Tracking Strategy in an Entrepreneurial Firm

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This study tracks the strategies of a retail chain over 60 years of its history to show how that vague concept called strategy can be operationalized and to draw conclusions about strategy formation in the entrepreneurial firm that grows large and formalizes its structure. The conclusions focus on patterns of strategic change and on contrasting characteristics of entrepreneurship and planning.

Little research has been undertaken on how strategies actually form in organizations, for some obvious reasons. First, strategies do not change on schedule; they may remain stable for years, even decades, before changing. Second, even when they do change, the process can be complex. Both of these characteristics call for intensive, longitudinal research, which means small sample sizes and large investments of time. Researchers in management generally have hesitated to undertake such research.

More important, perhaps, research has been discouraged by the very way in which the concept of strategy has been conceived. In the literature, strategy always has been defined in terms of intentions, guidelines for the future—essentially in terms of plans. Chandler’s definition is typical: “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (1962, p. 13). But conceiving strategy in terms of intentions means restricting research to the study of perceptions of what those who, it is believed, make strategy intend to do. And that kind of research—of intentions devoid of behavior—simply is not very interesting or productive.

Are strategies not also enacted? In other words, is there not a need for a definition of the word that encompasses the “strategies” actually pursued

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by organizations? And, if so, is it not then conceivable that organization may sometimes not succeed in pursuing the strategies they intended, indeed that they may end up pursuing strategies they never intended? The authors believe that the answers are yes. Hence it is proposed that the usual definition be called "intended strategy" and that strategy in general and realized strategy be defined as "a pattern in a stream of decisions" (Mintzberg, 1978). In other words, strategies become consistencies in the behavior of organizations, which renders the concept operational for the researcher. The study of strategy making becomes the search for consistencies in decision making behavior, the investigation of their appearance and disappearance, and the analysis of the relationships between intended and realized strategies. Specifically, with reference to Figure 1, one can then ask when and why strategies are deliberate (intentions are realized), when unrealized, and when emergent (patterns are realized without intention).

Method

Following this line of argument, a major research project was designed to track strategies and the processes by which they form in organizations. The organizations for investigation were selected one by one; and their strategies and strategy making behaviors, together, with their structures, environments, and performances, were studied intensively over periods of decades. Specifically, each study proceeded in four major steps:

Step 1

The first step was the collection of basic data. Each study began by developing chronologies of the decisions and actions that shaped the organization’s history, as well as of related trends and events in the environment and available figures on the organization’s performance. The purpose here is to record systematically whatever traces remain of the organization’s history, in graphical form where possible, otherwise as simple chronological lists.
Step 2

Step 2 was to infer the patterns and periods. Strategies were inferred from these graphs and lists as patterns in streams of decisions or actions. (Actions imply that decisions have been made.) Each strategy was given a label (e.g., "expansion" for a steady progression of store openings in a retail chain) and represented symbolically on a time scale. (A similar procedure was carried out for organizational structures.) These symbolic representations were then stacked up on the common scale, covering the entire period of the study, and scanned all together, so that major periods in the history of the organization could be inferred.

Step 3

An investigation of each period was the third step. As attention was focused on explaining the transition from one period to the next, the orientation of the research changed, from the rather systematic analysis of tangible data to the more probing investigation of softer data. At this point, use was made of organizational records and in-depth reports carried out by, for, or about the organization, and interviews were conducted with key actors of the periods in question. Of interest here were the people and forces that shaped the strategies of each period—in other words, the underlying causes of the major changes—as well as the interrelationships among the different strategies and related structures.

Step 4

Step 4 was the building of theory. The research team sat down with a detailed report on the organization's history—the descriptions and explanations of its patterns and periods—for a series of brainstorming sessions. These focused on a set of major conceptual issues, with the intention of extracting and inducing whatever theoretical conclusions could be drawn from these particular results. The results served as the stimulus for the team's thinking, but its conclusions often go beyond them, drawing on the results of other studies as well as the entire experience of conducting the research. Of interest, for example, are the patterns of change in strategies themselves; the interplay of environmental change, leadership, and bureaucratic momentum in determining how strategies change; the relationships between structural configuration and strategy making mode; and the place of deliberateness and proactiveness in these processes.

This paper presents the results and conclusion from one major study using this methodology—strategy formation in Steinberg Inc., from 1917, when Mrs. Ida Steinberg opened a tiny fruit and vegetable store in Montreal's ethnic area, to 1974, by which time the company her son Sam had built up reached sales of over $1 billion, with 191 supermarkets, 32 department (discount) stores, 33 catalog stores, and 119 small restaurants, in
addition to the 15 pharmacies for which it provided management services, the 28 shopping centers it owned, as well as its own flour mill, sugar refinery and food manufacturing firm. (Some readers may be familiar with the series of films on this company, called "Corporation," by the National Film Board of Canada, which is widely used in American and Canadian business schools.) Other studies completed or nearing completion using the method presented here have included an automobile company and a government engaged in a foreign war (Mintzberg, 1978), a magazine and a newspaper, a film making agency, an airline, a garment manufacturer, a mining company, and a university. In addition, doctoral students in France as well as MBA students writing theses in Canada have carried out a large number of smaller, but related studies.

Two themes are pursued in this paper. The first is simply to demonstrate how the wide array of strategies used in an organization over the years can be described and analyzed, in both concrete and conceptual terms. In other words, different pictures of that vague concept called strategy are shown—some quantitative, representing specific traces left behind in an organization, and some symbolic, representing possible interpretations of those traces. Second, from the investigation of what is believed to be a classic case of growth, formalization, and diversification of an entrepreneurial firm, some conceptual conclusions about the process of strategy formation under these conditions are drawn. To begin, specific strategies, and related data, of Steinberg Inc. from 1917-1975 are presented, and seven distinct periods in the history of the company are inferred.

The study of an entrepreneurial firm, especially one like Steinberg Inc., is a mixed blessing. On one hand, the company is very open and cooperative, which makes the research a real pleasure. On the other hand, the informality also means a relative absence of formal records. (It is suspected that the study of only organizations with detailed records of their history would bias the conclusions toward bureaucratic-type organizations.) Accordingly, it was difficult to extract the data. Annual reports, which appeared from 1953, helped, and many members of the organization kept their own records of store openings and closings (not always consistent with each other). Beyond that, data collection meant gathering every scrap available—an advertising manager’s own list of promotional campaigns, an ad hoc record of private label products, occasional newspaper articles, and so on. These problems, however, were alleviated by the excellent memories of a number of the people we interviewed. Finally, it should be made clear that the approach used produces not so much a full history of a company as one oriented to strategy and major turning points. This means less attention to more regular operating issues and to the rich patterns of human interaction present in any organization.

