

A DIALECTICAL APPROACH TO STRATEGIC PLANNING

ALEKSANDRA SUS

Abstract: *The inspiration for writing the paper based on Hegel's logics were prof. Krupski's considerations [Krupski, Niemczyk. Stańczyk-Hugiet, 2009, pp. 203-211] concerning to find the answer for the following question: is it possible to create a long-run plan, which would have the features of opportunism, flexibility, entrepreneurship and that would point for adapting by learning processes? Contradicting a strategy in the form of a long-term plan (a thesis) to the growth of an organization (an anti-thesis), the author seeks the solution contradicting both a thesis and an anti-thesis, and consequently a synthesis is developed. The aim of the paper is to present the Krupski's concept and to take an attitude towards it on the basis of literature studies. In the paper a dialectical metadiscussion was used. The critical analysis of the synthesis proposed by R. Krupski was made as well as the approach of real options that fulfills all Krupski's assumptions and a dialectical approach used was introduced.*

Keywords: *dialectical approach, strategic planning*

JEL Classification: *L10, M21*

1. INTRODUCTION

Analysing particular schools of strategic management it can be noticed that scientists have been seeking a remedy for uncertain and not-linearly behaving environment for last sixty years. As a result many different concepts occurred. These concepts are the results of the observation of enterprises behaviour and consequently they are set in the form of theoretical framework. The issues presented in the paper concern the mentioned aspect. In details, the attempt of answering the question: *is it possible to create a long-run plan which would have the features of opportunism, flexibility, entrepreneurship and that would point for adapting by learning processes?* was made. The features identified in the question constitute the most important characteristic of functioning contemporary organizations. Additionally, a dialectical procedure used in the paper is one of the most valuable and considered in the science world.

2. DIALECTICS – THE ESSENCE

The method of dialectical thinking and acting assumes that various issues are considered using confrontation and has been known in philosophy for a long time. Ancient authors used dialectics as synonym of 'logics' (the process of wondering, counting or thinking about; science about thinking) although earlier 'logics' significantly differed due to the meaning from 'dialectics' – perceived as the ability to conduct a discussion. G.W.F. Hegel regards 'dialectics' as a central rule of logical progress and its laws to organize a reality on the process of contradicting each thesis – anti-thesis from which it is possible to distinguish a synthesis. A synthesis includes the elements of a thesis and an anti-thesis, yet in more progressive and easier for accepting form [Wiśniewski, 2011, p.4]. In fact, the process is cyclical as abolishing these two elements it is possible to create the contradiction of a synthesis. According to Hegel, it is a way of organizing the whole reality [Wiśniewski, 2011, p.4; from: Hegel, 1969, p. 53]. G.W.F. Hegel does not regard dialectics only as finding contrasts. He perceives this dialectics as negative one and identifies with a system of Plato (Athens).

He also distinguishes positive dialectics that is defined as not only considering limitations and contrasts, but also so as to gain positive contents and results since only in this situation dialectics means developing contents. Hegel's dialectics does not lead to disappearing contrasts, but also to establish their unity [Hegel, 2011, p. XV]. Using many different theories dialectics is quasi-meta discursive as it is created in the process of involving with its own forms of thinking that it still criticizes defining itself towards them – not situating beyond them [Hegel, 2011, pp. XVII-XX].

According to Hegel, logics could have three forms as follows: a) abstractive (sensible), b) dialectical (negatively sensible), and c) notional (positively sensible). A dialectical moment constitutes in fact own destruction of certain completed terms and their transfer into contrary each other terms. In here dialectics is regarded as a certain trick that results arbitrarily in confusion and the delusion of contradiction in particular notions. *"Dialectics is immanent transcendence, in which unilaterality and constraintness of sensible notions presents as that it is – as negation. All what is finite concerns the abolishment on its own. This is why a dialectical moment constitutes a touching soul of scientific moving forward and is a unique rule thanks to it an immanent relationship and necessity is implemented in the contents of science. Real, not external being beyond this what is finite"* [Hegel, 1990, p. 141].

3. DIALECTICS IN STRATEGIC PLANNING

R. Krupski, in the summary in the publication titled *'Concepts of organizational strategies'*¹ [2009, p. 203], seeks the answer asked in the introduction to this paper. So as to realize this goal the author uses Hegel's dialectics making the following assumptions:

- I. A thesis: the basis of developing enterprises is a strategy treated as a long-term plan.

