

THE RATIONAL VS. BEHAVIORAL APPROACHES TO STRATEGY THINKING

Tutku SEÇKİN ÇELİK¹

Received: 18.05.2019, Accepted: 26.06.2019

Abstract

Strategic thinking in management literature dates back to 1960s. From these days forward, strategy has been defined and conceptualized in many different ways. As a result different schools of thoughts and diverge approaches have been detected, and several classifications have been made. Two fundamental approaches to strategy are rational and behavioral strategic thinking. In this article, the meaning of strategy in general, and the viewpoints of rational and behavioral thinking will be discussed deeply while comparing them. Although classical rational planning approach has many drawbacks and behavioral approach have risen as a criticism against it, both are valuable and using them together leads to more comprehensive solutions to strategic problems.

Keywords: *Strategy, Rational Strategic Approach, Behavioral Strategic Approach*

Jel classification codes: *L19, L21, M10*

Introduction

All organizations have to make some decisions in order to survive and prosper. Survival instincts of organizations are what drive them to make strategic choices. These choices contain a wide range of decisions about long-term direction of an organization, the scope of an organization's activities, gaining advantage over competitors, addressing changes in the business environment, building capabilities, and values and expectations of stakeholders. As one can infer from that, strategic choices should not only be thought of corporate level decisions; organizations decide their business level strategies and operational level strategies as well (Johnson, Scholes & Whittington, 2008). Because,

¹ Ph. D., İstanbul Medeniyet University, Faculty of Political Sciences, İstanbul, Turkey.
tutku.seckin@medeniyet.edu.tr

studying strategy in academic realms offers insights about what decisions should make and what actions to take, and helps to explain and predict organizational success and failure in that vein, and moreover it adds incredible value to the business world. Strategic management or strategy field emerged mainly due to practical considerations of firms, and has maintained its importance since then (Rumelt, Schendel & Teece, 1994).

Organizations always have to make such choices, however the field of organizational strategy dates back to 1960s. Birth of strategy field is broadly attributed to the works of Alfred Chandler (*Strategy and Structure, 1962*), Igor Ansoff (*Corporate Strategy, 1965*) and Kenneth Andrews (Learned et al., 1965; *Business Policy: Text and Cases, textbook*). These highly theoretical works did not have an influence on practice since no normative implications were suggested. But they offered some constructs and propositions, regarding how strategies are formed and affected organizational performance, to their audiences primarily consisted of students and professors (Rumelt et al., 1994). Early scholars in the strategy field, including the ones mentioned above, had a general tendency to equate the term with planning. This rationalist approach to strategic thinking -scanning the environment, formulating the strategy, and then implementing it- in an orderly manner becomes “unfashionable” in the management literature (Kay, 2001, p.337). In spite of the deficiencies of this approach, it gave rise to later works that are more complex and nuanced (Mintzberg, Ahlstrand & Lampel, 1998). It has been largely accepted today that strategies are more emergent than deliberate in real life. But the remark of *formulation of strategy is easy, what is problematic is implementation* demonstrates that some still ignores the unpredictable nature of strategies (Kay, 2001). Besides, most textbooks demonstrate strategic management as a step-by-step process. Parallel to this conflict, this paper aims to outline the rational approach to strategy and compare it with more dynamic behavioral perspective. First, the meaning of strategy and different approaches to strategy will be examined. Then, rational approach to strategy will be observed through a step-by-step process of strategy formation. And in the last part, behavioral approach will be scrutinized as a critique of and comparison with the rational approach.

On the Meaning of Strategy

“There is no single, universally accepted definition” of strategy (Mintzberg, Quinn & Ghoshal, 1995, p.3). The meaning of strategy differs depending on the context (such as military, diplomatic, political,

sports, or business). Considering the term only in the organizational context even results in different forms when it is used by different authors or managers (Mintzberg et al., 1995). In an attempt to alter this bemusement, Mintzberg (1987a) offers five formal broad definitions of strategy that are highly accepted in the strategic management literature. 5 P's of strategy include: Strategy as plan, strategy as ploy, strategy as pattern, strategy as position, and strategy as perspective.

In the most commonly referred way, strategy is a plan, "some sort of intended course of action, and a guideline to deal with a situation". As a plan, strategies are determined before the actions, and developed in purpose. Second, strategy can be a ploy "to outwit rivals in a competitive or bargaining position" intentionally. According to the third definition, strategy can be a pattern "in a stream of actions, and recognized from the consistency of behavior, whether or not intended". Fourth definition, strategy as position, implies that strategy becomes a mediating force between the internal and external environment, so how the organization positioned itself towards the environmental demands points out the strategy of that organization. Lastly, strategy can be a perspective, "an integrated way of perceiving the world". It suggests that strategy is actually a concept, and "all strategies are abstractions which exist only in the minds of interested parties". Although the given definitions of strategy seem highly distinct, various relationships exist among these different definitions; they both compete with and complement each other in different situations. More importantly, each of them helps broadening our understanding of strategy (Mintzberg, 1987a, pp.11-16).

