Strategy and strategic action in the global era: overcoming the knowing-doing gap

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Abstract: Efficiency and effectiveness are not sufficient in the global era. Explicability and ethics – not only doing the things right but also doing the right things – are emerging as major components of corporate success. Key aspects of competitiveness have moved from data and information to knowledge and wisdom. Strategy and strategic action have upstaged efficient performance and flawless execution. The world has changed. In the world of information, the notion of strategy has been reduced to the 'mission-vision' descriptions, declarations and statements. In the world of knowledge, the notion of strategy has reinstated the action in the center. Your strategy is what you are doing, not what you are saying and, significantly, what you are doing is your strategy, no matter what you say. Each company has a powerful strategy, whether they know it or not. Modern view of the strategy is not about a statement and its implementation, but about transforming one action portfolio into another action portfolio, one implicit strategy into another. Here we present a methodology for overcoming the knowing-doing gap in the area of strategic management.

Keywords: global society; global sourcing; knowing-doing gap; knowledge; strategic action; strategy; strategic management; wisdom.

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1 Introduction

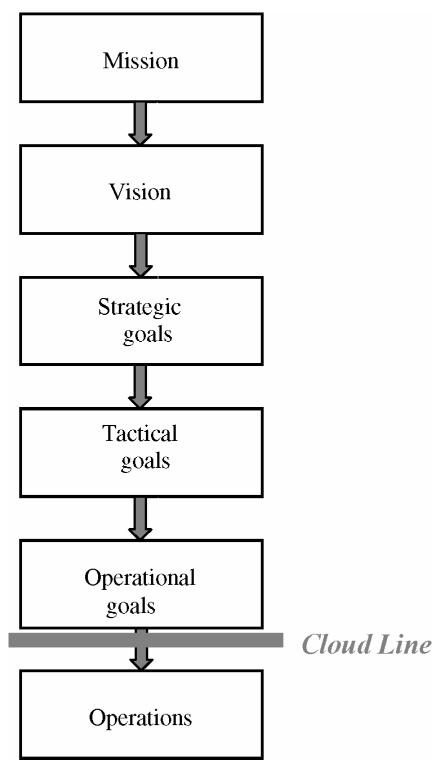
Strategy is what a company does. And what a company does *is* its strategy.

It is plain and simple. Every company has a strategy as long as it is doing *something*. There is no question what its strategy is; the only question is its effectiveness: if it brings forth the desired results. Assorted corporate mission and vision statements are *not* strategy and have little to do with strategy. They are just descriptions of intentions, desires and plans – just words substituted for action. The dichotomy between the action and its description is often palpable. The gap between knowing what to do and actually doing it is often excruciatingly real – and getting worse.

The old-fashioned strategists of the pre-information era were so effective precisely because they did not have a space for talking about it. They had to deliver: engage in action and deliver the goods. One can also admire the action-based strategy of the animal world. Observing a pride of lions in action teaches us more about strategy through mutual adaptation and readjustment than any flashy PowerPoint presentation of a symbolic description. (Lions are lucky that their space for PowerPoint presentations is so limited because they would die of inaction and empty roars a long time ago.)

In Figure 1 we have the sketch of a traditional strategy paradigm. There could be some additional details in different versions, but essentially this is how the strategy is often pursued by many companies. Some institutions spend years hammering out their mission and vision statements and defining, testing and measuring the goals – before encountering the 'Cloud Line' and the problem of *Implementation*.

Figure 1 Traditional paradigm and the 'Cloud Line'



The ‘Cloud Line’ is a real phenomenon: those above it do not see below, the strategists do not understand the problems of operations. Those below it do not see above, the doers do not understand what is being asked of them and how is the strategy to be implemented.

One can simply look and contemplate Figure 1 in order to realise that no viable strategy can ever emerge from such a scheme. Everything about the Cloud Line is just *symbolic descriptions* of the intended future action. Everything below the Cloud Line is only *pure action*, no descriptions. These are two separate domains: descriptions of action and action itself. They can and do differ; very rarely do they meet – unless the description refers to the “actual” action, present or past, not the intended action of the future. Because strategy describes the future, the two domains can rarely intersect.

