

Developments in management and organizational thinking

[Business](#), [Management](#)



Strategy has been defined as " the pattern of organizational moves and managerial approaches used to attain organizational objectives and to pursue the organization's mission" (Thompson and Strickland, 1990). Current models of strategic management can be traced to the way in which strategy it was defined and applied to business (Chandler, 1962): " the determination of the basic long-termgoalsand objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals."

Chandler identified two parts of the strategic process, formulation and implementation, known as strategic management. Thus, strategy refers to the means a firm uses to attain its ends. Fundamental to every firm's mission and competitive strategy is its value strategy. Generically, a value strategy is the pattern of decisions and actions that comprise the firm's overall approach toward providing realizable net value to customers. A value strategy intrinsically involves all parts of a firm's functional and organizational strategies that give value realized by customers or need sacrifices by customers.

As due to excessive competition, firms must have a value strategy that must have completely conceptualized and obviously articulated value as the basis for competing. In fact, numerous firms are more competitor-oriented than customer-oriented. Consequently, many managers are more well-known with their firm's competitive strategy than its strategy for improving customer value. Several inadvertently compromise net customer value either by

producing products/services supposed to be of low quality or by requiring exceptionally high sacrifices of customers.

Paradoxically, the most competitive firms are the customer-oriented, not the competitor-oriented firms. Customer-oriented firms are virtually driven by value-based strategies. Given a defined set of value expectations, a value-based strategy is that pattern of decisions and actions in which managers take accountability for: (1) delivering products/services that provide best net value, and (2) creating strategic suprasystems to develop that value and satisfy the obligations of the enterprise.

Most basically, value-based strategies are customer oriented; business-level strategies aimed at giving best net value. Value-based strategy should not be confused with generic strategy. The basic generic strategies of low cost, differentiation, and focus (Porter, 1980) are the three most extreme examples of producer based, value-added strategies (Porter, 1985), but they are not customer value-based strategies. Each of the three is more competitor-oriented than customer-oriented. Each strategy can be pursued with no assertion of providing best net value.

While low cost and differentiation are typically seen as mutually exclusive (Porter, 1985), a value-based strategy may need and achieve both. Since many customers now count time rather than dollar cost as their most precious asset, a high-quality strategy gives little competitive advantage unless it is paired with low cost (i. e. , low price and/or sacrifice reduction). Similarly, low-cost/price strategies can also fail if they are not complemented with quality supposed to be of sufficient value.

The synergistic combination of low cost and differentiation that can come with a value-based strategy is a direct effect of managing critical systems that put in to value. As the globalizing world is shifting the nature and needs of organizations by requiring them to be more quickly responsive to developing circumstances. The corporate planners of the 1960s and 1970s were much concerned with issues such as the market and macroeconomic environment, the product portfolio, and the product life cycle. All of these underline characteristics of industry or sector and market.

They leaned to underplay the role of competitors and competitive behavior in influencing outcomes (Ghoshal and Westrey 1993). certainly, it is still common to see plans which base output growth on forecasts of the market, or to view industries in which each individual firm extrapolates its own experience to give generally results which everyone knows are inept of realization. Having reviewed the business environment and its competitive position, the firm should go on to make its strategy rather go for old strategy.

The rationalist school sees the definition of the objectives of the firm as the key constituent in strategy formulation. That view, which owes much to the continuing influence of Drucker on management thinking, is in itself comparatively uncontroversial, but the subject of substantial operational difficulty. There are two distinct historical phases in the development of thought on corporate strategy. Until the early 1980s, the primary aim of corporate strategy was the formation of a diversified business portfolio.

Such a portfolio might include related diversification--motivated by synergy between old and new businesses and unrelated diversification supported by portfolio planning techniques. But by the early 1980s, evidence had accrued that unrelated diversification added little value and several of the conglomerates created in these earlier decades had succumbed to financial pressures. In using old strategies by formulating new ways led firms to focus on the critical importance of market share.

Emphasis on competitive issues, the choice market position was seen as a central element in strategic decision-making. Quality, it was professed, had been a key ingredient in Japanese success. Over time most markets moved up the quality spectrum. With the aid of phrases such as 'quality is free' (Crosby, 1979) 'total quality management' became a preoccupation of the later 1980s. Many authors offered taxonomies of generic strategies--checklists from which corporations could choose the majority relevant objectives for particular markets.

One early list was proposed by Ansoff (1965), who recognized market penetration, product development, market development, and diversification as alternative strategic objectives. The Boston Consulting Group's alternatives are invest, hold, harvest, divest, and Arthur D. Little offers a list of no less than twenty-four strategic options (Jackson, Hitt, DeNisi, 2003). Porter (1980) taxonomy of generic strategies proved particularly influential. Porter's (1980) 'five forces'--of competition, entry, substitution, suppliers, and customers--offered a more comprehensive checklist of environmental factors (Porter, 1980).

Moreover, In Porter's framework there are two dimensions of choice. Firms can trail either costleadership--the same product as competitors but at lower cost--or differentiation. They can range hardly, or broadly, thus generating a range of alternatives encompassing cost leadership, differentiation, and focus. Today, a debate on the content of the corporate mission is a widespread starting-point for a discussion of strategy. Such a statement can cover objectives in both corporate and business strategy.

The mission statement is planned to provide a link between the broad objectives of the firm (which may focus exclusively on profit maximization, or may state concern for other stakeholders) and its specific commercial activities. A rather diverse critique of these processes of rationalist strategy formulation--yet one still very much within the rationalist framework--is given by the shareholder value movement. As with numerous shifts in thinking about strategy, this is found more or less simultaneously in the thinking of practitioners and the writings of business school academics.