Regardless of the context used and dissimilar meanings attached to it, strategies set direction for organizations to prevent themselves from external threats, to focus organizations' efforts and promote the coordination of activities, to draw a clear path to follow for themselves and outsiders, to provide consistency and promote the efficiency under stable environmental conditions. However these seemingly advantages can also turn into disadvantages. Setting direction may also hide potential dangers if strategy is overlooked. Focusing efforts may lead strategy to become heavily embedded in organizational structure, and may create resistance to change. Drawing a future path to follow may bring about stereotyping. And providing consistency may prevent creativity, and distort the real conditions in the environment (Mintzberg, 1987b).

There are various approaches to strategy, as well as various definitions referred. In order to have a clearer picture of these different views, several authors developed typologies (e.g. Bourgeois & Brodwin,

1984; Chaffee, 1985; Mintzberg et al, 1998; Nonaka, 1988; Whittington, 2002; Johnson et al., 2008). It is important to remember some of them are shortly in order to understand the wide spectrum of strategy thinking. Most commonly used ones belong to Whittington (2002) and Mintzberg et al. (1998). Whittington (2002) classifies four perspectives on strategy with regards to the intention of strategy (pluralistic vs. profit maximizing) and process (gradual vs. planned). On the other hand, Mintzberg et al. (1998) differentiates 10 schools of strategy considering eight issues, in which three of them related to the content of strategy (complexity, integration, generic), and five of them related to strategy process (control, collective, change, choice, thinking).

Whittington's (2002) classification involves classic, evolutionary, processual, and systemic approaches to strategy. From the classical perspective, strategy is a rational process and the aim of objective decision-making is to maximize long-term value. Controlling the internal and external environment is a must for proper business planning. Evolutionary approach to strategy objects to rational future-oriented planning of classical approach, and views strategy as management of daily activities in accord with external circumstances. Because environment is dynamic, hostile and competitive that long-term planning is highly difficult; environment (markets) decides which strategy is best in order to maximize the profit and survive. The processual approach shares the concern on rational future-oriented planning with evolutionary approach, but argues that neither markets nor organizations are perfect enough to recognize the needed changes. Organizations have to settle less than the optimal. It views strategy as a pragmatic process of mistakes, learning, and compromises. Lastly, systemic perspective argues that strategic objectives are dependent upon the specific social system in which the strategy is created. And social system has other criteria rather than just profit maximizing, and there are other rational goals to pursue such as culture, religion, professional pride and such. The fundamental difference between these approaches comes from the conceptualization of strategy. Classical perspective asserts that strategy should be formal and explicit, while evolutionary perspective emphasizes the importance of external environment, and argues for differential selection of strategies. On the other hand, processual perspective see strategy as crafted, and strongly disagrees with the rationality argument; while systemic perspective search for other rationalities and argues that strategy is embedded in particular social systems and processes.

Mintzberg et al. (1998) offer ten schools labeled as design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental, and configurative schools of strategy. The first three of them are prescriptive in nature, and interested in prescribing ideal strategic behavior; while the remaining seven are descriptive, and concerned more with describing how strategies are made in reality.

- Design school views strategy as a tool to achieve a fit between internal capabilities and external possibilities. Planning is important to attain the fit and achieve competitive advantage, involves careful examination of both internal strengths and weaknesses and external threats and opportunities, thus strategies have to be unique for each organization. Management defines strategies through a deliberate thinking and documentation process so that other members of the organization can further implement these strategies easily.
- Planning school is simply an elaborated version of design school with its step-by-step approach. It asserts that thinking process of management can be formalized and divided into distinct steps, plans can be divided into sub-strategies and programs.
- Positioning school accepts that formal planning is a useful and necessary tool, but also added that content of strategy does matter, as well as its formation process. This school rejects one of the main premises of design school, which indicates unique strategies for each organization, and argues that only a few positions are desirable in a given industry, namely generic strategies.
- Entrepreneurial school view strategy formation as a visionary process highly dependent on the leader of the organization. According to this school of thought, strategy exists in the mind of the leader, and his/her vague vision and perspective provides a guiding idea or an image like a plan for future.
- Cognitive school is interested in probing into the minds of individuals who form strategies in an organization. Strategies are shaped and enacted through subjective interpretations of the strategists. Even objective evaluations of the environment cannot be utterly conceivable due to various distorting filters. Thus, strategies are difficult to attain as they are planned.
- Learning school argues that in an increasingly complex and unpredictable world, it is impossible to attain deliberate strategies; rather strategies are formed through a process of learning over time. Learning occurs “in an emergent fashion, through behavior that stimulates thinking retrospectively” (1998, p.208). Learned patterns

may turn into formally deliberate strategies later in a transient manner. Not only leader, but also any member of an organization can stimulate strategy; thus the role of leadership moves toward managing the process of learning.

