PERSPECTIVES

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TEACHING STRATEGY IN EXECUTIVE MBAS AND PROFESSIONAL MASTER'S PROGRAMS: THE OVERLOOKED ROLE OF EXECUTION

INTRODUCTION

Textbooks and (conceptual or empirical) articles about strategy tend to present typologies based on competitive positioning (e.g., Mintzberg, 1988; Porter, 1985) or corporate decisions such as diversification and verticalization (Barney, 2010). However, they rarely address the fact that the development of a sustainable competitive position (a competitive advantage) depends on not only formulating a plan, but also on paying careful attention to its execution and revision. This requires people's motivation and engagement, and involves dealing with cognitive or behavioral limitations, so as to turn an intentional strategy into a realized strategy (Mintzberg & Waters, 1985).

As students are not formally exposed to strategy execution models in their master's and doctoral degree programs—because the literature lacks such models (*cf*. Oliveira, Carneiro, & Esteves [forthcoming])—and due to the challenges inherent to strategy execution, when they become professors in MBA programs, they tend to only address typologies based on competitive positioning (as in Mintzberg, 1988; Porter, 1985), or eventually "planning" models and the exercise of strategizing (as in Jarzabkowski, Balogun, & Seidl, 2007). However, they do not deal with the importance of implementation of a strategic plan in practice. At the very most, these professors make use of their professional experience to suggest that the path from intention to reality may not be immediate and may not even be guaranteed.

EXECUTING THE STRATEGY

Most textbooks and articles about strategy still implicitly assume that competitive positioning can be reached in a rational and systematized way, based on a structured exercise of evaluation of opportunities and threats of the external environment (macroenvironment and industry structure), the strengths and weaknesses of the company, and its resources and competencies. This effort would then lead to assessment of alternative strategies, with the subsequent selection of the best among them.

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(This top-down approach is different from what is presented in entrepreneurship texts (e.g., Sarasvathy, 2001), where strategy is developed from the bottom up and is not even explicitly structured, in many cases. In this opinion-based article, I shall not be addressing this way of developing and carrying out the strategy.)

Everything occurs as if the "uncontested" logic behind this reasoning could lead naturally to the realization of its recommendations in practice. However, both the formulation of the plan and its execution depend on people—who bring their own limitations, biases, anguishes, and interests. Even though appeals for the consideration of microfoundations, which are explanations that are more disaggregated (i.e., at the individual level) about behaviors in a broader scope (e.g., at the company level), have been mentioned in the literature (Coff & Kryscynski, 2011; Felin & Foss, 2005; Foss & Pedersen, 2016; and others), the crucial role of people in the execution of the strategy tends to be lacking in the program content of MBAs.

Before moving on to these issues, I shall briefly discuss how the phenomenon of strategy execution could be conceptually structured.

Conceptualization of the phenomenon of strategy execution

Academic literature lacks reference to models about the conceptual components of the strategy execution construct. However, many books and other texts aimed at executive readership bring long lists of factors that serve either as enablers or else as obstacles to strategy execution (e.g., Atkinson, 2006; Beer & Eisenstat, 2000; Delisi, 2010; Hrebiniak, 2006; Kaplan & Norton, 1996; Mankins & Steele, 2005). Many examples of real stories are also presented (e.g., Bossidy & Charan, 2002), but without providing a high-level structure that would allow the organization of such factors in terms of macro-components, which would make it possible to understand the content of each one, and the relationship between them in the characterization of the phenomenon of strategy execution.

- Efforts in this regard, however, have been recently made. A model containing five components of execution was presented by Oliveira et al. (forthcoming):
- Unfolding (of the strategy or the strategic plan): This is a subdivision of the "great plan" into action plans, responsible people, objectives, and sub-objectives, as well as the respective goals, timeframes, budgets, and funding sources. (Naturally, the balanced score card [BSC] [*cf.* Kaplan & Norton, 1996] could be a good instrument.)
- Coordination: A consistent articulation among different actions and the different units of the company, as well as the transformation of conflicts into purposeful action, in order to seek mutual reinforcement between different initiatives, and reduce inconsistencies between them.
- Communication: Flow of information (downward, upward, and horizontally).
- Control and feedback: Monitoring of the external environment, follow-up on actions taken, measurement of results obtained, and support for the revision of the strategic plan.
- Development of HR policies and employees' competences: Definition of the necessary skills for the implementation of the strategy, as well as recruitment and training of staff, and development of policies for staff retainment.

