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PATTERNS IN STRATEGY FORMATION*

HENRY MINTZBERG†

The literature on strategy formation is in large part theoretical but not empirical, and the usual definition of "strategy" encourages the notion that strategies, as we recognize them *ex post facto*, are deliberate plans conceived in advance of the making of specific decisions. By defining a strategy as "a pattern in a stream of decisions", we are able to research strategy formation in a broad descriptive context. Specifically, we can study both strategies that were intended and those that were realized despite intentions. A research program suggested by this definition is outlined, and two of the completed studies are then reviewed—the strategies of Volkswagenwerk from 1934 to 1974 and of the United States government in Vietnam from 1950 to 1973. Some general conclusions suggested by these studies are then presented in terms of three central themes: that strategy formation can fruitfully be viewed as the interplay between a dynamic environment and bureaucratic momentum, with leadership mediating between the two forces; that strategy formation over time appears to follow some important patterns in organizations, notably life cycles and distinct change-continuity cycles within these; and that the study of the interplay between intended and realized strategies may lead us to the heart of this complex organizational process.

What are strategies and how are they formed in organizations? A large body of literature, under the title of strategy formulation in the private sector, and policy making in the public sector, addresses the question of how organizations make and interrelate their significant (that is, strategic) decisions. A brief review [14] has suggested that a good deal of this literature falls distinctly into one of three theoretical groupings, or "modes". The *planning mode*, comprising the largest body of published materials and in the tradition of both management science and bureaucratic theory, depicts the process as a highly ordered, neatly integrated one, with strategies explicated on schedule by a purposeful organization [2], [17]. In sharp contrast, the *adaptive mode*, popularized by writers such as Lindblom [4], [12], [13] in the public sector and Cyert and March [8] in the context of business, depicts the process as one in which many decision-makers with conflicting goals bargain among themselves to produce a stream of incremental, disjointed decisions. And in some of the literature of classical economics and contemporary management, the process is described in the *entrepreneurial mode*, where a powerful leader takes bold, risky decisions toward his vision of the organization's future [6], [9].

Some interesting research has been undertaken to put the theory into empirical context, for example, Allison's development of three models to explain policy making perceptions during the Cuban Missile Crises [1], Collins and Moore's description of the entrepreneurial personality [7], and Bowman's investigation into strategic effectiveness [3]. But most of the literature remains theoretical without being empirical, and the contradictions among these three modes remains to be investigated.

This paper presents the results of the first stage of a research project begun in 1971, and continuing, to study patterns in the process of strategy formation. The first section describes the term "strategy", and shows how the definition leads naturally to the choice of a research methodology. This methodology is described in the second section. A third section then describes briefly the results of the formation of strategies in two organizations, and a final section presents some theoretical conclusions about strategy formation that arise from these results.

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Definition of Strategy

The term *strategy* has been defined in a variety of ways, but almost always with a common theme, that of a deliberate conscious set of guidelines that determines decisions into the future. In Game Theory, strategy represents the set of rules that is to govern the moves of the players. In military theory, strategy is “the utilization during both peace and war, of all of the nation’s forces, through large-scale, long-range planning and development, to ensure security and victory” (Random House Dictionary). And in management theory, the Chandler definition is typical: “. . . the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” [5, p. 13]. All these definitions treat strategy as (a) explicit, (b) developed consciously and purposefully, and (c) made in advance of the specific decisions to which it applies. In common terminology, a strategy is a “plan”.

The position taken here is that this definition is incomplete for the organization and nonoperational for the researcher. It conceals one important side of the decisional behavior of organizations that all of the above theorists would likely consider strategic (that is, important). And by restricting strategy to explicit, a priori guidelines, it forces the researcher to study strategy formation as a perceptual phenomenon, all too often reducing his conclusions to abstract normative generalizations.

In this paper, the concept defined above will be referred to as *intended* strategy. Strategy in general, and *realized* strategy in particular, will be defined as a *pattern in a stream of decisions*.¹ In other words, when a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered to have formed. A few examples will clarify this definition. When Richard Nixon, early in his first term of office, made a number of decisions to favor Southern voters (appointment of Supreme Court justices from the South, interference with school integration plans, etc.), the press quickly coined the phrase “Southern strategy”. Their action corresponded exactly to ours as researchers: despite no explicit statement of intent, the press perceived a consistency in a stream of decisions and labeled it a strategy. To take a very different illustration, art critics seek to delineate distinct periods during which the works of great artists (and, by imputation, their decisions about those works) exhibited certain consistencies in their use of form, color and so on. Again, the procedure corresponds to ours: Picasso’s “Blue Period” would be our “Blue Strategy”!

Defining strategy as we do enables us to consider both sides of the strategy formation coin: strategies as intended, a priori guidelines as well as strategies as evolved, a posteriori consistencies in decisional behavior. In other words, the strategy-maker may *formulate* a strategy through a conscious process before he makes specific decisions, or a strategy may *form* gradually, perhaps unintentionally, as he makes his decisions one by one. This definition operationalizes the concept of strategy for the researcher. Research on strategy formation (not necessarily *formulation*) focusses on a tangible phenomenon—the decision stream—and strategies become observed patterns in such streams.