The Strategies of Steinberg Inc. 1917-1974

In the course of this company’s 60-year history, something on the order of 50 distinct strategies were inferred. Some of these were from actual
plots of specific decisions and actions, as in the case of expansion strategies based on store openings. Others were inferred from chronological lists in words of decisions and actions, as in the case of service strategies based on descriptions of specific actions. Presented in brief form are these strategies as well as related material on structure, environment, and performance, in symbolic form. (The full report runs some 200 pages.)

Quebec Food Outlets

Figure 2 depicts Steinberg Inc.'s food outlet strategies in the Quebec region over the period of the study. (Note that in all the strategy diagrams the vertical dimension has symbolic meaning only.) The strategies were

![Figure 2: Quebec Food Outlets Strategies](image)

![Figure 3: Openings and Closings of Quebec Division Food Outlets](image)
inferred from the pattern of actual openings and closings of food outlets in each (fiscal) year. These are plotted in Figure 3.

The label "piecemeal expansion" for 1917 to 1930 is used because only two new stores were opened, one in 1926 and one in 1928. This pattern changed in 1931 and on to 1941 a net average of 2.2 stores were added per year, the expansion occurring in waves. Following the "holding pattern" of the war years, the steady expansion resumed, and between 1948 and 1952 the average net addition of stores was 1.8 per year. Following the year 1953, which sits off by itself, there was a very rapid expansion from 1954 to 1960—stores were added at an average rate of 7.7 per year. From 1961 to 1975, this rate fell to 3.7 stores per year, hence the label "moderated expansion."

Geographic Expansion

The firm began operations in Montreal and moved into other areas of Quebec and into Ontario later in its history. Figure 4 shows the strategy followed with respect to food outlet location, both in the Quebec area and in Ontario. These strategies were inferred from the pattern of openings and closings inside and outside the major metropolitan areas in the two areas (later called divisions). In the Quebec division (Figure 5), starting with the second store in 1926, expansion took place essentially in Montreal until 1954.

During the 1954-1960 period, expansion was balanced inside (+24 stores) and outside (+29 stores) Montreal. From 1961 to 1975, there was expansion in waves outside Montreal; of the total net addition of 56 stores over this latter period, 54 were outside Montreal.

An important event in the history of the firm occurred in fiscal 1959—the purchase of 39 stores in Ontario from the Grand Union Company. This was the start of the Ontario Division (see Figure 6). After this very
Figure 5
Quebec Openings and Closings Inside and Outside Montreal Area

Figure 6
Ontario Openings and Closings Inside and Outside Toronto Area
large addition in 1959, there followed a period from 1960 to 1970 of consolidation outside the Toronto area (−13 stores) and slow uneven growth within the Toronto area (+16 stores). This pattern was somewhat reversed from 1971 to 1975 when there was expansion outside Toronto (+8 stores) and slower growth in Toronto (+4 stores).

Store Size

Beginning in 1931, the average sales area of both openings and closings increased, although erratically and at different rates. The net effect of these changes was that the average size of operating stores was increased gradually over the study period, as depicted in Figure 7.

![Figure 7: Store Size Strategy](image)

Modernization

In 1963 the firm began a program of upgrading and modernizing existing outlets (changing lighting, fixtures, displays, etc.), as shown in Figure 8.

![Figure 8: Store Modernization Strategy](image)

Food Retailing Service

Figure 9 shows the service strategies followed in the food retailing business over the study period. Following the shift in 1922 to taking goods from behind counters and exposing them to customers’ view, a major
event in 1933 was the conversion of one store to self-service. Between that event and 1936, all stores were converted to self-service, as shown in Figure 9 by sloping lines. The next major shift was the addition in 1939 of meat in the stores. During the period 1939 to 1944, stores were gradually converted to include self-service fruits and vegetables and self-service meat as indicated by the sloping lines; at that point stores resembled smaller versions of the supermarket as it is known today. In 1954 there began a significant growth in sales of nonfood products and a gradual reintroduction of services in selected areas such as meat, cheese, and delicatessen products. The year 1954 also was the start of the move to shopping centers as an enlargement of the one-stop shopping concept.

**Food Promotion**

Figure 10 shows three related dimensions of the general promotion strategies followed over the study period. In terms of general communications with the public, there was a shift from reliance on personal contact to item promotion (handbills from 1920, first newspaper ad in 1931), with the addition of more institutional advertising starting in 1946. The logo used in advertising and on store fronts and private label products also changed four different times as shown. The name “Miracle Food Market” was employed in Ontario starting in 1969.

The conversion to self-service in 1933 also marked an emphasis on discount pricing, which lasted until the price controls brought on by World War II. From 1957 to 1967, premium stamps, redeemable for merchandise at company operated redemption centers, were used to build and maintain store traffic. Also during this same period customers could accumulate cash tapes to buy china and tableware at low prices in the store. A major
event in 1968 was the introduction of systematic, across-the-board maintenance of discount prices and elimination of special price promotions. The program was called "miracle pricing."

**Back Integration**

Three related dimensions of back integration strategies are given in Figure 11. Beginning in 1927, the firm utilized rented warehouse facilities. After the purchase in 1945 of an old aircraft propeller factory, warehousing was done primarily in company owned facilities.

Manufacturing also began in 1945 in that same building. A small bakery was started and was expanded several times over the study period. Facilities for roasting coffee and nuts and producing meat pies, and so on were expanded until 1963, from which point capacity remained constant. With initial investments in 1965 in a sugar manufacturer and in 1967 in a flour manufacturer, the company moved into staples manufacturing. Investment in both firms increased until 1972, as indicated in the diagram.

Private label activity began in 1932 with a few products such as coffee and tea. The rate of addition of private label products accelerated over the study period in steps: from approximately 4 or 5 items in 1947, to 50 items in 1958, to 180 in 1968, and an estimated 600 products by 1975.

**Retail Diversification**

Figure 12 shows diversification into retail businesses other than food and was inferred from Figure 13, a plot of stores in operation over the
study period in various business areas. Following 45 years exclusively in food retailing, from 1962 to 1964 the company followed a steady expansion strategy focused in two new business areas—discount department stores and restaurants in Quebec.

Though not shown in Figure 13, in 1965 the company opened (and closed) two gas stations and announced plans to open a furniture store but
outlets were opened in Quebec (Pharmaprix). Thus, based on these moves, the diversification strategy followed from 1965 to 1974 is described in Figure 12 as "expanded variety and pace (with consolidation)."

Real Estate

Until 1937 all store sites were leased (Figure 14). Starting in 1937, an increasing proportion of stores and sites were owned and sites were "banked" for future development. A discontinuity is shown in 1959 for this strategy to indicate that sites in Ontario (purchased from Grand Union) were largely leased; subsequently, land banking took place very slowly there. The real estate activity in shopping centers showed steady growth with an increased pace starting in 1970, when large regional shopping centers began to be developed.

