

The 490th Convocation

Address: "Searching for Strategy"

By James E. Schrager

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Mr. McGuire's dictum to Benjamin Braddock, circa 1967: "Ben, I've got just one word for you, plastics." My one word to the Class of 2007: strategy.

Newman's career advice to Jerry Seinfeld, circa 1997: "You see, Jerry, when you control the mail, you control information." My career advice to the Class of 2007: Know strategy, and you understand the organization.

If you visited Peter Lynch when he ran the tremendously successful Fidelity Funds, he'd flip over a three-minute egg timer and tell you: "If you have something important to tell me, by all means start at the end." I'm going to take his advice: Tomorrow, the week after, or next month, the most important thing you can do when you arrive at your new organization or return to your existing one is to begin searching for the strategy of your firm.

Strategy is how your company chooses to fight the competition; it's why your firm is great, how your team wins; it's your organization's essence. Know it, and you'll discover a whole new way to chart a path through your job, your company, and your career.

Strategy studies don't have the mathematical precision or computation elegance of research in economics, accounting, or finance. But those of us in strategy persevere because the questions are so fascinating and the answers are so vital.

Chicago has played an important role in strategy. In 1967, our colleague Ed Wrapp used eloquent prose to make it clear just how hard it is to study strategy. The first few lines of his paper are striking:

The land of top management is a place of mystery and intrigue. Very few people have ever been there, and the present inhabitants frequently send back messages that are incoherent both to other levels of management and to the world in general. It is little wonder that present myths about strategy exist.

Ed Wrapp's solution was different than what everyone else was doing: He decided not to ask the strategists why they did something, survey the management team for their opinion, or try to read anyone's mind.

Instead, he simply watched what strategists actually did and carefully reported on what he saw. Ed Wrapp's observations blew large holes in the strategy "theories" of the day regarding how strategists gathered data to make their plans, how they developed their strategies, and, most importantly, how they implemented their strategies.

The theory of the day indicated that managers implemented their strategies by making grand strategy pronouncements. But that isn't what Ed Wrapp saw. Instead, he found top executives moving their organizations along the lines of their strategies by asking perceptive questions, rather than by issuing direct commands.

My work is based on a question Ed Wrapp posed but left unanswered: How do managers form these perceptive questions? Can we learn to ask better questions?

Along the way of watching strategists, we've discovered a few things that will be helpful in your search for strategy. First, you'll have no shortage of colleagues with opinions. Just like all of us who study strategy, you'll need to find a way to separate the good ideas from the less good.

We've discovered that those who really know strategy display a series of attitudes. Find people with some of these attitudes, and there is a good chance they will understand the strategy in your new surroundings.

1. Search for reality

This means the facts trump the theory, every time. Great strategists hold ideas firmly, right up until the point where the facts show them they are wrong. At that point, they change. Strategists may spend lots of time getting the facts, and many decision times appear lengthy—not for decision making, but for fact gathering.

We wondered if we could see this attitude in the literature on business strategy. If you read strategy backwards from the current readings, you'll run out of business strategy in the early 1900s. Schumpeter wrote a bit of strategy in the 1930s, but prior to that there isn't much. Strategy thought can be found, but it's military strategy. I became fascinated with reading about great generals and their strategies.

You consistently see the idea that every great general wants to be at the front lines. In thinking about that, I saw it as an act of bravery. But it also struck me as a somewhat stupid idea. Here is the most important person in the battle—the man with the strategic plan—and he puts himself in the greatest possible place of harm. What was the motivation?

It is written that Napoleon would allow his armies to fight only as far as he could see them through his telescope. He refused to make battlefield decisions based on a scout's report—even if on a swift horse—due to delays or possible bias. You see, Napoleon understood, as a great strategist must, that the facts are central to all strategy.

That's why great generals want to be at the front lines. They are brave, they aren't stupid, and they know strategy. So it is with great business strategists we have observed.

2. Respect for people.

This term came into the popular lexicon in the 1980s, as a result of the Japanese production miracle—when we began to realize they were able to build large, complex products better and cheaper than anyone else in the world, including us. That they could build something better was okay, or something cheaper was okay as well. It was the fact they could do it both better and cheaper that made this an interesting logic puzzle. Many of us went to Japan to figure out how it was done.

I took every chance to work in Japan, signing on with just about any project I could find. When there, I'd always ask the same question: What is "respect for people?" The answers were a series of lists, with entries such as: no executive parking places, everyone eats in the same cafeteria, and factory workers wear uniforms. I thanked them, but I wasn't satisfied with the answers. I kept looking.

I worked on a long and complex project with a young Japanese executive, who was quite high up in his organization. Because he had been educated at Cambridge, he spoke beautiful English. After awhile, I asked him my question. Without hesitation, he answered: "Schrager-san, respect for people means that everyone, from the janitor to CEO, can make a meaningful contribution to success—not the same contribution, but a meaningful one."

I replied: "arrigato goizimas," thank-you. I finally understood respect for people, and so do the great strategists we have encountered.

3. More is caught than is taught.

This means that the light of leadership is never extinguished for those in its glow. In your organizations, there will be times when you will be on center stage. For these times, you will prepare well. You will be highly motivated to do and say all the right things because you will be aware that you will be judged by all present.

More is caught than is taught means that those eyes will be on you whether you are on center stage or in the wings. Every person who works for you will always be asking two questions: “Are you for real?” and “Can I trust you?” They will ask these questions regardless of whether you are in the spotlight or off in the shadows.

The harsh light of leadership is never extinguished for those in its glow. And so it is for great strategists.

4. Elegance of simplicity.

This means that those who really know something can state it using plain language, logic, and common sense. It does not mean the world is a simple place; it is not. This generally applies only to very small areas of deep expertise, a topic someone has studied intently for years or even decades.

When we first started seeing this in our observations of great strategists, we thought they were doing it just for our benefit—to show us that all the “strategy lingo” academics use has no merit. After a few years of observations of many different strategists in many different settings, we realized we were wrong. It is the way they talk.

There are many examples to review in business, the military, science, and medicine. I’ve selected one for today from an unexpected source: the academy.

Thomas Sowell, who is an eminent economist from the Hoover Institute, wrote an article on the passing of Milton Friedman. In that piece he noted that Friedman was a legendary debater, who could win any number of arguments, on any number of technical topics, against any number of highly trained opponents. But, as Sowell notes, he could also make the same point for someone with no technical training using plain language, logic, and common sense.

When you find someone who explains things this well, you usually find someone who really knows their topic.

Look for these attitudes in those around you, and you'll be led to those who can be most helpful in your search for strategy. I hope you will one day notice some of these attitudes in yourself, as well.

I'd like to present a thought for the day that puts some of the ideas presented in perspective for future thinking. Today, as we all spend this important afternoon in your lives together, it's about the meaning of life. It comes from playwright Tennessee Williams.

Life is all dreams and memory, except for the instant moment that passes by so quickly we hardly see it going.

For the Class of 2007, I wish you big dreams, sweet memories, and many wonderful moments in between.

To each of you: Luck when you need it; Godspeed on your journeys; and, although I can't promise advice as pithy as Ben got from Mr. McGuire in *The Graduate* or as dramatic as Newman's to Jerry on his career choice as a mailman, I do hope you'll come back and visit us if you ever get lonely out there in the world described by Ed Wrapp as a place full of "mystery and intrigue."

Endnote

H. Edward Wrapp, "Good Managers Don't Make Policy Decisions," *Harvard Business Review*, July–August 1984

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