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Strategic Planners in More Turbulent Times: The Changing Job Characteristics of Strategy Professionals, 1960–2003

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This paper investigates the changing job characteristics of strategic planners in the face of long-run increases in environmental turbulence since the 1960s. We build on contingency theory to examine how growing turbulence may have impacted three aspects of strategic planner jobs: temporal range, processes, and organizational location. Drawing upon job advertisement data between 1960 and 2003, we compare strategic planner jobs over time and relative to a similar managerial function, marketing. We find that the secular increase in environmental turbulence is negatively associated with forecasting (temporal range), economics and analysis (processes) and centralization (organizational location), especially when compared with marketing. These findings broadly support contingency theory in a domain that has so far lacked empirical consensus. We contribute further by introducing a fine-grained methodology that allows a detailed approach to contingency theory studies of managerial roles, and opens a bridge to the Strategy as Practice tradition of research. Our findings also have implications for participation in strategic planning in firms, for the role of analysis in management education, and for research attention to strategic planning as an enduring strategy practice.

Introduction

It is commonly held that strategic planning must change with the long-run increases in environmental turbulence since the 1980s (D'Aveni et al., 2010). Particular targets for change are the strategic planners working in strategic planning departments. Thus, early on, Hamel and Prahalad (1994, 281) warned that traditional strategic planning departments faced downsizing in the new "world of turbulent seas". Similarly, Mintzberg (1994, 238) described strategic planners' initial attempts to adapt as inadequate, typically resulting only in "providing even more delectable meals for the turbulence wolf". There are more positive reports of change, nonetheless. For example, Grant's (2003) study of strategic planning departments in the increasingly turbulent oil industry does find a shift towards new planning practices, in combination with partial downsizing. Similarly, there were changes to strategic planning systems at General Electric during the leadership of Jack Welch in the 1980s and 1990s (Joseph and Ocasio, 2012; Ocasio and Joseph, 2008). However, such positive reports are patchy. Generally, it is still true that the evidence for change by strategic planners in the face of rising turbulence is "limited" and "fragmented" (Grant, 2003, 494).

This paper examines how strategic planning has responded to the dramatic challenges described by Hamel and Prahalad (1994) and Mintzberg (1994). To do this, we go beyond the limited and fragmented evidence provided so far by examining data across many industries and more than four decades. Our data are drawn from job advertisements for strategic planners and equivalent roles, for the first time applying to strategic planning a methodology originally developed in occupational sociology (e.g., Jackson et al., 2005). These long-run data allow us to compare what D'Aveni et al. (2010) describe as "old-fashioned" strategic planning from before the recent rise in environmental turbulence, with more contemporary strategic planning. Our concern is specifically strategy "professionals"—those specialists employed in planning or equivalent departments, and for whom strategy is a core part of their job (Whittington et al., 2011; Wolf and Floyd, 2013). It is these strategy professionals whose jobs are directly on the line in the face of increased turbulence (Hamel and Prahalad, 1994). They form a significant group for readers of this journal. In 2008, about half of Standard & Poor's 500 top American corporations employed Chief Strategy Officers (Menz and Scheef, 2014), and in Europe's leading firms the median number of full-time strategic planners is about five (Zimmerman and Menz, 2013). Strategic planners' capacity to adapt in the face of rising turbulence will likely be important for the strategic capabilities of their firms. We compare the adaptability of strategic planners to a control group drawn from a similar occupation: marketing professionals.

In developing our hypotheses, we rely primarily on a contingency theory approach to organizations (Donaldson, 2001). In particular, we follow a number of recent studies that focus on how contingencies shape the design of managerial

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positions and roles within organizations (Hambrick and Cannella, 2004; Menz and Scheef, 2014; Nath and Mahajan, 2011). For our hypotheses about strategic planners, we can draw on a substantial stream of contingency theory research addressing the impact of increasing environmental turbulence (e.g., Grinyer et al., 1986; Kukalis, 1991). Contingency theory turns attention particularly to the roles of forecasting and formal analysis, processes that have traditionally been integral to the work of strategic planning professionals (Mintzberg, 1994). It also addresses the organizational location of strategic planners, originally assumed to be, by necessity, centralized close to top management (Williamson, 1970). Contingency theory tends to predict reductions in forecasting, analysis and centralization in the face of increasing turbulence. However, as explored later, earlier studies do not provide unequivocal support for these predictions.