Figure 14
Real Estate Strategies

Finance

Figure 15 shows the finance strategies employed over the study period. At first, all capital was generated internally from operations. Starting during 1937 with the first owned stores and sites. This source was augmented by mortgage financing in the form of sale-leaseback arrangements.
A major event in 1953 was the first public financing in the form of a $5 million general debenture. The first public sale of preferred stock occurred during fiscal 1954, and until 1965 capital was supplied through a balance of equity and debt financing (although all stock sold was nonvoting). Beginning in 1966 and continuing through the period of the study, increasing amounts of debt were undertaken to finance expansions.

Organization Structure

In the evolution of organization structure (Figure 16), underpinning all changes was constant control of all voting stock by Sam Steinberg. From 1917 to 1930, to quote Sam Steinberg, "everybody did everything." This fluid approach changed beginning in 1930 with assignment of responsibility for functional areas to specific family members. Starting during this time and continuing through the period of study, nonfamily managers began to assume key positions.

Starting in 1947, the hierarchy became elaborated to the point that store operations were no longer under the direct supervision of Sam Steinberg. This trend accelerated from 1955 to 1959 as more staff groups were created, management training programs were begun, and management budgeting procedures were established.

The period 1959 to 1963 witnessed the gradual emergence of independent Ontario and Quebec operation divisions. As a temporary blip in this trend, between 1964 and 1967 many staff departments were established in the corporate office, and procedures and standards were formalized throughout the firm. With some key personnel changes, this trend was reversed between 1967 and 1969 and many central groups were either cut back or eliminated.

After 1970, divisionalization was extended; prior to this time, a number of business operations reported loosely to Sam Steinberg. From 1970, all operations were run by two executive vice-presidents and the president, with Sam Steinberg as chairman. Between 1972 and 1974, reorganizations took place in the discount store operations.
Environment

Some key elements of the environment of Steinberg Inc. may be seen in Figure 17. The period until 1929 saw the establishment of food chains in Quebec and Ontario (though their image, in terms of size of outlets and type of service, was quite similar to the independents). Precipitated by the onset of the depression, the number of chain outlets declined during the 1930s.

Starting in 1941 and accelerating after the war until 1961, chains became increasingly important. In Quebec during this period, their market share rose from 15 percent in 1941 to 35 percent in 1961. The period 1961 to 1968 was a plateau, and chain market share actually declined fractionally during the period. Precipitated by the discount pricing strategy followed by Steinberg Inc., the period from 1968 to 1973 involved a price war between the major chains in Quebec and Ontario, which decimated the ranks of the independents. In 1973 and 1974, five major chains controlled 80 percent of the Quebec food market.

Performance

The actual sales and profit data for the firm are shown in Figure 18, starting in 1931, the earliest date for which reliable data were available.
As indicated, the only net loss experienced by the firm occurred in 1933, and the only decline in sales volume in the company's history occurred in 1934.

**Periods in the History of Steinberg Inc.**

All of the above strategy diagrams were collected on one large sheet with a common time scale from 1917-1975. All the strategies were scanned together to identify major turning points and infer key periods in the history of Steinberg Inc. In all, seven distinct periods were isolated. The interested reader is invited to scan the strategy diagrams to see why those particular years were chosen as the start of new periods. (Space limitations prohibit discussion of this.)

**1917-1930**

The years 1917-1930 were a period of formation—the traditional family store with seeds of change. The Steinberg store opened in 1917 and in many ways was a typical "mom and pop" operation, except that it was mom and the kids. It was owned and operated by members of one family, merchandised its goods over the counter, knew its customers well, sold to them on credit, and often delivered its goods to them. Sam Steinberg, the
Figure 18
Annual Sales Volume and Net Profit

Net Profit
Sales Volume

1930 1940 1950 1960 1970

NET PROFIT—THOUSANDS OF DOLLARS
SALES VOLUME—MILLIONS OF DOLLARS
second eldest son, helped his mother out every day after school from the beginning, and he joined the store on a full time basis in 1919, at the age of 13.

But in other ways the store was not typical. The children acquired from their mother a strong belief in the quality of the merchandise sold to the customers and a sense of honest dealing with them, beliefs that were to characterize the entire history of the firm. She also taught them a single minded dedication to the business (for example, investing in vegetables when “killings” were being made every day in the stock market), to which they attribute their subsequent success. Three other changes in the first years signalled strategies that were to come—innovation in service (the exposure of goods) in 1921, expansion of the first store in 1919 (a snap decision by Sam Steinberg, at the age of 13, during a call from the landlord asking him to post a “for rent” sign on the space next door), the opening of new stores in 1926 and 1928 (the former called, prophetically, “Number 1”), and the move into bulk purchasing and warehousing in 1927. During the interviews Sam Steinberg recalled images of “beautiful” competitor stores he wished to emulate, and of other competitors’ stores: “dark, dingy… Goddamit after 10 years in business, I’m not going to look like that.”

From a conceptual viewpoint, this is seen as a period of formation, of the establishment of the basic values or ideology of the company-to-be and the thorough training of the principal actors in the ways of the business. The strategies of the period were tightly integrated and rather stable—this was a period of continuity. The service and control strategies could be characterized as deliberate though implicit, the piecemeal expansion perhaps as deliberate with some emergent characteristics.

1930-1941

The period 1930-1941 can be called one of evolving global change—perfecting and elaborating a new retailing formula. The advent of the depression notwithstanding, 1930 seemed to usher in a new era of growth for what had just become Steinberg’s Service Stores Limited. Three stores were opened in 1931, and not a year would pass until 1943 without a store opening. Success in those years of decline for other, larger chains, appears to have been based on the reputation the young chain had built up for the quality of its products and services. But until 1933, there was a parochial character to the expansion—new stores were opened to “take care” of members of the family and to pursue the old customers to new areas of the city of Montreal.

One event in 1933 changed all that. The company “struck it bad” with one new store, incurring unacceptable losses ($125 per week). And so, over the course of one eventful weekend, its name was changed to “Wholesale Groceteria,” prices were slashed, personal services cut, and full self-service instituted. From there, in the words of Sam Steinberg, “we
grew like topsy.” After suffering a small loss in 1933, profits rose dramatically through to 1939, and sales, after a small dip in 1934, rose to four times their 1933 level by 1940. The company was never again to experience either a loss or a decline in sales. One article decades later claimed that the company assumed in these years a lead in prices that it never relinquished. The other stores were all converted to the same format by 1936, and expansion proceeded in two major waves, the first peaking in 1937 with six stores, the second in 1941 with four. In effect, 1933 ushered in new service and promotion strategies (full self-service and discount pricing), altered the expansion strategy, and eventually led to major changes in other strategies—to one of buying and banking store sites and to mortgage financing—as well as to the continual perfecting of self-service and later the “supermarket” concept and to a continual elaboration of the structure. The only reversion was the gradual reintroduction of the Steinberg name (in the form of Sam Steinberg’s signature) on store fronts.

