to breed complacency about the environment, leading its managers to think that external conditions are stable even when they are not.

These findings do not apply just to western organizations. In Jordan and Egypt, in one of the few empirical surveys of strategic management in developing countries, Hagen and Amin (1995) find that the relationship between environmental scanning and strategy runs contrary to what is expected by the strategy paradigm. The assumption is that scanning begets strategy, but this may be backward. Among Egyptian and Jordanian managers, it appears that the organization's strategy determines the scanning behavior rather than the other way around.

Perhaps this is why Hill and Westbrook (1997), in a study of 20 British companies that practiced SWOT analysis, found that none of them actually used the outputs in designing their strategies. The scanning exercise generated long, often vague and meaningless lists, with no real effort to prioritize or verify the specific points. Policy makers need to be mindful of the self- deluding, and sometimes self-fulling potential of SWOT analysis. This is not to argue against brainstorming, but to recognize that SWOT analysis is of dubious value in mounting an effective organization strategy.

VII. Mission Setting

Strategic management operates on the hypothesis that effective organizations have continuity of purpose, a consensus on fundamental ideals and what is to be done. Without a sense of whom it is, what it does, and where it is going, the organization seems likely to waste precious resources. In turbulent third world environments, it would seem obvious that self-identity encourages orderly change by providing a point of reference for everyone in the system. A critical function of strategic management is to inspire this feeling of group purpose.

Having a consensus on fundamental ideals and what the organization is trying to do is supposed to conserve resources and fix people's attention on the critical issues. A recent study of a small sample of developing country public agencies supports this point. According to Grindle (1997), better performance is associated with well-defined sense of mission, ascribed to by employees. Organizations that lack an intelligible, accepted *raison d' être*, by contrast, are said to pay a heavy price. Imprecision about missions is prevalent in the public sector, where bureaucratic agencies often find themselves adrift after outliving their usefulness.

In Haiti, for example, officials in the planning ministry stress control and certainty. They see their job as enforcing the rules with little regard to the larger question if the rules do anything useful. A technical assistance project in the 1980s tried to foster a less legalistic way of proceeding, but it left no imprint. The crisis-ridden Haitian environment produced a siege mentality in the planning ministry that was unfavorable to genuine strategic thinking. The agency could not break out of its old way of doing things so it could contribute more to the country's development (Brinkerhoff, 1990).

Once again, though, there is another side to the story. Being adamant about the strategic mission is not always beneficial, for hedging on it can be a way to reduce friction within the organization (Moore, 1995:96). An ambiguous mission allows different actors to interpret goals the way they want to, which in turn may forestall unhealthy internal conflict. Establishing a clearer sense of direction, by contrast, provides a focal point for dissent and resistance. So organizations sometimes may be better off by not forcing the issue and allowing their members to have their own beliefs about the mission.

This latter possibility is largely ignored in the strategy literature. Instead, to help make sure people in the organization are moving to the same cadence, managers are told to draft a mission statement-a summary of the organization's strategic intent. The idea is to have a public statement of the common philosophy and set of goals of the organization. Mission statements today put the accent on quality, continuous improvement, teamwork, innovation, and customer or citizen benefits, among other values (Van Wart, 1995:431).

A recent study of corporate management tools found managers used mission statements more than any other tool covered in the survey-and they were more satisfied with mission statements than with any other tool (Jones and Kahaner, 1995). Formal declarations are recommended for public agencies and nonprofit institutions, too, many of which have now drafted their own mission statements to provide a point of reference for their employees. USAID's IPC project has engaged in mission enhancement activities in many of its host countries. In Zambia, for example, workshops have stressed the contrast between mission-driven governance and the existing bureaucratic style. As Zambia moves toward more democratic government, it is seen as necessary to stop slavishly clinging to procedures and put a greater stress on outcomes (Koenen-Grant and Garnett, 1996).

Yet, in practice mission statements have far less benefit than is hoped for them. British and American companies have a mixed record in selling their missions to employees (Coulson-Thomas, 1992). In many corporations, the lofty words in these documents are not taken seriously. They are apt to be generic and vapid, disconnected from the true capabilities of the organization. One recent inquiry found company mission statements to be more useful for public relations than as an internal management tool (Baron and Walters, 1994). In another study, Ban (1996) surveyed 75 Canadian CEOS and presidents regarding their mission statements. It turned out that there was only a low level of association between the degree to which the statements mentioned innovative practices and actual innovation, measured in terms of new product sales. None of this proves that mission statements are a bad idea, as much as it shows that building commitment among staff for common goals is hard to do.

