



Witek-Crabb, A. (2016). Maturity of Strategic Management in Organizations. *Oeconomia Copernicana*, 7(4), 669-682. DOI: <http://dx.doi.org/10.12775/OeC.2016.037>

*Anna Witek-Crabb**

Wroclaw University of Economics, Poland

Maturity of Strategic Management in Organizations

JEL Classification: *L1; L2; M14*

Keywords: *maturity; strategic management; organizational development*

Abstract: *There is some ambivalence with regard to how to improve strategic management of organizations. On the one hand, the example of big companies emphasizes the need for formalization and good organization of strategic management process. On the other hand, the example of small companies draws attention to such qualities as entrepreneurship, flexibility and adaptability. The concept of strategic management maturity embraces both of these priorities. In this paper, a framework for strategic management maturity has been designed. Strategic management maturity was defined as a resultant of: strategic management process maturity and leadership maturity. Theoretical framework was tested on a sample of 150 Polish enterprises.*

© Copyright Institute of Economic Research

Date of submission: May 6, 2015; date of acceptance: July 15, 2016

* Contact: anna.witek@ue.wroc.pl, Wroclaw University of Economics, ul. Komandorska 118/120 53-345 Wroclaw, Poland

** The project has been funded by the National Centre of Science as research project No. 2012/07/D/HS4/00531.

Introduction

For years, a search for organizational perfection has been stimulating imagination of researchers, and the hope that it is possible to find a recipe for success has been accompanying both practitioners and theoreticians of management. Experience and common sense suggest that most probably it will not be ever possible to find this Holy Grail. However, there is value in the pursuit of perfection and development towards “organizational maturity”. “Maturity”, according to the Cambridge Dictionary, refers to the state of being “fully-developed”, “complete” or “advanced” (Cambridge Dictionary). Hence, a quest for organizational excellence can take a form of a search for business maturity.

What would such organizational maturity mean within the domain of strategic management? It seems there is some ambivalence as to how companies should enhance their strategic management practice. As the discipline evolves due to the business environment becoming more competitive, complex, and hardly predictable, new postulates as to how companies should practice their strategic management are being formulated. These demands are increasingly more ambitious, and sometimes seemingly contradictory. They refer to the need for strategic courage, flexibility, social sensitivity, responsibility and sustainability.

The question remains how companies can become more perfect and mature in how they practice strategic management? Is maturing a natural process in growing organizations?

Research exists that shows how strategic management changes with the growth of the company (Kaleta (Ed.), 2014). Numerous studies indicate that growing companies tend to pay more attention to the formalization and better organization of strategic management process. Large companies as those that efficiently and effectively plan their future are often held up as a model to small and medium sized ones. At the same time, it is known, however, that growing in size, formalization and strict planning may lead to inertia, making it difficult for organizations to adapt quickly to their environments. It turns out that it is often small companies that are more maneuverable, flexible and capable of responding to market signals and their owners show entrepreneurial attitudes, which are so often lost with the growth of a company.

Hence maturing (becoming more perfect, fully-developed and advanced) in strategic management doesn't necessarily coincide with organizational growth. To be successful in the market, organizations need some attributes of both small and large companies: both the organizational perfection of a large company and the entrepreneurship and adaptability of

a small firm. In addition, it seems that the complexity of the environment and the presence of a large number of company-related stakeholders require strategists to have certain leadership skills such as systems thinking, social sensitivity and responsibility.

Chris Argyris viewpoint is that an organization is mature when both its processes, systems and people (leaders, teams and individual employees) have matured (Argyris, 1957). Building on that, the author assumed that maturity of strategic management could be considered through the maturity of:

- strategic management process,
- strategic management leaders.

The aim of this article is to find the definition of ‘strategic management maturity’ and describe its multidimensional nature. In order to achieve the research objective, interdisciplinary review of literature was carried out to introduce the concept of maturity in both personal and organizational terms. The review of the literature resulted in creating a preliminary concept of strategic management maturity in the organization. In the next step, quantitative research conducted on 150 Polish companies was used, and the concept was tested in order to verify its validity and determine future directions of a more thorough research and model building.