From a conceptual viewpoint, here there is an interrupt due to a competitive threat that turned a company around, sooner or later leading to major changes in almost every important strategy. Sooner, the year 1933 saw global change—sudden reversals on a number of important strategies—and later, in exploratory or piecemeal fashion, a number of other strategies were changed in consequence. Throughout this decade, the company moved slowly to a new tightly integrated set of strategies, a new “gestalt,” focused on the dominant element of self-service. These strategies seemed deliberate (after the initial test, a brief emergent phase, as in the converted store of 1933), yet not so much planned as opportunistic. In other words, they were intended, but in no particular way and at no particular time. The approach, above all, was entrepreneurial, centered on the vision of one man who, in his words, made “all the decisions at all times.” Yet, paradoxically, all of this was stimulated by a crisis, albeit one initiated by the company’s own expansion. Moreover, the push to serve family needs eventually became a pull to transcend them; one element in the company’s success—personal service—became one of the first casualties of that success; and the most hostile of environments became the host for successful innovation. But this major change was not a rethinking of “what business are we in?” The company well knew what business it was in; indeed, that was the source of its strength. Its was a search for “how are we in our given business?”

1942-1947

This was a period of delay and diversion, a holding pattern from 1942 to 1947. The 1940s brought a prolonged interruption of growth—the Second World War. Building materials became scarce, labor was in short supply, food rationed, and prices were under government control. Expansion was halted, as was strategic innovation. What does a company with all this energy do when it is held back? First, a great deal of energy had to go into
keeping the system going—"begging" for stock, imposing "rationing on the rationing" to ensure that the scarce goods were distributed fairly among customers, and so on. Second, the delay allowed the company to continue perfecting the new retailing concept. Third, particularly at war end, when building materials remained scarce and the economy uncertain, energies were redirected to new areas that supported the basic operations. A bakery was opened in 1946, other small forms of manufacturing were initiated, and the private labeling program was expanded. But most significantly, the company prepared itself for expansion: it vigorously pursued its strategy of land banking, it engaged an architect to design future stores, it bought an oversized warehouse, it began institutional advertising, and it elaborated its service structure in ways that suggested an intention to expand.

From a conceptual perspective, never before had this company experienced a period of consolidation; now one was imposed on it, and it reacted in part by coping with the constraints, in part by preparing itself for the expansion that it believed would inevitably come. In other words, this was not contingency planning, planning "if." It was planning "when." Nor was this planning on paper; this was acting, building the foundation rather than designing the building. One can attribute the long term perspective, and the confidence in the eventual resumption of expansion, to the presence of an owner who knew that he would be leading the firm in that long term. So the reaction to the interrupt was in some basic sense, again, pro-active.

1948-1952

From 1948 to 1952 was a period of resumption, a return to steady expansion. The economy had begun its change by 1948, and Steinberg Ltd., as it was then called, was all ready to react. Whereas the previous period was characterized by diverted energies and preparation, this one was characterized by a return to one central focus of attention—the expansion in the number of retail outlets. This was the only major change in strategy in this period, but it was one that redirected energies significantly, back to where they were in the 1930s. A new wave of expansion was underway.

In conceptual terms, this was a period of resumption, a return to the strategy that most interested this company. But unlike the 1930s, there was less of an exploratory theme. The formula had been worked out. Now it was pursued, deliberately. The years 1948-1952 represented a period of continuity.

1952-1953

The 1952-1953 period was one of shifting gears, preparing for the big push. Sam Steinberg emphasized in interviews that waves of expansion were always followed by "pauses," in order to solidify the changes that
had been made, and to bring up the logistical support. But the pause in 1952 was unlike any other, for it led to a fundamental reorientation followed by the most important wave of expansion in the company's history.

The pause at first seemed like the others. In a 1952 article, Sam Steinberg boasted that "not a cent of any money outside the family is invested in the company" and, asked about future plans, he replied with a "Who knows? There is so much to do right ahead that it would sound like a wild dream to talk about 10 years from now... We will try to go everywhere there seems to be a need for us." Yet a few months later he announced a $15 million 5-year expansion program, one new store every 60 days for a total of 30, the doubling of sales to 1957, new stores to average double the size of existing ones, with parking lots, children's playrooms, and so on.

What caused such a dramatic change in thinking? The industry was perched for its most dramatic expansion ever, with the postwar baby boom and the population shift to the suburbs. Everything was set for a new form of merchandising—the shopping center—and the company most capable of exploiting the trend was the one that had been banking choice land sites for over a decade.

But one component of the strategy had to be changed. Conventional forms of financing were insufficient. The company had to go to public markets for capital. And once that decision was made, things changed permanently for Steinberg's Limited.

After months of searching, Sam Steinberg finally found a financial house that would support a debt issue—allowing him to retain 100 percent control—and $5 million of general debentures were issued in December of 1952. That issue required "plans"—formal statements of intent. The market would not accept the word of one man; it needed precise descriptions. So the entrepreneur was forced to plan formally, this time on paper, and that drew him, and more importantly his company, partly into a new mode of behavior.

In conceptual terms, a pause led to a rethinking, which defined a need, which produced a decision, which altered in part the mode of strategic behavior and led (at the start of the next period) to global changes—to a reoriented gestalt. Here can be seen the utility of the externally imposed pause, a time for reflection. Here also it can be seen that a single choice—in this case to go to public financial markets—can have ramifications far beyond its own bounds. There seems to be a kind of push-pull phenomenon here: an organization is pushed into changing one strategy, and that in turn pulls it into far more consequential changes. The entrepreneur gets drawn by his own successes into a planning mode of strategy making, one less compatible with his own managerial style. Not only does a larger and more formalized organization structure constrain his opportunistic style, but so too does his increasing need to interact with the environment as the leader of an increasingly important organization. (In this case, it was interaction with the financial community; later it was to become interaction with the social community.) Nevertheless, although the
initial move may have been reactive, the thrust remained opportunistic—the company had to go public but only because it wished to expand in a new way. Yet it appears the environment was beginning to close in on an entrepreneur.

1954-1960

The period 1954-1960 was one of global change, then continuity—the big push. According to one long-term Steinberg executive, these were the “make it or break it” years for supermarket chains, and Steinberg’s made it, big. The company’s expansion resumed at a rapid pace, most of it in shopping centers and a good deal of it for the first time outside the Montreal area. The strategy of public financing was pursued at an accelerating rate, including the first equity issue in 1955 (but nonvoting), as were the strategies of private labeling and bakery manufacturing. (Voting shares have always been held entirely within the family, with 100 percent of them formally voted by Sam Steinberg until the day he passed away in 1978.)