So, there arises an eternal problem of implementation. How does one transcribe the descriptions of action into action itself? How does one implement a strategy?

Most executives say that they are OK with the descriptions, they are fine above the Cloud Line and sometimes they do not understand why should it be so difficult to implement their descriptions (mission and vision statements).

The very notion of implementation is typical of the gap between doing and talking. If we accept that corporate strategy is about doing and not about saying, then the notion of implementation becomes mute and uninteresting. If the strategy is what company does, then there is nothing to implement: the strategy is already enacted. What we want is not implementing a description but changing the strategy itself: changing from one form of action into another.

The start of the strategy-formation process is in the current action, not in the mission-vision formulation. The purpose is the change of action, the change in strategy. One of the end-products of such a change can be a description, a mission-vision statement *derived from the action itself*, not from executive musings. That way, the strategy and its change take place in one domain, in the domain of action.

2 Knowing-doing gap

Pfeffer and Sutton (2000) have explored the phenomenon of talking replacing action in managerial activities and decision-making. *Why knowledge of what needs to be done frequently fails to result in action or behaviour consistent with that knowledge?* they ask.

There is some evidence that competitive advantage comes only from *doing* something (preferably what others cannot do), not from *talking* about it. Anybody can read a book, attend a seminar or prepare a ppt presentation.

Although the gap between action and description of action has been properly identified, it is based on misunderstanding of knowledge and knowing. What authors meant was that there is a gap between having information and acting (transforming that information into action). As soon as we realise that knowledge *is* action – more precisely, a purposeful coordination of action – then there is no gap. All knowing is doing and all doing is knowing – no gap.

There is no other knowledge than tacit, the one embedded in human action or behaviour, embodied in human being (Zeleny, 1987). The authors of the ‘gap’ have created the gap by confusing knowing with symbolic description of action, i.e. information.

So, the gap exists between knowledge (action) and information (description of action). The Western tradition of not defining the terms properly does lead to numerous dilemmas, conflicts, paradoxes and often, 'gaps'. In other cultures and societies it is very hard to understand how someone could *know* and yet be unable to *do*. How can you know how to ski without being able to ski? How can you know how to cook Peking duck without being able to actually make one?

The *knowledge-information gap* of course does exist and is even stronger and more damaging after clearing up the conceptual fog. We can then label it the *Talking-Doing Gap* for everybody in the world to clearly understand. There is an increasing tendency to treat talking about something as *equivalent* to actually doing something. The talking-doing equivalency is a disturbing and continually increasing phenomenon. New generations of managers, the digital ones, behave as if talking about what they or others in the organisation ought to do is as good and as important as actually getting it done.

Digitally suave generations have a tendency to treat virtual reality as reality, talking as doing and information as knowledge. Yet, all that can be digitised is only information and will remain so. Knowledge is not information.

Flashy and well-rehearsed presentations have become more important than actually doing something. Because such impressive descriptions are rewarded in organisations, managers devote more and more time to them, functioning happily in the domain of descriptions, leaving the domain of action to – well, to whom? The problem is that many managers actually believe that they are being 'practical' when polishing their ppt presentations as if they were in the business of producing ppt slides, not in the business of making steel or wiring up buildings.

Traditional MBA education certainly contributes to the predicament. The essence of this education process is *talk*. Students are taught how to sound and even look smart through mindless case discussions, writing smart essays and answering standardised questions. Then they become internal or external consultants, producing endless written reports and sharp-looking presentations. They do not know how to run anything, but they are becoming ever sharper in their talk about running something. The almost mindless reliance on how things have been done in the past, both at school and in business, makes translating talk into action even more difficult. (See Bennis-O'Toole, 2005)

Instead of Entrepreneurial University (Etzkowitz, 2004), which does business rather than just talk about it, we are sticking to 'talking the talk' more and more and 'walking the talk' less and less. Precedents, habits of mind and just plain 'mindlessness' have become the major skills of international MBAs. Hammering out empty mission statements engage individuals and institutions often for years. Yet, nothing is happening.

