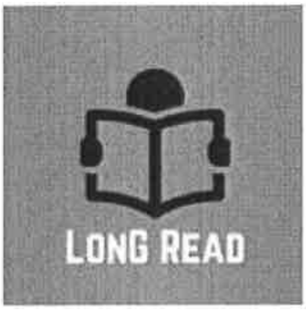
# The Futures of Strategic Management

By **Stewart Clegg** - August 28, 2016

All ideas, all practices, have roots that flourish in a particular ecology, a particular intellectual and practical *terroir*. Strategy is no different.




Strategy and strategic management, in its corporate form, flourished from the end of World War II through the 1970s. Its ecology was the very large firms, such as General Motors, that dominated predictable and secure markets that they sought to control through long range planning – the name of the first strategy journal. Ironically, at the time that the Soviet bloc engaged in the same practices of long range planning – the Five Year plans – corporate America, the bastion of private enterprise, sought to do the same.

In the Soviet case the state sought to plan; in the American case it was left to the corporations. In doing so they were assisted by the facts of post war corporate life: markets that were largely based in the United States, a United States protected from foreign competition by tariffs, standardization, regulation, subsidies, price supports and government guarantees. Nowhere was this more the case than in the Keynesian Warfare State, erected in part as an essential bastion of the Cold War, drawing on the expertise of German rocket scientists, such as Werner von Braun, whom the American government brought to Huntsville, Kentucky at the end of the Second World War. Democratic capitalism ran as a planned economy, funded in large part by the state but organized by business.

What the Keynesian Warfare State created in abundance were technological innovations. These innovations, such as computers, fibre optics, satellites and the Internet, creatively destroyed much of the old corporate America, with the rise from the 1980s onwards, of the new economy of digitalization, in tandem with the resurgence of an old politics in a new guise of neo-economic liberalism that dismantled regulatory structures that had been constructed over the past century. Competition became increasingly global and capitalism globally funds based. The upshot was a significant shift in the wages/profits share of the economy.

## What have contemporary corporate strategies achieved?

Drawing on Davis and Mishel (2014), we can see that the top 1.0 per cent of U.S. executives and the top 0.1 per cent of U.S. households, those earning more than 99.9 per cent of all wage earners, saw their income shares double from 1979 to 2007. Since 2007 profits have reached record highs while the wages of most workers (and their families' incomes) have declined over the recovery (Mishel et al. 2012; Mishel 2013). From 1978 to 2013, CEO compensation, inflation-adjusted, increased 937 per cent, a rise more than double stock market growth that was substantially greater than the 10.2 per cent growth in a typical worker's compensation over the same period. The CEO-to-worker compensation ratio was 20-to-1 in 1965 and 29.9-to-1 in 1978, grew to 122.6-to-1 in 1995, peaked at 383.4-to-1 in 2000, and was 295.9-to-1 in 2013; if Facebook is included, whose executives are extraordinarily well-compensated, the ratio rises to 510.7-to-1.

Over the same period, CEO compensation grew far faster than that of other highly paid workers earning more than 99.9 per cent of other wage earners. CEO compensation in 2012 was 4.75 times greater than that of the top 0.1 per cent of wage earners, a ratio 1.5 higher than the 3.25 ratio that prevailed over the 1947–1979 period. CEO pay grew far faster than pay of the top 0.1 per cent of wage earners not because of the greater productivity of executives but because of their ability to set the terms of their remuneration: their relative power. That power is easily seen in the statistics that Davis and Mishel (2014) provide:

The modern history of CEO compensation (starting in the 1960s) is as follows. Even though the stock market (as measured by the Dow Jones Industrial Average and S&P 500 Index and shown in Table 1) fell by roughly half between 1965 and 1978, CEO pay increased by 78.7 percent. Average worker pay saw relatively strong growth over that period (relative to subsequent periods, not relative to CEO pay or pay for others at the top of the wage distribution). Annual worker compensation grew by 19.5 percent from 1965 to 1978, only about a fourth as fast as CEO compensation growth over that period.