¹ The publication is written by three persons, but R. Krupski is the author of a chapter concerning issued described. Consequently, he is told to be the author of the concept.

- II. An anti-thesis: the basis of developing enterprises are events in environment (or in an organization), so-called occasions.
- III. A synthesis: the basis of developing enterprises might be:
 - a strategy presented in the language of occasions (or / and *ex ante* taking into considerations occasions in the strategy's structure);
 - a strategy could take the form of so-called simple rules or limitations put on mechanisms of flexibility (like diversification of activities, redundancy of resources, monitoring environment, and an organization 'in a movement');
 - a strategy from its the most flexible perspective can include only creating resources.

3.1 A thesis

Treating a strategy as a long-term plan is the main premise of planning school in strategic management. H.I. Ansoff was the first who established this notion and identified three main types of decisions in a strategic activity: strategic, administrative, and operative. According to Ansoff, strategic decisions are rather concentrated on environment than the interior of an organization and strategic problems concern 'impedance match' between and environment and an enterprise. In other words, the essence of these problems is a decision which activity should be run by an enterprise now and in the future. Characteristic questions for this approach are as follows: which are goals and intentions of an enterprise? Should an enterprise seek the possibilities of diversification? If yes, in which areas and how intensively?, and: in which way should an enterprise develop and improve its position product-market? [Ansoff, 1965, pp.5-6]. Administrative decisions concern mainly an organization and the allocation of resources in that way to create maximum developmental potential of an enterprise. A part of these decisions includes internal problems such as: structuring the authority, responsibility and human relations, labour flows, information flows, and distribution channels. Another part of these decisions is responsible for merging and developing resources in the form of training employees or of obtaining necessary resources (in this case these decisions include relationships with environment). The aim of operative decisions is to maximize the process of resources conversion. Main decisions concern allocation and budgeting resources, setting the production and prices level, monitoring development and implementation of control procedures, setting marketing strategies, etc. [Ansoff, 1965, pp.5-6].

H.I. Ansoff presents the process of making strategic decisions through the delusion of static steps for which he includes: a) the perception of decisions in a category of an opportunity or a threat, b) the formulation of alternative options, c) the evaluation of different ways of acting, and d) the choice of the most useful options of acting [Ansoff, 1965, pp.14-18]. In this way a long-term plan is created. This plan considers an output state of an organization, yet it does not take into consideration the conditions of strategic changes in environment. It was accurately emphasized by H. Mintzberg in the strong critic of strategic planning in the writing *'The Rise and Fall of Strategic Management'*. The

author described a static character of premises of strategic planning in the following words: *'Planning is fundamentally a conservative process: it acts to conserve the basic orientation of the organization, specifically its existing categories. Thus, planning may promote change in the organization, but of a particular kind: change within the context of the organization's overall orientation, change at best in strategic positions within the overall strategic perspective. Expressed differently, in our view planning works best when the broad outlines of a strategy are already in place, not when significant strategic change is required from the process itself'* [1994, pp. 175-176]. H.I. Ansoff explicitly emphasizes that in the works of that time authors do not concentrate on providing with a holistic solution of planning problems [Ansoff 1964; from: Steiner 1963, Rich 1956, Songer 1954, Larkin 1958, Reilley 1955, Smith 1958]. There are some exceptions that widen meaningfully the approach to manage an enterprise: the work of Chandler (the analysis of relationships between environment and an organization's strategy and structure) [Chandler 1962] and the work of Cyert and March (the impact on the development of useful theory of the company [Cyert, March 1963]. Summarizing, H. Mintzberg proposes three fundamental characteristics that describe strategic planning and yield it a dynamic character, and these are: a) it is an incremental rather than quantum process, b) it is a generic rather than a creative one, c) it is oriented to the short term rather than the long term [Mintzberg, 1994, p. 176].

In the face of such arguments a thesis does not exist and an anti-thesis becomes the contradiction of a thesis that mainly emphasizes the relationship between an organization and its environment as a crucial determinant of existing and growing.