'Mission statements are among the most blatant and common means that organisations use to substitute talk for action'. (Pfeffer-Sutton, 2000) Similarly, planning, SWOT and other descriptive tools are mostly ritualistic exercises, disconnected from operations and from transforming information into knowledge, i.e. talking into doing.

That is where the strategy itself becomes a ritualistic exercise and the whole information-knowledge gap becomes a serious matter.

3 Wisdom and strategy

One of the main implications of the wisdom focus (e.g. Ryle, 1949, Maxwell, 1984) is the realisation that corporate strategy – the art of inquiry and knowing why – should be based on knowledge rather than on information, rooted in action rather than its symbolic description and supported by the recursive *wisdom cycle* of inquiry: exploration→action→explication. (See Zeleny, 2002)

Information is a symbolic description of action while knowledge is purposeful coordination of action. Strategy is not about statements but about action.

Traditionally, organisation executives prepare a set of statements, symbolic descriptions of future action: mission, vision and set of goals (strategic, tactical operational), plan of ways and means for action and so on. All such statements are simply information. It all has to be translated into action. That is where most strategists and organisation executives stumble.

Most 'strategists' are conditioned to ask 'what' to do and 'how' to do it. They rarely exhibit the wisdom of asking 'why'. Why should this or that statement be translated into action? Even more importantly: Why it should not be? What should *not* be changed and why? Only then can an effective strategy emerge from realising what is conserved and unchangeable and from what is already being done. Even in Nature, the strategy of change is about what is to be selected and conserved and thus carried forth, not about what is to be changed.

Corporate strategy is not just about writing a plan, derived top down from the mission-vision hierarchy of symbolic descriptions. It is a way of managing the entire organisation in order to create a *coherent pattern of action*.

All executives can write statements, but only a few can 'do' them. The action itself is elsewhere, down in the operational action space, carried out by others. All the descriptive statements, from mission to plan are hovering 'above the cloud line' separating them from the reality of coordinated action. It is hard to see from the high clear skies of information into the chaotic and confusing reality of knowledge down below. One can only look.

There was some justification for fixed mission-vision statements in the slow-changing competitive environment of the past. In rapidly changing environments of the global economy and emerging markets (especially in the areas of information, technology, entertainment, telecommunications and consumer electronics) relying on long-term visions of corporate writers can quickly translate into the 'tunnel-vision trap', distracting executives from the newly emerging opportunities and threats.

One cannot rely on artificial SWOT analysis of the times past. In a rapidly changing world there are no strength and weaknesses or opportunities and threats, which would have a stable, strategic value. There is no time to describe SWOT and contemplate the statements. There is time for a continuous action only. Developing a coherent, evolving *pattern of action* is what modern corporations need. They need knowledge and wisdom. Relying on data and information, i.e. working with descriptions only will not produce viable strategy.

We do not live in a predictable world anymore. We cannot invest too heavily and too early into visions. We cannot crave certainty in a sea of change and demand ever clearer visions from the top. The 'vision thing' ultimately outdid CEO Pfeiffer at Compaq: while he was crafting clear visions, Dell simply pulled ahead by doing its mass customisation worldwide. The HP takeover of Compaq continued with the vision totally disconnected from reality – and had done in the types like Ms. Fiorina in the process. The same can be said about the failed 'corporate dreamers' at Mercedes Benz.

However, the last thing IBM needed in 1993, the year of profound crisis, was another vision. The action was needed and CEO Gerstner delivered it: integrated customer solutions. It is better to be hazily and ambiguously right than to be precisely and clearly wrong.

Precise wording of an admirable mission statement may appeal to stockholders, careless investors and uninformed stakeholders, but only the doing, quick execution of competent action, will impress competitors and customers.

