

## Working Paper

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# Essence of Strategy: Controversial Choices

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# **Essence of Strategy: Controversial Choices**

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### **Abstract**

The essence of strategy is to make controversial choices; this is the only way to gain a competitive advantage. Both strategy development and execution require making difficult choices and trade-offs often in the context of much uncertainty. Smart managers are bound to have opposing views given the nature of strategic decisions. This paper presents a process for strategy development that can help managers surface this conflict, and then manage and resolve the conflict, thus resulting in more effective strategic choices.

*“The merger of HP and Compaq is the best way to strengthen our businesses and improve our market position, deliver more of what our customers need, enhance opportunities for our employees and increase the value of our shareowners’ investments.”*

-- HP CEO, Carly Fiorina, 2001 Letter to Shareholders

*“We profoundly disagree with management’s assertion that HP needs to make this large and very risky acquisition. It worsens the HP shareholders’ portfolio of businesses. It does not solve any strategic problems.”*

-- HP dissident Board Member, Walter Hewlett, 2001 Proxy statement

The much publicized 2001 merger between Hewlett-Packard and Compaq was very controversial. The CEOs of the two companies campaigned vigorously for the merger while the most visible critic of the merger, Walter Hewlett, 14-year HP director and son of co-founder William Hewlett, heavily contested it. There were experts, including investment bankers, stock analysts and management consultants, arguing on both sides of the merger debate.

Strategy is always controversial; in fact, the very essence of strategy is controversial choices and trade-offs. In order for one firm to out-perform its competitors and gain a competitive advantage, it must act differently: make choices and choose alternatives that are distinct from its competitors. Einstein is said to have defined insanity as doing the same thing and expecting a different result! Strategic decisions also imply making trade-offs; otherwise every company would choose the same alternatives and there would be no difference among companies. Moreover, equally smart managers could have very disparate views on the best strategy for the company, as seen in the case of the HP-Compaq merger.

Four years after the contentious HP-Compaq merger, and four years of disappointing results later, the board of directors fired Carly Fiorina. HP Chairwoman Patricia Dunn remarked that the company needs a leader who will better execute its existing strategy<sup>1</sup>. Sanford Robertson, founder of the investment bank, Robertson Stephens, Inc., differed in his view, “I always thought they executed pretty well [but I] was curious about the strategy.” Even in hindsight, strategy is controversial!

Most managers figure out that strategy formulation involves making difficult choices, but often they do not also realize that similarly sharp choices are required in strategy implementation. HP provides yet another example that highlights this point. Prior to her departure from HP, Carly Fiorina restructured the organization by combining the personal computer business and the printer business into one division. Only a few months later, in June 2005, Mark Hurd, the new CEO of HP, reversed that decision and separated the two businesses<sup>2</sup>.

Strategy is not only controversial; it is a critical driver of superior firm performance. Michael Porter, an influential strategy guru, argues that the root cause of poor firm performance is the failure to distinguish between operational effectiveness and strategy.

While operational effectiveness is necessary, it is not sufficient for superior performance<sup>3</sup>. Managers often wonder where is the dividing line between strategy and operations, between strategy and tactics. A way to resolve this slippery distinction is that strategy consists of choices that are *both* controversial and significant drivers of firm performance.

In order for firms to benefit from their strategic planning processes, they need to be able to manage well the process of dealing with the controversy, and the inherent conflict that arises, involved in strategy development and execution. On a smaller scale, this is the reason why business schools typically teach strategy to students using the Socratic method of case discussions. An effective teacher highlights the controversies and trade-offs contained in strategic decisions and forces students to advocate and defend their positions.

### **Controversial Choices**

In February 2005, The Wall Street Journal<sup>4</sup> sampled a range of industry veterans and management experts to ascertain their opinions on what HP should do next. Their responses highlight the problem: “turnaround experts offer a wide range of conflicting strategies.” This is not an unusual, let alone a unique example. Recently, Boeing announced its latest investment in its newest offering, the 787 Dreamliner, a mid-size, long range plane that seats between 200 and 300 passengers. Airbus, on the other hand, is betting on its A380, a super-jumbo, long range plane that seats between 550 and 800 passengers<sup>5</sup>. These two competitors are placing bets based on differing views of the future growth patterns in international air travel: point-to-point versus hub-and-spoke. Their wagers are not only controversial, but also substantial; Airbus has spent \$16 billion developing its new A380 aircraft.

