

## The Changing Role of Information in the Strategic Development Process

A company's strategy development is built on a solid base of information that provides the knowledge platform for the development of business strategy and the execution of the strategy. Without information, a company cannot undertake a strategy development process. Information provides managers with the insight and depth of understanding to make decisions. Information clarifies complex issues and defines the landscape in which the organization operates. Once the landscape is clarified, a map for the future can be drawn up by the company. The information that an organization needs for strategy development can be divided into two areas: information about the external environment and information about the internal environment. Both are equally important in developing insight and understanding. Information acquisition also constitutes reality checks. All managers develop pet theories of how the market works or how well the employees are engaged. These ideas must be tested against the current reality. Strategy is the direction a company decides to take, a road map to the future. As the Queen said to Alice in "Alice in Wonderland", "If you don't know where you want to go any road will do." For an organization's future, it is extremely important to select the right road, to make the right competitive moves, and invest in the right future position. Companies must address three questions: Where am I? Where do I want to go? How do I get there? A good knowledge and information platform is an essential starting point for a discussion of these important questions.

We have more information available now than ever before, almost too much. The

question used to be...where do I get information to support the strategy? Now it is...how do I sift through the information and select the relevant points? What is needed is a device that will allow you to sort out the relevant from the irrelevant. Peter Drucker, the well-known management guru, talked about “apparent knowledge” as a description of the volume of information faced by today’s managers. He suggests that some of the information is relevant and some is not. All information is not equal, and Drucker also suggests that intuition and judgment play a key role in screening for relevant information. Business schools have always played up fact-based information as a base for decision-making, belittling intuition, judgment, and visceral input which are based on the experience of the manager. But with the unevenness of information, sound judgment comes to the fore.

Not only do we have volumes of information available to support decision-making, but we also have information that is volatile and changes quickly. The assumption of the stability of information is long gone, making it much more difficult to build a stable strategy knowledge platform that can guide the strategy decision-making process. The mitigation of risk has become even more difficult for strategists. Instead of the information itself being of importance, the real importance lies with the manager who screens the volume of information and makes assumptions about value, importance and relevance. Of utmost importance are the manager’s assumptions about the external and internal environment of the organization. This mental model filters and interprets, and strategy is often based on this filtered data. The mental model is the screening device

that helps managers simplify complex pieces of information from markets, industry, competitive reactions, etc. Mental models take information and simplify it for daily use. Beliefs (the substance of mental models) about how to manage a business and the impact of the external environment affect the use and interpretation of information and subsequently strategic choices about which road to take. For example, I recently spoke with a CEO who felt that the Canadian and US economy was deteriorating rapidly. His speech to the employees on the strategy of the organization was peppered with such phrases as “batten down the hatches, cost-cutting, only low-risk investment, preserve the bottom line.” One of the outcomes was that the company dropped a line of products currently in the research and development stage. This company’s current strategy is a mix of defensive activity and retrenchment. All information was screened through the CEO’s mental model of the next two to three years. The assumptions held are the glue that holds the strategic knowledge platform together, and on which the near future of the company is built. Now, we need to understand the information and the mental model of the manager who interprets the information, in order to get closer to the organization’s internal and external realities.

The Navajo have a philosophy which states that “you need to be in harmony with reality”; an excellent piece of advice for any manager or CEO.