Strategy is about what you do, not about what you say you do. Strategy is about action, not about description of action. Strategy is about doing, not about talking. All organisations have strategy, whether they know it or not: it is embedded in their doing.

Strategy is what you *do*. What you do *is* your strategy.

All the rest is words.

A good example of the failure to grasp such a simple truth is the so-called 'Lisbon Strategy' of the European Union. Hammered out in 2000 by EU bureaucrats and political wordsmiths, this hugely expensive document – with an already misplaced Khrushchevian goal of catching up and surpassing the US by 2010 – has never amounted to anything else but a heap of ill-chosen words. It has been all but abandoned in 2005 with an even more expensive display of restatements, corrections, reductions and reformulations.

One cannot engage in strategic planning without knowing what strategy is. Again, strategy is what you do, not what you say.

4 Strategy development process

Because all organisations *do* something, all organisations already have a strategy. Their executives should stop managing information by hammering out statements and start managing knowledge by coordinating action.

There are many good philosophies and tools described in the literature and there are many good examples of effective strategy practice. What is missing is their *integration*. Staying in the same domain (the domain of action) is not easy, but for developing an effective, enacted strategy it might be necessary.

Let us at least outline the steps and proper sequencing of the strategic process.

First, we have to create a detailed map of key corporate activities to find out what company *is* doing – to reveal its actual strategy that is embedded in action. Remarkably, many corporations do not know their own activities and processes, what they are doing; do not know their own strategy. They only know what they say, through their mission statements.

Here we can get some help from M. Porter and his idea of *activity maps*.

In Figure 2 we have adopted a short example of an activity map from Porter (1996). According to Porter, strategy is what the company does – its activities. Activity Maps show how a company's strategic position is contained in a set of customised activities designed to deliver it. In companies with a clear strategic position, a number of higher order strategic themes can be identified and implemented through clusters of tightly linked activities. The activity map of Figure 2 presents high-order strategic themes in black circles and their corresponding activities in grey circles.

Second, after creating coherent *activity map*, one has to analyse the activities and evaluate their performance by comparing them to benchmarks of competitors, industry standards or stated aspirations.

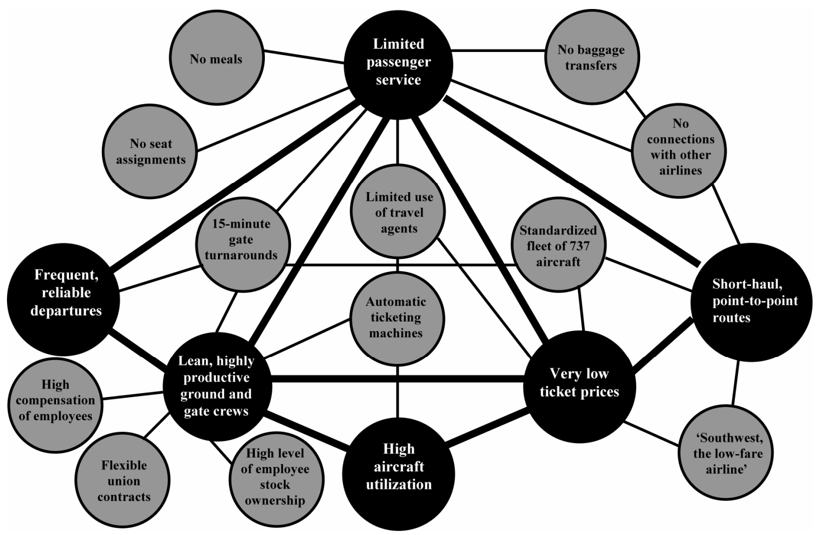
First, one has to ask a series of questions, like:

Is each activity consistent with the overall positioning – the varieties produced, the needs served and the types of customers accessed?

Are there ways to strengthen how activities and groups of activities reinforce one another?

Could changes in one activity eliminate the need to perform others?