To embed the concept of “strategic management maturity” in general management theory, various references to company maturity were analyzed. Two streams of literature prevail: one refers to the maturity of an organization, and the other to the maturity of a leader.

Within the first stream of literature, there are concepts that associate maturity of a company with its organizational (administrative) perfection, which manifests itself in a clear structure, process repeatability, maintenance of high standards, effectiveness, consistency and durability. For instance, such maturity features are highlighted by the concepts of organizational lifecycle and capability maturity model.

Maturity of a leader, on the other hand, is a theme present in developmental psychology, cognitive science, philosophy and complexity sciences. A picture of a mature, visionary, adaptive, systemically thinking and inclusive leader, who is socially integrated and sensitive, emerges from this line of literature. The concept of strategic management maturity will draw on both these lines of literature.

Maturity of an Organization

The theory of organizational lifecycle is a frequent context in which “maturity” appears in relation to the company. It is a model perspective that shows how with time a company undergoes certain predictable developmental stages. It is assumed that, similar to living organisms, organizations grow according to a certain universal pattern (Dodge *et al.*, 1994; Haire, 1959; Miller & Friesen, 1984; Mintzberg, 1984), and there is a meta-level in the development of the organization that is featured by regularity and predictability of developmental milestones. Each organization evolves in its own pace, and it is not the age that indicates a stage in the lifecycle, but rather a certain specific dilemmas, crises and challenges which form nothing but a development pattern.

Four to five essential stages in the organization’s lifecycle are most often distinguished. They can be referred to as: foundation, growth, *maturity*, fall and renewal (Churchill & Lewis, 1983; Dodge & Robbins, 1992; Lester *et al.*, 2003; Miller & Friesen, 1984). The maturity stage is usually featured by stabilization of demand, dynamic balance (Jackson & Morgan, 1982), development slowdown, substantial effectiveness, formalization of rules and policies, and more control and coordination of activities (Gościński, 1989, pp 16-18). Maturity is the critical phase in the organization’s lifecycle because it is followed by either fall, if bureaucratic tendencies are prevailing, or renewal. Good management can extend the maturity phase and lead to a company’s renewal and sustainability through innovation, creativity and teamwork.

Capability maturity models (CMMs) and project management maturity models provide a different approach to organizational maturity. The capability maturity model was created by Software Engineering Institute (Paulk *et al.*, 1996) with support from the US government and was designed for evaluating development of software by IT companies. The evaluation was supposed to help the government choose software suppliers, singling out those who were most likely to provide a high quality product. The model assesses development stage of software using a five-point scale of maturity, from chaotic to strictly controlled and optimized. It is assumed that more mature (more optimized, stable and formalized) processes yield better effects, projects and financial decisions. At the same time process improvement can be used to reduce operational risks. The more chaotic a process, the less predictable its output and the higher the risk associated with it (Persse, 2001, p. 5).

Although the CMM has been created to evaluate and improve IT processes, it is considered universal enough to be applied to other processes. It can also be used to diagnose maturity of strategic management process and determine how it can be improved and optimized.

According to CMM model, company's maturity manifests itself in the presence of certain features in business process (Humphrey, 1990, pp. 5-6):

- LEVEL 1: Initial (chaotic, ad hoc) – a process has not been identified yet, actions are ill-considered and taken on an ad hoc and occasional basis. Roles, duties and resources are not clearly determined.
- LEVEL 2: Repeatable – a process has stabilized, is repeatable, yields quite predictable effects, although it has not been formalized yet. Project management has been implemented, budgeting and scheduling are used.
- LEVEL 3: Defined – a process has been defined and documented, roles and resources have been assigned. Specific policies and procedures have been developed.
- LEVEL 4: Managed – a process uses measures (of effectiveness, quality, etc.), it is oriented towards achieving an organization's objectives, closely monitored and regularly reported. Process analysis is done and improvements are made.
- LEVEL 5: Optimized – focus is put on continuous improvement and process optimization through innovations. Regular reviews and updates are made.