- Power school advocates that power and politics both in the internal and external environment shape strategy formation. Strategies take the form of positions and ploys as actions taken against political maneuvers.
- Cultural school asserts that strategy formation is a process of social interaction based on embedded beliefs, values, and understandings constructed in cultural socialization processes. Collective intentions resulting from shared understandings determine strategic actions, thus strategies tend to be deliberate although they are not fully conscious.
- Environmental school views “strategy making as a kind of mirroring process” with the idea of that organizations are passive, and simply respond to the needs of the environment. Organizations have to obey the rules of the environment, otherwise they will disappear.
- Configuration school sees the organization and its environment as configurations, and the strategy making process as a transformation. It ties each school of thought to itself. Strategies can be regarded in many ways as any school suggested. Describing organizations in terms of some kind of stable configuration does not mean that these configurations are stable, there are some quantum leaps leading organizations to transform into other forms.

As one can understand from these limited numbers of classifications, strategy literature is full of contradictory and conflicting ideas. In a nutshell, strategy is in the eye of the beholder. Yes, it is commonly accepted that strategy formation is essential for the business world, but how come? On the one hand, there are five broad definitions of strategy; and on the other hand, there are 10 schools of thought or 4 perspectives of strategy thinking (The one should keep in mind that there are many more classifications, not just these two!). If we put five broad definitions of strategy in a continuum of strategy formation, “strategy as plan and position”, and ”strategy as pattern” will stand at the two poles of the continuum. Strategy as plan and strategy as position are embraced in the rational approach; while strategy as pattern is more valid for the behavioral approach to strategy. Intended deliberate strategies as plan and position, and unintended emergent strategies as pattern directed us to two highly disparate perspectives (Graetz, 2002). Moving through the given classification schemes, Whittington’s (2002) classic approach fits

better with rational approach, while processual approach fits with behavioral approach. And considering Mintzberg et al.'s (1998) schools of thought vulgarly, prescriptive schools accord with rational approach, while learning school suits better with behavioral approach. In the following sections, rational and behavioral approaches to strategy will be discussed more deeply.

Rational Approach to Strategy

“Rationality implies that a decision maker (a) considers all available alternatives, (b) identifies and evaluates all the consequences which would follow from the adoption of each alternative, and (c) selects the alternative that would be preferable in terms of the most valued ends” (Meyerson & Banfield, 1955 c.f. Hart 1992, p.328). In accord with this rationality assumption, strategy making process in rational approach requires systematic analysis of the external environment, assessment of internal strengths and weaknesses, setting clear goals, evaluation of alternative actions, and development of a thorough plan to attain determined goals and actions (Hart, 1992). Thus, the fundamental premises of rational approach to strategy possess elaborate planning, deliberate nature of strategies and separation of strategy formulation and implementation from each other, as if they are distinct processes of strategy formation.

Strategy formation process is divided into two distinct but interrelated phases: formulation and implementation of the strategy. Formulation of strategy starts with environmental analysis. Identification of opportunities and risks in the external environment, and determination of company's internal resources regarding material, technical, financial, and managerial capabilities help organizations decide what to do. Once the purpose and direction is determined, the implementation becomes possible. On the implementation side, an organizational structure, which is appropriate for the chosen strategies, must be made effective with supporting systems and coordinating mechanisms. Organizational processes such as performance measurement, compensation, and control systems should be tied to purposes and objectives (Andrews, 1995).

Although strategy formulation and implementation are two broad themes of strategy formation, some rationalists also delineate detailed steps of it. In order to control every aspect of determined strategy, checklists and techniques unique to subtasks are given. Organizational processes are treated as if they are something mechanical. Stages of strategy formation include objective setting, external audit, internal audit,

strategy evaluation, strategy operationalization, and scheduling the whole process. From the rational perspective, strategic planning is seen as imperative for organizational success and survival (Mintzberg et al., 1998), which is sometimes called as ‘rational planning approach’.

Herein, strategy formation process will be examined under four phases: Assessment of the environment, formulation of strategy, implementation of strategy and evaluation of strategic choices.

Assessment of the Environment

“The principle sub-activity of strategy formulation includes scanning the environment of the organization” (Andrews, 1995, p.56). In order to understand and manage the environmental variables, planning became a necessary requirement for businesses in the early years of strategic management thinking. The emphasis on planning arose from the managerial needs to determine corporate inputs including people, plans, accommodation and finance from a budgeting and forecasting view. In the advancing years, this emphasis on planning has gone further and became a basis for strategic choices. Scenario planning has helped organizations to formulate alternative strategies against different possibilities, which may occur in the environment; analytical models have assisted in analyzing alternative strategy formulations with the help of information technologies. However these accounting-based quantitative approaches have found to be extremely confusing and unattractive by many managers, so that they called for more qualitative methods to understand environmental determinants (Kay, 2001).

Although the above-mentioned methods are still being used extensively today, various qualitative suggestions to assess the environment have also been presented and embraced by many strategists (Kay, 2001). Some of the methods focus on internal characteristics of the organization, while some are interested more about factors outside of the organization’s boundary(-ies). But all of them, whether explicitly or implicitly, agree the importance of both internal and external factors as necessary determinants in strategy formulation. Here, some of them will be mentioned shortly in order to have a basic understanding of these simple methods suggested from the rational perspective.

