

Report: what drove amazons growth – a prescriptive or emergent strategy



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1- Introduction

According to Chandler (1962) (cited in Mazzucato, 2002), “ Strategy is the determination of the basic, long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for those goals”. Indeed Bracker (1980) (cited in Mazzucato, 2002) traces the historical[1]connection about the notion of strategy.

According to Lynch (2006) there are two different approaches to develop the corporate strategy as shown in the figure 1 below;

Figure 1: Source; Lynch (2006)

1. 1 – The Prescriptive Approach

According to this approach[2]corporate strategy is a linear and rational process, starting with “ where-we-are-now” approach and then designing future strategies (Lynch, 2006)

1. 2 – The Emergent Approach

According to this approach[3]corporate strategy emerges, adapting to human needs and continue to develop overtime. As it is evolving continuously and incrementally so it cannot be summarised in a plan to be implemented (Lynch, 2006)

As shown in figure 1 above, the prescriptive approach takes the view that the three core areas[4]are linked together sequentially. However, the emergent approach considers that the three core areas are essentially interrelated.

1.3 – Comparison of the Prescriptive & Emergent Approaches

According to Lynch (2006) the vision, mission and objectives are accepted by both approaches but then in the emergent approach there is no clear distinction between strategy development and implementation stages[5].

However, in prescriptive approach formal consideration of the options available to gain the agreed objectives which is then followed by the rational selection from the options as per the identified criteria[6].

1.3.1 – Prescriptive Strategic Planning – Critique

Lynch (2006) describes that in 1978-79 Spillers (a group of many operating companies) adapted a strategic planning process under the directions of a consulting firm. The prescriptive approach was beneficial[7]to the company but delayed planning caused failure.

According to Lynch (2006) modern strategic theorists[8]such as Professor Michael E. Porter suggests that only sustainable competitive advantage and competitors in the market help formulate a successful strategy. Lynch (2006) suggests that individuals are capable of making rationale decisions but motivated mostly by maximising their profits in any situation[9].

The prescriptive strategic process is based on a scientific method[10]and people follow rationale decisions. Author understands that prescriptive strategic approach is accepted usually by risk aversive people.

Literature reveals (Lynch, 2006) that some analysts like Professor Henry Mintzberg suggest that prescriptive approach is based usually on dangerous assumptions[11]which are not always correct[12].

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In summary 1970s was the era when prescriptive strategy was particularly strong tool in the corporate sector. Then generic strategies were introduced in 1980s.

1. 3. 2 – The Emergent Strategic Planning – Critique

Lynch (2006) suggests that emergent strategy's final objective is unclear and its elements are developed during its course of life and it emerges according to human needs and wants.

Literature reveals (Lynch, 2006) that people issues, a major aspect, make the corporate strategy a complex process which should be emerged with changing scenarios to achieve sustainable competitive advantage and growth[13].

Literature also reveals (Lynch, 2006) that Virgin group started with nothing in 1968 and pursued opportunistic strategies[14]under dynamic leadership with an aim to search market opportunities to grow.

Lynch (2006) also explains that some companies' goal is profitability-a long-term objective and these companies have to consider the external environment[15].

Author understands that such environmental-based strategies are prescriptive in which a company follows scientific decision making process while emergent strategies are usually adopted by those companies who have the courage to sacrifice short-term profits but pursue long-term sustainable competitive advantage.

2. 0 – Amazon. com

Literature reveals that (Ram, 2009) Amazon. com is keen with vehemence to serve consumers/customers and shareholders alike. This means that Amazon. com's strategy is customer focused and does not revolve around the profitability only. By comparing at this stage with the Virgin's strategy development process, Amazon. com appears to develop a competitive strategy in order to compete with the market for long-term growth.

Literature reveals (Ram, 2009) that Amazon. com became a multinational king in the internet retail sector just in 15 years though it started as a " dot-com" mushrooming business.