The Research Methodology

This definition of strategy necessitated the study of decision streams in organizations over time periods long enough to detect the development and breakdown of patterns. Furthermore, because there was little precedent for such research, wherein the basic parameters were defined and operationalized, and because the process of

¹ Where a decision is defined as a commitment to action, usually a commitment of resources [15].

strategy formation appeared to be an extremely complex one, it was evident at the outset that our research would have to be exploratory and as purely inductive as possible. Thus it was decided to concentrate on intensive historical studies of single organizations over periods of decades. These studies proceeded in four steps.

Step 1: Collection of basic data.

All studies began with the development of two chronological listings over the whole period, one of important decisions and actions by the organization, the other of important events and trends in the environment. The choices of what decisions and events to study, as well as the sources of the data, varied considerably from one study to another. Our task was to uncover whatever traces were left of decisions and events that had taken place as many as fifty years earlier. In one case, back issues of a magazine served as the trace of its decisions on content; in another case, newspaper reports served in part to reveal military decisions of a government. Other sources included product catalogs, minutes of executive meetings, interviews, and so on.

Step 2: Inference of strategies and periods of change.

From the chronology of decisions, divided into distinct strategic areas (in the case of the magazine, for example, content, format, and administration), various strategies were inferred as patterns in streams of decisions. These strategies were then compared with each other, as well as with other data such as sales, budgets, and staff levels, in order to identify distinct periods of change in the formation of strategy. Some periods of change were *incremental*, during which new strategies formed gradually; others were *piecemeal*, during which some strategies changed while others remained constant; and still others were *global*, during which many strategies changed quickly and in unison. In addition, we identified periods of *continuity*, during which established patterns remain unchanged; periods of *limbo*, during which the organization hesitated to make decisions; periods of *flux*, during which no important patterns seemed evident in the decision streams, and so on.

Step 3: Intensive analysis of periods of change.

At this point the study shifted from the broad perception of overall patterns to the intensive investigation of specific periods of change. Here we relied on in-depth reports and, where possible, interviews with the original strategy-makers.

Step 4: Theoretical analysis.

At this point a report was written and a group then met in a series of brainstorming sessions to generate hypotheses to explain the findings. These sessions were guided by a list of open-ended questions designed to focus attention and stimulate the flow of ideas, for example: When is a strategy made explicitly that controls subsequent decisions, and when does a strategy evolve implicitly as a convergence in a stream of ad hoc decisions? When do intended strategies differ from realized ones? What is the role of planning, leadership, shared goals, and bargaining in integrating different strategies? Under what conditions are formal analysis and planning used? (Indeed, what does the term "planning" mean in the context of strategy formation?) What are the relative influences of external forces, organizational forces, and leadership in strategy formation? When and why are organizations proactive and reactive? How do organizations balance change with stability? What overall patterns does the process of strategy formation follow? These questions stimulated debate and discussion, which in turn led to the generation of hypotheses. These in turn are on their way to being woven into theories, the skeletons of which are reported here.

Patterns in Two Studies

Four major studies, each involving some significant portion of one man-year of funded research, have been completed, involving a large automobile company, a government military strategy, a magazine, and a national film agency. In addition, over twenty smaller studies have been carried out as graduate student term papers and theses, ranging from an expansion period in a hockey league to the development of a university's strategy across a century and a half. The major periods of two of the intensive studies are reviewed briefly below, using the terminology of the research.

The Strategies of Volkswagenwerk, 1920 to 1974

This study divides into seven distinct periods, as follows:

Before 1948: flux.

Ferdinand Porsche conceived the idea of a "people's car" in the 1920s; in 1934, the German Nazi government decided to support the project, and in 1937, with the problems worked out of the design, construction was begun on a large automobile manufacturing plant at Wolfsburg. Just as the plant was to go into full operation war was declared, and it was immediately converted to production of war vehicles. By 1945 the plant was largely destroyed.² The British occupation forces used it to service their vehicles. Later there began some primitive production of Porsche's "Volkswagen", using in large part East German refugees as the labor force, with many of the raw materials procured by barter. The plant was offered to various Allied interests (including Henry Ford), but all declined, seeing no value in the Volkswagen. In 1948 the British selected Heinrich Nordhoff, a former division chief of Opel, to run the operations.

1948: global change.

Nordhoff inherited half an intended strategy—Porsche's design and his concept of the market (an inexpensive automobile for the common man). To this he added the other components of an intended strategy—an emphasis on quality and technical excellence, aggressive exporting, and rigorous service standards, all integrated around the dominant element of the "people's car".

1949 to 1958: continuity.

This intended strategy was ideally suited to the environment of post-war Germany as well as to world-wide export markets. For the next ten years, Nordhoff realized his intended strategy, building up the central organization and expanding manufacturing capacity and distribution channels very rapidly. Two new models were introduced (work on both having begun in 1949), but these were really modifications of the basic Volkswagen. (In 1954 Nordhoff ordered work halted on the design of a completely new model.)

1959: minor change.

Increasing competition and changing consumer tastes in Germany and abroad spurred Volkswagen to make some minor modifications in its strategies around 1959. Advertising was introduced in the United States in anticipation of the compacts; design of the first really new model, the medium-priced 1500, was pursued; the firm was about to go public and investment was increased sharply in anticipation of a

² The war production period could also have been viewed as one of continuity in strategy.

dividend load. But all essential aspects of the original strategy remained unchanged; only some new, essentially peripheral elements, were grafted on to the old strategy.

1960 to 1964: *continuity*.

