# Strategic Management Explored - Business in the 21st C

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## Introduction

"The bottom line is that in a dynamic environment, such as the new competitive landscape, firms must develop a process of continual transformation. This often requires a significant change in many managerial mindsets,"

- (Hitt, Ricart & Nixon, 1998, p. 9).

In the changing world economy, strategic management processes and principles have to adapt to forces never experienced before in history. An evolving and context dependent practice, strategic management must incorporate many factors and considerations (Joyce & Woods, 1996). With the advent of the information age and globalization, the tactics and strategies necessary for success have become more complicated, sophisticated, and even radical. "To succeed in the long term, companies must compete effectively and outperform their rivals in a dynamic, and often turbulent environment," (Thompson, 1995, p. 1). It is important for organizations to be flexible, using strategies that help the workforce adapt to change and modify strategies that don't work (Genus, 1995). "Clearly, being a flexible provider of goods and services is critical to achieving business leadership. Having adaptable processes that deliver this flexibility to the customer is of major importance," (Winslow, 1996, p. 3).

The process of strategic management focuses on how an organization gains awareness of and determines its' purpose for being; its' objectives and aims; as well as the actual planning, implementation and evaluation of how successfully the objectives were realized. Strategy provides a reference point for members of an organization: a structure and a map for growth and development (Craig & Grant, 1993). "The underlying rationale for the study of strategic management is that through formulating and implementing effective strategies business performance can be enhanced," (p. 18). Usually, strategic planning incorporates the long-term goals; a thorough analysis of the competitive environment; an objective appraisal of the organization's resources; and effective implementation under efficient leadership.

Strategy is superior when a competitive advantage is realized and when the strategies selected are functional, adding value to both the players and the stakeholders. Thompson (1995) pointed out that success in strategic activity hinged on the corporate or organizational culture and values, as well as on the strength and style of the strategic leader. If the culture and values of the firm welcomed change instead of fighting it, and demonstrated an understanding of priorities and strategic needs, success came more easily. "Appropriate actions not only allow a firm to survive in the long run, but also describe how it can develop and use core competencies to create sustainable competitive advantages and earn superior profits," (Hitt, Ireland & Hoskisson, 1996, p. C.1)

## Strategic Intent

Strategic thinking is a combination of convergent, divergent and creative thinking combined with critical judgement (Ambrosini, Johnson, Scholes, 1998). A sense-making perspective of strategic idea cultivation implies that new strategic ideas are the result of the strategist's mental model of the situation and business processes (Hamel, Prahalad, Thomas and O'Neal, 1998). If the strategist can extend his or her view and see the strategic situation from more than one perspective or mental model, the resultant ideas can be rich in variety, range, and creativity.

Traditional response modes such as down-sizing, piecemeal structuring and processes, and incremental change no longer serve organizations in the current complex global environment (Nevis, Lancourt & Vasallo, 1996). Paradigm shifts in how business is done, is created, and is

expanded has introduced a need for new strategies and methods of implementing these in the organizational milieu. Careful analysis of environment is important, including the external, general, industry, competitive, and internal organizational environments, (Hutt, Ireland & Hoskisson, 1996).

Craig and Grant (1993) proposed a model of strategic management, simplified with the acronym MOST (Mission, Objectives, Strategy, and Tactics). "It begins with overall organizational goals, articulates these goals in an action-oriented form, identifies a strategy and the objectives which that strategy seeks to achieve, and finally specifies particular tactics," (p. 25). Richardson and Richardson (1992) equated "total approach" strategic management with various kinds of planning: a) aspirations planning; b) corporate and competitive planning; c) contingency planning; d) administration planning; e) productivity planning; f) team culture planning; g) innovation planning; and h) shock event planning.

Likewise, Madu and Kuei (1995) and Hitt, Ireland and Hoskisson (1996) described a SWOT analysis: conducting a thorough analysis of strengths, weaknesses, opportunities, and threats before formulating strategies. "Through this analysis, the organization can identify its market niche, better define its mission and purpose, and proceed to provide needed goods and services. Quality performance and goals cannot be achieved if resources are not effectively utilized and opportunities are not properly identified," (Madu and Kuei, 1995, p. 21). It is important to discern how to position an organization to maximize opportunities while minimizing environmental threats. Implementation of chosen strategies requires a synthesis of alternative strategies and their potential impact and results. Gap analysis helps managers to understand competitive environment dynamics (Ambrosini, Johnson, Scholes, 1998). Simply put, this type of analysis is focused on the gap between a) where a business is; b) where the business wants to be; and c) the strategies needed to get from a) to b). Performance gap analysis entails an assessment of gaps in diversification, expansion, and improvement. Product and market gap analysis are focused on gaps in product line, distribution, usage, and competitive edge.