Blockbuster, the video-rental chain, has seen its business erode in past years as a result of new competition from a variety of sources: low-priced DVDs, online DVD rentals (e.g. Netflix), video-on-demand, and downloaded movies from the Internet. The company has invested money to expand its business in several different ways: selling and renting video games, offering used movies for sale, starting an online mail-order business, establishing a subscription service, and canceling late fees. Carl Icahn, the largest shareholder of the company, disagrees with many of Blockbuster’s new strategies and feels that the company should significantly increase its dividend payout so that investors can better invest their money elsewhere. This situation is a familiar one: a once dominant business that generates plenty of cash sees its market slowly decline. So, should management use the cash to diversify the business into something new, but risky? Or, should they manage the business for cash and return it to shareholders? Other companies such as Kodak’s film business and Time Warner’s AOL business also are facing similar dilemmas<sup>6</sup>.

The examples discussed focus on large, well-known companies facing dramatic and challenging choices. Yet, all companies, regardless of size and industry, confront equally controversial choices in formulating their strategies. Why do some firms perform better than other firms? What can you do to be more successful, to gain a competitive

advantage, and to create shareholder value? Strategy is a useful framework for answering these questions; the strategy framework can help you set your action agenda as a senior manager.

Strategy consists of a set of inter-related choices that have a major impact on a firm's performance. Strategy involves both formulation and execution, and the two are intricately intertwined and it is difficult, if not impossible, to separate the two steps. It is futile to argue about whether formulation is more important than execution or vice versa; they are both essential to achieving superior performance. Both strategy formulation and strategy implementation involve making controversial choices and trade-offs.

### **A Vision is not a Strategy**

In the lobby of many companies you will find a beautifully framed vision statement. However, if you take that vision statement and hang it in the lobby of a different company, most people would never notice the difference. These statements are often trite and full of platitudes. Besides, they are generic and exchangeable, not controversial and hence, not strategic!

Most vision statements are 'motherhood and apple pie' statements about being the best in terms of quality, service, growth, leadership, innovation, customers, employees, and/or shareholders. Both Nike, the athletic wear company, and Comerica, a banking organization, have vision statements that refer to "enriching people's lives"<sup>7</sup>. Scott Adams, the author of the famous Dilbert comic strip, tells of a company that has the vision "Create effective partnerships with our customers that enable them to achieve excellence." That is not a bad vision even though it could apply to any company from IBM to organized crime.

Vision statements are useful for energizing people in a company and providing a common purpose and cohesive values. Instilling a vision in a company that significantly influences the corporate culture can be a source of superior performance – a vital aspect of strategy implementation. But, vision statements provide very little, if any, guidance for making complicated strategic choices. There is much more to formulating a strategy than devising a vision.

### **Causes of Controversy**

Strategy consists of a set of integrated choices: the domain in which the firm will compete, the sources of its competitive advantage, the value proposition it offers to its customers, and the organizational design required to execute its strategy. All of these choices are complicated and controversial; equally smart managers may have different opinions on these choices. Analyses alone do not yield the answers; managers have to make difficult judgments, often in the context of considerable uncertainty.

One source of the uncertainty is that strategy deals with the long term outlook, and we can have many equally plausible forecasts of the future. Also, uncertainty lies in the

actions and reactions of competitors. Again, managers may advocate very different actions under such circumstances. Another source of uncertainty is self created. If you wait to make a decision only after you have collected all the available information and done all the necessary analyses (which is impossible to do in the first place), it will be too late. For example, the Marine Corps trains its soldiers to practice the 70% solution: if they have 70% of the information, done 70% of the analysis, and feel 70% confident, then they should move<sup>8</sup>. To avoid ‘paralysis by analysis’, it is better to make a decision with less information and to act despite the greater level of uncertainty.

To add, strategy deals with complex issues and it is difficult to understand the tradeoffs because of ‘causal ambiguity’. We do not comprehend well the cause and effect relationships that underlie strategic decision making. For example, in trying to understand the drivers of demand, it may be hard to measure the relative importance of price and quality, and how quality is defined to begin with. In trying to ascertain the drivers of cost, it may be tricky to judge the effectiveness of automation in reducing cost. In designing compensation systems, it may be thorny to determine the appropriate mix of individual and group incentives.

