Introduction

Large streams from little fountains flow,
Tall oaks from little acorns grow.
Old English proverb

Boundless – this vast heap earth,
this bottomless heaven,
how perfectly boundless.[1]
T'ao Ch'ien, Elegy for Myself *(translated by David Hinton)*

In this introductory chapter we document several instances of successful accomplishments in a number of business and social spheres and show how we recognize the emergence of a coherent strategy even though the people involved may not have deliberately intended it to be so. This leads us to justify our belief in the plausibility of what we call here 'strategy without design', in which invisible coordinating forces appear to work to bring together fruitful outcomes indirectly and circuitously through a plethora of local coping actions. We also show that, conversely, when well-intentioned attempts to deliberately design and engineer a desired strategic outcome dominate concerns they are frequently ineffective and at times may even unexpectedly produce disastrous consequences. Paradoxically, the more direct and deliberate the effort applied the less sustainable the eventual outcome. Conversely, systematic, sustainable, longer-term accomplishments are often a consequence of attending to small, seemingly insignificant details through local, everyday coping actions.

Reaching for the ground

In 1974 the country of Bangladesh experienced a severe famine that threatened the livelihood of thousands in the rural villages. Amidst this chaos and human catastrophe, a Bangladeshi professor at the University of Chittagong was so touched by the plight of the families affected by the famine that he decided to make a small personal loan of US$27 to a group of forty-two local households so that they could

begin the process of self-help by producing small items for sale, hence earning much-needed income without the burdens associated with predatory lending. The overwhelming success of this seemingly insignificant and spontaneous human gesture led to the eventual formation of Grameen Bank (literally 'Bank of the Villages', in Bangla) two years later to support and help alleviate the plight of local residents living around the university, beginning with the village of Jobra and then spreading rapidly further afield, almost like a virus, to other districts in Bangladesh and beyond to countries as distant as Indonesia, the Philippines, Latin America, sub-Saharan Africa, China and even the United States. By November 2007, in a relatively short space of some thirty-one years, the bank had 2,468 branches in Bangladesh alone, covering 80,257 villages and employing a total staff of 24,703. Its total loans distributed amounts to some US$6.55 billion, more than 98 per cent of which has been repaid.[2] Its founder, Muhammad Yunus, and Grameen Bank were publicly recognized for their efforts to create economic and social development from below and jointly awarded the Nobel Peace Prize in 2006. More importantly, more than a half of the 7 million borrowers, mostly women, are reported to have successfully extricated themselves and their families from acute poverty, as measured by such basic standards as the ability to provide schooling for their children, eating three meals a day and having proper sanitation, rainproof housing, clean drinking water and the ability to maintain regular repayment of a US$8.00-a-week loan charge.

The unexpected and remarkable success of Grameen Bank is attributable to the spontaneous reactions of a concerned individual who found it incomprehensible that a matter of US22 cents could be the threshold barrier between a life of poverty and the liberating possibility of extricating oneself from the debilitating credit trap in which villagers around his university in Chittagong found themselves. Yunus, who was the head of the economics department at that time and who had done his PhD at Vanderbilt University in the United States, speaks of this sense of incredulity and exasperation in his recent book *Banker to the Poor*. His encounter with Sufia Begum, a twenty-one-year-old local old mother of three, was a significant moment in his intellectual awakening to the sterility and impotence of grand theory in classical economics. Sufia, like many other women in the village, borrowed an amount equivalent to US22 cents from 'paikars' (lender-middlemen) to buy strips of bamboo, which she then used to make stools for sale. Each day, as a result of a whole day's labour, she made a 'profit' of US2 cents, which was barely enough to feed her family.

I had never heard of anyone suffering for a lack of 22 US cents... Should I reach into my pocket and hand Sufia the pittance she needed? That would be so simple, so easy... Why had not my university, my economics department, all the economics departments in the world for that matter, and the thousands of intelligent economics professors, why had they not tried to understand the poor and to help those who needed help the most?[3]

For Yunus, this was a moment of rude awakening to the harshness of economic reality. As a student of economics he had been mesmerised by the neatness and persuasiveness of economic theories and how they appeared to provide comprehensive answers to economic problems. This stark encounter with the struggle for survival at his very doorstep, however, radically changed his whole attitude.