Spector (1995) described a horizontal transformation process to strategically align an organization with its' suppliers and be centered around its' customers. An interactive and interconnected arrangement of the business units within the organization is central to this process, incorporating marketing, engineering, manufacturing, sales, and so on into one synergistic unit. Horizontalism is focused on redefining the meaning of delivering value to a customer, and refocusing the entire operation on that new definition. Historically, structures, systems, and styles of operating often blocked employees from focusing on the customers' needs. Hussey (1991) described how strategic training initiatives are effective for transforming company cultures and for introducing horizontal strategic tactics.

Joyce and Woods looked at strategic management through the three lenses of modernism (programmed innovation); post-modernism (focused on the diversity and spontaneous actions of managers and employees); and a new modernism (realization that experimentation must complement foresight). Nevis, Lancourt, and Vassallo (1996) proposed a seven point strategy for transforming organizations into viable vehicles to meet the coming new millennium. Strategies such as a) persuasive communication, to help members envision a different future; b) participation, or creating a shared reality through joint endeavors; c) expectancy or being prepared through visioning the possibilities; d) role modeling; e) structural rearrangement; f) extrinsic rewards to reinforce transformative behaviors; and g) legitimate coercion were all deemed important.

## Organizational Missions

Winslow (1996) mused that "Mission statements often gather dust! They are little more than wish lists unless they are turned into deliverable objectives towards which the organization can move," (p. 31). He encouraged a thorough business analysis prior to setting strategic responses. Bench

marking, customer service research, and business reengineering were three ways that managers could augment the analysis of their own business to decide on their strategic goals and aims. "Strategic management has tended to focus on the achievement of a "fit' between an organization's mission or activities and both its wider environment and its resource capabilities. Key questions concerning the problematic notion of strategic fit include the extent to which the external environment of an organization can be analyzed objectively," (Genus, 1995, p. 8). With the continual and unpredictable changes prevalent in the global marketplace, a linear approach to strategic management seems outmoded. Protection and development of organizational flexibility preserves an organization's resources and capabilities amidst change and chaos.

The crucial need for change within organizations can not become reality until old embedded cultures and management legacies are dissembled and reshaped, and the old capabilities are dismantled, (Bainbridge, 1996). Attitudes, values, beliefs, and ways of doing things all must be scrutinized and redirected. "New organizational structures, new skills and knowledge and frequently new staff are necessary, as well as new IT systems and a new managerial perspective," (p. 11). Old antiquated processes must go, and new ones incorporating available technology and new thinking must be adopted to succeed in the twenty-first century. Yet, business must continue as these transitions are accomplished. While undergoing the process of renovation, rebuilding, and replacing, organizations need to remain in the market, attend to their stakeholders, stay competitive, hit profit targets, and keep abreast of technology breakthroughs. A tall order for any company. The traditional tenets of companies of the past: stability, conformity, and consistency can actually impede group members to resist the change process necessary to fulfill new organizational missions and strategies.

Strategic activities that target the human resources aspect of business, as well as the technology development, procurement processes, and the very infrastructure of an organization are necessary for effective strategic management in this coming new century (Genus, 1995). In the changing global climate, effective missions and objectives need to be specific yet not restraining; flexible, adaptable, and inspirational yet measurable; easily understood but not simplistic; attendant to both customers and other stakeholders; as well as be chronologically realistic yet embrace quality (Hitt, Ricart & Nixon, 1998). "Needless to say, achieving the right balance on all these parameters is extremely difficult," (p. 36). Mission effectiveness can be measured by diverse indicators: the degree to which organizational members gain clear direction; how much it inspires and generates passion and commitment; and in the company's actual performance.

## Technology Revolution

The explosive growth of the information age has created a phenomenal change in society, in people's individual lives, and in the workplace. It has potentiated for the first time, a truly global workforce and global social consciousness (Parker, 1996). With the enabling features that the technology of the new millennium promises, businesses can and will be operated much differently than in the past. "Discontinuous and forced changes characterize current business environments in which organizations and national economies behave erratically in attempts to maintain competitive positions," (Parker, 1996, p. 21). Parker elaborated by naming four business strategies important to information technology (IT) adoption and currency. The four strategies included a) Anywhere, anytime workplaces where physical and temporal boundaries no longer exist; b) information empowerment, bringing new possibilities in internal and external collegial relationships; c) networked enterprises, supporting an economy that places a premium on responsiveness, quality, and added value; and d) mass customization, or "applying technology to support new processes, products, and markets necessary to respond to the global marketplace," (1996, p. 26).

It is important to have both appropriate application and architectural strategies and to constantly redesign and recalibrate management agendas and business paradigms in this information intensive, globalized business environment. Parker (1996) proposed a transformational planning

context to guide managers in setting technologically based strategies. She cautioned that managers need to consider the I/T strategy risks that crop up while transforming a business, caused by changes in alliances, structure, technology, environment, and so on.