Commonly used SWOT analysis requires the assessment of both internal and external environment, and also the evaluation of the match between these two. External environmental factors crucially influence strategic planning process. Changes in the environment necessitate frequent monitoring of the following factors: Technology, ecology,

economics, industry, society and politics (Andrews, 1995). This external environment analysis is sometimes called PESTEL analysis, while the last letter implies legal factors. After a careful examination of these influences, opportunities and threats are determined. In the next stage, strengths and weaknesses of the organization are identified through internal analysis. Success or failure of the policies implemented in advance, give insights regarding to the sources of capabilities and weaknesses. Examining organization's current product lines and operations help to identify distinctive competences of the organization. In the final stage of SWOT analysis, all combinations of internal strengths and weaknesses, and external opportunities and threats are considered, and best matches decide the choice of appropriate strategies in different levels (Andrews, 1995).

Another popular model of environmental assessment, which focuses more on external determinants, is five forces framework. Holding the idea that "the essence of strategy formulation is coping with competition" (Porter, 1979, p.137), this framework suggests organizations to be aware of the competition in the industry to determine their strategy. Careful examination of threat of new entrants and substitutes, bargaining power of buyers and suppliers, and intensity of rivalry helps identify the opportunities and threats in the environment. If the barriers to enter an industry are high, if price-performance trade-offs are remarkably possible for substitutes, if buyers and suppliers are highly powerful, and the rivalry is intense in the industry, then the competition becomes intense and profitability decreases in the opposite direction (See Porter, 1998, p. 6 for detailed information about the determinants of each forces in the industry).

After scrutinizing five forces in the industry with the identification of opportunities and threats, organizations need to evaluate their own position regarding five forces framework again, such as asking the question of "Where does the company stand against the sources of entry barriers?" (Porter, 1979, p.143). Strategic planning can only occur following this extensive evaluation. Strategies can take the form of finding a position that they can defend themselves against these forces, influencing the balance of the forces in favor of their own interests through strategic moves, or choosing an appropriate strategy to create new competitive balance before competitors recognize new opportunities anticipated in the environment (Porter, 1979).

An internally emphasized model of environmental assessment is value chain analysis. Key internal success factors of an organization can

be determined through a value chain analysis. Value chain differentiates strategically relevant activities to have a better understanding about the costs attached to each activity and the sources of differentiation. According to Porter, creating value depends on either cost advantages or differentiation possibilities. Differences among competitors' value chains demonstrate the source of competitive advantage (1998). Both primary and secondary activities can create advantages, thus elaborate evaluation of every activity in the value system is necessary in setting strategies (See Porter, 1998, p.37 for detailed information about primary and support activities on value chain).

Another internal analysis concept useful in the early stages of planning process is product portfolio matrix. The main aim of the matrix is to decide how much to invest in each product within the portfolio. But it also helps to recognize value-creating products in the portfolio, and where the strengths and weaknesses are concentrated in the organization. It offers alternative strategies to different product categories, and demonstrates how improper to put all the eggs in the same basket. It requires identification of the growth rate and market share of all products, and argues that strategists should decide which products to be held or divested, or what amount of money would be invested in each product, in accord with products' positions in the product portfolio matrix. Stars use and generate huge amount of cash, and leaders in their segment. Cash cows are profitable products, which grows slowly, so investments have to be low. Dogs are characterized by both low market share and growth rate, thus they need to be liquidated. Question marks have high growth rates, but not profitable due to low market share (Day, 1977). They need to be invested more to make them stars, or divested since they will become dogs sooner or later (See Day, 1977 for detailed information on BCG Matrix).

Formulation of Strategy

The second stage of strategy formation process is the determination of the purpose and direction of the organization, in other words: Formulation of strategy. At this stage, an organization needs to answer both the questions of "What businesses should we be in?" and "How should the firm position itself relative to its competitors in its chosen markets?" (Kay, 2001, p.345). In order to answer these questions, rational approach provides some generic strategic alternatives to practitioners with a heavy emphasis on competitive issues concerning the choice of market position.

Ansoff's (1957) product/market matrix is one of the most popular and old matrices that provide simple ways of generating alternative directions for an organization. It is originally a marketing tool for planning the growth of an organization. There are four different types of product-market strategies to expand the operations: Market penetration, product development, market development and diversification. Market penetration requires an effort to increase sales or bring in more customers while keeping the original product-market strategy. Market development is a strategy to adapt the existing product lines into another markets. On the other hand, product development strategy implies retaining the existing markets, and presenting different or modified products for the same customer segment. Lastly, diversification strategy calls for both new markets and new products. In later years, Ansoff's grid started to be exhibited in a more fashionable way. An organization generally starts from the upper-left quadrant with its existing products and current markets, and possesses these four strategic choices to grow further (See Ansoff, 1957, p.114 for detailed information).

Another popular strategy formulation tool is positioning. Lots of authors and practitioners develop several matrices in which they position products, services, and groups of organizations or strategies. One of them has become quite popular that it grasped almost every textbook. Porter's generic strategies, which are cost leadership, differentiation, and focus, are the most commonly used strategic alternatives in the literature. The focus of above-mentioned Ansoff's matrix is related to expansion of business; on the other hand, Porter is interested in identifying business strategies in the first place (Mintzberg, 1995, p.74). Thus, Ansoff's matrix may help decision makers to answer the question of 'What businesses should we be in?', while Porter's generic alternatives try to answer 'How should the firm position itself against its competitors?'