The Volkswagen strategy remained essentially the same in almost all respects, although profits were being squeezed by competitive pressures and increasing costs despite increasing sales. The larger 1500 model was introduced, but it again emphasized durability, economy, and unexcelled appearance.

1965 to 1970: *groping*.

Facing ever more severe pressures, the firm finally reacted in the form of an anxious and disjointed search for new models. Many were introduced in this period, some in contrast to Volkswagen's economy-car image. Some the firm designed itself; others were acquired. Nordhoff died in 1968, and Kurt Lotz became managing director. By 1970, profits were down for the third straight year. The old strategy had clearly disintegrated, but a clear new one had yet to emerge.³

1971 to 1974: *global change*.

An experienced Volkswagen executive, Rudolf Leiding, replaced Lotz in 1971 and immediately began a period of consolidation of the new acquisitions and the development of a new integrated turnaround strategy. The new product strategy was modeled around the successful Audi—stylish, front-wheel drive, water cooled. Accordingly, a host of existing lines were dropped, a few new ones being concentrated on to avoid direct competition between models. Complementarity was stressed in their design to assure reliable, economic assembly, and attempts were made to rationalize production on a world-wide basis and to build plants abroad, in low wage areas where possible. Marketing strategy emphasized performance, reliability, and service. Capital expenditures were very large throughout the period. (These strategies were pursued in what proved to be a period of continuity after 1974, despite Leiding's resignation, with the new products selling well. After large losses in 1974, Volkswagenwerk became profitable again in the second half of 1975.)

U.S. Strategy in Vietnam, 1950 to 1973

It is impossible, in a few lines, to review comprehensively a situation as complex as the U.S. experience in Vietnam from 1950 to 1973. (Our chronology record alone numbers 101 pages.) Nevertheless, the central themes can be reviewed briefly, in ten distinct periods, to show the main patterns of change and continuity.

1950: *global change*.

Until 1950, the United States government refused requests by France to aid its forces fighting in Indochina. Shortly after Communist forces took over the Chinese government, however, the U.S. changed its strategy and began a program of direct monetary aid to the French.

1950 to 1953: *continuity*.

For three and a half years, the U.S. followed a more or less uninterrupted strategy of steadily increasing aid to the French in Indochina. This was accompanied,

³ This is called a period of flux in the sense that Volkswagenwerk was looking haphazardly for a replacement for its beetle. It could also be called a period of continuity in the sense that the firm pursued a strategy of model diversification.

particularly at the outset, by a strategy of encouraging the French to reduce their colonial ties to the so-called "Associated States". Neither strategy accomplished its purpose. By the end of 1953, despite a massive infusion of U.S. aid, the French military position was weaker than in 1950.

1954: *flux, then global change.*

Late in 1953 the French military position began to disintegrate. Before and during the multination Geneva conference in April, Secretary of State John Foster Dulles negotiated with the allies of the U.S. in order to reach agreement, but his efforts were not successful. The day before the Indochina phase of the conference opened on May 8, the French garrison at Dien Bien Phu fell. At a press conference on June 8, Dulles claimed there was no plan to ask Congress for authorization of American aid to Indochina, a position confirmed two days later by President Eisenhower. Shortly thereafter the French government fell, and Pierre Mendès-France became Premier on a platform of ending the war by July 20. At Geneva a settlement was reached, among other points dividing Vietnam in two. In the aftermath of Geneva, the French left Vietnam and the U.S. began a program of direct aid to the South Vietnamese, with the intended strategy of democratizing the government of Premier Diem.

1955 to 1961: *continuity.*

To the end of the Eisenhower administration, the U.S. pursued an uninterrupted strategy of direct aid to the South Vietnamese, while the intended strategy of democratization was neither realized nor vigorously pursued.

1961: *global change.*

The change in strategy in 1961 was the first time the U.S. government acted in a purely proactive manner, without tangible external stimulus. The new Kennedy team in Washington chose to change the intended strategy from passive aid to active support. On May 11, 1961, a contingent of Special Forces was dispatched to Vietnam to advise and train the Vietnamese. Kennedy also approved the initiation of a covert warfare campaign against North Vietnam. At the end of the year, under pressure from Diem, Kennedy agreed to a build-up of support troops.

1962 to 1965: *incremental change leading to global change.*

The number of U.S. advisors increased from 948 at the end of November, 1961, to 2,646 by January, 1962, to 5,576 by June 30, and to 11,000 by the end of 1962. In 1963, public manifestations began against the Diem government, and the U.S. strategy of support for Diem gradually changed (apparently in contradiction of intentions). First, Washington brought economic pressures to bear on the Diem government, by the deferring of decisions on aid, and eventually, it tacitly supported the coup that overthrew him (after considerable confusion between Washington, the military, and the CIA). With the assassination of Kennedy less than a month later, Lyndon Johnson became president. From the early days of his administration, the debate within the U.S. government over the intended strategy for Vietnam (bombing, escalation, etc.) grew more intense. As the debate went on, the realized strategy began to change to one of escalation of the U.S. war effort. For example, in February 1964, clandestine American attacks began, including patrols and air operations in Laos against the North Vietnamese. Then in August 1964 the first spate of bombings was carried out against the North in reprisal for the attack on U.S. destroyers in the Gulf of Tonkin. And in October 1964 the covert air war in Laos was intensified. Meanwhile the debate over the official (intended) strategy continued, with various options