MacLennan (2010) presented five "Cs" for strategy execution:

- Causality: Identification of the real causes of the problems observed.
- Criticality: Focus and concentration of efforts.
- Compatibility: Coherence and mutual reinforcement between different initiatives (this is similar to the "Coordination" component as proposed by Oliveira et al. [forthcoming]).
- Continuity: Splitting and cascading of the objectives, motivation of the people, and reduction of risks of distractions and inertia.
- Clarity: Guarantee that the people shall understand what needs to be done (this is similar to the "Communication" component as proposed by Oliveira et al. [forthcoming]).

With regard to communication, middle managers play a key role, as they are the people who "filter" information between the top and the base of the organization (in both directions). These managers need to be motivated and have good negotiation skills; more importantly, they must have good skills in strategic issue selling (Dutton & Ashford, 1993), which means the ability to catch the attention and get the support of top management and other parts within the organization.

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A course on business strategy or strategic management should explicitly consider special mechanisms to address each of the above components, as part of the process to make "dreams" become reality, as well as regarding the challenges that must be faced in this venture. Some of these challenges refer to microfoundations, specifically, how people acquire knowledge, behave, and act. These points shall now be addressed.

Microfoundations of strategy execution

Among the different aspects that could lead people to adequately execute the strategic plan, the following shall be addressed in this paper: identification of the problem to be solved, formulation of the "diagnosis," and suggestions for "treatment" of the problem; ambivalence and inertia; and organizational politicking.

Formulating of the problem, and search for diagnosis

A key part of the formulation of a strategic plan is the review of the previous plan, from where one can collect input for execution as new observations are made. Throughout the execution of the plan (including the set of multiple actions that are part of daily life), one can perceive that the results are different from those expected, or that new information suggests that the future shall be different from what was originally envisaged. However, the process of identification of the problem (Baer, Dirks & Nickerson, 2013) or of the challenge (Rumelt, 2012) to be faced is faulty, and therefore, it often leads companies to propose "solutions" to the wrong problems. The difficulty in correctly expressing the "problem" to be tackled becomes critical in heterogeneous teams, due to the differences regarding the sets of information used, cognitive structures, and objectives (Baer et al., 2013).

For example, a company complained that their growth in sales had become "vegetative," meaning "only" (in the words of a manager) between 5% and 8% a year, when only a few years back the company would post annual growth rates between 15% and 20%. However, would this, in fact, be a "problem," and should the company realistically try to return to the previous growth levels? Well, an annual growth of 5% is quite significant: a growing perpetuity of 5% per annum at a capital cost of 10% per annum would mean that this company would be worth twice as much as another company with stable sales throughout its life ($NPV_0 = CF_1/(k - g)$, where NPV_0 = net present value in year 0, CF_1 = cash flow in year 1, k = capital cost, g = growth rate). The company could review its expectations, considering the new reality, and seek the real causes of this "problem"—maybe (natural) imitation by competitors, or changes in the needs of some clients—instead of forcing the sales team to hit new historic peaks in growth (and in market share), even at the cost of discounts or other promotions offered to clients.

Even when a problem is correctly identified, in many cases, the process for acknowledgment of its causes (Rumelt, 2012) is flawed (MacLennan, 2010). As a result, companies often propose incorrect diagnoses and thus end up carrying out actions that shall not solve the problem. Among the examples mentioned by MacLennan (2010), the following are worthy of mention here.