According to the CMM, the organization is changing from immature to mature by departing from improvisation, ad hoc actions, unpredictable effects and unclear evaluation criteria towards planning, observation, assessment and repeatability of critical processes (Hurwitz, 2010; Leslie, 2010). Capability maturity model has become a generic framework of organizational maturity and can also be applied to strategic management process.

Maturity of a Leader

Maturity of a leader is based on their personal attributes. Concepts of personal maturity and personal development draw from Jean Piaget's cognitive development, Lawrence Kohlberg's moral development and William G. Perry's intellectual development research. Some of the ideas were selected that may be particularly useful in searching for a formula for strategic management maturity. The guiding question was how different theories of personal development can direct strategic leaders in changing their way of thinking in order to practice strategic management in a more mature way.

According to Robert Kegan's research (Kegan, 1994, pp. 314-315), man in his pursuit of personal maturity, undergoes five stages of 'awareness', which makes his thinking more complex and capable of coping with complexity. This concept seems to be particularly useful considering that one of the central challenges faced by today's strategists is the comprehensiveness, complexity and unpredictability of the environment in which companies operate. The first two stages in Kegan's model usually refer to childhood and impulsive and instrumental thinking based on ego. With maturation, stage 3, called 'social mind', emerges, at which most adults stop. Seeing oneself among others, in a community whose opinion is important, is typical of him, but also the ability to think in the abstract and show empathy. Another stage (4) is 'self-authorizing mind'. Systems thinking emerges here, but also the ability to keep a distance and take a critical stance towards one's own community and culture. This ability to keep separate from assigned roles and acquired beliefs enables to see a context systemically. The highest level of awareness, available only to the few, is 'self-transforming mind'. Multiple-system thinking and the ability to go beyond the framework of one's own ideology emerge here. At this stage, man can see and integrate contradictions and paradoxes, viewing the environment as a system of systems with various ideologies and paradigms that can co-exist with each other. The ability of synthesis and an 'inclusive' attitude to others are typical of this stage. This is the picture of personal maturity.

On the other hand some concepts of leadership maturity may pose inspiration to organizational strategists. For the purpose of this article, those attitudes were selected that highlight development and maturation of leaders. One of the postulates is a model of leadership maturation based on Carl Jung's concept of individuation. Individuation is a process of mental development where an individual becomes aware of being unique. According to Carl Jung, this process leads to becoming a separate, unique whole. Individuation goes in three stages (Stein, 2006, pp. 196-214): at the first stage, self-confidence (care stage) is built up; at the second one, challenges of the world are confronted (adaptation stage); and at the third one, a goal and the sense of meaning are achieved (integration stage). Individuation has been incorporated into the theory of leadership and described using the attributes of maturing leader. It has been assumed that leadership starts with the second stage of individuation (adaptation stage) and manifests itself, among other things, in attributes such as (du Toit *et al.*, 2011, pp. 479-480):

- Ability to find a balance between one's own needs and goals and those of others;
- Ability to find a balance between one's own commitment and the participation of others;

- Self-awareness.

At the third stage of leadership maturity (integration stage), the leader:

- Can maintain the clarity of thinking when facing complexity and chaos;
- Shows managerial skills and can take decisions despite contradictions and paradoxes;
- Thinks in the long-term;
- Is aware of correlations and connections. Goes beyond oneself when looking at the whole system, remaining in dialogue with others;
- Is internally integrated.

