

*The Books which  
Made Management*

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# IGOR ANSOFF

## *Corporate Strategy*

1965

### *The author*

**I**gor Ansoff was Distinguished Professor of Strategic Management at the US International University in San Diego, President of Ansoff Associates and a member of the board of Gemini Consulting.

Born in Vladivostock of an American father and Russian mother in 1918, Ansoff's early years were spent in Moscow. The Ansoff family arrived in New York in 1936. Ansoff trained as an engineer and mathematician. After leaving Brown University, he worked for the RAND Corporation and then the Lockheed Corporation where he became Vice-President of Planning and Programs at Lockheed Electronics. In 1963 he left industry for academia, joining Carnegie-Mellon's Graduate School of Business Administration. He was then founding Dean and Professor of Management at Vanderbilt University's Graduate School of Management before becoming a Professor at the European Institute for Advanced Studies in Management in Belgium. Ansoff has also taught at the Stockholm School of Economics. He joined the US International University in 1983.

*Corporate Strategy* was Ansoff's first book. He has followed it with a number of unstintingly serious academic studies including *Strategic Management* (1979) and *Implanting Strategic Management* (2nd edition 1990). A revised version of *Corporate Strategy*, entitled *New Corporate Strategy*, was published in 1988.

### *The classic*

Igor Ansoff's *Corporate Strategy*<sup>1</sup> is not an easy book to read. Indeed, to the contemporary reader used to a stream of exhortations and personal

### Gary Hamel on *Corporate Strategy*

‘Truly the godfather of corporate strategy. Though Ansoff’s approach may now appear overly-structured and deterministic, he created the language and processes that, for the first time, allowed modern industrial companies to explicitly address the deep questions of corporate strategy: how to grow, where to coordinate, which strengths to leverage, and so on.’

reminiscence, it frequently appears to be impenetrable and inaccessible. Yet, its influence was – and continues to be – significant.

Ansoff has explained its genesis: ‘*Corporate Strategy* integrated strategic planning concepts which were invented independently in a number of leading American firms, including Lockheed. It also presented several new theoretical concepts such as partial ignorance, business strategy, capability and competence profiles, and synergy. One particular concept, the product-mission matrix, became very popular, because it was simple and codified for the first time the differences between strategic expansion and diversification.’<sup>2</sup>

The book’s starting point was a vacation during which Ansoff grew a beard, consumed half a case of Scotch and contemplated strategy. In writing *Corporate Strategy*, Ansoff’s aim was ‘to codify and generalize’ his experiences working at Lockheed. The book intends ‘to develop a practically useful series of concepts and procedures which managers can use to manage ... a practical method for strategic decision-making within a business firm’, says Ansoff in his preface.

*Corporate Strategy* was timely – ‘It was published at a time of widespread enthusiasm for strategic planning and an increasing number of firms were joining the ranks of its users’, recalls Ansoff.<sup>3</sup>

Until *Corporate Strategy*, strategic planning was a barely understood, *ad hoc* concept. It was practised, while the theory lay largely unexplored. Ansoff saw strategic management as a powerful applied theory, offering a degree of coherence and universality lacking in functionally-dominated management theorizing.

In *Corporate Strategy*, Ansoff provides a rational model by which strategic and planning decisions can be made. Ansoff looks at strategic, administrative and operating decisions. (The model concentrates on corporate expansion and diversification rather than strategic planning as a whole.) From this emerges the Ansoff Model of Strategic Planning, a complex sequence of decisions, or what Ansoff calls a ‘cascade of deci-

sions, starting with highly aggregated ones and proceeding toward the more specific’.

Central to this cascade is the concept of gap analysis: see where you are; identify where you wish to be; and identify tasks which will take you there. Ansoff explains: ‘The procedure within each step of the cascade is similar.

- 1 A set of objectives is established.
- 2 The difference (the “gap”) between the current position of the firm and the objectives is estimated.
- 3 One or more courses of action (strategy) is proposed.
- 4 These are tested for their ‘gap-reducing properties’. A course is accepted if it substantially closes the gap; if it does not, new alternatives are tried.’

*Corporate Strategy* is also notable for its introduction of the word ‘synergy’ to the management vocabulary. This has become overused, though Ansoff’s explanation (‘ $2 + 2 = 5$ ’) remains memorably simple. And Ansoff also examines ‘corporate advantage’ long before Michael Porter’s masterly dissection of the subject in the 1980s.

While *Corporate Strategy* was a remarkable book for its time, its flaws have been widely acknowledged – most honestly by Ansoff himself. *Corporate Strategy* is highly prescriptive and advocates heavy reliance on analysis. As a result, its adherents encountered what Ansoff labelled ‘paralysis by analysis’ – the more information they possessed, the more they thought they needed. This vicious circle dogged many organizations which embraced strategic planning with enthusiasm.