Figure 2 Activity map according to Porter



Answering such and similar questions already leads to changes in activities themselves, leading to reformulation and redrawing of the map. Each such implied change can be immediately enacted and the actual corporate strategy firmly established.

The next task is *benchmarking*. One has to be careful here: the purpose of benchmarking is *not* to match strategies or performances of the others. One does not want to become 'like them', similar or the same. The imperative of the global era is *differentiation* (Zeleny, 2006b). We want to know how the others are doing not to become the same, but to become different.

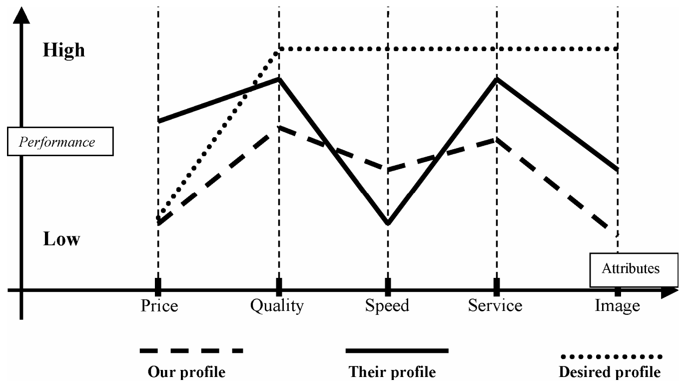
This is somewhat similar to the *strategic diversification* of H.I. Ansoff, concentrating on the different directions in which a business might branch out or expand from where it is today. The firm is defined by the customers or markets it serves and the products or services it sells. It is not defined by its missions and visions, by its symbolic statements.

In order to establish the directions in which some activities should be changed, one has to make comparisons with the customer desires, competitor performances and industry standards and corporate aspirations. In the next step, another tool is needed: the *value-curve maps* or their earlier version – *radar (or spider-web) diagrams*.

Third, so called *value-curve maps* are produced in order to differentiate one's activities from those of the competition. *Differentiation, not 'catching up' or imitation* is the key to effective competitiveness and strategy.

In Figure 3 we have such a generic value-curve map. On the horizontal axis we list criteria or attributes while on the vertical axis we record their performance levels. In concordance with Zeleny et al. (1991) we refer to the individual patterns as *profiles*. So, there can be our profile, their profile and the desired profile.

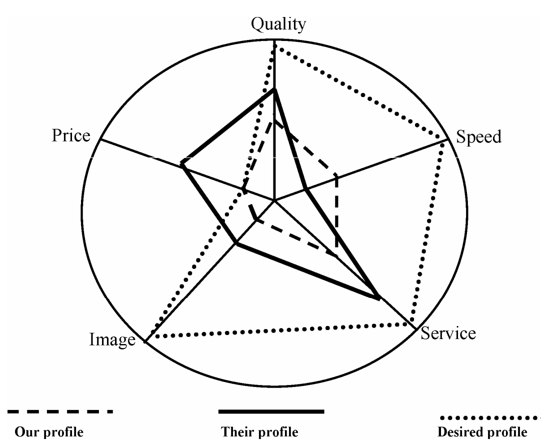
Figure 3 Search for differentiation via value-curve map



Individual attributes or criteria correspond to Porter's themes (black circles in Figure 2). So, the task of differentiation is to identify not just the performances we want to achieve on existing criteria, but to develop a set of new criteria (attributes or themes), which would differentiate us from the competition or standards. Once we identify such new attributes, we can develop the corresponding sets of activities (from activity maps), which have to be removed, changed or added (generated). That way we start changing the activity map and its corresponding activities in a directed and purposeful way of desired differentiation.

In Figure 4 we transcribe the value-curve map of Kim-Mauborgne (1997, 1998) from Figure 3 into informationally identical form of radar (or spider-web) diagram of Zeleny et al. (1991). In radar diagram one can see in a compact from the domination, non-domination and relative positioning of individual profiles. Additional technical and representational possibilities are described in the original paper of 1991.