The structure became increasingly formalized in those years, with a large addition of central staff in the areas of training, accounting and control, and marketing research.

The company in fact almost did double its sales in five years, from $70 million to $132 million but, instead of the 30 stores it promised, it in fact opened 35 (and closed 9), one every 47 days. The environment was benevolent in those years, and Steinberg’s Ltd., took advantage of that fact.

A new 5-year plan announced in the 1958 Annual Report called for a store a month for the next 60 months, and the 1959 report upped the ante, calling for those 60 stores to be built in 36 months. But other forces were growing in the firm’s environment. In 1957, the start of a brief recession, the company began to redeem its pink cash register slips for gifts, an indication of increasing competition. The hectic expansion of the 1950s had to lead eventually to saturation. By 1959, those slips had become Pinky Stamps, a response, management claimed, to competitive pressures. The war became overt.

More significantly, whereas the company had managed to avoid head-on confrontation with the two other major Canadian chains—the largest a national chain, but a weak second to Steinberg’s in Quebec, the other an Ontario-based chain with no Quebec operations—a move it took in 1959 engaged them directly. Up to 1959 every major strategic change Steinberg’s made had been one of test-the-water-then-plunge. But a much larger Steinberg’s Ltd. of 1959 adopted a different approach in entering the Ontario market: it plunged initially with the purchase of the 39 store Grand Union chain there. As one executive noted, “You can’t get into Ontario one store at a time. You need a group of stores.” Its new Ontario competitors reacted strongly, setting off a price war. In 1960, despite an increase in sales of one-third over 1959, profits dipped—for the first time since 1944.
In conceptual terms, in the 1950s the organization understood its environment, and took off. Environment and strategy formed a perfect gestalt. The period was one of global strategic change at the start, followed by continuity. Through it all, despite another new orientation, the company remained in the same basic business. It did embark on something new—shopping center development. That, however, was a means to sell food and as such represented a form of vertical integration. Throughout the period, the organization’s strategies, as previously, were largely deliberate and proactive, well suited to a benevolent environment, benevolent at least to companies that understood it and could match its rate of change. Steinberg’s succeeded because it knew its business well—a condition that dated back to 1917—and because in the 1930s it had the foresight to bank land. “It,” of course, in large part meant Sam Steinberg, but backed up by a larger and larger organization.

1960-1974

The 1960-1974 years were a period of global change, then continuity, with a new theme evolving, that of consolidation of traditional business and a search for new related ones. (Data on the company were collected up to the end of its fiscal year 1975, as the strategy diagrams show. But, as they also show, a number of the strategies of this last period seemed to come to a halt, or at least a pause, in the year 1974, notably all those associated with retail diversification. Hence a tentative end of this last period is shown to be in 1974.) The 1960 Annual Report announced “a year of more conservative achievements,” with the emphasis on “consolidation” of activities, “improvement” of existing facilities, and “integration” of the new Ontario operation. A new economic environment faced the company: the supermarket business showed tendencies toward saturation, which were reflected in heavier competition, especially in Ontario where the company found its new acquisition to be in a weak position. Whereas growth in the 1950s could come from finding new places to put stores, in the 1960s it would have to come increasingly from outsmarting the competition and more effectively serving the public. That meant a shift in emphasis from expansion to consolidation, from opening new stores to making the existing ones more efficient and attractive.

Moreover, the social environment was changing too. From a period in which they could do no wrong, in the eyes of the public, the supermarket chains increasingly through the 1960s and 1970s found themselves subjected to all kinds of new social pressures—strikes, consumer protests and boycotts, government investigations. These were the times of the climate scare, California grape boycotts, phosphate pollution, underweight violations, labeling laws, attacks on excess profits, and on and on. As they grew large, the chains could not maintain a personal touch with their customers. And competition did not help. The whole set of stamp programs, for example, deflected the chains from their basic missions—to deliver
food inexpensively. In effect, environments form gestalts too, and that of the 1960s was dramatically different from the one of the 1950s.

And on the eve of this era, Steinberg's had taken its boldest step ever—for the first time a plunge without a testing of the water. And the water proved cold. In addition to the reaction of the competition, the Grand Union sites themselves proved difficult. Many were inadequate and, in sharp contrast to the Quebec operations, which expanded from a strong base in Montreal, the firm found itself with only 8 of its 39 stores in the Toronto area. Consolidation was necessary—eventually, in fact, 34 of the 39 stores it bought were closed down. Moreover, the real estate position proved critical in Ontario. Land banking was a key to the company's success in Quebec. But Grand Union had no real estate position in Ontario, and Steinberg's did not begin a strategy of land banking there with its purchase of Grand Union. A number of current executives attribute this to the nonresidence of any member of the family in Ontario until 1970 and to the inability of the managers who were sent there to exercise independent initiative. In Quebec, Sam Steinberg would buy land on instinct, based on his intimate knowledge of the area. That knowledge was lacking in Ontario, and it was not to be developed until much later. And then it was too late; the choice sites were largely gone.

These two points—a changed environment, economically hostile and socially militant, coupled with the difficulty of digesting the company's biggest bite ever—set the stage for a global reorientation of strategy beginning in 1960. The expansion strategy was moderated (and virtually stopped in the Montreal area in terms of net new stores), a new strategy of store modernizations was initiated, there was a surge of centralization and formalization of the structure in the mid-1960s by a new executive vice-president (until Sam Steinberg put a stop to it), and attention was increasingly diverted to other spheres of activity. Back integration and private labeling strategies were pursued with more vigor. But, more importantly, there arose a strategy of diversification (followed by moves to divisionalize the structure). It began with discount (later to be called "department") stores; then fast food restaurants; later, in the mid-1960s, a quickening pace with a sugar refinery and a flour mill (closer to diversification than vertical integration because most of the output was sold on the open market); then pharmacies and catalog stores, as well as other ventures that did not take root (such as gas bars and the joint supermarket venture in France). The results were mixed, with the discount stores especially posing problems shortly after their inception, the catalog chain eventually sold, and the restaurants achieving a good deal of success.