Strategic planning, as proposed in *Corporate Strategy*, provides more questions than answers. This was quickly acknowledged by Ansoff who regarded strategic planning as an ‘incomplete invention’ though ‘on an intuitive level, I was convinced that strategic planning was an inherently useful management tool’.<sup>4</sup> He has spent the last 40 years attempting to prove that this is the case and that, rather than being prescriptive and unwieldy, strategic management can be a dynamic tool able to cope with the unexpected twists of turbulent markets as well as the more secure times described in *Corporate Strategy*.

## Notes

1 Ansoff, H Igor, *Corporate Strategy*, McGraw Hill, New York, 1965.

- 2 Ansoff, H Igor, 'A profile of intellectual growth', in *Management Laureates*, JAI Press, London, 1994.
- 3 Ansoff, H Igor, 'A profile of intellectual growth', in *Management Laureates*, JAI Press, London, 1994.
- 4 Ansoff, H Igor, 'A profile of intellectual growth', in *Management Laureates*, JAI Press, London, 1994.

CHRIS ARGYRIS & DONALD SCHÖN

*Organizational Learning*

1978

*The authors*

**C**hris Argyris (born 1923) is the James B Conant Professor at the Harvard Graduate Schools of Business and Education. Argyris is a formidable intellectual even by Harvard's lofty standards. Prior to joining Harvard in 1971 he was at Yale and his qualifications embrace psychology, economics and organizational behaviour. His books include *Personality and Organization* (1957); *Overcoming Organizational Defenses* (1990); *On Organizational Learning* (1993); *Knowledge for Action* (1993); and *Flawed Advice and the Management Trap* (2000).

Donald Schön (1930–97) was educated at Yale, the Sorbonne and Harvard University. After teaching philosophy at UCLA and the University of Kansas, he joined consultants Arthur D Little in 1957 and later worked for the US Department of Commerce. He was then President of the Organization for Social and Technological Innovation, a non-profit social research and development firm. In 1972, Schön became Ford Professor of Urban Studies and Education at MIT. Schön pioneered the concept of 'action science', an investigative and intimate approach to dealing with problems and errors. (*Organizational Learning's* sub-title is 'A theory of action perspective'.) Schön gave the 1970 Reith Lectures for the BBC, from which was born the book, *Beyond the Stable State* (1978).

Argyris and Schön also co-authored *Theory in Practice: Increasing Professional Efficiency* (1974).

*The classic*

Lean and ascetic of appearance, Chris Argyris' work is driven by a fundamental – some would say flawed – faith in human nature. His earlier work was well-received, but only as carefully argued academic studies;

### Gary Hamel on *Organizational Learning*

‘If your organization has not yet mastered double-loop learning it is already a dinosaur. No one can doubt that organizational learning is the ultimate competitive advantage. We owe much to Argyris and Schön for helping us learn about learning.’

thoughtful and profound, but not necessarily the stuff of commercial reality.

Argyris was part of the human relations school of the late 1950s and was involved in the work of the National Training Laboratories which had a mesmeric attraction for a host of other important thinkers. ‘He was bespectacled, dark-complexioned, and slender, with a narrow face that tended, almost despite himself, to break into a delighted grin when arguments grew hot, as if he was overjoyed at the chance to test himself’, says Art Kleiner in *The Age of Heretics*. ‘His voice was distinctively mild-mannered and reedy with a slight European tinge. His style of debate was analytical – indeed, his approach to life was passionately devoted to inquiry, reasoning, and theory. But he was drawn to the kinds of problems that most analytical people eschew, the riddles of human nature. In particular, why did people fail to live up to their own professed ideals? Why was so much human behaviour so self-frustrating, particularly in organizations?’<sup>21</sup>

In the last decade, the tides of change have swept Argyris’ way. Suddenly his ideas are fashionable. This is most apparent in the upsurge of interest in the concept of the learning organization. Argyris and Donald Schön’s *Organizational Learning*<sup>2</sup> appeared in 1978, but it took the 1990 bestseller from MIT’s Peter Senge, *The Fifth Discipline*, to propel the learning organization from academic concept to mainstream acceptance. (Not, of course, that the world has instantly been transformed. Managers may agree with the idea, but are usually loath to implement the learning organization’s full ramifications.)

If you wished to trace the roots of the learning organization you would invariably find yourself reading Argyris and Schön’s *Organizational Learning*.

*Organizational Learning* tackles the central paradoxes of business life. Such as, how can individual initiative and creativity work in an organizational environment where rules will always exist and how can teamworking and individual working co-exist fruitfully. Argyris and Schön’s partnership produces interesting perspectives on such perennial

problems, with Schön being more of a philosopher, Argyris a psychologist. *Organizational Learning* grew out of Argyris and Schön's 1974 book, *Theory in Practice*. 'Originally, we had planned in a chapter of that book to apply the theory of action perspective to the problem of organizational capacity for learning. But we could not write that chapter; it called for a conceptual bridge which we had not yet built – a bridge between the world of interpersonal behaviour and the world of the organization,' write Argyris and Schön. 'In the present work, we argue that organizations are not collections of individuals which can be understood solely in terms of the social psychology of group behaviour.'