Often the controversy in strategy resides not in a general statement of the firm’s direction, but rather in its deliberate application: it is a matter of degrees. Choosing between black and white is not controversial, but choosing among the various shades of gray is – strategy lies in choosing the right shade. The exhortation that you should be customer-oriented and listen to your customers is not controversial – of course, you should. The strategic choice is to what extent should you listen to your customers? How much money should you spend on marketing research? How much of the CEO’s time should be committed to customer contact? The more time the CEO spends with customers, the less time s/he spends with employees, suppliers, etc. Allocating scarce firm resources, both money and time, undeniably involves a choice and a trade-off. Listening to customers can include other trade-offs as well. If you cater too much to your current customers and align your organization solely to do so, you might be blind sided by a disruptive technology<sup>9</sup>. Paying excessive attention to customers also may reduce your ability to pursue technology driven innovations.

As another example, a large consumer products firm was considering its strategy for entering China. The issue was not whether to go to China or not; it was obvious to all the managers (and the competitors) that entering the Chinese market was critical to its growth. The controversy was the extent to which the firm should invest in China over the next three years: \$15 million for a minor distribution presence or \$100 million for a major presence that would include significant manufacturing and technology development.

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### **Uncertain Context, Certain Decisions**

The fact that a decision is made under uncertainty does not mean that you cannot feel confident that you are making the right decision. For example, imagine a jar filled with

balls, 75% are white while the remaining 25% are black. You are asked to blindly pick out one ball, and guess, in advance, its color. The decision to guess the color 'black' is absolutely correct which you can feel certain about. However, after you draw the ball, there is only a 75% chance that you guessed 'right'. *Ex ante*, the decision 'black' is certainly right; though *ex post*, the outcome might turn out to be 'wrong'.

For many foreign companies in China today, the outcome of long term profitability is highly uncertain. But, they can still be certain that their decision to enter China today is the right one.

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## **The Planning Process**

In a typical company, strategic planning is driven by the calendar. Managers initiate the process to analyze and formulate the company's strategy not because the firm faces a strategic choice, but because it is, say, June<sup>10</sup>. A better approach would be to have the strategic analysis triggered by the arrival of a strategic choice and not by dates on the calendar.

In the traditional strategic planning process, much effort is expended on analyzing the environment (political, economic, social and technological), the industry, the competitors, the customers, and the company. Several different frameworks may be used for these analyses: Porter's Five-Forces, SWOT, McKinsey's 7-S's, generic strategies, core competencies, balanced scorecard, and EVA (economic value added.) Yet, the problem is that these analyses are not tied to a specific strategic choice the company faces and hence, the time and effort spent is scattershot and wasteful. Many of the analyses produced have no impact on the actual choices the company makes. No wonder that many firms are disillusioned with their strategic planning.

My favorite question to ask as a facilitator in a company's planning process is "So what are you going to do (or not do) as a result of your analyses?" Unfortunately, many managers do not have a good answer to this question. A better planning approach is to first, identify the major strategic choices the company faces and then, to focus the analyses on these choices. This way the planning process is much more directed and action oriented.

For example, a major US building products company began its planning process by identifying five key strategic choices: 1) whether to enter China; 2) what to do with current operations in Europe; 3) how to deal with consolidation of the distribution channel; 4) how to manage the shift from products to services; and 5) how to deal with large commercial customers. The rest of the planning process was then sharply focused around addressing these five issues. In the next planning cycle, the company may re-visit some of these issues and/or identify new strategic choices.



## **Confronting Differences**

In order to make a strategic choice in an intelligent and effective manner, the firm must understand the pros and cons of each alternative and analyze the trade-offs involved – while in the context of much uncertainty and causal ambiguity. Managers may come to different conclusions based on their diverse perspectives, backgrounds, competencies, and access to information. The best way to deal with this issue is to make the strategic planning process as participative, explicit and transparent as possible. The firm needs all the managers to put their information, assumptions, and analysis on the table. Then, the managers can share, critique and understand each other's positions, and come to an honest resolution of their differences. This is an idealistic view of the process and it will never be so perfect due to hidden assumptions and biases, vested interests, and organizational politics. But, the more you try to foster and encourage an honest and inclusive strategic decision making process, the more likely it is that the firm will make intelligent choices and develop strategies that create a competitive advantage.