Figure 4 Radar diagram of the search for differentiation

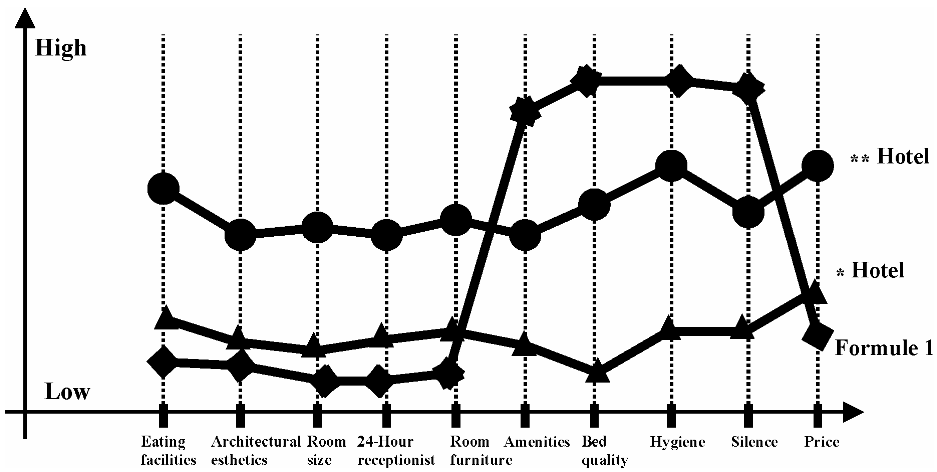


The purpose of these maps and diagrams is to uncover the spaces and niches into which a strategic entry would be desirable. Companies do not succeed or fail because of their mission statements, but because of how well they *fit with their environment*. To fit well means, like everywhere in nature, to create a *niche*, to differentiate itself from others and to compete 'head on' as little as possible.

One has to *find a space in the market*, not just mindlessly emulate what all others are doing. In order to identify such 'open spaces', we often have to create them. Traditional benchmarking leads to standardisation, commoditisation and 'sameness'. The name of the game is *differentiation*.

In Figure 5 we present an actual example of strategic positioning adapted from the work of Kim and Mauborgne (1997, 1998). It is the example of hotel chain *Formule 1* and its differentiation from traditional one-star and two-star hotels. Observe that comparing these two kinds of hotels with respect to ten attributes leads to virtually parallel *value lines*, adding little value to the customer. Just more or less of the same.