A company observed that its sales fell short of the established targets. Instead of seeking possible alternative explanations for this fact, the company (or rather one or a few decision makers within the company) hastily concluded that the underlying cause for this problem must be inadequate or insufficient training of the sales force. A special training plan was then drawn up, but sales did not recover. In fact, the problem could have had another cause, such as changes in customer preferences or needs, actions taken by competitors, or demotivation of the sales team because of unrealistic targets. Another company noticed that its employees appeared to be disheartened. Immediately, they concluded that the cause of this problem must be dissatisfaction with their income. Salaries and bonuses were raised, but demotivation continued. It is possible that the underlying cause, among other possible alternative explanations, could have been the excessive use of authority by top management and the lack of dialogue with middle management.

In my own experience, I have observed interesting cases. In a bank in a Latin American country, the sales managers complained that the answers given by the credit analysis department about granting loans to clients took too long a time. The first explanation that arose was that the process for issuance of a loan letter was manual; all that would suffice, therefore, would be to make it automated. However, other explanations were raised and studied, including excessive workload of the credit analysis department or demotivation within the department, or even excess strictness in the process of credit analysis. Another company said that the company had achieved its sales target, but not its intended profit target. The diagnosis was quite clear (albeit somewhat hasty): the commercial team was giving too many discounts. However, the real cause of the problem—and the explanation as to why salespeople were giving out discounts—could have been different; for example, lack of understanding of the impact of discounts upon company profits (meaning that the company could be aiming at market share rather than profit, which is not uncommon) or changes

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in the attitudes of clients or in offers made by competitors, which would make the clients more price-sensitive. Another company lamented the failure to win important contracts and blamed the legal department for taking too long to hand the proposals to the prospective clients. In fact, the problem had a different cause: the price was considered too high by the prospective clients. A metallurgy company suffered from chronic excess of stock. Top management concluded that this was due to faulty communication between the production and sales departments (a plausible explanation) and decided to fire some professionals from both departments and take on new staff "without communication problems." However, the problem could have been solved by holding meetings and more frequent exchanges of information between the two teams. It turns out that the mere exchange of professionals did not solve the problem, and the company kept on falling short of its profit targets.

Presented this way, it seems evident that there could be many possible explanations for any given problem, and that a company should not accept the first plausible explanation that is put on the table.

Bias in the decision-making process

Why, then, do companies fail to pinpoint problems and propose diagnoses (causes)? The answer lies in the biases present in cognitive and judgment processes and in decision making (Bazerman & Moore, 2008; Kahneman, 2003a, 2003b; Kahneman & Tversky, 2013; March, 1978; Simon, 1979; Tversky & Kahneman, 1974, 1978). For example:

- Bounded rationality: Making decisions based on incomplete or mutually contradictory information, as well as mental limitations to process information.
- Confirmation bias: A tendency to seek, interpret, focus, and remember information in a way that confirms prior or preconceived expectations.
- Anchorage (first impression bias): A tendency to show excess trust, or "to anchor oneself," in one aspect (usually the first information acquired about the subject, or suppositions considered undisputable) when making decisions.
- Escalation of commitment (sunk-cost fallacy): An increase in investment in a certain course of action based on previously accumulated investment, even though new evidence suggests that the original decision was probably wrong.
- Overconfidence bias: Excessive confidence or trust in one's own perceptions.
- Attribution bias: A tendency to assign the causes of success to oneself, and to assign the causes of failure to others (or to external factors).
- Loss aversion *versus* gain securing (prospect theory): The utility of forsaking an object (e.g., a known situation) tends to be more than the utility associated with it when purchasing it.

Thus, students should be exposed to real cases and put in the shoes of multiple decision makers (for example, in group dynamics), always being challenged to bring "more scientific rigor" to their process of formulating the problem, in addition to the diagnosis of causes and proposed solutions (MacLennan, 2010), asking themselves:

- Is the proposed solution based on empirical observation, rather than just on logical reasoning?
- Was the process for data collection and analysis carried out systematically?
- Was care taken to reduce possible bias as much as possible?
- Do the empirical results support the conclusions (diagnosis and proposed solutions)?
- Have alternative explanations for the problem been considered?
- Can the proposed solution be generalized, or is it restricted to certain contexts?
- Can the solution be implemented in practice, and is it economically feasible?