debated in meeting, memo and report. Throughout the period, Johnson seemed uncertain how to proceed and reluctant about approving large-scale bombings. But events were dragging him along. Opinion within the government was more and more favoring bombing and escalation; the government crisis in Saigon was worsening; the Viet Cong was stepping up its harassment. On February 6, 1965, after the Viet Cong had attacked American personnel at Plei Ku, Johnson ordered a major retaliatory strike on the North. On February 11, another similarly justified attack was launched. And on February 13 Johnson ordered sustained bombing on a non-retaliatory basis. Thereafter, with the bombing seeming to prove relatively ineffective, the debate over troop deployment began in earnest. Under pressure from the Pentagon, Johnson approved in April 1964 the first major troop increases and “a change of mission for all Marine battalions deployed in Vietnam to permit their more active use . . .” By June the “search and destroy” strategy had begun to replace the “enclave” strategy, and in July Johnson approved General Westmoreland’s request for 44 battalions.

1965 to 1967: *continuity.*

Three strategies were pursued in parallel during this period. First, the land war was escalated until the U.S. troop level in Vietnam reached a peak of over half a million in 1967. Second, the bombing campaign was intensified sporadically throughout the period. And third, Johnson put pressure on the North Vietnamese, through periodic variations in the bombing campaign, to come to the negotiating table. Meanwhile, pressures began to build in Washington, notably from McNamara, for a reassessment of the whole strategy. Although this may have constrained the escalation decisions Johnson made, it did not change the basic course of the strategy. By the end of 1967, the ground war was being fought extensively, the air war was being widened slowly, and diplomatic activity went on at a furious pace.

1968: *global change.*

A series of factors apparently stunned Johnson into a major reassessment of the strategy. One was the Tet offensive, begun on January 31, 1968, which for the first time provided tangible evidence of the military reality (a stalemate) in Vietnam. Second was the military request, on February 28, for 206,756 more troops, which according to the *Pentagon Papers* would have meant the call-up of reserve forces. Third, a new Secretary of Defense, Clark Clifford, was working behind the scenes for a bombing halt. And fourth, the New Hampshire presidential primary, and other manifestations of public sentiment, made clear the great resistance to the war effort that was growing among the U.S. population. On March 13, 1968, Johnson decided to deploy 30,000 more troops, but then a few days later a massive change in the strategy was signaled. On March 22, General Westmoreland was recalled to Washington and on March 31 Johnson announced a partial bombing halt, a reduction of the latest deployment to 13,500 troops, and his intention not to seek re-election. Three days later he announced North Vietnam’s readiness to meet with American negotiators.

1968 to 1969: *limbo, then global change.*

After a brief period of limbo to the end of 1968, ending the term of the lame-duck president, Richard Nixon took over the presidency and initiated global change in strategy. In effect, Johnson’s global change was to halt an old strategy; Nixon’s was to replace it with a new one. His was a proactive, integrated strategy—he referred to its goal as “peace with honor”—consisting of the following elements: “Vietnamization”, which meant the withdrawal of U.S. troops and the equipping of the South Vietnamese to take over the fighting; active peace initiatives to negotiate a settlement, alternated with military pressure (based on air and naval power, to replace the withdrawn land

power) to encourage the North Vietnamese to undertake serious negotiations; and “linkage”, the bringing of pressure on the Russians—by threatening a withdrawal of cooperation on other East-West negotiations—to influence the North Vietnamese to reach a settlement.

1970 to 1973: *continuity*.

That strategy remained in tact into 1973, with only the emphasis of its various components changed from time to time to gain advantage. U.S. troop withdrawals continued rather steadily throughout the period. So did U.S. military pressure, which consisted primarily of periodic bombing offensives, but also included a ground excursion into Cambodia in mid 1970 and air support for a South Vietnamese one into Laos in early 1971, as well as the mining of North Vietnamese ports in mid 1972. Political pressure was maintained on the Soviet Union during the entire period. And negotiation also continued throughout, although sporadically. An agreement was finally reached in January 1973, at which time the U.S. halted all offensive military activity. (The heaviest bombing of the war took place in North Vietnam just three weeks prior, after an earlier agreement fell apart.) By March 29, 1973, all American combat and support forces had left Vietnam, and effective August 15, all funding for American military activity in or over Indochina was ended. (Fighting, however, continued, the South Vietnamese army and government finally collapsing in April, 1975.)

Some General Conclusions About Strategy Formation

Three themes will be pursued in this section. The first is that strategy formation can fruitfully be viewed as the interplay between a dynamic environment and bureaucratic momentum, with leadership mediating between the two. Second, strategy formation over periods of time appears to follow distinct regularities which may prove vital to understanding the process. And third, the study of the interplay between intended and realized strategies may lead us to the heart of this complex organizational process.

Strategy Formation as the Interplay of Environment, Leadership and Bureaucracy

In general terms, strategy formation in most organizations can be thought of as revolving around the interplay of three basic forces: (a) an *environment* that changes continuously but irregularly, with frequent discontinuities and wide swings in its rate of change, (b) an organizational operating system, or *bureaucracy*, that above all seeks to stabilize its actions, despite the characteristics of the environment it serves, and (c) a *leadership* whose role is to mediate between these two forces, to maintain the stability of the organization's operating system while at the same time insuring its adaptation to environmental change. Strategy can then be viewed as the set of consistent behaviors by which the organization establishes for a time its place in its environment, and strategic change can be viewed as the organization's response to environmental change, constrained by the momentum of the bureaucracy and accelerated or dampened by the leadership.