Confronting differences is the key. We need to bring conflict out into the open. This is how wise trade-offs among competing alternatives can be made. Intellectual debate among managers with divergent views is a vital source of creative and innovative solutions within the company. Conflict is the source of creativity; dissent is the source of learning. We learn by talking with someone with whom we disagree. Managers must confront conflict rather than avoid it. Conflict, of course, needs to be managed such that it is constructive and intellectual.

Managers also need to be able to resolve their conflicts to arrive at a strategic choice. A firm is not a debating society and the process cannot end with the managers 'agreeing to disagree'. Once the firm has made a strategic choice, the managers who initially disagreed with the choice must work toward supporting the decision.

## **Generate Conflict**

Strategic choices are intrinsically controversial. So, if right at the start of the strategic planning process all the managers seem to agree, this can be a symptom of organizational malaise. Lack of conflict is not the same as real agreement. Consensus can be a disguise for disengagement.

Do not settle for a premature consensus. The firm should explore different strategic alternatives and analyze the trade-offs involved, thoroughly. A quick decision on a particular option might mean that a better alternative is ignored. Even if the 'right' course of action was chosen, the managers may not fully understand the negative aspects of the chosen alternative well enough and risk running into problems implementing the strategy. A complete understanding of the various alternatives and their pros and cons, usually achieved through extensive debate, is essential to making a good choice and executing it well.

At a minimum, firms need to tolerate dissent. Yet, many managers do exactly the opposite and surround themselves with ‘yes men’ or people who think like them. If you penalize dissent among your staff a few times, subordinates quickly learn not to disagree with the boss. A sign of a healthy company is one where you have the ability to tell your boss that s/he is wrong and not have that be a ‘career limiting’ move.

It is not enough to merely tolerate dissent; firms must actively encourage dissent. Senior managers need to actively seek out opposing points of view and draw out people who are hesitant to volunteer negative or contrary opinions. It is important to keep in mind that as a senior manager, it is beneficial to not express your position too early in the discussion since it will intimidate some subordinates from voicing a differing opinion. An outside facilitator can help the company to bring forth different points of view during the strategic planning process. To avoid ‘group think’, diversity among the management team is also important. This is diversity in terms of education, functional expertise, work experiences, and business perspectives. You may invite someone who does not ‘belong’ there as well, such as a manager from a different division in the company, to your next task force or strategic planning meeting to gain his/her perspective.

Another alternative is to intentionally generate conflict, even if artificially. By assigning roles and positions to different managers, some in the role of the devil’s advocate, ensures that all aspects of the strategic choices are thoroughly examined and is a good way to energize a debate. Recall the major US building products company, previously mentioned, that was faced with five strategic choices. On each of these five dimensions, top management identified two or three very different strategic responses and, arbitrarily, assigned a senior manager to make a case for each alternative at the company’s upcoming retreat.

At the planning retreat, the top 25 managers in the company spent a one-half day session on each strategic choice. Each session started with two or three managers advocating their assigned alternative for 45 minutes. Each manager had devoted much time and effort gathering data and conducting analyses in support of his/her strategic alternative. After these presentations, the entire group debated the different alternatives and either made a strategic decision or agreed on specific steps for further analysis. Unlike planning retreats at other companies, the discussion at this company was focused on the strategic considerations at hand, was well informed by data and analyses, and was not based on unsupported opinions or hunches.

Another approach to generating conflict is to assign managers to play the role of different competitors in the industry. Companies often fall in love with their chosen strategy and may be blind to its hidden flaws. Competitor role playing is a good way to critically examine the firm’s existing strategy. Seeing the situation from a different perspective also may produce alternatives that managers had not considered. Additionally, managers can be biased in their view of the company’s capabilities and underestimate competitors’ strengths. Role playing can be a way to correct for this bias and engender ways to abate potential competitor threats, and even identify new opportunities.