According to Porter (1998), the fundamental basis for above-average performance in the long run is sustainable competitive advantage. There are two bases of competitive advantage: Lower cost and differentiation. Combination of these two competitive advantages with the scope of activities, narrow or broad, lead to four generic strategies: cost leadership, differentiation, cost focus, and differentiation focus. Cost leadership and differentiation strategies address to broad range of industry segments, while focus strategies require embracement of only a narrow segment of the industry. In order to be successful, an organization either has to find ways to cut costs or differentiate itself from competitors by producing more valuable products, through targeting

a narrow or broad customer base (Porter, 1998). Creating a competitive advantage requires trade-offs. An organization has to choose a unique position, and purposefully limit what it offers, because “the essence of strategy is choosing what not to do” (Porter, 1996, p.70).

“The rationalist school sees the definition of objectives of the firm as the key element in strategy formulation” (Kay, 2001, p.345). Although strategy formulation tools like Ansoff’s grid or Porter’s generic strategies are extremely useful, dimensions of strategy formulation such as competitive position, market share and profitability do not precisely demonstrate the objectives of the firm. From a more sophisticated rational view, creating strategies after attempting to find a fit between external and internal environment leads to overemphasis on existing opportunities and strengths, and prevents creating new capabilities and finding new opportunities in the future. ‘Strategic intent’ helps managers to focus more on future and drives them for improvement (Hamel & Prahalad, 1989). Although strategic intent connotes obsession and pure ambition to win in all possible areas of business, it does not necessarily induce harm to the organization. Indeed, communicating the intent explicitly and engaging the entire organization around common objectives inspired today’s widespread mission, vision and goal statements of organizations. Every organization establishes to carry out a mission, and intend to attain some predetermined goals and objectives (Ulgen & Mirze, 2010). Whether or not explicitly stated, they are crucial in the strategy process since they give a direction and purpose for the organization. In this context, the array of strategy formulation takes the form of defining a broad vision, translating this vision into a proper mission, identifying goals and operationalizing strategic objectives (Hamel & Prahalad, 1989).

Implementation of Strategy

The final stage of strategy formation, which is somewhat disconnected from the strategy formulation, is implementation. When it comes to implementation, rational approach imposes strong demands on the organization. First, it requires an easy implementation, and easy implementation requires the following conditions: The objective functions of formulators and implementers should exactly match; operational systems should not prevent implementation; power must be centralized at the top with an authoritarian leadership style; strategic changes must be slight rather than threatening radical changes; environment of the organization have to be stable; and organization

needs to be in a strong competitive position in its environment. Other requirements of rational approach include complete and accurate information about both internal and external environment, objective and rationally unbounded planners, and separation of thinking and acting in the organizational hierarchy (Bourgeois & Brodwin, 1984).

Along with heavy requirements of implementation, rational perspective asserts that chosen strategies can only be implemented after deciding strategic direction of the organization. Chandler's (1962) famous 'structure follows strategy' phrase strongly argues this idea in its roots. He argues that changes in an organization's strategy and strategic direction result in structural changes in organizational arrangements. Although he particularly addresses multi-divisional firms and centralization of decision making in it, and all four firms investigated have different organizational characteristics, he demonstrates that strategic changes are major reasons of restructuring attempts of the organizations. He differentiates strategy and structure in a way that: "Different organization forms result from different types of growth can be stated more precisely if planning and carrying out such growth is considered a strategy, and the organization devised to administer these enlarged activities and resources, a structure" (p.15). Thus, organizational structure and design are sort of a 'derivative of strategy', and this idea that strategy comes first still holds to a large extent.

Evaluation of Strategic Choices

From the rationalist perspective, an additional and important step in the process of guiding an organization is to evaluate the chosen strategy. Appraisal of plans and results of these plans give important insights and feedbacks, and work as a precursor of success or failure. There are some tests an organization can apply to understand whether they are in the right direction or not. Tests of consistency, consonance, advantage and feasibility are four broad criteria offered to test the effectiveness of strategy process. Consistency implies presenting mutually consistent goals and policies; consonance points out the adaptive response of organization against the environment, while competing with the other organizations at the same time. Consonance criterion requires adapting more to generic strategies in favor of social and customer value rather than solely focusing on competition with others. Advantage criteria simply argues that strategy have to create or maintain a competitive advantage through superior skills, resources or position for the organization. On the other hand, the last criteria,

feasibility emphasizes on the availability of physical, human and financial resources to carry out the strategy (Rumelt, 1995).

Behavioral Approach to Strategy: As a Criticism Against the Rational Approach

Main criticisms against the rational approach concentrate on heavy emphasis on planning, and disaggregation of strategy formulation and implementation. It is pursuant to say that behavioral approach to strategy has arisen from these expostulations to the rational approach. Here, ‘behavioral’ does not denote to human or managerial behaviors in organizations, which is central to organizational behavior, but behavioral patterns of organizational decisions throughout their history. From the behavioral perspective, strategy is defined as a pattern; strategies become observed patterns in streams of decisions (Mintzberg, 1978). Strategy formulation depends on the context, and strategic choices result from the attempts of resolving internal and external problems in an adaptive mode (Pettigrew, 1977). Besides, strategy formation is seen as a unifying process “in which decision-makers with conflicting goals bargain among themselves to produce a stream of incremental, disjointed decisions” (Mintzberg, 1978, p.934).