This paper makes a number of contributions. First, drawing upon a uniquely long-run and multi-sector data-set, we address the fundamental historical question of how strategic planning, as conducted by professional planners, has responded to challenges since the 1960s (D'Aveni et al., 2010; Grant, 2003). By comparison with the pessimism of Mintzberg (1994), we find support for change, albeit nuanced. Second, we contribute to contingency theory by offering broad support to its propositions on planning's relationship to environmental turbulence, a topic where results have before been equivocal. In short, we find that demand for centralization and economic analysis falls with rising turbulence, but that the predicted negative relationship of forecasting and analysis with environmental turbulence is only strongly significant for strategic planners when compared with the control group of marketing. Third, we introduce to contingency theoretic studies of managerial positions a methodology allowing both more-detailed empirical analysis as well as opening a bridge to practice-oriented studies of what managers do — e.g., in the Strategy as Practice tradition (Vaara and Whittington, 2012). Our conclusion discusses the implications of our findings for strategic planning practice, particularly with regard to managerial participation in strategy, and for business education, with regard to the role of analysis in teaching. We also note limitations to this study and propose further research.

Strategic planning and environmental turbulence

As Mintzberg (1994) observes, strategic planning originated in an environment characterized by considerable economic stability, the 1960s. In this period, prominent contemporary commentators developed a model of strategic planning, in which forecasting, analysis and organizational centralization were the principal motifs. Thus, for the prominent economist J.K. Galbraith (1967, 29), planning was the defining characteristic of the post-war "New Industrial State", and "foreseeing" was its essential core. Indeed, according to Galbraith (1967), large American firms of this period were sufficiently powerful to actually mold to a large extent the environments they forecasted. In Oliver Williamson's (1970, 124–125) account of the new multidivisional enterprises of the period, strategic planning was hierarchical and analytical, a part of the firm's "peak coordinating function": strategic planning should be carried out centrally by "an elite staff capable of performing the depth analyses necessary to discharge the strategic overseer task effectively". Strategy's pioneering theorist, Igor Ansoff (1964), identified a shift in strategic planning during the 1960s from an unscientific practice to a "quasi-analytic" stage, closer to the formal, structured rationality of operations research. The model of strategic planning was organizationally remote and technically demanding, tending to marginalize the role of line managers in the businesses.

However, this model of strategic planning based on forecasting, analysis and centralization came to be challenged by a secular shift in environmental conditions. A wide range of commentators has characterized the period from the 1980s onwards as one of increasing turbulence, volatility and hypercompetition (Bettis and Hitt, 1995; D'Aveni, 1994; Sull, 2009). There is long-range statistical support for this change in environmental conditions. Thus, Comin and Mulani (2006) show a surge in the volatility of firm-level and aggregate sales in the United States in the late 1970s and early 1980s. Wiggins and Ruefli (2005) find that American firms' capacity to sustain periods of superior performance declined through the 1980s into the mid-1990s. In the longest-run study, Thomas and D'Aveni (2009) show a rise in the median standard deviation for annual profit shocks amongst American corporations from 2% in the 1950s to over 8% in the early 2000s, with a marked inflection point in the 1980s. For D'Aveni et al. (2010, 1373), such indicators of rising turbulence have radical implications for strategic planning: "Strategic planning models were originally conceived for conditions of stability. In fast-changing environments where unexpected changes occur, strategic planning is inevitably fated to fail … More than engaging in old-fashioned formal planning, firms need to engage in a continual evaluation of their actions, developing a strategy as they go by seeing which actions bring about the best results…"

However, the evidence in favor of widespread change in strategic planning is limited and unsystematic. The pessimistic commentaries of Hamel and Prahalad (1994) and Mintzberg (1994) at the start of this paper rely mostly on secondary literature and a few illustrative examples, such as General Electric. Joseph and Ocasio's (2012) in-depth study of General Electric over more than half a century does find considerable decentralization of strategic planning in the 1980s — e.g., the abolition of sector-level strategic planning units — but also suggests greater continuity than reported by many external observers. Joseph and Ocasio (2012) cover only one rather unusual company. There are larger-sample longitudinal studies of strategic planning, but they tend to take short time periods: Javidan (1984) from 1976 to 1981; Wilson (1994) and Grant (2003) from the 1980s to the mid-1990s. Two of these studies are limited to single industries: Javidan (1984) considers only the savings industry; Grant (2003) focuses on oil. However, Wilson's (1994) broader industry coverage is neither controlled for nor systematic. Further, these three wider studies, using either surveys or interviews, draw on retrospective recall by respondents, a method liable to exaggerate reports of change (Golden, 1992). Retrospective surveys and interviews may also reflect

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