## Conflict Management

Although the goal is to use debate to shed light on all sides of the strategic choice, conflict needs to be managed such that it does not degenerate into dysfunctional interpersonal conflict. Proper conflict management is vital so that the company benefits from the process in a manner that does not damage people's abilities to work together as a team afterwards. The strategic planning process is an intellectual debate and not a political fight. Hence, it should focus on ideas and decisions and not on personalities. We need to be mindful to de-personalize the debate. The underlying message is, "I disagree with your ideas, but I think you are smart and I enjoy working with you." If the underlying message becomes, "I disagree with you and I think you are dumb," then there will be an unproductive fight. The first requirement is that managers realize that they are on the same side with common goals; a team that does not compete with each other, but rather with external competitors. The conflict is but a means to greater collaboration<sup>11</sup>.

Unfortunately, debates can generate some heat in the conference room. You need to ensure that this tension is diffused quickly and harmlessly. Humor – even if it is contrived -- is very effective at relieving tension and promoting a positive mood, thereby creating a collaborative esprit. A well-planned group social gathering over drinks or a meal can also go a long way towards smoothing ruffled feathers and creating a friendly tone. Yet, managing the tone is not enough; you have to be earnest about the role that accord plays in the conflict management process for it to be constructive.

Another way to steer the discussion away from the individual is to root the debate in facts and data. In the absence of good data, managers waste time in pointless debates over opinions<sup>12</sup>. People, and not issues, become the focus of the disagreement. Good data, defined as timely, relevant and objective, encourages managers to focus on the real issues and strategic choices. The problem is that many companies lack the quality of data required for a thorough examination of the strategic choice. The traditional planning process, which typically begins with analyses, requires extensive data collection, but much of this data and the analyses conducted go un-used. Starting with the strategic choices focuses managers and the data collection effort as well as ensures appropriate depth of analyses. More importantly, it equips the managers to begin formulating judgments and making decisions on strategic issues much faster.

To form opinions on strategic issues, managers typically begin with their assumptions, gather data, perform some analysis, then make a judgment call. Arguing directly about their final opinions as a result of this exercise is often futile. The first step toward achieving a resolution of different opinions is to devise a process that helps managers to reach better conclusions given their typical mode of decision making. By creating access to timely and relevant data that is shared among all the managers, they are equipped with the means to begin discussions on differences in views based on facts and not opinions. Next, it is important to create a forum that encourages managers to share their underlying assumptions by making them explicit. Managers with differing assumptions that have not been articulated end up arguing past each other which leads to misunderstandings that deteriorate the context of the debate. Once uncovered, managers may still disagree about

their assumptions, but can, at least, focus on the root cause of their disagreement improving the quality of the debate. Finally, companies should train their managers to be well versed in strategic analysis techniques (such as industry and competitive analysis, value based planning, core competencies, and many others) since then managers can participate more constructively in the strategic debate. These analytical tools sharpen their view and further teach managers to support and anchor their opinions using objective and substantive measures.

Strategic choices always are complex given multiple trade-offs among several inter-dependent factors, and always involve making judgment calls. One way to simplify the process is to break the complex problem down into sub-problems and then to identify the criteria for making each trade-off. Obviously, this method is not always possible, but it is worth considering. We highlight one method in the box titled, ‘Understanding Trade-offs’, that can help.

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### **Understanding Trade-offs**

A company faced with competition from an emerging technology decided to invest in developing the capability of the new technology itself. The strategic issue was how to organizationally manage the development of the budding capability. The five identified strategic alternatives were:

- Ask the technology center at the corporate level (which is a cost center) to develop the new capability
- Form a new division (which would be a profit center)
- Choose one of the current divisions to develop the new capability
- Require each of the current divisions to simultaneously develop the new capability
- Offer to each division the choice of developing the new capability

For this company, the strategy formulation choice: to invest in the emerging technology was straightforward. The strategy implementation choice of organizational design was much more controversial. There is no easy answer to this problem; there are pros and cons for each of the above five strategic alternatives. The managers then identified six criteria for making the trade-offs among the strategic alternatives (see Figure 1).