Figure 5 *Formule 1* example of Kim-Mauborgne

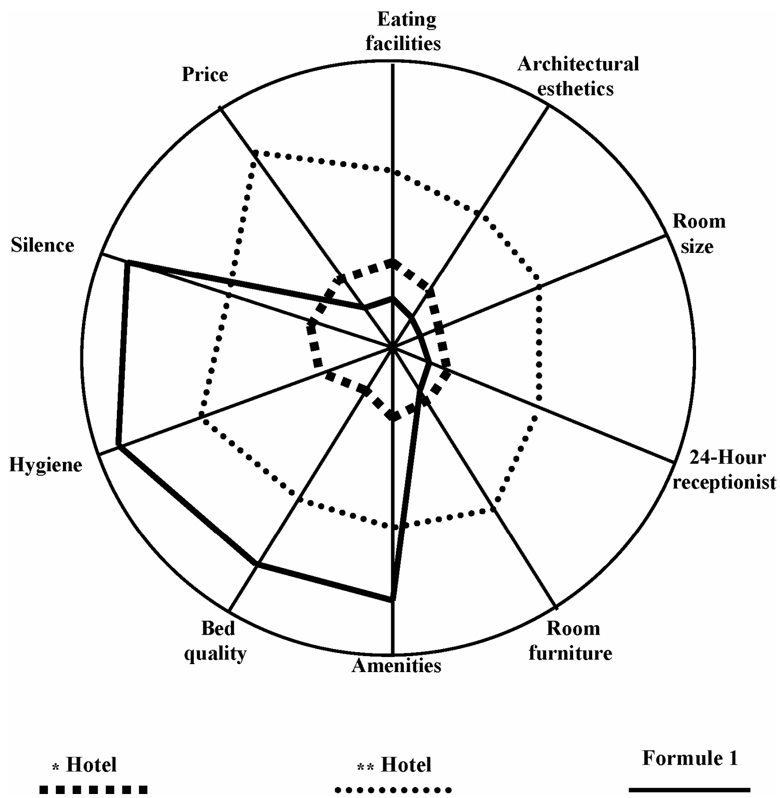


It is extremely difficult to enter such a competitive and well-covered market of identical, self-copying profiles at any interesting environmental level, other than strictly local. The competition is intense and 'bloody' – the Red Sea strategy. The purpose is to create a less crowded, more differentiated space where the competition is based on complementarity, cooperation and differentiation. Those who are complementary can better cooperate and enter alliances than those who compete head-on. One should seek, in the terminology of Kim-Mauborgne, the less intense and more complementary Blue Ocean strategy.

Formule 1 chain is an example of a successful innovation, which created its own new space and a significant new value for customers. They chose not to compete along traditional 'hotel' dimensions (got rid of the 'piano music in the lobby') and focused on *bed quality*, *hygiene*, *silence* and *price*. In these four key customer-driven attributes or themes they easily surpass their 'industry standards'. Their innovation adds value.

In Figure 6 we present the radar-diagram version of the Formule 1 example. Observe that the dimensionality is well preserved and individual action patterns can be well developed.

Figure 6 Radar-diagram version of *Formule 1* example



So, the next, fourth, step is about identifying the activities which are to be changed, dropped or added, thus creating a new activity map, a new strategy.

Fourth, identified selected activities are changed – in order to fill the opportunity spaces revealed by value-curve maps – as being most effective for successful differentiation. The rest of action space is *conserved*.

It is important to realise that the notion of change (which activities should be changed) is best handled not through attacking the change directly, but indirectly: identifying which activities should *not* be changed first. What should be conserved in the existing strategy opens new spaces of change in the new strategy.

What is central in evolution or any history is not what has changed, but what has been *conserved*. The study of change in human systems cannot be about what changes but what persists unchanged and remains conserved. So it is also with corporate strategy.

The structures change, the organisation remains. Some life forms disappear but living systems go on. Companies go bankrupt but business continues. Departments are cancelled and formed but organic corporations live on. Individuals come and go but institutions persist.

The conservation of system organisation is the true contents of history. When some pattern of relations is being conserved, there is a space opened for all other relations to change around, which is conserved. There is no change without conservation.

When we say that a particular company, like the Bata Co. (Zeleny, 2005), has existed since 1894, we mean that something has been conserved – that which we perceive as constituting the *identity of the company*. Because of that preserved pattern, the company has a history. All the rest could and did change.

In this sense, what can change is determined, specified and defined by what is conserved. We are so preoccupied with change that we do not notice that what is important is what remains unchanged. That is why enthusiastic newcomer managers who want to 'change everything' fail so often: they do not understand what must be conserved; they do not grasp the identity of a corporation and its evolving strategy. Finally, we are ready to enter the last stage of the strategy formation process:

Fifth, after a newly changed action space (and its activity map) has emerged and become reliably functional, the descriptive mission and vision statement can be drawn for the purposes of communication. The description now *actually* describes the action and the action reflects the description.

Through the *wisdom systems* (Zeleny, 2006a) through exploring corporate action via wisdom cycle of inquiry, we can effectively change the action and consequently the strategy, without ever leaving the action domain. Corporate strategy remains the doing, even though we are doing something else. No need to implement or execute the 'strategy' (set of statements) – it has already been enacted.

Executives are supposed to 'execute' their strategic statements. Traditional strategies are hard to execute as they are probably created 'above the cloud line', far removed from the corporate doing. Often they should not be executed at all. Effective (forced) execution of incorrect or impossible to implement strategies is likely to damage the corporation and its strategic resilience.

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