VIII. STAKEHOLDER ANALYSIS

Another highly touted way to assure the relevance of strategies is stakeholder analysis. The alternative of neoclassical cost-benefit analysis is not suitable for making strategies that affect the public. By contrast, getting a buy-in from stakeholders ,so the key constituencies feel obliged to back the chosen approach to the future, is thought to be imperative. Stakeholder analysis will provide answers to questions such as the following: Which stakeholders does the organization depend on for survival? Who among the stakeholders wins, who loses, from a given strategy? Who has been left out? Who can be left out without too much damage? What needs to be done to ensure support of the critical groups?

On the face of it, the stakeholder approach looks especially important in developing countries because democratization obliges more and more governments to solicit input from constituents before making important decisions. Consensus-building helps most projects and programs to move forward, for example in environmental management (Gimble and Chan, 1995). The need for long-term trust and accountability is almost axiomatic.

It is noteworthy that one of the IPC project's most positive features is in helping host country managers to identify stakeholders and involve those constituencies in putting together strategies. For many developing country managers, a "light turns on" when they realize how important it is to work with and influence stakeholder groups. In West Africa, to cite one example, stakeholder analysis proved invaluable in carrying out a regional plan for marketing livestock. Without this strategic management tool, planners would likely have fallen back on conventional modes of decision-making and excluded private sector groups from participation. With support from IPC staff, however, the rules of engagement were changed to give more stakeholders a seat at the table, which in turn made the livestock scheme more effective (Goldsmith, 1996).

Corporate leaders run into several obstacles when executing the stakeholder idea, however. One is to identify the central constituencies, as opposed to listing general categories of potential ones. A second is to figure out how to balance the competing demands among different interests (Preston et al., 1991). Which stakeholders ought to get the highest concentration of resources and effort? Yet, there are no obvious rules for setting satisfactory levels of performance for all groups.

Research into actual behavior toward stakeholders finds a pattern of lip service. Many business leaders believe themselves to be practicing stakeholder management (Donaldson and Preston, 1995:75). Yet, according to one opinion survey of CEOS, their concern with stakeholder expectations is moderated by their firm's economic performance (Dooley and Lerner, 1994). Another study finds only a weak relationship between what CEOS say is important about their stakeholders, and their companies' deeds regarding these interests (Lerner and Fryxell, 1994).

These studies do not necessarily disconfirm the significance of organization stakeholders. More likely, they reflect managers' unwillingness to follow stakeholder analysis to its logical conclusion. The deficiencies in stakeholder analysis are more in implementation than in the methods themselves. The approach is worthy, but fails when not carried out properly. This is not a very satisfactory justification of stakeholder analysis, of course. It begs the question of why first world managers have so much trouble using the technique in the recommended way. Given their circumstances, third world managers are likely to have at least as much difficulty dealing with stakeholders. The many restrictions on bureaucrats' freedom to maneuver make it even harder to respond quickly and creatively to stakeholder demands than is the case in the business world.

IX. ORGANIZATION CULTURE

A key aspect of implementation is organization culture (the style of leadership and the pattern of shared values). According to the strategic management paradigm, every formal group needs a common way of doing things to have strategic success. Managers thus are counseled to manipulate symbols and tangible rewards to bring employees together and build collective solidarity. Taking charge of the organization culture involves trying to change any facets of the group's cherished beliefs that are hindering execution of the strategy.

While using organization culture to support strategy makes sense in the abstract, we have little concrete idea about which kinds of culture lead to which level of performance in what types of organization under what conditions (Lim, 1995). We are not even sure about the extent to which these patterns of belief are in any sense manageable, or how they can be altered by a conscious act of organization leadership. A review of the literature shows it is one thing to analyze organization culture, and something altogether to change it and tie it to performance (Lewis, 1996)

The limited research on the consequences of organization cultures finds that group cohesiveness can be so strong it is a liability for an organization that needs to respond quickly to changed circumstances. A strongly-held culture thus does not necessarily help a formal group do better. The wrong kind of culture may undermine its performance (Lorsch, 1985). This is a problem in many developing country organizations, which are crippled by deeply embedded yet counterproductive cultures. The lack of sustainability of many technical assistance projects over the past several decades is at least partly due to the inability of local staff to break out of conservative, self-protective views of the world.

X. STRATEGIC THINKING

The field has continued to evolve, and some writers prefer now to speak of strategic thinking in organizations (e.g., Stacey, 1992; Wilson, 1994). This usage comes about because strategy cannot be managed in the strict sense of the word. When organizations face unpredictable, open-ended futures, a premium is placed on informed hunches and what is known from experience. Managers have to make judgment calls based on conflicting or incomplete information. They need to improvise, to use their practical know-how to define and solve problems. Measurement and control (i.e., "management") are in some ways the opposite of what is needed. strategic thinking entails both intention and flexibility (Liedka, 1997).