**Figure 1. Understanding Trade-offs**

<b>Criteria</b> <b>Alternatives</b>	Speed to market	Cost	Customer orientation	Standard platform	Radical change	Wide adoption
Technology center	Good	OK	Poor	Best	Best	OK
New division	Best	Good	Good	Good	Good	Poor
Champion division	Best	Good	Best	Good	Good	Poor
All divisions	Poor	Poor	Good	Poor	Poor	Best
Free choice	OK	OK	Good	Poor	Poor	Good

It was simpler for the managers to discuss the alternatives, one criterion at a time, after seeing the choices and trade-offs, more easily, in the matrix format. We did not assign weights to each criterion or numerical preferences to each alternative since this guide was not meant to be a mechanical tool for making decisions. The decision is much too complex to use such a structured approach. Rather, the managers used the matrix as a framework for initiating dialogue among the group and bringing out the salient points of each alternative. At the end, the managers still had to use their judgment and experience to choose among the alternatives. Yet, the matrix allows managers to be more focused on the components of their choices, to share their thoughts and ultimately, to be more comfortable with the final decision, which aids in the strategy process.

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### **Conflict Resolution**

In order to de-personalize the conflict, it is essential to not tightly link the conflict to rewards. If the manager or the team that wins the debate stands to gain in terms of compensation, promotion, or the like then everyone will fight too hard not to lose. But, if the conflict remains an intellectual debate, then it is easier for people to concede gracefully. In fact, it is useful (perhaps even critical) to have the person/team who opposed the ‘winning’ strategy to be involved in implementing it.

Another issue to be wary of in resolving conflicts is the desire to reach a unanimous decision. If the debate results in everyone seeing eye-to-eye, that is great – but, it is very uncommon. It is not necessary to arrive at a consensus, and you should not strive too hard or too long to achieve it and risk getting bogged down in an endless debate. Requiring unanimity implies giving everyone veto power which might force a decision

with which no one is happy, a poor compromise. Besides, consensus is not necessarily a sign of harmony; it might very well be the result of fatigue and frustration.

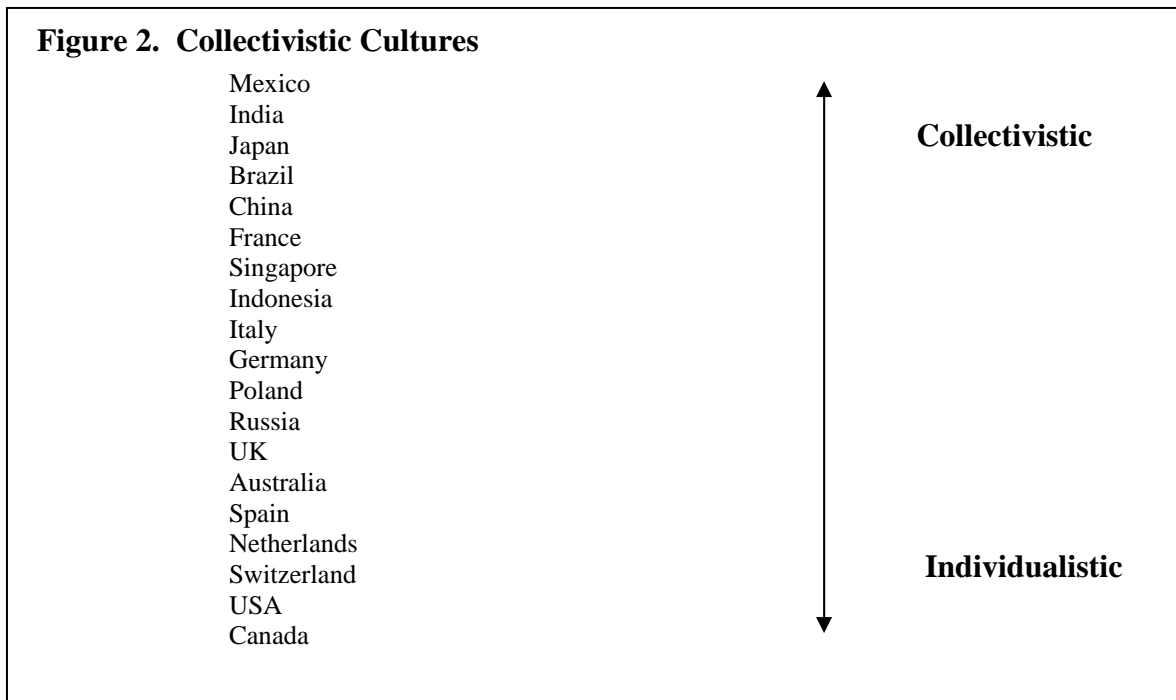
Strategy development should be participative, but not democratic. The purpose of generating and managing conflict is to thoroughly analyze the strategic choices. Resolving the conflict, that is making the strategic decision, is the responsibility primarily of the senior managers<sup>13</sup>. It is important that senior managers retain the power to make the final decision, after hearing and carefully considering all the facts, data and perspectives surrounding the strategic choices.