3.2 An anti-thesis

The importance of environment is especially emphasized by a positioning school and an evolutionary one (a learning school). The basis of an anti-thesis is an assumption of a lack of effectiveness of forecasts that in the face of environment become dispensable. According to such an anti-thesis, the concept of H. Fayol becomes important all over again. He distinguished five functions performed by managers. Omitting four of them, prediction is this one that needs paying attention. The author defined prediction as the process in which there are *'suppositions about future, preparation of the future; prediction is the beginning of an action'* [Fayol, 1976 pp. 48-64, from: Strategor 2001, s. 416].

It seems that associating the category of planning with forecasting [Friday 1952, pp. 25-37; Siegel 1953, pp. 141-156; Hart 1937, pp. 273-297; Howard, 1954, pp. 101-105] disposed P.F. Drucker in 1958 to make an official statement on it. In the paper *'Long-Range Planning: Challenge to Management Science'* [1953, p. 238], the author proves that long-term planning is easier to define by determining rather what it is not that it is taking into consideration the category 'forecasting' at first. According to the author, it is not possible to control and plan the future. The author proves the thesis with a simple example: *'let everyone who doubts in these words look at headlines of the yesterday newspaper and ask a question about which of them could be predicted ten years ago'* [1953, p. 238]. The author does not totally forswear the importance of forecasting. He comes down it to the shortest periods arguing that periodical planning is

more precise as it is impossible to forecast. The author determines also another important proof considering that these categories cannot be treated equally. Thus, forecasting is concentrated on finding the most probable flow of events or the set of probabilities of certain events. The uniqueness of entrepreneurial decisions generating the increase of the level of organizational innovativeness will influence, however, the changes of these probabilities. In other words, forecasting a particular, steady set of possibilities will cause that an entrepreneur will ignore other options of functioning – more extreme but more profitable (the author refers to the Schumpeterian idea of entrepreneurship whose basic paradigm is the willingness to take a risk). Consequently, according to Drucker, forecasting blears an economic reality, eliminates thinking concentrated on regenerating set patterns [1953, p. 235]. It is a risky statement, but surely it confirms managers in the necessity of using the procedures of long-term planning.

Nevertheless, referring to the basis of an evolutionary school described in the works of H. Mintzberg, E. Wrapp, J.G. March, J.B. Quin, it is necessary to emphasize that a main assumption of this approach is the fact that a strategy is incremental – it arises from events in environment. A fundamental difference between a deliberate strategy and an incremental one is that a deliberate strategy is concentrated on directing and controlling, an incremental strategy, however, emphasizes the process of strategic learning [Mintzberg, Waters, 1985, p. 270]. An emergent strategy does not mean chaos, but unintended order that in many cases means an intentional, deliberate change. The essence of this strategy concerns adapting the interior of an organization to changes in environment [Mintzberg, Waters, 1985, p. 271] what seems to be a slightly risky endeavour. However, the authors emphasize that such a strategy does not mean that management is beyond control, yet it is rather open and willing to changes, flexible and it aims at organizational learning. These features provoke managers to act, but before fully understanding the character of changes [Mintzberg, Waters, 1985, p. 271]. In this case the following question should be asked: do managers possess enough resources (not only tangible, especially intangible ones) so as to effectively react to a new situation?

3.3 A synthesis

The purpose of a synthesis is to negate both a thesis and an anti-thesis. Thus, the perception of a synthesis through the delusion of occasions that constitute the element of an anti-thesis contradicts Hegel's principles of dialectics. Nevertheless, two the other elements of a synthesis constitute fundamental premises of the simple rules school and a resource-based view that were created as the answer from an evolutionary school. Consequently, it is chronologically validated to use them. Yet, is it enough? An interesting critic of a resource-based view has been presented by K. Obłój. According to the author, the resource-based approach is still significantly abstractive and its basic problem is a lack of operationalizing key categories. The author emphasizes that many publications in this field are not still answering fundamental questions: which are core competences? How to gain them? When do they become really unique and valuable and why are these valuable, not other ones? How to stimulate a better response to an imitation in the long term? How to transfer

competences among business units, products, and markets? [Obłój, 2007, p. 147; from: Hax, Majluf, 1996, pp. 218-220]. Moreover, the author emphasizes that a resource based-view was answering the questions using metaphors and instances that were presented in a too simple form for many years. It did not answer particular questions concerning the operationalizing notions.

