He practice and theory of strategy development processes in your chosen organisat...

[Business](), [Organization]()

This sub-task of the essay will address how strategy development processes and implications for the " learning organisation" concept in relation to strategy development are applied in China-based Haier Group (HG) (See the background information on HG in Appendix A). Strategy development processes reflect the ways in which strategy is either formally and consciously developed or emerges as part of a pattern of critical decisions over time (University of Southern Queensland 2009). This task looks at strategic planning which encapsulates the strategy development processes (Lynch 2003). In addition, strategic planning can also be viewed as an organisational learning process (Lynch 2003).

Intended strategy is an expression of desired strategic direction deliberately planned by managers (Johnson, Scholes & Whittington 2008, p. 565). Strategic planning is formally/intentionally developed in HG by first carrying out an SWOT analysis. SWOT is an acronym for the internal resource strengths and weaknesses of an organisation and the external opportunities and threats to the organisation (Stapleton & Thomas 1998, p. 332). A SWOT analysis summarises the key issues from the business environment and the strategic capability of an organisation that are most likely to impact on strategy development (Johnson, Scholes & Whittington 2008, p. 148). Although this model is used, but HG starts strategic planning by first scanning its internal environment to identify internal resource strengths and weaknesses by examining factors such as top management, finance, R&D, purchasing, manufacturing and accounting. This is because HG management believes that internal strengths are the key to ensure long-term success.

According to the prescriptive strategic process model that include the four broad areas set out by Lynch (2003, p. 53), HG's way is consistent with the resource-based theories (See Figure 1) which focus on the internal aspects of the organization as the starting point of strategy development and emphasizes on the strengths of the organization because they are fundamental to any long-term success. Hamel & Prahalad (1998) argued that resources were far more important in delivering competitive advantage, suggesting that the traditional competitive strategy model devised by Porter (1985) with the focus on the product-market positioning underestimates the importance of capability building in the strategy development process.

However, difficulties related with resource-based view can arise from the never-ending capacity to absorb more information, knowledge, capabilities and other resources, but the window of opportunity may close before knowledge and capabilities are built up, and therefore there is a need to balance the conflicting demands of exploration for more knowledge and capabilities and the exploitation of existing knowledge and capabilities (Penrose 1995). Another potential problem is that its devotees emphasize too much on internal learning issues, and therefore neglect changing customer needs externally (Levinthal & March 1993).

Figure 1- The prescriptive strategic process

Due to the problems of just focusing on resource-based view, following internal environment scanning, HG usually scans the external environment, too. External environment scanning in HG focuses on external micro-

environment of the entire industry (i. e. suppliers, marketing intermediaries, customers, competitors and publics) and external macro-environment (i. e. demographic, economic, natural, technological, political and cultural factors) (Porter, 1985). This means although HG emphasizes primarily on the importance of internal resource strengths as the basis of developing strategy, external environment is also examined in order to compete against competitors more effectively by identifying opportunities and threats.

But it cannot be said that HG's way is using profit-maximization/competition-based theories because external environment is still not the first focus (Lynch 2003). The internal aspects of the organisation are the first focus in HG. Or it can be said that HG's way is based on the games-based theories since both analysis of resources and analysis of the external environment are considered as the starting point of strategy development (See Figure 1).

After completing the SWOT analysis by scanning internal and external environment, top management of HG then develops strategic issues and future challenges. During this stage, HG also verifies and develops their strategic vision and mission statement and objectives. This is consistent with the second step of the perspective strategic process (See Figure 1). Mission defines what business the company is in, and vision defines what the company wants to be; both of them are important because they provide the foundation for strategy development (Allison & Kaye, 2005).

Based on the above efforts made by the top management of HG, the strategy development task is then transferred to each divisional department

which is required to prepare a " Strategic plan" in alignment with the organisational-level goals. This is especially true in product divisions (e. g. refrigerator division, air conditioner division) that need to further scan the external environment of the segment. Divisional manager is responsible for the divisional strategic plan after the strategic development training provided by the headquarters. Here, divisions also need to develop strategic options and recommend the best strategy based on their own situations. Strategic choices development is important as it looks at an organisation's future and the way in which it needs to respond to the many pressures and influences (Johnson, Scholes & Whittington 2008).

