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Strategic Planning in Turbulent Environments: A Social Ecology Approach to Scenarios



Rafael Ramírez, John W. Selsky

We contrast conventional strategic approaches derived from neoclassical economics with a socio-ecological approach to strategy. We propose that the socio-ecological approach, and specifically the causal textures theory of organizational environments it spawned, helps strategic planners to better engage the unpredictable uncertainty that characterizes turbulent environments. To support our argument, we render explicit three principles that have been implicit in causal textures theory. We articulate general strategic planning stances for organizations consistent with each of the three principles, and demonstrate how scenario planning can help to instantiate each principle. We conclude that causal textures theory helps strategic planners to better understand the purpose of scenario planning and helps to guide them on how to make use of scenario planning to effect better strategies in a turbulent environment.

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Introduction

Research on uncertainty located in the context or environment in which organizations are situated has a long and rich intellectual history, not only in the strategic planning field, but also in the decision-making and organization-design literatures. Within organization studies it goes back at least to [Emery and Trist's \(1965\)](#) “causal texture of organizational environments” and Thompson's *Organizations in Action* (1967). But there is no consensus on what uncertainty is, nor on what it means for strategic planners. Without intending to oversimplify the concept, uncertainty as studied in the field of strategic planning has been considered from two different perspectives: the dominant neoclassical approach and the less well-known socio-ecological one, both of which we discuss below.

This paper uses the socio-ecological approach to highlight aspects of uncertainty that the conventional neoclassical approach has downplayed or neglected. In so doing, the paper proposes that when organizations face turbulent contextual conditions ([Emery and Trist, 1965](#); [McCann and Selsky, 1984](#); [Ramírez et al., 2008, 2011](#)), it is advisable for them to reorient how they consider uncertainty in their strategic planning ([Knight, 1921](#); [Emery, 1977](#); [Ramírez and Ravetz, 2011](#)). Specifically, the paper proposes that the differences between neoclassical and socio-ecological approaches extend to how they consider scenario planning, and that a socio-ecological approach toward scenario planning can help to clarify the difference and to reorient misuses of scenario planning in neoclassical strategy. Scenario planning has been used to engage uncertain contexts since the 1940s in policy and military arenas, and since the 1960s in corporate strategy ([Kahn, 1962](#); [Berger, 1964](#); [Wack, 1985a,b](#); [Schwartz, 1991](#); [van der Heijden, 1996](#); [Lessourne and Stoffaes, 2001](#); [Wright et al., 2013](#)).

The central purpose of this paper is to substantiate the value of using a socio-ecological approach to strategy in turbulent environments. Social ecology has to date elaborated only weakly on the strategic implications of its concepts. We help to redress this weakness in this paper. As a complement to this central purpose, we intend to demonstrate why and how scenario planning can be used for strategic planning in turbulent environments.

Organizational scholars using social ecology concepts have been dealing with turbulence on a conceptual and a practical basis for nearly fifty years. They have learned that turbulence is neither as monolithic nor as fatal as it appeared in Emery and Trist's original 1965 article. In this paper, we gather this learning and codify it into three “principles” about the turbulent causal texture of organizational environments which have lain latent in that approach up to now. We then draw out strategic planning implications for each one, which, our analysis suggests, enriches strategic thinking. We close by suggesting that these principles are articulated through how social ecology understands scenario planning.

Despite considerable research, the role of scenario planning, and how effective it is in strategic planning remains contested (see [Postma and Liebl, 2005](#)). In this paper we build on prior research seeking to relate scenario planning with social ecology

concepts (van der Heijden, 2008; Ramírez et al., 2008) by showing how scenario methods add to the repertoire of strategy tools suited to a turbulent environment.

Our analysis thus offers a twofold contribution: First, we shed light on aspects of uncertainty which conventional (i.e., neoclassically based) strategic planning approaches tend to downplay, but which are important in turbulent environments. Second, we provide a conceptually robust basis for why and how scenario planning can help strategic planners to address those neglected aspects advantageously in their strategic planning. Ultimately, our demonstration of how scenario planning practices can enrich strategic planning advances both organizational theorizing about the environment and strategy scholars' search for effective models in turbulent contexts.