American business was stunned by the emergence of a group of corporate raiders. Figures like T. Boone Pickens and the partners of Kohlberg Kravis Roberts, with little in the way of resources of their own, but with the aid of the 'junk bond' financing pioneered by Michael Milken, could make convincing bids for some of the largest corporations in the United States. This threat to incumbent managers led to apprehensive re-emphasis on major companies' concerns for 'shareholder value'.

Academics (Day, Georges, and Robin Wensley 1988) were led to explicate and justify it, providing both a critique of accounting earnings as a focus of

corporate attention and a rationale of the public benefits of restricted focus on the interests of shareholders. The most significant practical consequence of this activity was to give further impulsion to the break-up of conglomerate firms. The grouping of discrete businesses tended, it was argued, to conceal the potential strategic value of individual mechanism to specific purchasers.

That message for corporate strategy was obvious, but for business strategy shareholder value had few clear implications. Proponents stressed the need to evaluate investment and acquisitions by reference to their probable cash flows--but this is a theme familiar from every elementary text in corporate finance--and texts on strategy in a shareholder value framework (Weinrauch, Donald 1986) do no more than juxtapose Rappaport's critique with Porter's taxonomies of competitive forces and generic strategies.

The new way of this strategy spectrum is that the state of the art in rationalist strategy can entail the formulation of a statement of company objectives, often summarized in a 'mission statement' and encompassing both corporate strategic objectives--what sort of business are we in--with business strategic objectives--expressed in terms of plans for market share, product quality, and geographical scope. It is not astounding that attention is moving from the problems of formulating strategy to issues of implementation.

The idea that successful strategies are often opportunistic and adaptive, rather than calculated and planned, is a view as old as the subject of business strategy itself. The adaptive strategies of reacting to the seasonal fluctuations of demand are actually important. The operations manager

should try to accommodate whatever seasonality remains as cheaply as possible. Each type of adaptive strategy will acquire costs beyond what the company could achieve if demand were smooth.

Thus, it is up to the operations manager to get the strategy or mix of strategies that will diminish this extra cost. One strategy for accepting the seasonal demands is just to ignore them and to produce at a constant rate throughout the year. By maintaining a balanced labor force, the company will help to sustain good relations with organized labor and will also ease the burdens of the personnel department. At the same time, short-term production planning and supervisory loads will be reduced as compared to a continually changing schedule. These effects will show up as real cost savings.

On the other hand, maintaining a constant production in the face of fluctuating demands means that these fluctuations should be absorbed by inventory. That is, when demands are low, inventory stock will build up. As demands increase, inventories will be used up and can even run into a stock out or back order situation. Large buildups of inventory can sprain building capacities and can cause significant extra costs. But it is clear that there are costs associated with physically storing and handling inventory, as well as the more restrained opportunity costs of holding inventory.

At the same time, there are costs linked with running out of inventory. While difficult to measure, the costs linked with dissatisfied customers, extra paperwork on back orders, and the interruption of schedules for catch-up work are quite real. The opposite approach would be to try to match the

fluctuating demand by changeable production. There are numerous ways a company might do this. Probably the least disruptive would be for the workers to work overtime throughout heavy demand periods.

In some situations workers can be eager to earn extramoney; in others they may prefer not to work any overtime. If the company is unionized, the union can have the power to help determine the amount of overtime allowable. In any case, if a company uses an overtime strategy, it will have to pay an overtime bonus, and productivity can not be as good as usual because of such factors as fatigue. Similarly, in several operations systems it may be possible to work under time (shorter work weeks or forced unpaid vacations) when demand is lower.

However, most workers would oppose having to work less and receive less pay. Some might quit in order finding steadier work. Another method of varying production would be hiring and lying off workers as desired. Here again, though, there are extra costs involved. The progression of selecting and training workers is costly, and their productivity can not be as good as experienced workers for a while. Also, when a worker is laid off, there are usually benefits that must be paid, as well as the less tangible chilling effect on labor relations.

Thus, despite the use of strategic management process and content models, numerous managers fail to maintain or develop their firm's competitive position. The new globally competitive framework requires using old strategies by formulating them accordingly. As " Knowledge-intensive firms compete differently - they fight vigorously to win the best experts and best

projects, but thereafter cooperate with their rivals. " (Norman Sheehan) Jenster (1987) introduced a strategy planning and strategic control process that is firmly integrated with the firm's information system.

The new way is used for developing, monitoring and assimilating critical information into effective strategic management decision support that is CSFs (critical success factors) that clearly and briefly communicate critical elements of the strategy to members of the organization. More significant, the CSFs direct the attention of key managers to focus on the vital premises of the firm's strategy. Shriberg et al. (1997) described how the BPM method can be used as a tool for strategy execution.

This technique describes CSFs as the primary step towards strategic execution. These few factors should be executed with excellence to gain and protract competitive advantage. Once CSFs (or driving forces or core competencies) have been identified, the next step in BPM is to widen performance measures for the CSFs. CSFs specify to the firm what has to be done to attain goals. Performance measures determine how well the firm should perform and whether it has been successful. Lots of authors suggest that CSFs can be used in an organization's planning function.

Additionally, they can be used in increasing strategic plans, implementing a plan, helping managers attain high performance, managing resources and monitoring a corporation's activities (Ferguson and Dickinson1984). The motivating force behind world economic growth has changed. Consequently, the key success factor for various firms is maximizing strategic means. Rather than price and quality, formulating strategies in new ways has

become the dominant. As a strategy itself provides the most sustainable long-term competitive advantage.

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