What good were all these elegant theories when people died of starvation on pavements and on doorsteps... Where was the economic theory which reflected their real life? I felt I had to escape from academic life. I wanted to discover the real-life economics that were played out every day in the neighbouring villages... I opted for what I called the '*worm's eye view*'.[4]

It was this shock and reaction to the helplessness and resignation of the villagers to the effects of that devastating 1974 famine that led him to recognize the vast chasm existing between textbook 'solutions' and economic 'realities': between designed strategic interventions initiated from the top and the everyday practical coping actions of locals. This acute awareness, rendered by the immediacy and urgency of the situation, led him to gather some of his students and colleagues to help with alleviating the plight of those around him. It was this spontaneous initiative and not some deliberate planned strategy that generated the impetus for his search for a novel way of helping the villagers to 'bootstrap' themselves out of the poverty trap they had, through no fault of their own, found themselves in. The outcome of the unexpected success of his cumulative efforts, together with those of his students and colleagues, was Grameen Bank.

Grameen Bank is novel, in that it contradicts in a number of ways the dominant logic of banking practice. Principally, in conventional banking wisdom, credit is extended only to a person who is able to satisfy the bank that he/she possesses some form of 'collateral': thus the more you have the more you are likely to be able to borrow. This, of course, means that if you have little or nothing you get nothing: you are invariably caught in a 'poverty trap'. Grameen Bank operates on a radically reversed philosophy, which starts from the predicament an individual finds him- or herself in, and hence the immediate needs to be met, rather than from the traditional bank's priority to its shareholders. There are

four main aspects to Grameen Bank's approach: first, it maintains that credit is a human right, so that those who do not have any possessions are those most in need and hence must be given the highest priority in acquiring loans to help improve their lot, provided they are first able to demonstrate their reliability; second, it holds that most people can be trusted to make their weekly repayments diligently, particularly if their failure to do so is tied to material consequences for the rest of the community of which they form a part (in Grameen Bank, there are no binding contracts between the borrower and the bank); third, Grameen Bank systematically encourages borrowers to focus their efforts on health, social and educational development to improve their own living conditions rather than on material trappings; fourth, it views poor people as human 'bonsais' – stunted in their growth not though their own fault but through a lack of proper support and nourishment. These fundamental principles contradict the very logic of modern capitalism, with its emphasis on maximizing material gains, self-interested exchange and the survival of the fittest through direct, highly focused competition. Nevertheless, they have led to this most unlikely but remarkable growth and success in micro-credit banking.

It is not merely the notion of micro-credit itself that is particularly definitive about Yunus's remarkable achievement but, rather, the underlying counter-intuitive logic of practice associated with it, which goes against the grain of some of the deepest-held assumptions about how to achieve economic progress. The accrual of material wealth is, we assume, an outcome of clarified insight, careful planning, hard work, the diligent and often singular pursuit of known goals, and so on. The associated trading actions are believed to follow from deliberate choices, and choices, in turn, are seen to emanate from the prior anticipation of outcomes intended to fulfil individual desires. This form of 'consequentialist reasoning' provides the underlying premise for the social and behavioural sciences in general and for the field of economics in particular.[5] Nonetheless, this presumption of a deliberate and calculative goal-oriented logic of action fails to account adequately for the emergence and success of Grameen Bank, whose formation and rise to prominence owed much more to the local initiatives of a single individual and his students and colleagues who were merely seeking to deal with the immediate problems they saw around them. Despite the eventual spectacular success of Grameen Bank, Yunus had no initial grand designs for creating a bank of such immense scale. That did not prevent it from becoming a reality, however. His cumulative constructive actions gradually took on global significance not through any deliberately planned course of action, or even any initial desire to do so, but

through the gradual gathering of momentum of the small initiatives undertaken locally to cope with the immediate business of securing the basic material conditions to sustain human life.