Both Volkswagen and Vietnam are above all stories of how bureaucratic momentum constrains and conditions strategic change, at least after the initial strategic direction has been set. Any large automobile company is mightily constrained by its technical system. Retooling is enormously expensive. This helps to explain Volkswagen's slow response to the environmental changes of the 1960s. But this explanation is not sufficient. Volkswagen was clearly constrained by momentum of a psychological nature as well. The very success of its unique and integrated strategy seemed to

reinforce its psychological commitment to it, and to act as a great barrier to the consideration of strategic change.

Even leadership was absent when needed in the 1960s. Nordhoff's period of great leadership began in 1948, when there was little to lose by acting boldly and when little bureaucratic momentum was present. That leadership lasted for the next ten years. But by the early 1960s, when bold action was needed in the face of an increasingly changed environment, the central leadership was not forthcoming. Quite the contrary, instead of pushing the bureaucracy to change, Nordhoff became a force for continuity. When change did come, it was late and it lacked a conceptual focus. The organization groped awkwardly in its new environment, until a new, dynamic leader came on the scene with a fresh strategy in 1971.

Bureaucratic momentum played a major role in the U.S. strategy in Vietnam as well. Earlier in our discussion, the periods 1954, 1961, and 1965 were labeled as global change because various strategies changed quickly and in unison. But in a broader perspective, all of these changes were incremental. The precedent of resisting Communist expansion in Southeast Asia—the “metastrategy” (a strategy of strategies)—was set in 1950. After that, the changes of 1954, 1961, and 1965, while substituting one means for another, simply reinforced the basic direction; they did not change it. Each escalation step seemed to be a natural outgrowth of the last one, one commitment leading to the next. (A management scientist might be tempted to describe this as exponential smoothing, in which the current strategy was always some exponentially weighted sum of past ones.) Only in 1968, when the organization was faced with a massive failure, was there a truly global change in strategy.

At no time was bureaucratic momentum more evident than during the great debate of 1963–1965. The pressures on Johnson to do more of the same—to escalate—became enormous. One could even argue that the creation of the Special Forces by Kennedy became a self-confirming contingency plan. In effect a guerilla fighting force, created in case it might be needed, found a way to make itself needed. It came to be used because it was there. This suggests that strategies can be evoked by available resources (as in the case of the employees, factory, and people's car of Volkswagenwerk of 1948 looking for something to do),⁴ and that contingency plans, a favorite prescriptive tool of planning theorists in times of environmental turbulence, may have a habit of making themselves self-confirming, whether they are needed or not.

Of course the environment played a major role in Vietnam too. The U.S. altered its strategy in 1954 and 1965, albeit within the meta-strategy, because the changed environment was proving inhospitable to its existing strategy. And the global changes of 1950 and 1968 were certainly evoked by environmental change, in these two cases rather specific events—the fall of the Chinese government and the Tet offensive.

What of leadership? The real tragedy of Vietnam is that, up until 1968, the leadership never seemed to mediate appropriately between the bureaucracy and the environment. In 1961, for example, leadership acted proactively in the absence of either significant environmental change or bureaucratic momentum. Kennedy voluntarily escalated the war in a way that made the 1965 escalation all but inevitable. “All but” because sufficiently strong leadership in 1965 might have been able to resist the environmental and bureaucratic pressures. But the cards were stacked against Johnson. Both the environmental change and the bureaucratic momentum were pulling him in the same direction, each suggesting more of the same (escalation) as the natural next step. It would have taken very powerful leadership indeed to resist these forces, and Johnson did not exhibit it. Only in 1968, facing the most dramatic failure

⁴ Chandler [5] makes the same point to explain the expansion of the DuPont company after World War I, when it found itself with excess capacity.

of all and a markedly changed domestic environment, did Johnson finally exert the leadership initiative that reversed the eighteen-year course of the meta-strategy.

Thereafter, Nixon exhibited strong leadership too, introducing proactive change in 1969 and pursuing it vigorously to the end. But again, admittedly in retrospect, that proactivity served only to prolong what was inevitably a lost cause. And bureaucratic momentum seemed to play a minor role in the Nixon years, his strong chief advisor Kissinger, standing in place of the policy-making machinery of government. But those two men also fell prey to psychological momentum, pursuing their costly and ultimately futile strategy against public and congressional resistance.

Patterns of Strategic Change

There is no need to dwell on the point that strategy formation is not a regular, nicely sequenced process running on a standard five-year schedule or whatever. An organization may find itself in a stable environment for years, sometimes for decades, with no need to reassess an appropriate strategy. Then, suddenly, the environment can become so turbulent that even the very best planning techniques are of no use because of the impossibility of predicting the kind of stability that will eventually emerge. (What kind of strategic plan was John Foster Dulles to carry in his briefcase to Geneva in 1954?) In response to this kind of inconsistency in the environment, patterns of strategic change are never steady, but rather irregular and ad hoc, with a complex intermingling or periods of continuity, change, flux, limbo, and so on.

But that should not lead to the conclusion that patterns in strategy formation do not exist. Indeed, if we are to make any normative headway in this area, we must find consistencies that will enable organizations to understand better their strategic situations. Thus the prime thrust of our research has been to identify patterns of strategic change.