Chan, Huff, Copeland and Barclay (1996) empirically showed that information technology strategic alignment was a critical dimension of strategic management, one that seriously boosted a company's business unit performance. It is important to gain both an external and internal perspective of IT strategic decisions, and be able to use both simultaneously (Venkatraman & Henderson, 1994). "When making decisions, top management has to take into account how the organization appears to the outside world and also how it appears to the people within," (p. 111). Environmental events as well as cultural-behavioral-political processes within an organization need to be integrated and viewed together. Both environmental conditions and intra-organizational processes can constrain the IT strategic choices available to management. Since strategic IT decisions usually require large amounts of resources and involve high levels of risks, contingent IT strategies must be chosen wisely, and customized to unleash a particular firm's strengths and potential.

## Globalization and the Global Economy

Globalization implies that business transactions, customers, suppliers, and alliances occur across distance, time zones, and countries, which obviously introduces new cultures and languages into the mix, (Parker, 1996). Bainbridge (1996) described the exciting new global market that is emerging as "...supported by a new world infrastructure of telecommunications and data communications," (p.6). He credits the Internet as the prime vehicle for business to operate on a scale and geographic level beyond imagination only a few short years ago. Change seems to be the name of the game as new freedoms become prevalent at the same time as a more aware and discerning clientele is emerging. In every kind of business imaginable, "radical new businesses burst into the market-place and overturn the way business is done, taking advantage of those locked in the past," (Bainbridge, 1996, p. 8). Parker (1996) added that "global forces impact on how we do business by changing our relationships with suppliers, markets, and competitors," (p. 3). Parker elaborated that forces such as economic bases, changing organizational designs, social issues, and information technology advances interrelate to shape and form the "new competitive environment and cause the competitive enterprise to transform itself," (1996, p.3).

"In recent years, strategic alliances have become a highly popular strategy, particularly for entry into international markets. Alliances are used by firms to share risks and resources, to obtain access to markets and to gain knowledge. Strategic alliances are generally designed to build and maintain a long-term cooperative relationship so that the partners can more effectively compete with other firms," (Hitt, Ricart & Nixon, 1998, p. 5). Learning how to collaborate successfully and to integrate and utilize knowledge gleaned from the alliances is a challenge in all strategic partnerships. Mutual trust, cooperation, and the sharing of complementary resources are necessary and important to tap the rich potential of the emerging global economy.

The world economy is predicted to grow 50 per cent or more over the next two decades, if present patterns continue, (Parker, 1996). Both international trade and international investment combined with the advent of informational technology have catalyzed a new global economy, rich in international competition in virtually all levels and types of businesses, (Craig & Grant, 1993). A company whose resources and capabilities have always been in a national context is now faced with competitive organizations which stem from vastly different national contexts. Opportunities to tap market prospects outside of the domestic market are also afforded. Both global and multinational strategies are possible with the changing world economy. Managers once focused on domestic competition must make a conceptual shift to a global perspective (Parker, 1996).

**Competition and Competitive Advantage**

Competitive advantage implies that an organization has a distinct and obvious advantage over their competitors (Thompson, 1995). This can be realized by either of two stances: cost leadership or differentiation. In the former, a company offers a quality item or service at less cost to the consumer; in the latter, value warrants a premium price for the product, which customers are willing to pay. Continual innovation and speed in new product development are also both important to sustain competitive advantage in the global economy.

In recent times, a shift from an external to an internal view of an organization has been encouraged, with a subsequent shift of emphasis onto the resources and capabilities of the group and its' members, (Craig and Grant, 1993). Resources are the individual assets within an organization: employee skills, products, technology, reputation, patents, brand names and so on. Capabilities are "what the firm can do: they are the result of resources working together to achieve productive tasks," (p. 49). Careful and deliberate application of capabilities within a strategic plan, can both augment the resource base and create a competitive advantage. Sustainability of this competitive advantage depends on the durability, transferability, and replicability of an organization's resources and capabilities.

Resource-based theory indicates that unique competitive advantages can be facilitated through business alliances, since they help firms to supplement gaps in their resource set, (Hitt, Ricart & Nixon, 1998). A resource-based approach to strategic management, which includes a knowledge-based perspective focuses on the attributes of an organization as the drivers of performance and competitive advantage. Factors such as trust, technology know-how, learning, management skills, product development, and financial requirements all influence the success of strategic alliances within the competitive market. Trust, coupled with reciprocity and forbearance reduces the likelihood of opportunistic behaviors within alliances, and supports the notion of collaborative and cooperative endeavors. Trust arises when both parties perceive that the other is providing expertise relevant to alliance success," (p. 261).