*Organizational Learning*, therefore, acts as a theoretical bridge between a variety of disciplines. 'There is an urgent need for alternative visions of science, and Schön's work along with that of Argyris provides some of the best ideas and answers. Few have gone so far in reconciling the vigour of relevance and in building a bridge between the isolated academic fortresses of the sciences and the humanities', says Charles Hampden-Turner of the University of Cambridge's Judge Institute of Management.

Argyris and Schön investigate two basic organizational models.

Model 1 is based on the premise that we seek to manipulate and form the world in accordance with our individual aspirations and wishes. In Model 1 managers concentrate on establishing individual goals. They keep to themselves and don't voice concerns or disagreements. The onus is on creating a conspiracy of silence in which everyone dutifully keeps their head down. Defence is the prime activity in a Model 1 organization, though occasionally the best means of defence is attack. Model 1 managers are prepared to inflict change on others, but resist any attempt to change their own thinking and working practices. Model 1 organizations are characterized by what Argyris and Schön label 'single-loop learning' ('when the detection and correction of organizational error permits the organization to carry on its present policies and achieve its current objectives').

In contrast, Model 2 organizations emphasize 'double-loop learning' which Argyris and Schön describe as 'when organizational error is detected and corrected in ways that involve the modification of underlying norms, policies, and objectives'. In Model 2 organizations, managers act on information. They debate issues and respond to, and are prepared to, change. They learn from others. A virtuous circle emerges of learning and understanding. 'Most organizations do quite well in single-loop learning but have great difficulties in double-loop learning', conclude Argyris and Schön.

In addition, Argyris and Schön propose a final form of learning which offers even greater challenges. This is ‘deutero-learning’ which they describe as ‘inquiring into the learning system by which an organization detects and corrects its errors’. It is here, in the examination of learning systems, where the roots of contemporary concepts of the learning organization can most easily be found. Learning, to Argyris, is powerfully practical. ‘Increasingly, the art of management is managing knowledge. That means we do not manage people per se, but rather the knowledge that they carry. And leadership means creating the conditions that enable people to produce valid knowledge and to do so in ways that encourage personal responsibility,’ Argyris has recently observed. ‘I’m interested in action, and not simply knowledge for the purpose of understanding and exploring. I’d love that, but it has to be knowledge for understanding, exploring, in order to act.’<sup>3</sup>

Since *Organizational Learning*, Argyris has continued to chart the deficiencies of learning processes and the natural temptation for organizations and individuals to limit themselves to single-loop learning rather than its more demanding alternatives. The need to better understand learning in all its dimensions is now imperative, says Argyris: ‘Any company that aspires to succeed . . . must first resolve a basic dilemma: success in the marketplace increasingly depends on learning, yet most people don’t know how to learn. What’s more, those members of the organization that many assume to be the best at learning are, in fact, not very good at it.’<sup>4</sup> The challenge – and mystery – of learning remains profound.

Indeed, Argyris’ more recent work suggests that most of the advice on organizational learning, transformational change and employee commitment does not work.

Argyris’ *Flawed Advice and the Management Trap* is an indictment of the way advice is offered and applied in business. Organizations now have available to them, Argyris says, a broad array of advice from executives, change consultants and academics. ‘Much of this advice is appealing; much of it compelling. Providing it has become big business in its own right. The only problem is, most of it doesn’t work.’

In Argyris’ view most of what passes for advice is ‘too full of abstract claims, inconsistencies, and logical gaps to be useful as a concrete basis for concrete actions in concrete settings’. Most of what comes from gurus and consultants is simply not actionable. His core contention isn’t that the advice doesn’t work because its sellers are deliberately peddling snake oil (although there are plenty of those around, too). Rather, in Argyris’ view it is because of the way in which organizations operate – including the consulting firms and academic institutions which generate advice.

His point is that the orthodox theory of action often makes advisers blind not just to the deficiencies of their advice, but also to the fact that they are blind. 'What they say is not the result of ignorance, but of "skilled unawareness and skilled incompetence".' These advisers, he suggests, are accomplished experts. 'Professionally, they are very good at being wrong.'

The same problems, and defensive reactions, exist in the organizations that consume the advice. At best, the outcome takes the form of a short-lived fad; which undermines the credibility of managers. Underpinning Argyris' argument remain the theories developed with Donald Schön.

## Notes

- 1 Kleiner, Art, *The Age of Heretics*, Nicholas Brealey, London, 1996.
- 2 Argyris, Chris & Schön, Donald, *Organizational Learning*, Addison-Wesley, Reading, MA, 1978.
- 3 Kurtzman, Joel, 'An interview with Chris Argyris', *Strategy & Business*, First Quarter 1998.
- 4 Argyris, Chris, 'Teaching smart people how to learn', *Harvard Business Review*, May-June 1991.