CEO compensation grew strongly throughout the 1980s but exploded in the 1990s and peaked in 2000, increasing by more than 200 percent just between 1995 and 2000. Chief executive pay peaked at around $20 million in 2000, a growth of 1,279 percent from 1978. This increase even exceeded the growth of the booming stock market, the value of which increased 513 percent as measured by the S&P 500 or 439 percent as measured by the Dow Jones Industrial Average from 1978 to 2000. In stark contrast to both the stock market and CEO compensation growth, private-sector worker compensation increased just 1.4 percent over the same period.

The new competition unleashed by the joint forces of creative destruction and neo-liberal economics' deregulation created competition and innovation from which many consumers may be said to have benefitted but from which a few entrepreneurs have hugely and disproportionately profited, while the jobs of many that once seemed secure have been destroyed, firms bankrupted and communities hollowed out – Detroit being the exemplar of this hollowing.

As Reich (2007: 68) summarized the situation the political system is dominated by the economy of Walmart and Wall Street. It is not surprising that this should be the case: arranging the economy as a market for everything in which all upside benefit is bestowed on private investors and all the downside risk is carried by the public is certainly tilting the playing field in favour of entrepreneurialism and against citizenship (Sandel 2013). The consequences of these policies came home to roost in the Global Financial Crisis of late 2007 onwards with the subsequent bail out of the failed banks and bankers globally. In civilizational terms, the market economy was now the sacred cow of contemporary life, a matter of faith according to no less an authority than the Governor of the Bank of England (Elliott and Atkinson 2008).

The historian, Tony Judt (2015: 320), recognized clearly that faith in sacred cows distorts communication. They make it difficult to imagine a world in which they are not objects of devotion, a world in which they are not central, a world different from the present in which we live. Our shortcoming, as Judt says, is discursive: we have lost the capacity to talk about a world other than the present, however dysfunctional it appears to be. It is evident what the present sacred cow is. The present, he says, is dominated by a 'universal contemporary resort to "economism," the invocation of economics in all discussions of public affairs' (Judt 2015: 320). He is not alone in such a view: the economist, Tomas Sedlacek (2011), in his book *Economics of Good and Evil*, also argues that a defunct economistic view of the world has become a ritual incantation.

*For economism to make sense there has to be a ceaseless round of consumption of the fruits of production and the resources used to make goods and deliver services. Goods and services are consumed because they are desired by consumers with effective demand: that is, with money in the pocket. Desire is the underling engine of this economism. Žižek (2009:39) has written:*

## *'DESIRE'S RAISON D'ÊTRE IS NOT TO REALIZE ITS GOAL, TO FIND FULL SATISFACTION, BUT TO REPRODUCE ITSELF AS DESIRE'*

In the west there are, Hutton suggests, signs that the engine of desire is dysfunctional. On the one hand, the passion for consumption that fuelled the engines of productivity and growth in the west is slowing. The gods of mammon are growing replete. No longer is sacrifice deemed necessary. The trick of working at jobs that give little satisfaction or meaning to buy stuff that disappoints as soon as the next version is released is wearing desire down. Hutton, Selacek and *Žižek all suggest that this reproduction can no longer be assumed, that it is no longer being reproduced with the same hunger. Sated on stuff, more stuff just gags.*

Economism was certainly not a traditional part of modern economics discourse at its outset. In its eighteenth century origins economics was as much a theory of moral sentiments as it was of markets and efficiency. At its outset, economics produced *The Theory of Moral Sentiments* (Smith 1759/2010; also see the discussions in Clarke, 2016; Hanley 2016). Smith's legacy, one that has been largely squandered, consists of the incorporation of moral questions into economics at the very core of the discipline.