Senior managers should, however, expect to and be prepared to explain the logic behind their final decisions since managers who disagreed with their decision will likely be more willing to accept it if they perceive the whole process as fair. It is also important that senior managers make a definitive choice and clearly enunciate the strategy. Given the uncertainty and causal ambiguity factors previously discussed, the outcomes from strategic decisions are indeterminate. But that does not mean that the decisions are uncertain ones (see the box 'Uncertain Context, Certain Decisions'). In fact, people in a company expect their leaders to be resolute; they want their leaders to say clearly, 'This is where we are headed'.

## **Role of Culture**

Effective strategic planning and implementation requires that companies cultivate a culture that deals well with conflict. Some companies face an additional challenge in this regard due to their local country culture. Companies from countries with collectivist cultures may be less apt at handling conflict within their organizations and hence, be at a disadvantage. This is not to say that there are no excellent companies in countries with collectivist cultures; but, that as a broad generalization, companies in these countries are less equipped at managing the process of making controversial choices.

Collectivist societies are characterized by harmony and "knowing one's place." These traits are not only valued, but also expected. Counter to what we have been arguing as beneficial for effective strategic decision making, conflict is viewed negatively and typically avoided and, at times, suppressed. Group cohesiveness is deemed to be very important. People have a strong sense of interdependence as their identity is embedded in their relationships. They are highly sensitive to losing social face in public; they avoid conflict which is seen as disrespectful and may lead to alienation. So, the first problem is that dissent is avoided or suppressed, let alone encouraged and generated. This is especially true of Chinese and Japanese cultures which have been influenced by the Confucian tradition of role appropriate behavior<sup>14</sup>. Country cultures can be arranged on a spectrum from individualistic to collectivistic (see Figure 2)<sup>15</sup>. As can be seen from this research, some non-Asian countries such as France, are quite collectivistic so these characterizations are not limited by geography.



The direct, individualistic, confrontational style required of managers in the strategic planning process we have proposed in this article, hence, presents a challenge for managers from the more collectivistic cultures. Conflict avoiding behavior, in an effort to remain ‘polite’ and maintain false harmony, stalls the strategic planning process since participants cannot be relied upon to share their true views on issues, limiting the scope and innovativeness of the strategic debate. There may be an even worse consequence: avoiding conflict does not mean that it disappears, but rather later manifests in destructive, win-lose ways that undermine both performance and relationships.