Most of our studies show evidence of two main patterns, one superimposed on the other. The first is the life cycle of an overall strategy—its conception, elaboration, decay, and death. The second is the presence of periodic waves of change and continuity within the life cycle. (Longer cycles of this kind could be identified as well, from one life cycle to the next.) What this second pattern suggests is that strategies do not commonly change in continuous incremental fashion; rather, change—even incremental change—takes place in spurts, each followed by a period of continuity. Nowhere is this better demonstrated than in the stepwise escalation of the Vietnam metastrategy in 1950, 1954, 1961, and 1965.

Why do organizations undergo distinct periods of change and continuity? For one thing, such a pattern seems to be consistent with human cognition. We do not react to phenomena continuously, but rather in discreet steps, in response to changes large enough for us to perceive. Likewise, strategic decision processes in organizations are not continuous, but irregular [15]. They must be specifically evoked; they proceed for a time; and then they terminate. Furthermore, consistent with the Cyert and March notion of sequential attention to goals [8], the leadership of an organization may choose to deal with the conflicting pressures for change from the environment and continuity from the bureaucracy by first acceding to one and then the other. To most bureaucracies—for example, the automobile assembly line—change is disturbing. So the leadership tries to concentrate that disturbance into a specific period of time, and then to leave the bureaucracy alone for a while to consolidate the change. But of course, while the bureaucracy is being left alone, the environment continues to change, so that no matter how well chosen the strategy, eventually a new cycle of change must be initiated.

With these two patterns in mind, we can now consider the patterns of strategic change in both studies. Volkswagen began its life (or at least left the incubation stage)

in 1948 with what we call a *gestalt* strategy, defined as one that is (a) unique and (b) tightly integrated (in the sense that its elements are mutually complementary, or *synergistic*, in Volkswagen's case fusing around the dominant element of the people's car). The first feature, uniqueness, means that the gestalt strategy deposits the organization in a *niche*, a corner of the environment reserved for itself. If well chosen, therefore, that strategy can protect the organization from attack for a period of time. That is exactly what happened in the case of Volkswagen. But the second feature, tight integration, makes a gestalt strategy difficult to change. The changing of a single dimension may cause *disintegration* of the whole strategy. That also became clear when Volkswagen had to change, when competitors moved into its niche and the market moved away from it. Volkswagenwerk's initial response to the changes in environment was two-fold. Before 1959, and after 1959 until 1965, it essentially ignored the changes. And in the 1959 period it resorted to a *grafting* procedure, adding a new piece to its existing gestalt strategy, but avoiding any fundamental change in it. When Volkswagen finally did begin to respond seriously in 1965, that response was an awkward one, a *groping* procedure with no clear focus. After seventeen years with one gestalt strategy, the organization was not accustomed to making major changes in strategy. It was only in the 1970s that Volkswagen was able to develop a clear new strategy, in part, we shall soon argue, a result of its groping procedure.

A few words on gestalt strategies are in order, since they appear frequently in organizations. First, they seem to develop at one point in time, most frequently when the organization is founded. That is when bureaucratic momentum is weakest, leadership typically strong (entrepreneurial), and environments rather tolerant. In contrast, achieving a gestalt strategy is difficult in an ongoing organization, which has a great deal more bureaucratic momentum. Yet both the Volkswagenwerk of 1971 and the United States Government of 1969 seemed able to, no doubt because both faced environments beginning to settle down after periods of great turbulence that had severely disrupted their bureaucratic momentum.

Second, gestalt strategies seem to be associated with single, powerful leaders. This is especially true of the two periods mentioned above, as well as that of Volkswagenwerk of 1948. Perhaps the sophisticated integration called for by such strategies can be effected only in one mind. The development of a gestalt strategy requires innovative thinking, rooted in synthesis rather than analysis, based on the "intuitive" or inexplicit processes that have been associated with the brain's right hemisphere [16]. Thus we are led to hypothesize that gestalt strategies are the products of single individuals, and only appear in organizations with strong leadership, in effect, those that use the entrepreneurial mode. It is difficult to imagine one coming out of a decentralized organization, unless all the decision-makers follow the conceptual lead of one creative individual. Nor can one be imagined resulting from a formal management science or planning process per se, these being essentially analytic rather than synthetic. (That is not to say, of course, that a synthesizer cannot parade under the title of planner or management scientist, or for that matter, advisor, as in the case of Kissinger.) We hypothesize then that the planning mode will normally lead to what can be called *main-line* strategies, typical and obvious ones for the organization to adopt (for example, because the competitors are using them).

Vietnam represents the classic strategic life cycle, although the pattern differs somewhat from that of Volkswagen. The Vietnam metastrategy had a clearly identifiable birthdate, 1950, and unlike that of Volkswagen, which grew rapidly from the outset, this one grew slowly, receiving three distinct boosts, in 1954, 1961 and 1965. It was only after this third boost, however, fifteen years after its birth, that the metastrategy really underwent rapid expansion. Its demise also differed from that of

Volkswagen. Whereas the Volkswagen strategy experienced a long, agonizing death, like a developing cancer, the U.S. metastrategy in Vietnam experienced one major setback, like a massive stroke, in 1968, and thereafter remained in a coma until 1973, when it finally expired. (The new gestalt strategy that arose in 1969 served only to bury it. In Volkswagen, of course, only the strategy expired; out of its ashes a new one emerged, and the automobile operations carried on. The Vietnam operations did not.)