As Judt noted there has been a break with traditions of liberal theorizing, albeit one that is relatively recent. Today the moral sentiments have shifted decisively, as Judt indicates. Strategy, as a discourse, has played no small part in this. *Judt advises us of the moral consequences of ritual incantations to economism and its gods of productivity, efficiency and growth:*

For the last thirty years, in much of the English-speaking world (though less so in continental Europe and elsewhere), when asking ourselves whether we support a proposal or an initiative, we have not asked, is it good or bad? Instead we enquire: Is it efficient? Is it productive? Would it benefit gross domestic product? Will it contribute to growth? This propensity to avoid moral considerations, to restrict ourselves to issues of profit and loss – economic questions in the narrowest sense – is not an instinctive human condition. It is an acquired taste (Judt 2015: 320).

## An acquired discursive taste

Acquired taste it might be but strategy in an economistic mode is the Latin of the modern business, political not-for-profit and non-governmental organizational world. A command of strategy discourses enables a common language of business to spread effortlessly across the organizational world, which is to say, everywhere. Barely any organization will be caught short without a strategy in this day and age, whether a school or a political party, a social movement or a multinational enterprise. Strategy is an essential part of any serious senior managers' repertoire. Strategy offers ways of speaking, of thinking, and seeing the world in specific ways. Strategy configures objects as targets for strategic interventions. Strategy provides a vocabulary and grammar with which to describe action and think imaginatively. Strategy provides managers with a languages and devices with which they can understand and manage organizations (Carter 2013).

A contemporary organization not styled in the couture of strategy would be regarded as idiosyncratic at best – perhaps run by a self-styled maverick – or, at worst, negligently managed: what well-run organization would not have a strategy? The contrast points to a substantial change in the organization of organizational life over the last 40 years: strategy has become highly institutionalised as a practice across the organizational world, highlighting that strategy is a comparatively recent discourse, even if some may date it back to antiquity (Carter 2013: 1047).

There are several ways that we can interpret the claims of contemporary strategy. One would be to take these claims at face value, to accept them as a set of techniques that simply represent ways of making better sense of the organizational world and its challenges. Of course, the market for strategy products is highly competitive and there are many different techniques on offer, in part because of their centrality to the consulting processes of the global consulting companies.

Strategy tools do not simply represent an existing state of affairs. On the contrary, they are midwife to dreams, imaginaries and ambitions: they deal with what organizations could become, what they might be able to do. Given that the world of organization looks different through different strategy lenses, because different prescriptions follow, we might say that strategy tools are means for trying to produce intended outcomes, make a difference, create possibilities: in other words, they have power effects.

Strategy is communicated through language: those who become familiar with contemporary strategy learn a language in which some activities are 'cash cows' and others are 'dogs'; in which there exist Porter's 'diamonds' or Mintzberg's '5Ps'. Strategy develops concepts that are taken up in organizations and become a part of the everyday talk of senior executives. In fact, to be recognized as a skilled senior executive one has to be able to use these terms with ease and fluency; one has to be able to play in games in which mastery of terms provides the chips. We can think of these as 'language games' (Wittgenstein 1968).

Introducing strategy discourse into organizations does not merely introduce new language games; it brings a new performative repertoire to bear that demands different actions, different identities, and different

effects. The point of strategy is to get an organization from where it is to where its senior executives want it be. It is future oriented. It carries a performance-related projection; it implies 'performativity'. Strategy bestows distinction, it defines the speaker as belonging to a particular tier in the corporate pecking order; thus strategy becomes a shibboleth and being able to 'talk the strategy talk' defines the (executive) credentials of the speaker. Strategy is an aspirational and positional good whose exclusivity defines its social capital (Hirsch 1977).

## Conclusion

Strategy can change. Strategy must change; it is a social construct and it does not have to be as it has become. We need strategy to serve all stakeholders, not just the interests of the super wealthy of hyper capitalism and the dogmas of enhanced profit, economic rents, competitive advantage and growth in productivity. Strategy premised only on economistic criteria is not worth the vast intellectual effort expended in its construction.

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