Also, the concept of adaptive leadership brings further inspirations to the idea of a mature leader. Adaptive leadership is based on openness to changes that constantly occur around a company, and taking and implementing decisions in harmony with such changes (Glover *et al.*, 2002, pp. 18-19). Faced with changes and complexities, an adaptive leader shows different managerial skills than the ‘traditional leader’, associated with the bureaucratic model of hierarchical business, centralized power and strong control mechanisms (cf. Uhl *et al.*, 2007, pp. 299-302). According to the idea of adaptive leadership, a leader matures through acquisition of skills such as (Heifetz & Laurie, 1997, p. 128):

- Systems thinking (seeing broad contexts of an organization);
- Tension regulation (allowing the occurrence of conflicts that lead to development, while protecting employees against excessive anxiety);
- Responsibility sharing (participation in management, broad access to information, protection of grassroots initiatives, stimulation of creativity and entrepreneurship).

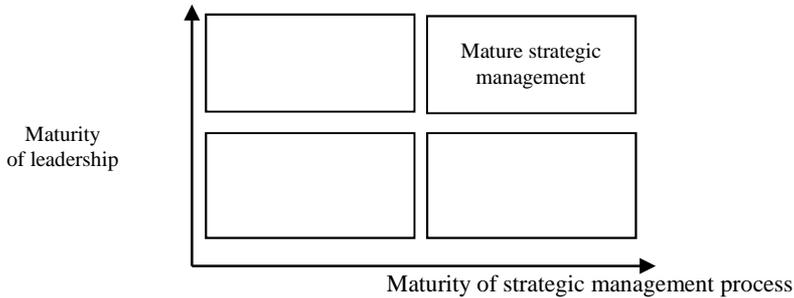
Maturity of Strategic Management

Maturity of strategic management should refer to the two above-mentioned aspects: improvement of both strategic management process and a company’s existing leadership.

Strategic management maturity will be understood as the resultant of the two variables: maturity of strategic management process and maturity of leadership (Diagram 1).

Strategic management process entails:

- Organization of strategic works;
- Creation of mission and vision;
- Strategic analysis;
- Strategy implementation and control.

Diagram 1. Mature Strategic Management

Source: own research.

Maturation of strategic management process corresponds with the capability maturity model (CMM). With the maturation of the process, its individual stages will be increasingly more repeatable, organized, planned, formalized, durable, effective and consistent. Development will occur from chaotic and haphazard actions (e.g. works on strategy performed from time to time, no implementation control or random control, unwritten strategy) to repeatable actions (using similar, proven ways of working on strategy), better and better defined (a plan with assigned tasks and budgets) and managed (introduction of strategy implementation measures, scheduling of implementations, checking the effectiveness of works on strategy) to process optimization (attention to its continuity, updates, consistency of the vision and mission with actions, consistency of strategy and implementation).

Apart from enhancing the very process of creating and implementing strategies, strategic management maturity also requires leadership improvement. The models of mature leadership and of personal and social maturity, which have been quoted above, refer to the following features of a mature leader:

- Visionary imagination and integrity;
- Systems thinking;
- Adaptability;
- Creativeness and entrepreneurship.

These features of mature leadership will manifest themselves in both beliefs and attitudes of leaders and strategic behaviors of the organization under the leader's influence. It is worth remembering that these features converge, and how they are separated from each other is a matter of convention. For instance, it is difficult to imagine systems thinking without adaptation or adaptation without creativity in searching for solutions.

Mature leadership in relation to vision and integrity means that a leader knows what kind of organization he or she wants to create, thinks in the long-term and sets ambitious and inspiring goals.

Systems thinking means that a leader sees his or her company's connections with the environment, appreciates the weight of such connections and relationships, builds and manages relations, also outside the closest competitive context, and knowingly creates networks. A leader who thinks in a systemic way understands how he or she influences the environment and assumes responsibility for such influence. He or she builds dialogue with closer or more distant stakeholders, and takes responsibility for the fate of the ecosystem in which they operate.

Adaptability results from systems thinking. A mature leader is open to changes in the environment and takes decisions in harmony with them. He or she is flexible and ready to change his or her way of acting and thinking if the need be. He or she shows a multicultural sensitivity.

Mature leadership also requires entrepreneurship and creativity. This means taking risks, incessantly searching for development opportunities and expansiveness.