Logical incrementalism idea rooted in the behavioral approach does not reject the important role of rational planning in strategy formation, but argues that planning contributes to organizations as long as it helps anticipation of emerging contingencies. It appreciates the role of experimentation and learning, and implies that strategy is not formed as a result of one-time decision, rather through the combination of (relatively) small decisions. Managers frequently face precipitating events, and try to deal with them in an incremental fashion. Although it is impossible to predict all the future events, they plan, forecast, and constantly reassess the future. They choose the most urgent matters to respond and adapt. Also, they consciously delay making decisions, since they want to buy some time to cope with cognitive and processual limits, to build a logical-analytical framework, and to create organization-wide awareness, acceptance and commitment for decisions (Quinn, 1978).

In parallel with the idea of logical incrementalism, Mintzberg (1987c) draws an analogy between strategic decision makers and craftsmen to explicate what strategy means. In his famous article ‘Crafting Strategy’, he argues that crafting image of strategy better explains the strategy process. Although ending up explicit, deliberately planned strategies after systematic analysis of internal and external

environmental characteristics may lead to successful outcomes occasionally, it is clear that rational approach ignores the role of skill, dedication, perfection through mastery and learning developed through experience and commitment. Successful strategies do not always develop in planned ways as expected, but in all kind of strange ways. They can be originated from lower level employees as well as top managers, “wherever people have the capacity to learn”. Mistakes, errors, limitations and other kinds of negative situations can turn into opportunities, and encourage creativity, innovation and learning through experimentation.

Crafting strategy requires coalescence of the past, present and future states of the organization. Organizations take actions against nascent situations throughout their history, and after a certain time, people learn from past experiences to behave and make decisions in specific ways under challenging circumstances (Mintzberg, 1987c). “When a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered to have formed” (Mintzberg, 1978, p.935). Considering the current situation with external and internal environmental analysis and projecting future with plans may become useful while crafting strategy, however planning should not be seen “as a means of creating strategy, but to program a strategy already created” (Mintzberg, 1987c, p.73). Anticipating emerging patterns and detecting discontinuities that may harm the survival of the organization in the future are more important tasks than analytical planning, according to the behavioral approach.

Treating strategy as something “explicit, developed consciously and purposefully, and made in advance of the specific decision to which applies” is a common understanding in rational planning approach (Mintzberg, 1978, p.935). But behavioral approach argues that these fundamental assumptions underestimate organizational reality. Although it is possible and easy to describe such kind of an approach, it is impossible to practice such prescriptive strategies exactly as it is planned when facing complex real life problems (Lindblom, 1959). These two different views about the nature of strategies indicate deliberate and emergent strategies in the literature (See Mintzberg & Waters, 1985, p.258 for detailed information about the types of strategies).

Intended strategies and realized strategies are two different phenomena. Intended strategies may be realized or unrealized; if they are realized as intended, then they can be called as deliberate. On the other hand, emergent strategies occur in the absence of intentions, and patterns

of behaviors turn out realized strategies. Although behavioral approach asserts that realization of intended strategies is unusual, it does not argue that realized strategies are completely emergent and everything should be let flow. Pure deliberate strategies require a perfectly predictable, totally benign environment, or organization must have full control on the environment. On the other hand, pure emergent strategies carry no intention and no consistency that it is even hard to imagine an organization without an aim. Thus, perfectly deliberate and perfectly emergent strategies form the two poles of a continuum, and strategy formation takes place on anywhere between these two extremities (Mintzberg & Waters, 1985).

Planned strategies, as the main thesis of rational approach, are the closest type of strategy to the pure deliberate one in the continuum. Top managers formulate their visions in the form of a plan, carefully design every step of the plan to minimize mistakes, and then inform lower level managers for implementation. However, the environment of organizations needs to be highly stable in order planned strategies to be realized. From a behavioral standpoint, strategies mostly happen to be consensus strategies. Consensus strategies derive more from collective action rather than collective intention, and are formed through mutual adjustment among related actors, who converge on emerging patterns as they learn from each other and from past behaviors (Mintzberg & Waters, 1985).

Behavioral perspective argues that defining strategy as intended, and designing it as deliberate definitely ignores the role of learning in the strategy process. Strategies very rarely arise from an elaborate planning process, but mostly emerge from environmental contingencies. Different types of strategies other than emergent ones may become more successful depending on the context, but strategies are more or less conceived as emergent due to complexity and rapid change in the environment (Mintzberg & Waters, 1985).