The supermarket business—which continued to dominate, with over 85 percent of the sales by the end of the study period—remained in the doldrums until 1968. Competitive pressures had led to the use of stamps, games, contests, heavy advertising pressures; the Quebec chains actually lost a slight market share to the independents between 1961 and 1969; Steinberg's profit rate levelled out in 1966 and 1967, and dropped in 1968.
And so, in 1968, in contrast to the lingering problems in the new businesses, the company acted dramatically and decisively in the old one, adopting a strategy remarkably similar to the one Sam Steinberg had used on that eventful weekend in 1933, and with the same result in performance. Wholesale Groceteria of 1933 was Miracle Pricing of 1968: significant, permanent, across-the-board price reductions coupled with a complete shift in merchandising philosophy—the elimination of specials, games and gimmicks (the Pinky stamps had been dropped a year earlier), reduced service levels, advertising budget cut in half. The company in effect returned to what it knew best—basic, no-nonsense retailing, what one executive called "a pure form of retailing." And it did it in the old tested-water-then-plunge way, with a test in one store in a small Quebec city, then implementation in Ottawa, followed quickly by the rest of Ontario and then Quebec. But one important detail differed: Miracle Pricing's champion was not Sam Steinberg, but the head of the Quebec food division, who had to convince not only the chief executive but other officers as well. And in the larger, more formalized Steinberg's Ltd., that took a number of years.

Sales rose sharply in 1969, as the company attracted a significantly greater market share, but profits dropped and then rebounded dramatically in 1970 as the new program took hold. The effect on the Quebec independents, traditionally a strong segment of that market, was "catastrophic" according to one study of the industry. But, most importantly, Miracle Pricing turned around the Ontario operation and set it on a healthy course for the first time. Ironically, however, according to the information available, although it probably gave added impetus to the existing strategy of expanding private labeling and to the short term tendency to streamline the structure, Miracle Pricing seems to have led to no major shifts in strategy outside the sphere of merchandising.

In conceptual terms, the period began with a rather sudden, global shift in the environment, to which the company, true to form, reacted early. But that reaction violated what the chief executive himself stressed as the company's key success factor—knowledge of its business. The company was drawn into new businesses, in some sense opportunistically, but without the clear theme or vision that characterized earlier changes. It was a search for "what business we should be in," but one that could not be undertaken on paper. To discover its strengths and weaknesses, its critical success factors, the firm had to undertake an empirical exploration that spanned decades. A strategic theme of sorts did eventually get established—the 1967 Annual Report called it the "total marketing package," in effect the offering of a variety of retail services to take advantage of the shopping centers the company owned and/or managed. But, in sharp contrast to earlier changes, this time the strategies were less deliberate, more emergent.

The manner in which the diversification program unfolded is shown in Figure 19, starting from the traditional food retailing business at the
left, with vertical integration moves above the line and horizontal diversification ones below it, laid out on a time scale. Figure 19 shows how the early back integration moves reinforced each other and later gave rise to ones of diversification. Shopping centers provided the bridge, because what was a means of back integration—to control the sites for stores—became a means for diversification—the mechanism with which to build new kinds of stores. The figure essentially illustrates how vertical integration can lead to diversification, indeed how the same action initiated as one can become the other. Whatever the case, the company was drawn into businesses it knew less about. It was building not on the strength it always had—long term knowledge of the business—but on its market strength, its control of sites.

Overall, the period was characterized by dichotomies, by the old versus the new, by a business based on knowledge versus those based on market strength; by having to plunge versus being able to test the water; by loose, organic versus tight, formalized structure; by intuitive feel versus systematic analyses; by the personal touch versus the formal system. Overall, strategies were less deliberate in this period, less explicit, less tightly integrated, less guided by the vision of one man.

In contrast to the Steinberg’s of the 1930s, as the little guy fighting the giants, vulnerable on the economic front but able to move quickly, that of the 1970s was being one of those giants, possessor of a powerful economic position but more vulnerable on the social front. Did Steinberg Inc. of the 1970s in fact have greater control over its own future than did the Steinberg Service Stores of the 1930s?

**Strategy Formation in the Entrepreneurial Firm**

One theme that emerges from the historical review of strategy in Steinberg Inc. is the presence of waves or cycles. In the largest sense, in this study are seen the classic stages of development cycle as described by a number of management theorists (Chandler, 1962; Filley, House, & Kerr, 1976; Scott, 1973). From the simple structure configuration of the 1920s, the company gradually underwent increasing elaboration and standardization of structure to arrive at a more formalized configuration of the 1970s. (For a more detailed description of these configurations, see Mintzberg, 1979. For a discussion of the concept of the configuration, see Miller and Mintzberg, 1980, and Mintzberg, 1979.) In essence, as the seemingly inevitable result of growth, the small, personalized, highly flexible, (but economically vulnerable), knowledge-based firm transformed itself into the larger, more systematic, more economically powerful (but socially vulnerable) corporation. This transformation will be examined from two perspectives, the entrepreneurial mode and the planning mode. But first, two other themes in the study can be considered: the uneven progress of growth and the infrequency of strategic change.
Figure 20
Wave Pattern of Store Openings

Hectic, Uneven Growth

Within this large, evolutionary cycle, shorter repeating cycles of expansion and consolidation can be detected and referred to as sprints and pauses. As seen in Figure 20, an overlay on the plot of Quebec Food Store openings and closings (Figure 3), the notion of sprints and pauses is relevant to most of the history of the firm.

The image of sprinting is congruent with conventional notions of entrepreneurial activity as the taking of bold, risky leaps into the future. What is less obvious is that, in the case of Steinberg, these bold leaps or sprints always were accompanied by subsequent periods of pause—times for catching up, consolidating. Sam Steinberg was quite aware of this. In fact it was he who used the word "pauses":

I did another thing, and I always did that. After I expanded... then I'd always have a period of pause, pause meaning a year or two to make sure that everything carried and was working out. You are able to cope with the salary, you're able to cope with what you've taken on. I'd always do that. So if you'll study the growth of our company, you'll see that we have a period of expansion and a pause, an expansion and a pause.

This pattern of sprints and pauses suggests an inchworm analogy: an organization leads with some primary strategy, usually related to expansion, then pauses to bring up lagging strategies, for example, logistic support, then leads again, and so on. A number of new stores are opened—perhaps too many, overextending the resources—and then refinancing must take place, warehouses expanded, staff found to man the new operations, and so on. The approach is fundamentally opportunistic, as opposed to planned, a probe into the future without full consideration of the consequences.
The result is an unsteady pattern of growth, but one that can generate a great deal of excitement and energy within an organization. Growth becomes the all-out sprint, pause, the time to catch breath, "to make sure that everything carried and was working out." The inchworm probes its head into an uncertain future, then brings up its rear—the baggage—to keep pace.

Some definite advantages can be seen in the inchworm form of growth, at least where the organization can absorb the swings. The organization finds its openings—its short lived strategic windows—and exploits them to the hilt, damming the consequences, with a faith that other needs—people, money, warehouse capacity—will get straightened out eventually. Sprinting is a way to focus the resources and energy available so that great pressure is brought to bear on opportunities as they present themselves. The organization utilizes its resources fully; were the expansion forced to await a more abstract analysis of the resources available, it might never happen. As one executive noted, "It took nine months to build a store. When work began, we would ask ourselves who we had to run it. Only bums. But as we got closer to opening, the bums started to look better."