The key point we wish to make here is that strategy and consistency of action can emerge non-deliberately through a profusion of local interventions directed towards dealing with immediate concerns. These local coping actions may actually give rise to a strategic consistency even in the absence of prior specified goals. In other words, *attending to and dealing with the problems, obstacles and concerns confronted in the here and now may actually serve to clarify and shape the initially vague and inarticulate aspirations behind such coping actions with sufficient consistency that, in retrospect, they may appear to constitute a recognizable 'strategy'.* We often act and react knowing what we do not want rather than in response to any predefined goals. In other words, strategy may evolve from knowing what we do *not want* or what *not to do* rather than what we want or what to do; a 'negative' or *latent* form of coping strategy may exist without us being ever conscious of it. In this sense, strategy does not necessarily imply something deliberately planned or pre-thought. Indeed, strategically favourable outcomes may even emerge serendipitously as a consequence of an individual's actions or the actions of a small group of individuals, who unintentionally trigger a movement or trend shift through their local choices and interests where no overall coordinated initiative is involved. Sir Richard Branson's Virgin Airways, for instance, was born serendipitously as a consequence of him and his girlfriend being stranded on one of the Virgin Islands during a holiday in the Caribbean in the late 1970s. When they got to the local airport on the island to return home, they found, together with other waiting passengers, that their flight to Puerto Rico had been cancelled.

> [P]eople were roaming about, looking lost. No one was doing anything. So I did – someone had to. Even though I hadn't a clue what I was really doing, with a great deal of aplomb I chartered a plane for $2,000 and divided that by the number of passengers. It came to $39 a head. I borrowed a blackboard and wrote on it: VIRGIN AIRWAYS: $39 SINGLE FLIGHT TO PUERTO RICO. All the tickets were snapped up by grateful passengers. I managed to get two free tickets out of it and even made a small profit! The idea for Virgin Airways was born, right there in the middle of a holiday.[6]

This spontaneous coping action, born of necessity given the negative circumstances he found himself in, provided the embryonic start to the idea of running a transatlantic airline so much so that, when the idea was suggested to him some years later, he found the proposition difficult to resist. 'I can make up my mind about people and ideas in sixty seconds. I rely more on gut instinct than thick reports. . . I've always said that you

don't need to do a lot of expensive research, or produce vast files and reports to know that something is a good idea and will work.'[7] Today Virgin Airways flies to over 300 destinations all over the world, and Branson has even started Virgin Galactic, which offers short suborbital flights into space.

The dangers of deliberate planning

Skiing in Bavaria toward the end of World War II, an orthopaedic specialist, Dr Klaus Maerten, fell and hurt his foot. Normal shoes were too painful for him to wear for long and post-war restrictions meant that there were very few bespoke options available in any event, so, together with his friend Dr Herbert Funck, Maerten designed his own shoe using layered rubber taken from used tyres. These soles were lightweight and the layers sandwiched with heat-sealed or welted pockets of cushioning air. After guiding Maerten to a full recovery, the doctors set up shop and began selling the boots to others, emphasizing the virtues of comfort to those who found walking difficult. Their market seemed to consist mainly of older women. Despite setting up a factory in Munich during the early 1950s, expansion was proving difficult, with many potential manufacturing partners in Germany thinking the air-cushioning a bit of a gimmick. Maerten and Funck decided to look further afield, and placed advertisements in the trade press.

One of these was read by Bill Griggs of shoe- and bootmakers R. Griggs and Son of Wollaston, England, who had been making the 'Bulldog' boot for the British army. Griggs bought the worldwide rights, refined the design a little using yellow stitching and patterned soles, anglicized the name to 'Dr Martens' and launched the boot on the world on 1 April 1960 – hence the boot's name, the 1460. The 1460's intended users were peripatetic workers such as postmen and the police. The addition of steel toecaps and lengthened uppers extended the appeal to others, such as construction workers. It was the unassuming utility of the boot that generated burgeoning interest amongst the mods during the mid-1960s. Notorious not only for perfecting a smart and distinctive look but for their seasonal migratory bust-ups with the old-school rockers or Teddy boys, mods found the aggressive-looking, hard-working boot ideal as both a statement of distinction and a ready-to-hand weapon. It was also something that could be polished; bright shoes were no longer the preserve of the officer classes – they had been appropriated.