The change-continuity cycles were also very marked in the case of Vietnam. Except for the period of 1962 to 1965, when the change was gradual, and largely out of control of the central leadership, periods of change and continuity were always evident. And in the broad perspective, as noted earlier, up to 1968 that change was always incremental. Vietnam in fact represents a classic case of incrementalism, and exhibits profoundly its dangers. Each escalation step was taken without an assessment of what the next step might have entailed, with the result that Lyndon Johnson in 1968 found himself in a situation that Harry Truman, the President under whom the first step was taken in 1950, as well as all the Presidents in between (including the Lyndon Johnson of 1965), would have considered inconceivable. Strategy-makers seem prepared to assume positions in incremental steps that they would never begin to entertain in global ones. On the other hand, some of our other studies, notably of the magazine, show that even in simple situations global change is very difficult to conceive and execute successfully. This, perhaps, is the strategy-maker's greatest dilemma—the danger of incremental change versus the difficulty of global change.

Deliberate versus Emergent Strategies

Earlier it was claimed that the definition of strategy used in this research opens up the other side of the strategy formation question, strategies as *ex post facto* results of decisional behavior as well as strategies as *a priori* guidelines to decision-making. Two kinds of strategies were identified: intended and realized. These two, at least in theory, can now be combined in three ways, as shown in Figure 1 and listed below:

- (1) Intended strategies that get realized; these may be called *deliberate* strategies.
- (2) Intended strategies that do not get realized, perhaps because of unrealistic expectations, misjudgments about the environment, or changes in either during implementation; these may be called *unrealized* strategies.
- (3) Realized strategies that were never intended, perhaps because no strategy was intended at the outset or perhaps because, as in (2), those that were got displaced along the way; these may be called *emergent* strategies.

The Volkswagen strategy of 1948 to 1958 is perhaps the best illustration of a deliberate strategy, both intended and realized. Kennedy's intended strategy of 1961 of advising the Vietnamese is probably the best example of an unrealized strategy. And the subsequent United States strategy of finding itself in a fighting instead of advising role is probably the best example of an emergent strategy, realized despite intentions. (Note the association of these last two with Kennedy's proactive strategy making.)

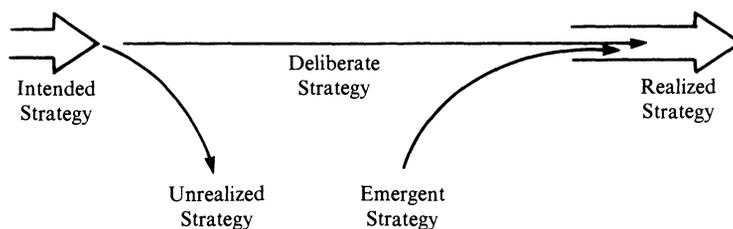


FIGURE 1. Types of Strategies.

But practice is always more complicated—and more interesting—than theory, and despite our neat trichotomy, we found a number of other relationships between intended and realized strategies. These include intended strategies that, as they get realized, change their form and become, in part at least, emergent; emergent strategies that get formalized as deliberate ones; and intended strategies that get overrealized.

Planning theory postulates that the strategy-maker “formulates” from on high while the subordinates “implement” lower down. Unfortunately, however, this neat dichotomy is based on two assumptions which often prove false: that the formulator is fully informed, or at least as well informed as the implementor, and that the environment is sufficiently stable, or at least predictable, to ensure that there will be no need for reformulation during implementation. The absence of either condition should lead to a collapse of the formulation-implementation dichotomy, and the use of the adaptive mode instead of the planning one. Strategy formation then becomes a learning process, whereby so-called implementation feeds back to formulation and intentions get modified en route, resulting in an emergent strategy.

The failure to so adapt is dramatically illustrated in a paper by Feld [10]. He describes the problems that arise in military organizations that hold rigidly to this dichotomy, “The command function of planning and coordination [being] considered to require a sheltered position” despite the fact that “The conditions of combat are fluid and haphazard in the extreme” (p. 17). Thus, in the infamous battle of World War I, where the British casualties numbered 300,000:

No senior officer from the Operations Branch of the General Headquarters, it was claimed, ever set foot (or eyes) on the Passchendaele battlefield during the four months the battle was in progress. Daily reports on the condition of the battle-field were first ignored, then ordered discontinued. Only after the battle did the Army chief of staff learn that he had been directing men to advance through a sea of mud. (p. 21)

The most successful deliberate strategies of our two studies—the gestalt ones of Nordhoff and later Leiding in Volkswagenwerk—were both formulated by men who knew their industry intimately and who were able to predict conditions in environments that were settling down after periods of great turbulence. In sharp contrast is the Vietnam strategy of 1962–1965, the most costly emergent strategy of our studies—one realized in a form totally different and far more involving than that intended. Both Kennedy and Johnson had only the most cursory knowledge of the real conditions in Vietnam [11], and neither was able to predict the conditions of an environment that was becoming increasingly turbulent. As Halberstam notes in his detailed study of the U.S. experience in Vietnam:

. . . it was something they slipped into more than they chose; they thought they were going to have time for clear, well-planned choices, to decide how many men and what type of strategy they would follow, but events got ahead of them. The pressures from Saigon for more and more men would exceed Washington’s capacity to slow it down and think coolly, and so the decisions evolved rather than were made, and Washington slipped into a ground combat war. [11, p. 544]