Disaggregation of strategy formulation and implementation also stems from these elaborately planned strategies (Mintzberg & Waters, 1985). Behavioral approach asserts that strategy formation is a continuous process; strategy is being formed all the time whether in an explicit or an implicit way. Both strategic choices and strategic actions are performed simultaneously in processes involving different members of organizations at various organizational levels. Language, beliefs, myths, and symbols carried by culture help strategies emerge, and

connect demands of different interest groups and mobilization of resources among these groups in the unified process of strategy formation (Pettigrew, 1977).

Furthermore, the dichotomy between strategy formulation and implementation is based on false assumptions. Rational perspective assumes that decision makers can make a rational decision; they are fully informed about the environmental influences that are stable and predictable. However, external environment is far from being stable and predictable, and it even is highly difficult to be fully informed about the internal characteristics of the organization, let alone the external ones. Formulating strategy does not guarantee a safe implementation process; top executives who formulate strategy indeed have little information about how lower level employees perform the predetermined steps. Thus, adaptation to emerging contingencies is more realistic than planning every step of strategy formation (Mintzberg, 1978). By thinking strategy as something crafted, “formulation and implementation merge into a fluid process of learning, through which creative strategies evolve” (Mintzberg, 1987c, p.66). They are not distinct from each other, rather closely intertwined (Lindblom, 1959).

Another discrepancy between behavioral and rational approach is analogous with *a chicken and egg situation* regarding the relationship between strategy and structure. Rational approach argues that ‘structure follows strategy’, while behavioral approach asserts that the other way around (vice versa) is also possible. Strategy formation is an interplay between the dynamic environment and bureaucratic momentum, with leadership mediating between the two. Although the environment is changing continuously, and pushes the organization to change its strategy and structure, bureaucracy or operational systems of the organization strive for stabilizing the actions, just as an inertial pressure. So, the structure may not be changed at all after the strategic moves of the organization (Mintzberg, 1978). Besides, structural and strategic changes usually occur simultaneously and both depend on contingent variables in the environment (Mintzberg, 1987c). Structural changes may constitute a strategy themselves, they may help to create a new strategy, or they may help implement a strategy as well (Quinn, 1978). Mintzberg et al. (1995) explicitly states this view as follows:

Structure in our view, no more follows strategy than the left foot follows the right in walking. The two exist interdependently, each influencing the other. There are certainly times when a structure is redesigned to carry out a new strategy. But the choice of any new

strategy is similarly influenced by the realities and potentials of the existing structure (p.335).

The interdependence of strategy and structure is best depicted by 7S framework. The main idea behind it is that the effectiveness results from the interaction of several factors including structure, strategy, systems, superordinate goals, skills, staff, and style. So, structure does not follow strategy, but intertwined with it (Waterman, Peters & Phillips, 1980). Moreover, Mintzberg (1979) argues that structure need not to follow strategy, but should reflect the organization's situation. After scrutinizing external environment in terms of age, size, type of production system, and complexity; internal environment in terms of basic parts of the organization (e.g. strategic apex, operating core) and in terms of basic coordinating mechanisms (e.g. mutual adjustment, direct supervision), he presents six generic structural configurations for organization. According to him, not strategy, but contingency factors determine the structure of an organization.

Conclusion

There are several definitions of and approaches to strategy depending on the focal interest and context. But essentially two approaches become prominent in the management literature: Rational approach and behavioral approach. Rational strategic thinking assumes that changes in the environment is simple, expectant, and small; so the future of an organization is more or less predictable. However, today's business environment is highly complex and unpredictable. Thus, emphasizing rational way and planning future accordingly leads to 'inertia of strategic management' (Guo, 2009). It oversimplifies the reality, overlooks the strategy process through which organizations experiment, adapt and learn, and tries to make sense of organizations through cognitively linear explanations of events. In an attempt to formulate strategy, organizations produce more paper than insight while planning every step of the process (Pascale, 1984).

From the behavioral perspective, strategy can be defined as "all the things necessary for the successful functioning of organization as an adaptive mechanism" (Pascale, 1984, p.64). The behavioral approach stands basically as a critique of the rational approach, and the main differences between these approaches include the emphasis on planning, opinions about togetherness/separation of formulation and implementation, nature of strategies (whether deliberate or emergent), and the relationship between strategy and structure. Today, rational

approach is almost outdated in strategy literature, but still has a widespread influence on management practice. Practitioners still prefer it because it offers a valuable and manageable perspective for them, and by separating the process of formulating and implementing, they reduce the number of inputs to process in their minds simultaneously. This separation further reinforces the image of “boss as an all-powerful hero” and appeals to many managers (Bourgeois & Brodwin, 1984).

Although it is impossible to reject the arguments of behavioral approach, ideas of rational approach are also too crucial to ignore. On top of that, rational thinking gave rise to latter works that are more complex and nuanced (Mintzberg et al., 1998), including the behavioral approach itself. For example, positioning-focused approach of Porter is closer to the rationalist strategy thinking though not denying dynamic environmental conditions and asserting creativity and success are achieved through the use of analytical tools (Heracleous, 1998). Besides, seeing strategy through different lenses or perspectives provide different insights on strategy and management of the strategy. Using only one perspective can lead to biased understanding and eventually leads partial solutions to strategic problems. Studying and understanding distinct views also make easier seeing the limitations and possible drawbacks of individual approaches. So, “there is both conceptual and practical value in multi-perspective approach to strategy” (Johnson et al., 2008, p.29). Effective strategists need to combine both approaches for decision-making in organizations (Whittington, 1996).