Hence, strategic management maturity will mean improving the process of creating and implementing strategies while making sure that it is smooth, regular, predictable and consistent and building in oneself foundations for mature leadership by enhancing systems thinking, adaptability, responsibility and entrepreneurship.

Research Methodology

This theoretical concept of strategic management maturity has a preliminary and path finding nature. To initiate its verification and adjustment, 150 Polish companies were tested in order to answer the following research questions:

1. Is there a correlation between the two proposed dimensions that describe strategic management maturity in organizations (maturity of strategic management process and maturity of leadership), and consequently whether or not they could be used to differentiate organizations?
2. Do the above dimensions differentiate a population in terms of strategic management maturity so that it is possible to name companies with a less or more mature strategic management and those who have to improve one of its aspects (strategic management process or leadership) on their way to maturity?

3. What will be the size of companies with mature strategic management and whether or not it is reasonable to assume that they will be companies of different sizes because maturation is not tantamount with growth?
4. What adjustments are necessary to be made within the proposed dimensions?

To find the answer to these questions, a database of empirical research conducted in 2011/2012 on a sample of 150 Polish companies was used. The group of respondents was composed of listed and non-listed public limited companies founded after 1989. The sample included 50 small (up to 50 persons), 50 middle-sized (50-250 persons) and 50 large (more than 250 persons) companies. The study sample was created using a layer and random method and the research technique was Paper and Pencil Interview (PAPI).

The study used 32 questions about strategic management process and leadership practices (19 questions about strategic management process and 13 about leadership) and one demographic question (company size). The questions had the form of statements to which the respondents referred by marking answers on the Likert scale used as a measure tool.

The questions about strategic management process addressed the following issues:

- Organization and form of strategic works (6 questions);
- Creation of missions and visions (4 questions);
- Strategic analysis (4 questions);
- Strategy implementation and control (5 questions).

The questions were used in attempt to determine the degree of formalization, standardization, repeatability and consistency at the individual stages of strategic management process.

The questions about maturity of leadership concerned:

- Visionary imagination (3 questions);
- Systems thinking (4 questions);
- Adaptability (2 questions);
- Entrepreneurship and creativeness (4 questions).

Discussion of the Results

As stated in the previous part of the paper, four research questions were formulated.

In the first step mean answers to the questions about maturity of strategic management process and maturity of leadership were calculated for

each company under review. Then the correlation ratio between these two dimensions was determined to be $R=0.600^{**}$

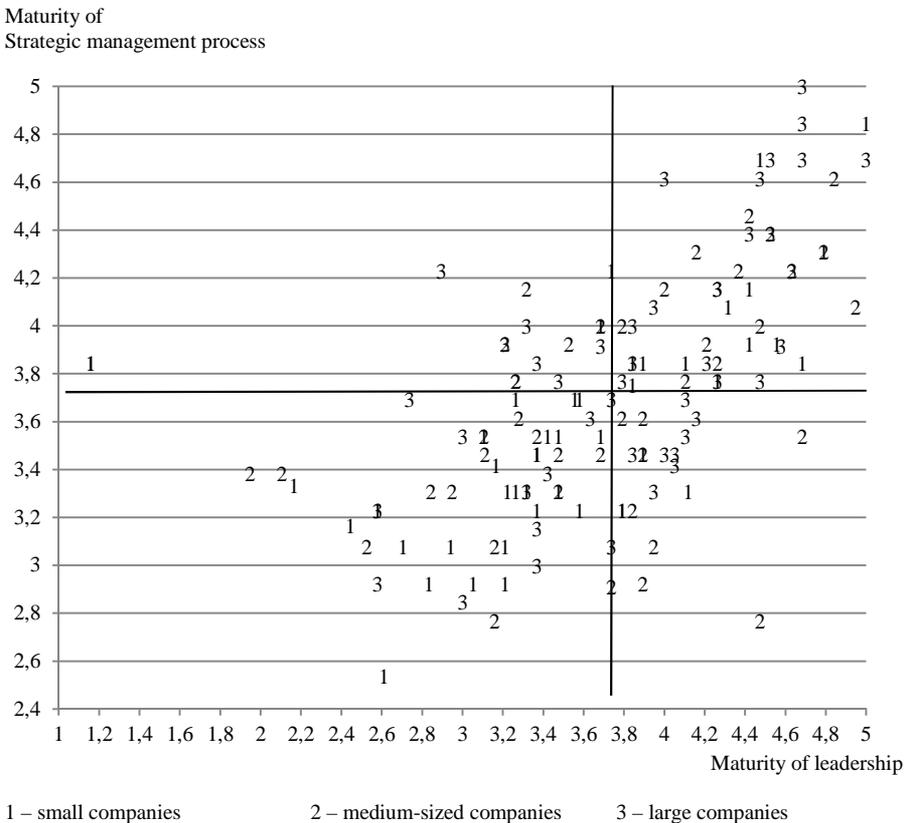
The correlation ratio $R=0.6$ means a moderate relationship between the two dimensions of strategic management maturity (**significance 0.01). It is sufficiently low for the two variables to be used in explaining strategic management maturity, although its explanatory capacity is limited. Maturity of strategic management process and maturity of leadership in the proposed form can be used to explain strategic management maturity. At the same time, it is suggested to continue working on both the indicators that define strategic management maturity so that they are not only significant, but also as little correlated with each other as possible.