This paper is organized as follows. First, we overview the main features of the dominant neoclassical approach to strategic planning, and contrast these with the features of the socio-ecological approach. We then overview causal textures theory (CTT) — the part of the social ecology school we concentrate on. We describe how CTT deals with unpredictable uncertainty and how it situates “turbulence” as a distinct type of organizational environment. We then advance CTT's notion of the “turbulent causal texture” by identifying and explicating three principles that have so far remained implicit in CTT. We suggest that strategic planning initiatives to engage turbulent environments can be informed by each of these principles; then, we show how scenario planning as understood in the socio-ecological approach can aid such initiatives. We close by demonstrating that the CTT-scenario planning relationship is symbiotic, both theoretically and in practice; that is, CTT is enriched by what scenario planning brings to it, and scenario planning is given a solid conceptual foundation by CTT.

Contrasting two approaches in strategic planning

For our purposes, strategic planning is a process that supports the creation of future value through the identification, definition, production, assessment and application of goals and resources, and by selecting or making one or more chosen market spaces (Normann and Ramírez, 1993). The focus of this paper is strategic planning at the level of the organization as a whole, and/or strategic business units which deliver such value creation. While in some organizations this activity is relegated to specialist staff units, such as business development or corporate planning departments, in other organizations senior line managers engage in, or contribute to or decide on formulating and executing strategy. Textbooks often distinguish among corporate level (e.g., portfolio management, diversification), business level (e.g., competitive), and functional level (e.g., operational, human resources) strategic planning. The corporate and business levels are the primary locus of concern in this paper.

The conventional view of strategic planning, with intellectual roots in neoclassical economics, focuses on working with “predictable” uncertainty, which includes supply, demand and internal process fluctuations (sometimes cyclical) largely resulting from competitive dynamics. Also included are macroeconomic and, increasingly, natural ecological factors that can be reasonably anticipated. In contrast, a socio-ecological view of strategic planning, with intellectual roots in systems theory and field theory, engages not only with predictable uncertainty but also with Knight's (1921) “unpredictable” uncertainty, including environmental jolts (Meyer, 1982), unforeseen macro-level disruptions and “black swan” events (Taleb, 2007). Below, we outline the contours of these two approaches, a contrast first proposed by Selsky et al. (2007).

In a somewhat simplified, perhaps even caricatured form, conventional neoclassically based strategic planning construes uncertainty as commercial challenges to be surmounted through competitive moves, along one or more of four choice vectors — cost-quality, timing and know-how, entry barriers, and financial resources (D'Aveni and Gunther, 1994). This form of strategic planning assumes perfect rationality and equal access to information among the competitors. The arena of competition is viewed as the industry (ibid.)¹, which receives the bulk of the planner's attention, and profit maximization is seen as the goal of each competitor firm engaged in its autonomous strategic pursuits. A more nuanced rendering relaxes the assumptions of perfect rationality and equal information access by acknowledging the constraints of path dependence, as well as the exercise of power and knowledge asymmetries, heterogeneous dynamic capabilities, bounded rationality, behavioral biases, and the possibility of game-changing or “disruptive” innovation moves.

Already seven years ago, and before the current financial crisis, Selsky et al. (2007) argued that even these nuanced forms are no more than extensions of the neoclassical-economics foundation of conventional strategic planning. The problem they saw was that “the neoclassical origins of the strategy discipline ... are insufficiently responsive to the new landscape of strategy that now characterizes many industries” (p. 72). They viewed the popular positioning and strategic maneuvering schools as well as the resource-based view one (Mintzberg et al., 2002) as neoclassical approaches, because all emphasize competitive activity among a group of peers (usually firms in the same industry), and to be played as a zero sum game (Denning, 2012). Moreover, efforts toward strategic renewal and the development of dynamic capabilities tend to be directed toward each focal firm's profit-maximization and market share goals. Yet in a number of sectors today, strategy comes from players across a range of industries, in which they both collaborate and compete. For example, Sempels and Hoffman (2013) describe how in the “city services business” companies like Cisco, Siemens, IBM, Veolia, Bolloré, Peugeot and JCDcaux compete for a bigger share of city budgets.

¹ Sometimes suppliers, customers, potential entrants and substitutes are also included.

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