One of disadvantages of the resource-based view is also the concentration on companies' successes and treating them as only one basis for inferring. It is a general disadvantage of a strategy theory as main issues that are in interests of researchers are the sources of a success and the ways of generating significant competitive advantage. The resource-based approach does not also include particular failures and mistakes not transferring in this way particular information how to achieve a success. It seems that the operationalized concept of real options that meet assumptions of a planning school, a positional school, and an evolutionary school taking into consideration opportunities and threats and being flexible and useful under the highly risky conditions might be the solution of a thesis and an anti-thesis formulating in a described way. A K. Obłój describes real options in the categories of micro school of management [Obłój, 2007, p. 148].

4. INSTEAD OF CONCLUSIONS

Analysing the process of building a synthesis in a described dialectical procedure the attention was paid on finding such a solution that: a) will be in the scope of contemporary management and b) will depreciate both a thesis and an anti-thesis. In this case it seems that a synthesis should have the following form:

→ the basis for developing enterprises is a strategy in the form of a bundle of real options that enable an organization opportunism, flexibility, entrepreneurship, and organizational learning.

Real options are defined in the literature in the scope of management as the law, but not the obligation, to make a particular strategic decision that is identified in real time [Amram, Kulatilaka 1999, p. 96; Wang, Barney, Reuer 2003, p. 54]. The most important element of this definition is to emphasize the fact that the process of identifying possible trajectories of strategic movements does not assume the classic form of outdoing actions – what took place in classic strategic planning. It allows to propose a thesis that in a given scheme of thinking will fulfill the function of a synthesis.

Opportunism, from the perspective of strategic activities of an organization, will be understood as the basis of an organization that is focused on an organizational success with maximum minimalizing a risk. Real options are the tool of management that is used in the conditions of extreme uncertainty and a decision-maker is concentrated on actions taking into consideration various alternatives of actions and relationships among them [Mizerka, 2005, p. 62].

Flexibility is defined in the literature as the ability of companies to react on changes occurring in a task environment. This category has been included in real options for ever since the usage of options in the future depends on the development of a particular situation [Mizerka, 2005, p. 62]. In this case flexibility also means the

dynamic usage of occasions occurring in environment that could be evaluated by means of this approach.

Strategic entrepreneurship depends on the dimensions of strategic management that according to Barringer and Bluedorn include: scanning intensity, locus of planning, planning flexibility, planning horizon, and control attributes [Barringer, Bluedorn, 1999, p. 423]. These dimensions constitute the characteristics of the real options approach. Additionally, strategic entrepreneurship emphasizes the necessity of integrating resources in synergic relationships that will facilitate the creation of value for customers [Ireland, Hitt, Sirmon 2003, s. 8]. Resources availability in real time and the postulate of their suitable location constitute determinants of using this approach. It is not possible to generate an appropriate level of strategic flexibility and organizational latitude if an enterprise reveals problems of resources availability.

Organizational learning in the context of real options might be considered through the delusion of knowledge that an enterprise acquires in particular organizational situations and the knowledge that is used in making strategic decisions. The necessity of identifying a bundle of alternative solutions forces managers to possess complex knowledge in the scope of not only management and also mathematics. Real options use the methods in the range of a financial analysis for evaluating such possibilities of actions. It is also one of the most important barriers that place this method at the last positions in the ranks of methods used in the process of strategic planning.

Real options reveal disadvantages but they also have advantages that prevail the cons. The concept is not a new one in management, yet unfortunately it is slightly used. However, it is worth considering the usage of it, especially due to the advantages that could be gained.