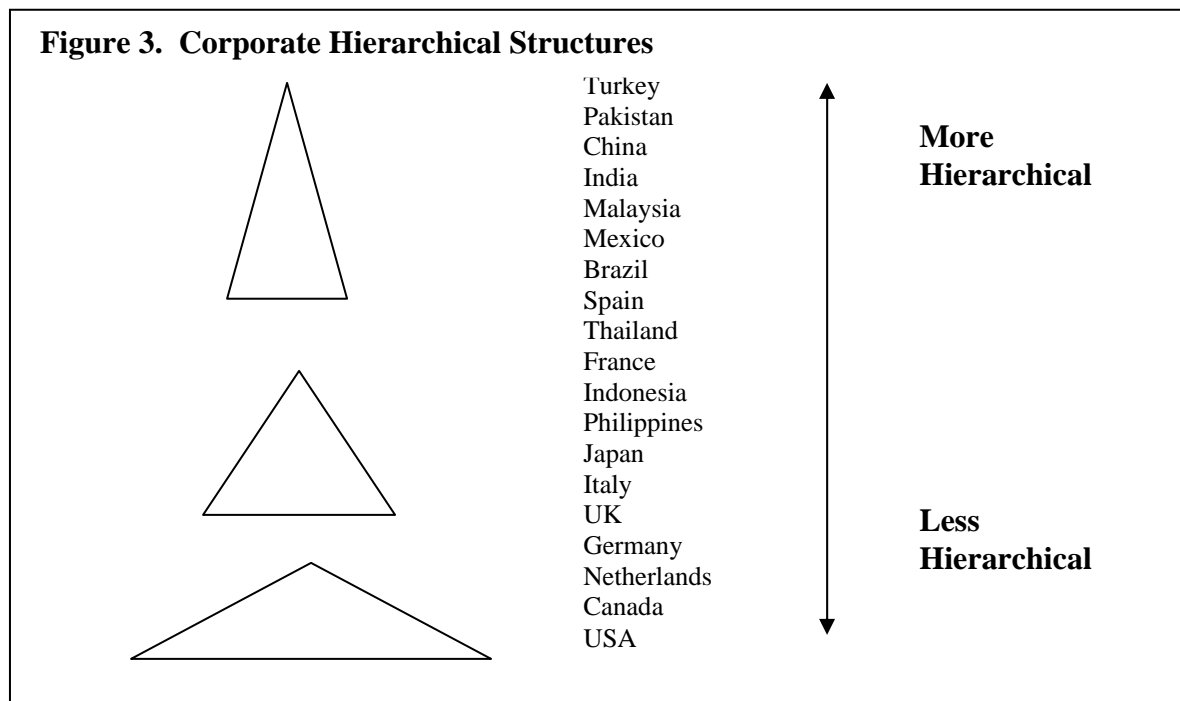
The second step in our proposed process is to manage conflict. If managers are uncomfortable with conflict in the first place, they tend to seek a resolution too quickly. This action makes it difficult to thoroughly examine all sides of the controversial issue because too little time and resources are devoted to the debate.

Some companies, located in developing countries also often lack the appropriate facts and data to analyze strategic choices due to limited access to information gathering mechanisms. This impediment is more of an institutional issue rather than a cultural one. There is a shortage of marketing research and information available in terms of customer needs, customer segmentation, market demographics and target psychographics due to lack of development. Little is known about competitors. Financial data is inadequate as a result of the lack of transparency in financial capital markets. Internal accounting data is, at times, even not suited for performing strategic analysis.

Additionally, country culture influences the structure of organizations in that country (see Figure 3)<sup>16</sup>. The more hierarchical and rigid the organizational structure is, the more

conflict resolution is based on formal power. The strategic planning process is thus more autocratic, rather than participative.

The issue of culture, of course, is not to categorize firms based on their nationality. Rather, firms that are characterized by conflict avoidance, lack appropriate access to data, and are organized in rigid, tiered structures will find it difficult to develop good strategic management skills. Unfortunately, the culture and state of institutional development within some countries exacerbates these problems. In that case, firms need to devote extra effort to setting up mechanisms for strategic learning by embracing controversy and conflict.



### Conclusion

The essence of strategy is to make controversial choices; this is the only way to gain a competitive advantage. Both strategy development and execution require making difficult choices and trade-offs often in the context of much uncertainty. Smart managers are bound to have opposing views given the nature of strategic decisions. So managers must become adept at dealing with conflict. Effective strategic management processes force managers to generate, manage, and resolve conflict.

In an increasingly global world, managers face fierce competition from both domestic and foreign players. This new competitive environment is dictated by markets and is blind to country borders and culture. Firms that cultivate an environment whereby managers develop an appreciation for the power of conflict stand to achieve a true competitive advantage.



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- <sup>3</sup> What is Strategy, Michael Porter, *Harvard Business Review*, Nov.-Dec. 1996.
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- <sup>5</sup> Financial Times, May 4, 2005
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- <sup>7</sup> *The Mission Statement Book*, Jeffrey Abrahams, Ten Speed Press, 1995.
- <sup>8</sup> Great Escapes, Michael Useem and Jerry Useem, *Fortune*, 27 June, 2005.
- <sup>9</sup> *The Innovator's Dilemma*, Clay Christensen, 1997.
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- <sup>14</sup> Michael W. Morris, Katherine Y. Williams, Kwok Leung, Richard Larrick, M. Teresa Mendoza, Deepti Bhatnagar, Jianfeng Li, Mari Kondo, Jin-Lian Luo, Jun-Chen Hu. Conflict Management Style: Accounting for Cross-National Differences, *Journal of International Business Studies*, 29, 4(1998): pgs. 729-748.
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- <sup>16</sup> *ibid*.