2. 1 – Historical Facts

Ram (2009) suggests that Jeff Bezos[16] dreamed about books. Then to covert the dream into a reality Jeff Bezos created Amazon. com Inc. and named it " Earth's Biggest Bookstore". In 1995 the company went online with an expansion of businesses[17]. As books were only the starting point, the tagline soon became " Earth's Largest Selection". In 1997 the company went public.

Literature reveals (Ram, 2009) that the first letter of Amazon. com's chief told company policy[18]to the shareholders. This policy reflects that like Virgin Group Amazon. com's chief led the organisation since its infancy and gave a vision (dream). Company chief sacrificed profit for initial few years but then company grew with 1. 4 million customers online in just 2 years.

According to Robbins and Sanghi (2006) level five leaders build the organisations through their vision and leadership skills. The same concept

has been observed in the Virgin Group and Amazon. com's strategies as <https://assignbuster.com/report-what-drove-amazons-growth-a-prescriptive-or-emergent-strategy/>

described above. Ram (2009) also explains that Amazon. com has achieved marvelous growth[19].

2. 2 – Amazon. com’s Business Philosophy

Ram (2009) explains that along with its massive growth, Amazon. com follows the customer focused approach[20]. Amazon. com’s mission[21]also reflects this. Ram (2009) also states the importance of the 6 core values[22]of Amazon. com in its growth.

2. 3 – Multiple Marketing Strategies

Amazon. com bases its marketing subterfuge on 6 pillars[23]. Literature reveals (Ram, 2009) some important strategies[24]of Amazon. com as under;

2. 3. 1 – Pay/Click Advertising[25]

This is typical Amazon. com’s strategy[26]. This strategy without any big banners, loud colours or pristine men just through a web page leads thousands to Amazon. com (Ram, 2009).

2. 3. 2 – Incessant Website Development

Ram (2009) suggests that Amazon. com invest to identify[27]customers’ issues. According to Ram (2009) Rob Enderle, head analyst at Enderle Group, states that “ Amazon. com has always been very aggressive about analysing its website’s traffic to a high degree and making modifications based on what they see.” According to a study of 2001e-commerce sites, Amazon. com[28]scored 65% higher than the average of the 19 sites’ usability.

However, Amazon. com had to apologise its customers for underhanded differential pricing of its services/products and discontinued the project.

2. 3. 3 – Offline Advertising/Promotion

According to Ram (2009) Amazon. com’s strategy is very simple; “ As customers/consumers shop online, so online is where they will be found”.

Online marketing ads are 10 times more effective than TV or billboard ads.

Amazon. com reduced its offline advertising gradually from \$80 million in 1999 4th quarter to \$9. 4 million only in August 2009.

2. 3. 4 – Aerodynamic Ordering Process

Amazon. com has developed technology to allow the customers/consumers to better navigate and explore online mall. Ram (2009) states that any item with a very low price can be found on Amazaon. com as company has made it very simple for the customers/consumers to buy things with a simple click of the mouse.

2. 3. 5 – Partnerships and Web Services

Ram (2009) also states that Amazon. com develops partnerships with other players in the market. In addition to managing its own websites, Amazon also hosts and manages websites of some of the top retailers[29]. Amazon. com is also providing many free services[30]which create reliable, scalable and economical computing platform which can transform a small business’s online presence.

2. 3. 6 – Affiliate Marketing

Literature reveals (Ram, 2009) that Amazon. com first developed affiliates in the market and allowed third-party associates to list their own products on Amazon. com. Associates receive a fee for every visitor to Amazon. com i-e, directed through their links and get additional commissions if the visitor/customer purchases the product. Then later Amazon. com terminated the referral commissions and this change in the strategy (emerged with learning) resulted into joining of 1 million associates with Amazon. com and around 40% of its sales result from its affiliate marketing programme. The programme is expanding and in 2007 1. 3 million sellers were reported through Amazon. com www sites.

2. 3. 7 – The Customer's/Consumer's Opinion

Amazon. com priority is customers' needs and wants. Customers' review and requirements are part of its core strategy (Ram, 2009).