However, just as the inchworm cannot stretch so far forward that it falls over or is immobilized, so the entrepreneur must know when and how to stop sprinting and start to pause. Some pauses are forced by the environment, as in the World War II period of this study. Others result from a depletion of resources, as in the pause in the early 1950s. But leaders must also sense when "enough is enough" of sprinting. They may have a personal sense of overextension, may be personally exhausted, may be unable to keep up with all the changes. Or they may realize the effects on key managers in terms of long working hours, fatigue, frayed tempers, sagging morale. In any event, the timing of pauses would seem to be critical in order to sustain entrepreneurial success.

Finally, sprinting and pausing may be seen as a way for an organization to keep itself energetic. Sprinting provides an inspirational period of change; pausing provides for the maintenance and stability required to renew energies so as to be able to accept once again the challenge of change. Organizations, of course, can plan their expansions systematically and so maintain them at continuous rates. But the cost of this may be reduced emotional involvement and commitment on the part of the employees. Steinberg's discount store operation in fact grew steadily (Figure 13), but that growth seems to have been less inspired and certainly less ambitious and successful.

**Major Strategy Reorientation**

Between the very long cycle of transformation from simple structure to more formalized structure and the relatively short cycles of sprints and pauses, major reorientations of strategy can be identified. These do not follow any predictable pattern, and in fact seem to occur quite infrequently.
In Steinberg's, a highly adaptive firm, there were shifts in strategic behavior (i.e., a new period in the history), 6 times in 57 years, or roughly once every 10 years. Furthermore, truly major reorientations of strategy seem to have taken place only three times: in the early 1930s, the early 1950s, and the early 1960s. The first two were key turning points, the first a complete rethinking of strategic orientation—a changed vision by the leader and a gestalt shift in strategy because of a crisis—and the second, the removal of a key constraint, which opened the door to a global reorientation already envisioned by the leader. These were Steinberg's strategic windows to future successes, and the company went through both at the right moment. The third reorientation, in the 1960s—the search for growth in new markets as the old ones became saturated—was less decisive, less focused, and more difficult.

If strategic reorientation really does take place only once every 10 or 20 years in the typical firm, then it can hardly be a continuous concern of top management, one perpetually on their minds. Yet business schools train MBA students by having them analyze two such cases every week, and business management engages in formal strategic planning on the assumption of an annual reassessment of strategy with a rolling 5-year time horizon. With these long gaps between necessary reorientations, this annual reassessment can easily become a mechanical extrapolation of information. That kind of exercise, like "crying wolf too often," may actually desensitize top managers to strategic issues, so that the need for substantive change may not be recognized when it does arise. Conversely, it may encourage change when it is unnecessary—a kind of oversensitivity to strategic issues. Miller and Friesen (1978), in fact, find evidence of this phenomenon in one of their archetypes of strategic behavior, which they call "the impulsive firm."

The essential issue remains unaddressed: how to be ready for a major reorientation when it may be really necessary only once every 10 or 20 years; how to avoid atrophy of the capacity to think strategically, while avoiding needless "tinkering." Were periods of global reorientation—even every 20 years—surrounded by ones of manifest stability, the problem would be simplified. But they are not. Organizations are always changing, but on different levels of abstraction or inclusiveness. Sam Steinberg's genius seems to have been his ability to shift mental gears from one of these levels to another. After spending years in the 1930s and 1940s worrying about fluorescent lighting and new ways to package meat for self-service, he was able to shift his thoughts in the 1950s to the impact of shopping centers on overall retailing habits.

A striking aspect of Sam Steinberg and many key managers in the firm was their apparent ability to invest themselves in a question about the quality of a shipment of strawberries with the same passion and commitment as in a question about opening a chain of restaurants. The strategy analyst explicitly downgrades the importance of the former questions to focus on the latter, the "big" questions. Somehow, that distinction seems
less clear-cut for the managers of this study. Indeed, their thorough involvement in the day-to-day issues (such as the quality of strawberries) provided the very intimate knowledge that informed their more global vision. That is why analysts may develop plans, but they are unlikely to come up with visions.

The Entrepreneurial Mode

This study highlights the characteristics of the entrepreneurial mode of strategy making in the simple structure. The literature characterizes the entrepreneur as the bold decision maker, fully in control, who walks confidently into an uncertain future (Mintzberg, 1973). If anyone fits that description, Sam Steinberg certainly does. That is what gave this organization its spirit, its drive. Even when things looked bleak, the company "knew"—he knew—that it would bounce back, and that prophecy became self-fulfilling. One is reminded of Starbuck and Hedberg's (1977) description of how Facet turned itself around just because it knew an enthusiastic leadership was taking it over. Mood cannot be discounted as a factor in strategic behavior.

Yet the entrepreneur protects himself in his bold action, controls it, for successful entrepreneurship is not equivalent to foolhardiness. As noted earlier, periods of pause, following periods of sprinting, were used to ensure that the organization remained viable. In addition, with a few exceptions that were to prove significant, Sam Steinberg pursued what can be called a "test-the-water" approach, always sensing an environment with minor probes before plunging in. In the earlier years at least, Steinberg never undertook a bold move until it had a pretty good idea what the consequences would be. Of course, such an approach was possible in the supermarket business. Such stores are built one by one, as independent units. One does not go to the moon or open an asbestos mine that way. But then the entrepreneur chooses his business too.

In addition to the notion of controlled boldness, a major characteristic of the entrepreneurial mode—one repeatedly stressed by Sam Steinberg—is the leader's intimate knowledge of the business. It is intuition that directs the entrepreneur, intuition based on wisdom—detailed, ingrained, personalized knowledge of the world. In discussing the firm's competitive advantage, Sam Steinberg remarked: "Nobody knew the grocery business like we did. Everything has to do with your knowledge." He added:

I knew merchandise, I knew cost, I knew selling, I knew customers, I knew everything and I passed on all my knowledge, I kept teaching my people. That's the advantage we had. They couldn't touch us.

This study shows how effective such knowledge can be when it is concentrated in one individual who (a) is fully in charge (having no need to convince others with different views and different levels of knowledge, neither subordinates below nor superiors at some distant headquarters);
(b) retains a strong, long term commitment to his organization (knowing that, barring a natural disaster, it is he who will be there in the long run); and (c) possesses the vision and ability to switch from narrow focus to broad perspective. Under all of these conditions—so long as the business is simple and concentrated enough to be comprehended in one brain, and this one was before it diversified—the entrepreneurial mode is powerful, indeed unexcelled. No other mode of strategy making can provide the degree of deliberateness and of integration of strategies with each other and with the environment. None can provide so clear and complete a vision of direction, yet also allow the flexibility to elaborate and rework that vision. The conception of a novel strategy is an exercise in synthesis, which typically is best carried out in a single, informed brain. That is why the entrepreneurial mode is at the center of the most glorious corporate successes.