But division's recommendation may compete for corporate resources (Schermerhorn, Hunt & Osborn 2003). To overcome this problem, the divisional strategic plans are double-checked by top management and integrated into the organization-level strategic plan (if the divisional plan is suitable; otherwise, the division has to revise it based on the suggestion of the top management) which can then be accessed through HG's Intranet by all the employees. Intranet (information systems) is crucial as it enable HG personnel to better carry out their strategic roles day in and day out (Thompson, Strickland & Gamble 2005).

The strategic plan developed by HG also involves annual performance targets and performance appraisal method. Performance is reviewed weekly and monthly by top management and divisional management to check whether or not divisional performance is on the right track (See the entire process in Figure 2). However, fixing a problem may require a large number

of resources, and hence if wrongly judged, may cause great loss to the oranisation's shareholders.

Figure 2- Process of performance monitor and control in HG

(Source: Adapted from HG 2009)

The actual process of strategizing was infinitely more complex than was assumed in the prescriptive process (the intended strategy development process) and that the process is one of experimentation to find the most productive route forward (USQ 2009). Emergent strategy comes about through more everyday routines, activities and processes in organizations that, on the face of it, may not be directly to do with development of strategy but nonetheless can play an important role-" a realized pattern not expressly intended" (Mintzberg 1994) (See Figure 3). HG management also encourages divisions and even employees to develop emergent strategy based on the organisational-level goals.

HG employees are usually learning through the company's Intranet and contribute innovative ideas to develop emergent strategy related to their divisions but such ideas are finally double-checked and judged by the divisional manager and top management. This is innovation and knowledge-based according to the emergent strategy process set out by Lynch (2003, p. 60) (See Figure 4). And in this process, HG's Intranet plays an important part. Whilst the emergent strategies have been deemed to be significantly more effective in dealing with complex and increasingly turbulent business environments, a number of concerns (see Table 1) have retarded their

complete adoption, particularly by larger organisations such as HG (Lynch 2003).

Figure 3-Strategy development routes

(Source: Johnson, Scholes & Whittington 2008)

Figure 4- The emergent strategy process

Table 1- Concerns about the emergent strategic process

Emergent strategy implies that an organization is learning what works in practice (Mintzberg 1994). Stacey (1993) also pointed out that strategic management was a very reactive process, and that organisations are learning entities and their learning cycles are very responsive to the actions taken by competitors and other stakeholders who influence their own strategic choices. Hence the strategic planning process is very much a learning process (Starkey, Tempest & McKinlay, 2004). According to Huber (1991), organizational learning can be defined as the process of knowledge acquisition, information distribution and interpretation, and organizational retention in response to changing circumstances.

A learning organization intentionally builds structures and strategies to promote and maximize organizational learning (Huber 1991). In HG, knowledge and information are obtained by scanning external environment (e. g. competitors, suppliers, customers, etc) during the strategy development process as mentioned above. Information is then distributed and interpreted to divisions and employees through HG's Intranet. In

addition, HG encourages divisions and employees to learn through the Intranet to promote and maximize organizational learning. Organizational learning based on IT networks (e. g. HG's Intranet) can be very effective as they connect related organisational units and helps quickly locate desired information (Schermerhorn, Hunt & Osborn 2003, p. 254).

To sum up, the strategy development processes should look at both formal planning process and emergent strategy process. Formal planning is important to reach realised strategy, but it is usually unrelised or only partially due to reasons such as environment changes after the plan. Hence emergent strategy process becomes of significance to cope with the complex real world. Organizational learning is crucial for the strategy development as the strategic planning process is very much a learning process.

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APPENDIX A: BACKGROUND INFORMATION ON HG

Founded in 1984, Hair Group (HG) is primarily a China-based producer of household appliances, including refrigerators, air conditioners and washing machines. Its headquarters are located in Qingdao, Shandong, China. (Haier, 2010) As of 2008, the company is the fourth largest household appliances manufacturer worldwide with total sales of $17. 8 billion in 2008, up 20. 6% compared with the figure of 2007 (Xinhua News 2009).