2. 3. 8 – E-mail Marketing

Ram (2009) tells that Amazon. com follows permission marketing[31].

2. 3. 9 – Customer Service

Chief of Amazon. com labels customer service as the goal of the corporate/business and calls Amazon. com as “ The most consumer-centric company”.

3. 0 – Analysis & Discussion

As described earlier vision, mission and leadership are common elements of both prescriptive and emergent strategies. However, objectives are usually

not well-defined in the emergent approach. Rather emergent strategies shape according to the circumstances and environmental factors.

From literature (Ram, 2009) it is evident that Amazon. com like every business (such as Virgin Group[32]), started as a usual company for profit and growth. But the vision of its chief and dynamic leadership helped the company understand market dynamics. This is also reflected by the fact that Amazon. com has adapted multiple market strategies. The company is customer focused and this factor forces the business to learn changing customers' needs and wants and then change strategies accordingly which results into an emergent strategic approach[33].

According to Fruhling and Digman (2000), one way to penetrate market is novelty and ease of buying online. An example is Amazon. com. Because of its innovativeness and early entrance in full service online book ordering dot-com business, Amazon. com has a strategic advantage. As described earlier Amazon. com learnt its strategies with experience and adopted multiple strategies which emerged over time.

Fruhling and Digman (2000) also suggest that Amazon. com is an example of how an upstart business can redefine its whole industry. It leads its competitors and insists them to rethink about whether the conventional advantages will flourish in technology revolutionised economy.

Fruhling and Digman (2000) explain that Amazon. com has a differentiating strategy by redefining retailing and using intelligent information. Amazon. com is tailoring its services to each customer/consumer by developing profile of the customer and then communicating related information to the
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customer. As described in section 1. 2 above, emergent strategy develops by adapting the human needs over time. This is also reflected by the customer focused strategy development process at Amazon. com (section 2. 3. 7). Also emergent strategy continues to develop over time (section 2. 3. 2). Amazon. com has a continuous process of developing its websites services.

Fruhling and Digman (2000) suggest that in physical retailing most important thing is location while in internet retailing most important thing is technology. Amazon. com is a retailer as well as a technology company according to its chief executive officer. Businesses require to critically analyse the value/supply chain for possible growth opportunities using technology. This is what Amazon. com is practicing, too.

Ranganathan and Ganapathy (2002) suggest key steps[34]in developing e-business strategy. As described in section 2. 3. 5, Amazon. com has approached these steps in its strategy development process. As a result Amazon. com succeeded.

As described in section 1. 3. 2 above, the elements of emergent strategy develops during its course of time. Similar reflection has been observed by the author in the sections 2. 3. 1 to 2. 3. 9 where it is evident that Amazon. com gradually developed these all marketing strategies over time like Amazon. com changes its underhanded differential pricing strategy (section 2. 3. 2) and also Amazon. con terminated the referral commissions and changed its strategy which resulted in fast growth (section 2. 3. 6). These examples reflect that Amazon. com’s strategies emerged gradually with learning and market development over time.

As described in section 1. 3. 2 companies with emergent strategies sacrifice short-term profits. Similar case has been observed in Amazon. com. Amazon. com strategies emerge like web site development is a continuous process in Amazon. com and emergent strategies evolve continuously and incrementally as stated in section 1. 2.

4. 0 – Conclusion

Though like every business Amazon. com started with a prescriptive approach but it learnt in its infancy that changing market dynamics are the key drivers which shape the strategy and define the final objectives and sustainable growth. Assumptions regarding objectives and stagnant market conditions may create failure. Amazon. com switched over to an emergent approach which resulted in superb sustainable growth.

5. 0 – Recommendations

Businesses should adopt an emergent approach in strategy development process because an emergent approach is not only based on the experience rather it involves corrective measures during the strategy formulation. Also emergent approach help set the right business objectives by considering market dynamics. Prescriptive approach is obsolete now as this is an old concept.