Embedded in conventional thinking about strategic planning is an implicit image of the strategy maker sitting on a pedestal, being fed aggregate data that he uses to "formulate" strategies to be "implemented" by others. But the history of Steinberg's belies that image. It suggests that clear, imaginative, integrated visions depend on an involvement with detail, on intimate knowledge of specifics. As noted earlier, the ability to be passionately involved at all levels of activity in the business was a striking characteristic of Sam Steinberg.

That this remained possible for such a long period of time, even as the company grew very large, likely is a reflection of the simple and repetitive nature of this business. The same simple transaction repeated itself customer after customer, store after store, thousands of times each day. Once the firm shifted from personalized to self-service (i.e., impersonalized service), then 200 stores were not unlike 20 so long as they were concentrated in a geographical area the leader knew well.

The personal touch of the entrepreneur was critical to Steinberg's success. The irony was that it was the very success of the entrepreneurial mode that rendered it unsuitable in the longer run. As long as the strategy maker knew the firm's operations intimately, the entrepreneurial mode was effective. It was when the operations spread beyond the comprehension of one man—first to diversify geographically to regions outside of its leader's personal knowledge, and then horizontally to new kinds of retailing—that a shift in the mode of strategy making became inevitable. No longer could decisions be based on the personalized vision of one individual, because no longer could all the necessary knowledge be focused there.

Growth and diversification (due to saturation of traditional markets) necessitated the building up of a more formalized structure with divided responsibilities and increased distance between Sam Steinberg and the operations. And so the new mode of strategy making was more decentralized, more analytic, in some ways more careful, but less flexible, less integrated, less visionary, and, ironically, less deliberate. The controlled boldness of the test-the-water approach in some cases had to give way to straight plunges (as in the Grand Union purchase), in others to gradual
immersion (as in the growth of the discount store chain), although in still others it remained (as in the Miracle Pricing program, so similar to the Wholesale Groceteria changes of the 1930s).

Before the shift, strategy making at Steinberg's could be characterized as the interplay of a leader and an environment, with structure bringing up the rear (to evoke the inchworm analogy once again). Here was a leader very much attuned to the environment, "reacting" to it "proactively" with the assumption that the structure was lean and flexible enough to adapt to any change he made (at least given a period of pause). In this entrepreneurial mode, structure clearly followed strategy. But over time, both the environment and the structure became more demanding, until the interplay seemed to be increasingly between a formalized structure and a constraining environment, with leadership caught in between. Eventually strategy, to some extent at least, had to follow structure, as well as environment.

The Planning Mode

Planning seemed to be one element of that new mode of the 1960s and 1970s. The authors feel that the literature on strategy formation is in great need of an operational definition of planning. In other words, a description is needed of what the word actually means in use, not in the abstractions of prescriptive theory. If planning simply means "future thinking," as implied by some of its most ardent proponents, then all decision making is planning, because a decision is a commitment to action, that is, a commitment to do something in the future. By that token, Sam Steinberg was always a planner. But, also by that token, to quote Wildavsky, "If planning is everything, maybe it's nothing" (1973). Alternately, if planning is an exercise carried out by people called planners (as opposed to managers), then, in this study at least, it has little to do with strategy formation. Somewhere in between is the view of planning as the attempt to make and integrate a whole set of decisions and to articulate them formally before executing them.

Over time, Steinberg's was drawn into this kind of behavior, not out of choice but out of necessity, because of the demands of the environment. The real turning point was its initial public financing in fiscal 1953. The financial community demands plans for its money; the entrepreneurial mode is unacceptable, at least untampered (on paper at a minimum) by the planning mode. Thereafter, an annual report forces a company at least to go through the motions of planning year after year, and that cannot help but have an influence on strategy making behavior.

At Steinberg's, planning really was never strategy formulation; it was programming. When Steinberg's developed its first plan in the 1950s, it was not inventing a strategy. Rather it was justifying, elaborating, and making public a strategy it already had, the one based on its leader's vision. That particular strategy was conceived in the entrepreneurial mode,
the creativity and synthesis taking place informally and personally. Planning involved the articulation, quantification, and eventual elaboration of the given vision. The first plan took the shift into shopping centers as given, and it figured out how many stores would be built, what logistic support would be necessary, and so on. And, as time went on, the company would be called on increasingly to engage in such planning. For example, the Miracle Pricing program—another vision—required extensive planning in terms of what prices to cut on what products, what shifts to make on the advertising budget, and so on. Such planning—as—programming became increasingly necessary as the company grew. Growth made the company more reliant on public financial offerings, increased the consequences of its strategic moves, and forced it to coordinate more tightly the efforts of more units in its structure.

A tentative conclusion is that companies plan when they have intended strategies, not in order to get them. In other words, one plans not a strategy but the consequences of it. Planning gives order to vision, and puts form on it for the sake of formalized structure and environmental expectation. One can say that planning operationalizes strategy. Although such planning as programming is not necessary under all conditions, under some it is mandatory. It may be the only way to pull together the diverse decisions of large organizations in stable environments and to handle large and complicated commitments of resources. To draw on another of the authors' studies, one does not invest almost $100 million in a mine in the remotest part of Quebec without a great deal of this kind of programming.

But, as noted, there is an effect of planning on vision, for the inevitable result of programming the entrepreneur's vision is to constrain it. The entrepreneur, by keeping his vision personal, is able to adapt it at will to a changing environment. By being forced to articulate and program it, he loses that flexibility. The danger, ultimately, is that the planning mode forces out the entrepreneurial one; procedure tends to replace vision, so that strategy making becomes more extrapolation than invention. The very fact of programming impedes true formulation, changes in degree driving out changes in kind. In the absence of a vision, planning comes to extrapolate the status quo, leading at best to marginal changes in current practice. It is suspected that these two conclusions—planning as the programming of a given strategy rather than the formulation of a new one, and planning replacing entrepreneurial initiative as an inevitable result of larger organization and more formalized structure—speak for a good deal of the behavior known as strategic planning.

In conclusion, this study shows how the success of the entrepreneurial mode evokes the forces—both in structure and in environment—that weaken it. Steinberg Inc. at the end of the study period remained in some ways in the entrepreneurial mode. But the forces to weaken that orientation were growing stronger. In some ways, society benefits from such a result. It gains a surer, more stable and systematic service from its enterprises. But it pays a large price too—less color, less innovation, less
excitement, less belief in a unique sense of identity. Only by allowing—and these days by actually encouraging—both modes to exist in different organizations can it reap the benefits of both worlds.

References


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