The difficulty is that structured techniques can clash with strategic thinking. As Mintzberg (1989:78) puts it, soft skills are called for as well as analytical ones. The strategic thinker needs to be inventive, divergent, inspired, able to "manage from the right side of the brain." Keeping ahead of change also entails collaboration and a commitment to being watchful and receptive to new ideas. Many of these soft skills are at odds with the positivistic world view implicit in much of strategy theory, and are not easily taught and reproduced.

The techniques of strategic management can be catalysts to strategic thinking-unless those techniques degenerate into formalities that block creative habits of mind instead of inspiring them. Unfortunately, there is a tendency in the field toward methodological pretentiousness. The how-to books are apt to gloss over the ambiguities in strategy preparation and execution, with formal models that de-emphasize the human factor and put too much stress on the numbers. Though no one knows enough about effective strategic management to model it fully, strategy clearly cannot be reduced to a mechanistic process.

Informal strategies obviously have always existed in people's heads. Even today, good fortune and inspiration can be more important than adhering to any proper strategic management model. Thus, many organizations carry on nicely without explicit resort to strategic management techniques. Productive officials in the Philippines Department of Finance, for example, manage their department strategically, but they do so intuitively (Morton, 1996). Formal techniques may enrich an informal process like the one in the Filipino organization, but then again they need not.

XI. CONCLUSIONS

Experience with strategic management leads, at best, to agnosticism about its benefits. As we have seen, there is little reason to believe the methods themselves make much difference in organization outcome. Strategic management cannot be proved to produce more profit, a larger market share, or faster sales growth. Other economic, social, and technological factors seem to overwhelm any gains from conscious strategy-making. Strategic management is unlikely to lead to quantifiable improvements in developing countries, either, especially in the public sector where the measures of organization accomplishment are vague and hence controversial.

Does this mean strategic management in development should be rejected? Not necessarily. Strategic management techniques can help managers organize information. They can promote disciplined habit of minds. These are proper outlooks for any manager. Arriving at conclusions with consideration of the whole can be helpful in third world bureaucracies, which tend more than other organizations to follow routines simply because that is what has always been done. The success or failure of formal strategy instruments, therefore, could be measured by their effects on managers' attitudes, not by their impact on the "bottom line."

Raised consciousness is not an inevitable benefit from strategic management, however. There is a tendency to use the tools of strategic management in a ritualistic fashion. According to a survey of large U.S. firms, for example, few executives know how to produce superior results with these tools (Pekar and Abraham, 1995). Many merely go through the motions of strategic management, never confronting the hard, creative work needed to do the job right. The techniques may turn into pointless administrative ceremony. In government service, there is probably an even greater danger than in the private sector that strategic management will be treated as just the latest fad, to be tolerated until something comes along to replace it. So any change in managers' perspective on strategy may not go very deep. SWOT analysis, mission setting, and the like may be an aid to creative thinking, but then again they may not. Too often, the tools of strategic management can become an end in themselves, and the intended mental outlook lost.

In any case, saying that strategic management can sometimes aid managers to think more lucidly and act more decisively is a long way from saying it leads to better policies and programs-which is what the paradigm leads us to expect. Western business experience is a warning to be suspicious of declarations that strategic management is a remedy for organizational and policy ills in developing countries. Specifically, citizens and policy makers should bear in mind the following observations:

- *Strategic management is no panacea.* Only the naive think otherwise, yet expectations are still too high that this approach is going to make a large difference in the way developing country institutions are run. Modest gains in efficiency are the best that can be hoped from strategic management, and policy makers ought to be clear on this from the beginning.
- *Strategy is hard to manage.* Practitioners who have the knack for strategy can use the methods fruitfully. Imitators are more likely to fail because they do not appreciate the essence of the approach, and merely go through the motions. Policy makers need to be vigilant to the risk of using strategic management by rote, and to be sure always to reflect on what they are trying to do.
- *Strategic thinking is more important than any formal technique.* Successful strategic managers bring wisdom, experience, open-mindedness, and creativity to their job. These skills are hard to teach, and may actually be undermined by excessive formality of technique. There is no strategy that cannot be undone by prompt counteraction. A bold decision is often better than one that is more elegant but too late. Policy makers thus ought not to let prescribed procedures for strategy making nullify their instincts and better judgment.
- *Even the best strategy can be defeated.* Despite thorough preparation, strategic analysis will not overcome an inspired hunch that grasps at a stroke the essential truth of the situation. No matter how seriously they apply the methods, policy makers need to be prepared to be thwarted by random events and countermoves they could not foresee.

Used with a sense of these limits, strategic management does have a place in international development. But strategic management's value lies in the process it puts managers through, instead of in actual outcomes. The techniques may reduce outlier decisions about what should be done; they do not lead consistently to optimum choices.

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