The fact that it was comfortable to wear simply added to its adamantine appeal amongst a youth culture whose world was so strikingly shot

in the film *Quadrophenia*. As the mods morphed into factional tribes during the early 1970s, so the boot, especially in its original ox-blood leather guise, became a sort of badge for the most aggressive and hostile of these, the skinheads. This association with male and often right-wing violence was never total and did not prevent other, often opposing groups from adopting different versions of the seemingly infinitely adaptable boot. Punks wore them during the late 1970s, and during the 1980s they were adopted by doleful, cardigan-wearing students angsting over the shallowness of an all-encompassing neoliberal economic revolution. By the end of the 1980s the boot had become an icon of counterculture in Britain and abroad, an emblem of dissatisfaction only intensified by the geriatric posturing of the last guardians of old-empire hierarchy as they blustered on about the boot being threatening and disrespectful.

Appropriately enough for an icon of iconoclasm, however, this image as a symbol of youthful disdain was always itself in some state of tension. The boots had an openness of character that was no better demonstrated when they ended up on the feet of such a motley as: the British Member of Parliament Tony Benn; an SAS (Special Air Service) unit of the British army; and even Pope John Paul II. This rise in popularity was not planned for nor stimulated; at no point did the Griggs decide to target or resist a specific group of wearers. Indeed, their strategy, insofar as they had one, was simply to produce as many good-quality boots as were wanted, and when expansion was required they organically merged with other local firms steeped in their local region's shoemaking patterns of life.

During the 1990s the insouciance of Dr Martens (DM) boots began to wane. As with many things radical, as soon as they became chic, purred over by the arbiters of fashion and aped by designers the world over, they lost what had made them novel. In a kind of object-based version of Robert Michels' 'iron law of oligarchy', they betrayed their spirit.[8] It is perhaps no coincidence that the steady demise of their appeal coincided with the deliberate massive expansion of production. By 1994 the company had 2,700 employees and sales of £170 million and was making 10 million boots and shoes a year. The company began opening Dr Martens shops. The first was in London's Covent Garden and was spread over six floors, selling everything from watches to food. The classic boot was just an anchor point for a burgeoning array of branded goods. Griggs' simple operation was being sharpened by a deliberate and sophisticated top-down strategy. More large stores were opened and yet more were planned. The DM-wearing grunge movement in the United States had seemingly opened a huge new

market. The appeal was simply assumed to be a growing given. Russia and China lay in wait. The strategists had it all worked out.

It was the strategic activities designed to exploit the appeal that actually detracted from it, however. Prior to this expansion, the lasting appeal of Dr Martens came from their being a *tabula rasa*, a welcome, indefinable open space in a world of consumption plagued with manipulated tastes and targeted placements. As a brand they were worthless, because as a brand they became subject to the vagaries of fashion; they became 'a something', and therefore something that could be used up and discarded. Of course, other factors, such as competition spurred by cheap, outsourced labour, threatened demand, but why Dr Martens perhaps suffered more than other brands and failed to adapt was because what was forgotten was how the prior success had simply been about the boots being whatever people wanted to make of them. The fortunes of Griggs deteriorated rapidly; in three years the company lost £100 million, and by 2003 the only way of saving it was to close most of the retail outlets, shut the factory in Wollaston and move production to the Far East. Dr Martens boots are still produced, but the presence of an object that had, for decades, blossomed of its own accord and found its own way has been eroded. They are now one amongst many purchase options.

Like the fortuitous circumstances that gave rise to Virgin Airways and the unexpected success of Muhammad Yunus and Grameen Bank, a cluster of interlocking local events and actions can unexpectedly gather momentum, spread like a contagious disease and generate a trend and movement that eventually leads to the spectacular outcomes that no one single person, or even groups of persons, could have envisaged or be held accountable for. Dr Martens boots flourished in the case of their users. Paradoxically, the subsequent attempt to strategically articulate and then influence the use of the product backfired and led to near-failure.

This is not an uncommon experience in business, warfare or life generally: the more that directly and deliberately action is taken the more it tends to eventually undermine its own aspirations. Such an insight has led the military strategist Basil Liddell-Hart to suggest that a direct approach tends to provoke a stubborn resistance because of the conflict of wills that is the inevitable result of confrontation.[9] Thus, in the case of Griggs, the later attempt to deliberately leverage the Dr Martens brand through its explicit commodification led to the eventual loss of its uniqueness as an expression of defiance to social categorization.