To answer the two subsequent research questions, the two dimensions were used to create a strategic management maturity matrix (Figure 1). The figure presents the results of the reviewed companies in terms of maturity of strategic management process and maturity of leadership (axes y and x). In addition, the figure shows the company size by identifying small companies with '1', medium-sized companies with '2' and large companies with '3'.

Analysis of Figure 1 shows that the variables used (maturity of strategic management process and maturity of leadership) differentiate the population in terms of strategic management maturity, so that it is possible to name companies with a less or more mature strategic management and those who have to improve one of its aspects (strategic management process or leadership) on their way to maturity. Figure 1 has the form of a matrix (median = 3.7 for both dimensions), where one can see that the companies are spread across all four fields, which indicates substantial differences in strategic management maturity in the studied population.

At the same time, it is worth noticing that each field of the matrix contains all three company sizes although most large companies (42%) are shown in the field of the highest strategic management maturity and most small companies (53%) in that of the lowest strategic management maturity. Such a picture indicates that strategic management maturity does not have to be a domain of large companies.

Figure 1. Strategic management maturity at companies of different sizes



Source: own research.

Conclusions

With the preliminary theoretical and empirical research, it is possible to propose a draft concept of strategic management maturity as a function of maturity of strategic management process and maturity of leadership. The concept is still at the initial phase and requires further efforts. In particular, it seems that the selection and definition of both dimensions used to describe strategic management maturity should be improved so that they could precisely define what maturity of strategic management process and maturity of leadership are. It is also important to form the two dimensions

that describe strategic management maturity so that they are as little correlated with each other as possible to improve their explanatory capacity.

Another direction of research would be describing in more detail all the four fields of the strategic management maturity matrix and finding possible pathways of progression between them. It would also be interesting to analyze distribution of answers to the questions about maturity of leadership and strategic management process not only in relationship to the company size, but also in relationship to the dynamics of income or sustainability of a company. This way it would be possible to indirectly verify what effects strategic management maturity of the organization may lead to.