Ambivalence and inertia

Another obstacle blocking the execution of the strategy is the ambivalence as perceived by managers—meaning the experience of positive and negative feelings at the same time—regarding a decision, person, situation, objective, or task (Rothman, Pratt, Rees, & Vogus, 2017). On experiencing ambivalence, some managers tend to become less flexible, while others become more flexible and open.

On the one hand, as examples of possible reactions suggesting cognitive inflexibility, the following can be mentioned: response amplification (individual people can idealize their relationship with their organization, casting aside all negative

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sentiments, leading to biased and simplistic views), reduced ability to decide (hesitation, and postponement when making decisions), and confirmation bias (selective creation of unilateral information, and confirmatory processing of information). On the other hand, in terms of reactions that suggest cognitive flexibility, the following are some examples: cognitive breadth and scope of attention (openness to different perspectives, and detachment from what is already known), as well as motivation to use contradictory and conflicting signals as a stimulus to consider multiple views and perspectives in a balanced way.

Inflexibility can also be behavioral, as in the case of paralysis, either because of excessive analysis (Langley, 1995) or of inertia (Powell, 2017), and resistance to change. In terms of the possible reactions to ambivalence that suggest behavioral flexibility, the following could be mentioned: individual opening to change and reduction of the escalation of commitment, as well as interpersonal and collective adaptability.

The execution of the strategy also tends to be harmed because companies quite often indulge in automated behavior and resistance to change, whether through inertia or because of deeply ingrained standards or policies. As a result, managers tend to make an excessive investment in those forces that have made the company successful in the past, and underinvest in the weaknesses that need to be overcome so that the company may be successful in the future (Powell, 2017). In order to avoid this trap, Powell (2017) suggests an approach based on "strategic diligence," by which companies should break free of the usual logic, and rethink the prioritization between different activities (for example, the development of new products, stock management, production, procurement, distribution, branding, and staff training). In this way, they should allocate more funds to those activities that have a low ratio of relative performance to relative priority—implying those activities where the marginal gain in terms of results for the company could be greater. Lawrence (1998), in turn, proposes an interesting outline with 10 steps to take people out of inertia and away from the comfort zone of repeating the past, so as to get them genuinely involved in the organizational change that would be necessary.

Organizational politicking

Moreover, the tussle for power and prestige could lead some managers to practice "organizational politicking" in the company, meaning that they act based on their own interests and deliberately, albeit in disguised form, harming the execution of the strategy, particularly when this can lead to a change in the balance of powers (Kim & Mauborgne, 2015). To deal with such situations, top management needs to gather strength (for which not everyone has the necessary skills or willingness) to fight what Kim and Mauborgne (2015) call "devils," and support the so-called "angels," laying bare the actions of one group and the other, so that it becomes clear who is for, and who is against, the change.

To make students experience the different situations as presented, professors may request examples of past companies (so as to avoid social desirability bias) where the students have worked, and where they have been able to see examples of these situations. In practice, the students shall be thinking about their own current realities.

CONCLUSIONS

According to Powell (2017), "success tends to depend less on "big strategy" [ambitious plans, carefully crafted], than on the relentless management of disciplined action" (p. 181).

In executive MBA programs, the subject of business strategy (strategic management) should, therefore, contain real cases of companies, and then employ dynamics among students, allowing them to use their mental processes to try to correctly identify the problem (challenge) to be tackled, and to establish the correct diagnosis. Furthermore, students should be encouraged to recognize which biases are present in the judgment process and decision making that could affect the strategy to be executed, as well as which attitudes and behaviors (such as ambivalence, inertia, and politicking) would tend to be present in those situations—and how to deal with such obstacles and with such forms of biases.

As part of the set of courses of an executive MBA program, the strategy course can be complemented by topics addressed in other courses, such as decision making, negotiation, and governance. Moreover, the learning acquired in these subjects should be explicitly used for the discussion of cases of the strategy course.

While business strategy courses continue to focus on pseudo-rational models for plan formulation, without explicitly addressing behavioral and emotional aspects within the process of execution of the plan, we shall not be preparing our executives for the reality of the business world. On the contrary, we will be making them hostages of hope that the dream will come true and victims of disappointment in not being able to turn their plans, so carefully crafted, into reality.

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