REFERENCES

- [1] AMRAM M., KULATILAKA N., *Real Options. Managing Strategic Investment in an Uncertain World*, Boston Massachusetts: Harvard Business School Press, 1999. ISBN 0-87584-845-1.
- [2] ANSOFF, Igor H., *A Quasi-Analytic Approach to the Business Strategy Problem*, Management Technology: 1964. No. 1, Vol. 4, January.
- [3] BARRINGER B.R., A.C. BLUEDORN, *The relationship between corporate entrepreneurship and strategic management*, Strategic Management Journal: 1999. No. 20. ISSN 1097-0266.
- [4] CHANDLER A. D., *Strategy and Structure*, Cambridge, Mass.: The M.I.T. Press, 1962. ISBN 0262530090.
- [5] CYERT, Richard M., MARCH James G., *A Behavioral Theory of the Firm*, New York: Prentice-Hall, 1963.
- [6] DRUCKER, Peter F., *Long-Range Planning: Challenge to Management Science*, Management Science: 1953, Vol. 5, No. 3, April. ISSN 00251909.
- [7] FAYOL, Henri, *Administration industrielle et générale*, Paris: Dunod, 1976.
- [8] FRIDAY, Frank A., *Business Forecasting*, The Incorporated Statistician: 1952, Vol. 3, No. 2, June. ISSN: 14669404.
- [9] HART, Albert G., *Anticipations, Business Planning, and the Cycle*, The Quarterly Journal of Economics: 1937, Vol. 51, No. 2, February. ISSN 00335533.
- [10] HAX Arnoldo C., NICOLÁS S. Majluf, *The Strategy Concept and Process: A Pragmatic Approach*, New York: Prentice Hall, Upper Saddle River, 1996. ISBN 978-0134588940
- [11] HEGEL, Georg Wilhelm Friedrich, *Nauka logiki [Logics science]* t. I, Warszawa: PWN, 2011. ISBN 978-83-01-16812-4.
- [12] HEGEL, Georg Wilhelm Friedrich, *Encyklopedia nauk filozoficznych [Encyclopaedia of philosophy science]*, Warszawa: PWN, 1990. ISBN 83-01-08989-X.
- [13] HOWARD, John A., *A Note on Corporate Forecasting Practices*, 1954: The Journal of Business, Vol. 27, No. 1, January. ISSN 00219398.
- [14] KRUPSKI, Rafał, NIEMCZYK, Jerzy, STAŃCZYK-HUGIET Ewa, *Koncepcje strategii organizacji [Concepts of organizational strategies]*, Warszawa: PWE, 2009. ISBN 978-83-208-1830-7.
- [15] LARKIN, Felix E., *Long-Range Planning at W. R. Grace and Co.*, AMA, 1958: Management Report, No. 3.
- [16] MIZERKA J., *Opcje rzeczywiste w finansowej ocenie efektywności inwestycji [Real options due to financial assessment of investment]*, Poznań: Wydawnictwo AE Poznań, 2005. ISBN 83-7417-111-1.
- [17] OBŁÓJ, Krzysztof, *Strategia organizacji [Strategy of an organization]*, Warszawa: PWE, 2007. ISBN 83-208-1633-5.
- [18] REILLEY, Ewing W., *Planning the Strategy of the Business*, 1955: Advanced Management, Vol. 20, No. 12, December.
- [19] RICH, Raymond A., *Product Planning. The Benefits of an Integrated Approach*, 1956: AMA, Marketing Series, No. 98.
- [20] SIEGEL, Irving H., *Technological Change and Long-Run Forecasting*, 1953: The Journal of Business of the University of Chicago, Vol. 26, No. 3, July. ISSN 0740-9168.
- [21] SMITH, Mason, *How to Initiate Effective Long-Range Planning*, 1958: AMA, Management Report, No. 14.
- [22] SONGER, Wesley A., *Organizing for Growth and Change*, 1954: AMA, General Management Series, No. 171.
- [23] SOSNOWSKI, Maciej Adam, *Pokochać dialektykę. O pojęciu miłości w filozofii spekulatywnej z nieustającym odniesieniem do Søren Kierkegaarda [To love dialectics. As for 'speculative love' with a relentless attitude to Søren Kierkegaard]*, Kraków: Wydawnictwo Prac Naukowych UNIVERSITAS, 2011. ISBN 978-83-242-1522-5
- [24] STEINER, George A., *Managerial Long Range Planning*, New York: McGraw-Hill, 1963.
- [25] STRATEGOR, *Zarządzanie firmą. Strategie. Struktury. Decyzje. Tożsamość [Managing an enterprise. Strategies. Structures. Decisions. Identity]*, Warszawa: PWE, 2001. ISBN 83-208-1298-4.
- [26] WANG H., J.B. BARNEY, J.J. REUER, *Stimulating Firm-specific Investment through Risk Management*, 2003: Long Range Planning 36. ISSN 00246301.

Ing. Aleksandra SUS, PhD.

Department of Strategy and Management Methods, Faculty of Management, Computer Science and Finance
Wrocław University of Economics
e-mail: aleksandra.sus@ue.wroc.pl