References

- Andrews, K. R. (1995). The Concept of Corporate Strategy. In H. Mintzberg, J. B. Quinn, & S. Ghoshal (Eds.). *The Strategy Process* (pp. 55-64). Prentice Hall, UK.
- Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review*, 35(5), 113-124.
- Bourgeois, L. J., & Brodwin, D. R. (1984). Strategic implementation: Five approaches to an elusive phenomenon. *Strategic Management Journal*, 5(3), 241-264.
- Chaffee, E. E. (1985). Three models of strategy. *Academy of Management Review*, 10(1), 89-98.
- Chandler, A. D. (1962). Strategy and structure: Chapters in the history of the American enterprise. *Massachusetts Institute of Technology*.

- Day, G. S. (1977). Diagnosing the product portfolio. *The Journal of Marketing*, 41(2), 29-38.
- Graetz, F. (2002). Strategic thinking versus strategic planning: Towards understanding the complementarities. *Management Decision*, 40(5), 456-462.
- Guo, Y. (2009). Study on irrational strategic management. *International journal of Marketing Studies*, 1(2), 92-95.
- Hamel, G., & Prahalad, C. K. (1989). Strategic intent. *Harvard Business Review*, 63-76.
- Hart, S. L. (1992). An integrative framework for strategy-making processes. *Academy of Management Review*, 17(2), 327-351.
- Heracleous, L. (1998). Strategic thinking or strategic planning?. *Long Range Planning*, 31(3), 481-487.
- Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring Corporate Strategy: Text & Cases* (8th edition). Prentice Hall, Italy.
- Kay, J. (2001). *Foundations of corporate success: How business strategies add value*. Oxford University Press, Oxford.
- Lindblom, C. E. (1959). The science of "muddling through". *Public Administration Review*, 79-88.
- Mintzberg, H. (1978). Patterns in strategy formulation. *Management Science*, 24(9), 934-948.
- Mintzberg, H. (1979). *The structuring of organizations*. Prentice-Hall.
- Mintzberg, H. (1987a). The Strategy Concept I: Five Ps For Strategy. *California Management Review*, 30(1), 11-24.
- Mintzberg, H. (1987b). The Strategy Concept II: Another Look at Why Organizations Need Strategies. *California management review*, 30(1), 25-32.
- Mintzberg, H. (1987c). Crafting strategy. *Harvard Business Review*, 66-75.
- Mintzberg, H. (1995). Generic business strategies. In H. Mintzberg, J. B. Quinn, & S. Ghoshal (Eds.). *The Strategy Process* (pp. 73-83). Prentice Hall, UK.

- Mintzberg, H., Ahlstrand, B., & Lampel, J. (1998). *Strategy Safari: A Guided Tour Through The Wilds of Strategic Management*. The Free Press, New York.
- Mintzberg, H., Quinn, J. B., & Ghoshal, S. (1995). *The Strategy Process* (European Edition). Prentice Hall, UK.
- Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, 6(3), 257-272.
- Nonaka, I. (1988). Toward middle-up-down management: Accelerating information creation. *Sloan Management Review*, 29, 9-18.
- Pascale, R. T. (1984). Perspectives on strategy: The real story behind Honda's success. *California Management Review*, 26(3), 47-72.
- Pettigrew, A. M. (1977). Strategy formulation as a political process. *International Studies of Management and Organization*, 7(2), 78-87.
- Porter, M. E. (1979). How competitive forces shape strategy. *Harvard Business Review*, 137-145.
- Porter, M. E. (1996). What is strategy?. *Harvard Business Review*, 60-78.
- Porter, M. E. (1998). *Competitive advantage: Creating and sustaining superior performance* (2nd edition). Free Press, New York.
- Quinn, J. B. (1978). Strategic change: Logical incrementalism. *Sloan Management Review*, 20(1), 7-19.
- Rumelt, R. P. (1995). Evaluating Business Strategy. In H. Mintzberg, J. B. Quinn, & S. Ghoshal (Eds.). *The Strategy Process* (pp. 92-102). Prentice Hall, UK.
- Rumelt, R. P., Schendel, D. E., & Teece, D. J. (1994). Fundamental issues in strategy. In R. P. Rumelt et al. (Eds.). *Fundamental Issues in Strategy: A Research Agenda* (pp. 9-47). Harvard Business School, Boston.
- Ulgen, H. & Mirze, S. K. (2010). *İşletmelerde Stratejik Yönetim*. Beta, İstanbul.
- Waterman, R. H., Peters, T. J., & Phillips, J. R. (1980). Structure is not organization. *Business Horizons*, 23(3), 14-26.
- Whittington, R. (1996). Strategy as practice. *Long range planning*, 29(5), 731-735.
- Whittington, R. (2002). Theories of Strategy. In Mazzucato, M. (Ed.). *Strategy for business: A reader* (pp. 32-58). Sage, Oxford.