An empowered workforce within an organization is another prime strategic approach to ensure long term success. When achievement is properly recognized, and initiative and success is rewarded, employee responsibility and accountability tends to improve. As well, decentralized decision making often boosts the organizational culture, opening the environment to more innovation and creativity, (Thompson, 1995). Combined with a visionary leader who has gained the trust and support of the workforce, empowered employees are crucial to sustained adaptive strategic initiatives.

Value chain analysis is another strategic tool that facilitates explicit awareness of an organization's competencies, core competencies, and competitive performance (Ambrosini, Johnson & Scholes, 1998). This tool includes a qualitative description of value chains as well as a quantitative assessment of where both value and cost are gained and lost. Strategic financial accounting helps to view business performance, position and potential by analyzing how value is both generated and lost at the business and corporate level. Shareholder value analysis (SVA) entails "...assessing whether strategic developments are likely to result in an increased value for the shareholders," (Ambrosini, Johnson & Scholes, 1998, p. 229). More than just a financial tool, SVA incorporates strategy, marketing, and scenario analysis of the corporate financial picture to gain perception of the corporate value-creating potential.

"Despite formidable entry barriers, firms will try to penetrate mature industries if demand appears attractive or leading firms are enjoying high levels of return on investment (ROI). Rapid growth in demand within otherwise mature markets will attract new entrants. New firms will be attracted to industries where there appear to be opportunities to enter easily and earn acceptable profits. The more attractive candidates for entry would be those industries where growth in demand is outpacing ongoing competitor's abilities to satisfy it (for example, where excess capacity is low). High levels of ROI and growth in demand encourage potential entrants to invest, as would high

levels of industry wide advertising," (Harrigan, 1985, p.18).

## Future Challenges

Schwartz (1991) recommended the use of "scenarios"to prepare for future possibilities within an organization. He suggested using a focus on the future economy as a key point, with factors and major decisions as equal considerations. Rehearsing the implications of a variety of possibilities was the true work of the scenario process. Schwartz (1991) summarized, "Scenario thinking is an art, not a science. Typically, you find yourself moving through the scenario process several times - refining a decision, performing more research, seeking out more key elements, trying on new plots, and rehearsing the implications yet again. You develop a range of two or three potential futures, allowing you to address an array of possibilities and rehearse your response to each," (p.29). Parker (1996) also promoted scenario-based planning to "...think about alternative business strategies and actions when world truth and market definition change occur and to initiate planning in that context," (p.259).

Joyce and Woods (1996) described the strategic manager as a pragmatic strategist, one who can both craft strategy like a master, and do it pragmatically like a scientist. "It entails devising strategy which specifically meet the requirements of the internal social situation as well as the external business situation," (p. 249). Georgantzas and Acer (1995) elaborated that scenario-driven planning - a new management technology can be used to enhance strategy design by continuously renewing organizational mind-sets.

Hussey (1995) projected a description of the business world twenty years into the future. Forces that would impact on the value of strategic choices included: a) the evolving arrangement of nations, with evolving international patterns of political and economic order; b) an increasing global population; c) interdependence amongst global nations; d) socio-political change; e) a move towards alternative energy sources; f) further advancement of science, technology, and space exploration and use; and g) weapons (conventional and nuclear) proliferation. The combination of these factors is predicted to perpetuate a devolution of international power and new global competitiveness, with post-industrial countries serving as role models and leaders. "As firms move from reactive to anticipatory strategic management, the development of technology will also move from reaction to anticipation," (Ansoff & Mc Donnell, 1990, p. 481). A "planning of planning" approach will become more and more common. As theory in strategic management is tested and researched, new tools for strategic interventions and tools will become more theory based. Strategic management will increasingly blend technological and socio-political variables with economic and competitive variables. As well, the building of a capability platform in advance of strategy formation will be common.

## Summary

Successful strategic management requires careful assessment, analysis, implementation and reevaluation of strategical tactics and the results obtained. The leader of the future will inspire organizational members to view their firm through a diversified and discerning lens. Horizontal decisions and collaboration will, hopefully, align the intent and efforts of all parties to create a strategic plan that can sustain and buoy the firm above the chaotic whirlpool created by continual change, unrelenting global competition and sophisticated technological developments. A futuristic outlook focused on a variety of possible scenarios will facilitate careful strategic choices, affording a workable plan for implementation and trial. Satisfied stakeholders, fulfilled employees, and realized strategic goals can be achieved through careful analysis and synthesis of current and future trends in the post-industrial and emerging industrial international milieu. As strategic management becomes more theorized, sound and time-tested approaches will be readily available to managers worldwide. Strategy has become the language of the business and social world, crucial to the survival and evolution of all organizations across the globe. Strategy leads to transformation, a winnowing and gleaning of the old and jaded, and an adoption of techniques

and practices that empower, enliven, and potentiate organizational evolution.

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