On the other hand, and as the story of Dr Martens boots also shows, highly favourable outcomes may emerge and evolve quite spontaneously

through local perturbations and interactions without there being any need for planned and coordinated strategic action. This is as true for business growth and social change as it is for urban development. The Nobel-Prize-winner Herbert Simon points out that an absence of deliberate centralized planning in urban development does not necessarily imply an ineffective outcome.

> I retain vivid memories of the astonishment and disbelief expressed by. . .students whom I taught. . .when I pointed to medieval cities as marvellously patterned systems that had mostly just 'grown' in response to myriads of individual human decisions. To my students a pattern implied a planner in whose mind it had been conceived and by whose hand it had been implemented. The idea that a city could acquire its pattern as naturally as a snowflake was foreign to them.[10]

The city of London, for instance, developed spontaneously from early hamlet settlements around three hills: Tothill, Penton Hill and Tower Hill. Tracks and footpaths wound their way between them, and these gradually became roads and lanes, encouraging further dwellings to grow up around them so that these clusters of hamlets became villages, towns and eventually what we now know as London. It is, therefore, the interactional and iterative process of local actions that feeds urban growth and regeneration. The small, evolving actions of the city's denizens are what creates and sustains the complex and organic urban expansion that gives cities their often vivid character, the melange of smallness and influence making them, at one and the same time, 'so thrilling and terrifying, so liable to swallow [their] inhabitants. London, Tokyo, Delhi. . .pulsate, they groan and sigh and spread their many tendrils.'[11]

Grameen Bank, Virgin Airways and the unexpected and almost epidemic-like popularity of Dr Martens, as well as the unplanned growth of cities, all point towards a relatively unacknowledged phenomenon in business strategy research and theorizing: that strategic success may very well be an indirect and unintended outcome of everyday coping actions and embedded local opportunism. Conversely, the more that direct and deliberate strategic action is taken the more it eventually spawns negative unintended consequences. It is the persistence of both these observations across a wide variety of natural and social circumstances that has led to the realization that, in order to appreciate and explain strategic success fully, we must begin to acknowledge the prior existence of a *latent* strategic impulse, which provides the momentum and direction of development such that spectacular success may actually be attained without there being any deliberate intention involved on the part of actors.

Take care of the pennies. . .: strategy from the 'bottom up'

Malcolm Gladwell's *The Tipping Point* describes how, in the mid-1980s, the New York City Transit Authority decided to revamp the subway system, which had suffered a loss of control on the part of the authorities and was on the verge of collapse because of the numerous incidents of serious crime taking place within its premises. In the effort to clean up and make safe the subway system, an unusual approach was adopted, thanks to the insights of the newly appointed subway director David Gunn. Instead of directly addressing the problem of serious crimes being committed and the problem of subway reliability, Gunn decided to focus his attention on diligently removing the graffiti from the train cars, despite the advice of his peers. For Gunn, the extensive presence of graffiti on the train cars symbolized the loss of control and an impending collapse of the system of law and order in the subway system, and the battle against graffiti was in fact a battle against the insidious forces of disorder, which had become rampant in the subway. This indirect way of addressing the problem of social order by attending to local details resonates with what two criminologists, James Q. Watson and George Kelling, have called the 'broken window' theory of crime. The argument is that if a broken window along a street is left unrepaired the overall impression it leaves is that no one cares and that no one is in charge. It therefore serves as a magnet attracting further acts of vandalism, crime and destruction within the area. Very soon more windows nearby are broken, and this spreads till an overall state of dissolution exists, sending a clear message that anything goes in that area. Thus, in a city and in urban spaces what appear to be relatively minor problems, such as graffiti, vandalism, small-scale public disorder and so on, serve as an indirect invitation to the commission of more serious crimes.

> Muggers and robbers, whether opportunistic or professional, believe they reduce their chances of being caught or even identified if they operate on streets where potential victims are already intimidated by prevailing conditions.[12]

This controversial 'broken windows' perspective on crime, despite its questionable status at that time, was, nevertheless, employed to deal with the problems encountered in the New York subway, and with great effect. Gunn decided to set up a highly efficient system for dealing promptly and almost religiously with the graffiti, train by train and line by line. If a carriage came in with graffiti it was either removed from service or the graffiti was cleaned off immediately. Each time new graffiti appeared it was immediately dealt with. What this did was to send an