References

- Argyris, Ch. (1957). *Personality and Organizations: the Conflict Between System and the Individual*. New York: HarperCollins.
- Cambridge Dictionaries online. Retrieved from <http://dictionary.cambridge.org>, (05.10.2015).
- Churchill, N., & Lewis, V. (1983). The Five Stages of Small Business Growth. *Harvard Business Review*, May-June.
- Dodge, H., Fullerton, S., & Robbins, J. (1994). Stage of Organizational Life Cycle and Competition as Mediators of Problem Perception for Small Businesses. *Strategic Management Journal*, 30(1). DOI: <http://dx.doi.org/10.1002/smj.4250150204>.
- Dodge, H. R., & Robbins, J. E. (1992). An Empirical Investigation of the Organizational Life Cycle Model for Small Business Development and Survival. *Journal of Small Business Management*, January.
- Du Toit, D., Veldsman, T., & van Zyl, D. (2011). The Testing and Validation of a Model for Leadership Maturity Based on Jung's Concept of Individuation. In *Proceedings of the 7th European Conference on Management, Leadership and Governance*. Sophia-Antipolis: SKEMA Business School.
- Glover, J., Friedman, H., & Jones, G. (2002). Adaptive Leadership: When Change Is Not Enough (Part One). *Organization Development Journal*, 20(2)
- Grzesiuk, K. (2011). Przywództwo adaptacyjne w organizacji – wybrane koncepcje. In M. Pawlak (Ed.). *Nowe tendencje w zarządzaniu. Tom II*. Lublin: Wydawnictwo KUL.
- Haire, M. (1959). Biological Models and Empirical Histories of the Growth of Organizations. In M. Haire (Ed.). *Modern Organization Theory*. New York: John Wiley and Sons.
- Heifetz, R. A., & Laurie, D. L. (1997). The Work of Leadership. *Harvard Business Review*, January. DOI: <http://dx.doi.org/10.1109/EMR.2009.5235495>.
- Humphrey, W. S. (1990). *Managing the Software Process*. Boston: Addison Wesley.

- Hurwitz, A. (2010). The E-Discovery Maturity Model. Retrieved from <http://www.edrm.net/resources/edrm-white-paper-series/the-e-discovery-maturity-model> (10.03.2015).
- Jackson, J. H., & Morgan C. P. (1982). *Organisation Theory: A Macro Perspective for Management*. New York: Prentice-Hall.
- Kaleta, A. (2014). Model ewolucji zarządzania strategicznego. In A. Kaleta (Ed.), *Ewolucja zarządzania strategicznego w trakcie rozwoju przedsiębiorstw*. Warszawa: Wydawnictwo C.H. Beck.
- Kegan, R. (1994). *In Over Our Heads: the Mental Demands of Modern Life*. Cambridge: Harvard University Press.
- Leslie, P. (2010). Business Maturity – Sample Comparison Model. Retrieved from <http://www.sydalco.com/page2.php> (10.03.2015)
- Lester, D. L., Parnell, J. A., & Carraher, S. (2003). Organizational Life Cycle: a Five-stage Empirical Scale. *International Journal of Organizational Analysis*, 11(4). DOI: <http://dx.doi.org/10.1108/eb028979>.
- Miller, D., & Friesen, P. (1984). A Longitudinal Study of the Corporate Life Cycle. *Management Science*, October. DOI: <http://dx.doi.org/10.1287/mnsc.30.10.1161>.
- Mintzberg, H. (1984). Power and Organization Life Cycles. *Academy of Management Review*, 9(2). DOI: <http://dx.doi.org/10.5465/AMR.1984.4277632>.
- Paulk, M. C., Curtis, B., Chrissis, M. B., & Weber, C. V. (1996). *Technical Report CMU/SEI-93-TR-024: ESC-TR-93-177: February 1993*. Pittsburgh, PA: Carnegie-Mellon University, Software Engineering Institute.
- Persse, J. R. (2001). *Implementing the Capability Maturity Model*. New York: Wiley Computer Publishing.
- Stein, M. (2006). Individuation. In R. K. Papadopoulos (Ed.). *The handbook of Jungian psychology: Theory, practice and applications*. London: Routledge.
- Uhl-Bien, M., Marion, R., & McKelvey, B. (2007). Complexity Leadership Theory: Shifting Leadership from the Industrial Age to the Knowledge Era. *Leadership Quarterly*, 18. DOI: <http://dx.doi.org/10.1016/j.leaqua.2007.04.002>.