What can we say then about Johnson’s decisions to escalate the war in 1965? Here we have a situation, apparently a common one if our other studies can be used as a guide, where an emergent strategy became a deliberate one. Johnson’s decisions of 1965, unlike those of 1968, did not break any pattern. Quite the contrary, they formalized one that was becoming increasingly evident since 1962. The U.S. was fighting a war in 1965, no longer advising an ally. In other words, the strategy-maker perceived an unintended pattern in a stream of decisions and made that pattern the intended one for the future. An emergent strategy, once recognized, became a deliberate strategy. (Thus not only we, but also the leaders we studied, were perceivers of patterns in decision streams.) A similar phenomenon—although less pronounced—

seemed to be at play in Volkswagen in the 1970s. Out of the grouping of the 1960s, Leiding perceived an emergent pattern, which we might call the Audi strategy. One car—stylish, front-wheel drive, water cooled—seemed to be most successful in the new environment. And so he built the new gestalt around it. The general conclusion seems to be that new strategies sometimes have incubation periods. While the old strategy is decaying, one or more emergent strategies are developing peripherally in the organization. Eventually one is selected and formalized as the new, intended strategy. Decisional behavior in effect coalesces around what seems to have worked for the organization—and perhaps also what lends coherence to the frustrating years of failing to realize intentions.

But the formalization of an emergent strategy is hardly incidental to the organization. As the Vietnam period of 1965 to 1968 shows so clearly, the very act of explicating an implicit strategy—of stating clearly and officially that it is to be the intended strategy—changes profoundly the attitude of the bureaucracy and of the environment to it. Johnson's decisions of 1965 opened the flood-gates of escalation. Had he remained in limbo, refusing to make a decision (all the while, the decisions in fact being made for him on the battlefield), it is doubtful that the military bureaucracy could have pursued escalation so vigorously. In effect, the very fact of making a strategy explicit—even an implicit one that is evident to all—provides a clear and formal invitation to the bureaucracy to run with it. (One could of course make the reverse point, that the very fact of his having remained in limbo for two years built up a charge in the military establishment that went off with that much more explosive force when the detonator was finally released.)

To overstate the bureaucracy's position, it says to its top management: "Our business is running the operations; your's is formulating the strategy. But we need a clearly defined, intended strategy to do our job—to buy our machines, hire our workers, standardize our procedures. So please give us such a strategy—any strategy—so long as it is precise and stable [and lets us grow]." The danger in this innocent statement, of course, is that the bureaucracy runs like an elephant. The strategy that gets it moving may be no more consequential than a mouse, but once underway there is no stopping it. As Halberstam notes about Kennedy in 1963 and Johnson after 1965: "... the capacity to control a policy involving the military is greatest before the policy is initiated, but once started, no matter how small the initial step, a policy has a life and a thrust of its own, it is an organic thing" [11, p. 209]. Bureaucratic momentum takes over, happy to have a clear strategy, never stopping to question it. The strategy-maker may awake one day—as did Lyndon Johnson in 1968—to find that his intended strategy has somehow been implemented beyond his wildest intentions. It has been *overrealized*. Thus, "make your strategy explicit" may be a popular prescription of the management consultant [18], but in the light of this research it can sometimes be seen to constitute questionable advice indeed.

Conclusion

This article has been written with the intention of bringing a new kind of description to the much misunderstood process of strategy formation in organizations. A few descriptive studies—two of which are reported here—constitute a limited data base, but they do call into question a number of assumptions about the process, at least in certain contexts. A strategy is not a fixed plan, nor does it change systematically at pre-arranged times solely at the will of management. The dichotomy between strategy formulation and strategy implementation is a false one under certain common conditions, because it ignores the learning that must often follow the conception of an intended strategy. Indeed the very word "formulation" is misleading since we commonly refer to as "strategies" many patterns in organizational decisions that form

without conscious or deliberate thought. Even Chandler's well known edict of structure follows strategy [5] must be called into question because of the influence of bureaucratic momentum on strategy formation. The aggressive, proactive strategy-maker—the hero of the literature on entrepreneurship—can under some conditions do more harm than the hesitant, reactive one. Contingency planning, a popular prescription in times of environmental turbulence, can be risky because the plans may tend to become actualized, whether needed or not. And so too can it sometimes be risky to make strategy explicit, notably in an uncertain environment with an aggressive bureaucracy. In general, the contemporary prescriptions and normative techniques of analysis and planning—and the debate that accompanies them—seem unable to address the complex reality of strategy formation. To tell management to state its goals precisely, assess its strengths and weaknesses, plan systematically on schedule, and make the resulting strategies explicit are at best overly general guide-lines, at worst demonstrably misleading precepts to organizations that face a confusing reality.

There is perhaps no process in organizations that is more demanding of human cognition than strategy formation. Every strategy-maker faces an impossible overload of information (much of it soft); as a result he can have no optimal process to follow. The researcher or management scientist who seeks to understand strategy formation is up against the same cognitive constraints, but with poorer access to the necessary information. Thus he faces no easy task. But proceed he must, for the old prescriptions are not working and new ones are badly needed. These will only grow out of a sophisticated understanding of the rich reality of strategy formation, and that will require an open mind, a recognition of how little we really know, and intensive, painstaking research.⁵

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