The benefits and weaknesses of approaches

This report is to assess the benefits and weaknesses of prescriptive and emergent approaches for devising strategy in modern organisations. While these two approaches are seen to be mutually exclusive ways of achieving strategic management, it is argued that strategic management, as a discipline, is often replete with fads and fashions, which create difficulties for managers in knowing how to proceed in the affairs of their organisation.

To begin with, Johnson and Scholes (1999) defined strategy as the direction and scope of an organisation over the long term which achieves advantage for the organisation through its configuration of resources within a changing environment to meet the needs of markets and to fulfil stakeholder expectations. Rollinson (2008) further stated that strategies are strongly influenced by the environment of an organisation. It is suggested that the strategies also include considerations about things internal to the organisation and involve choices about structure, technology and a host of other factors. It is recommended (Johnson and Scholes, 1999; Lynch, 2009) that the two named approaches must be examined under the increasingly dynamic, highly competitive and global business environment. External forces are driving organisations to reduce costs, enhance processes and identify new opportunities for growth.

Many businesses are compelled to make dramatic improvements not only to compete and prosper but also merely to survive. This brings to the fore the importance of determining how effectively the prescriptive and emergent approaches can meet the needs of current businesses when formulating strategy. Moreover, it is always debating that whether competitive advantage stems primarily from the competitive position of the business in its industry or from business-specific core competencies (Evans et al, 2003).

By these contexts, further evaluations of the two named approaches are developed in the following report.

Prescriptive approach

According to Lynch (2009), a prescriptive strategy is " one where the objective has been defined in advance and the main elements have been developed before the strategy commences". Evans et al. (2007) considered that the prescriptive approach views the formulation and implementation of strategic management as a logical, rational and systematic process.

That is to say, systematic planning makes it possible to organise complex activities and information, unite business objectives, set targets against which performance can be evaluated and generally increases the degree of control which can be exercised over the operation of the business (Evans et al., 2003). The prescriptive approach is similar to the military strategy. For instance, the early Chinese military historical writings of Sun Tzu – The Art of War, which is widely studied by many organisations, parties and groups in different fields around the world. It is known (Beirne and Maynard, 2005) that The Art of War has had an influence on Eastern and even Western military thinking, business tactics, and beyond, such as Napoleon, Henry Kissinger, Lee Iacocca, basketball coach Pat Riley, and lawyer Gerry Spence, some leading persons in their knowledge fields, along with other hundreds of American businessmen, litigators, marketers, and PR professionals. Two millennium ago, Sun Tzu (Griffith, 1971) suggested that the importance of positioning in strategy and that position is affected both by objective conditions in the physical environment and the subjective opinions of competitive actors in that environment. He considered that strategy was not planning in the sense of working through an established list, but rather that it requires quick and appropriate responses to changing conditions. Planning works in a controlled environment, but in a changing environment, competing plans collide, creating unexpected situations. Sun Tzu (Griffith, 1971) stated:

“ Know the other and know yourself:

Triumph without peril.

Know Nature and the Situation:

Triumph completely.”

The key strategic principles suggested by Lynch (2009) in modern days are:

“ Prescriptive strategy begins with an analysis of the competitive environment and the competitive resources of the organisation. The purpose or objective of the strategy is then identified.

The objective may be adjusted if the environment or other circumstances change.

To test for prescriptive strategy, it is useful to examine whether a clearly defined, main objective has been identified.

The advantages of the prescriptive process include the overview it provides; the comparison with objectives; the summary of the demands made on resources; the picture of the choices to be made; and the ability to monitor what has been agreed.”

The tools and techniques that apply to prescriptive approach are the Porter’s Five Forces and Value Chain Analysis. Porter’s Five Forces are for analysing industry and Value Chain Analysis highlights the existing capabilities as a solid basis for competitive advantage (Johnson and Scholes, 1999). Porter’s Five Forces Model is based upon his theory that the intensity of competition among firms varies widely across industries (David, 2006). As shown in Figure 1, the Five Forces Model

Figure 1, Porter’s Five Forces Model

illustrates the nature of competitiveness in a given industry as a composite of the rivalry among competing firms, the potential entry of new competitors, the potential development of substitute products, the bargaining power of suppliers and the bargaining power of customers. The Five Forces Model of competitive analysis is widely used approach for developing strategies in many industries, however, the model has been criticised for its assumption of a perfect competitive market (Aaker, 1992; Winfield, et al., 2004; Lynch, 2009). Winfield and other writers (2004) further pointed out that the analysis has ignored the human resource aspect of strategy such as the management skills and the culture aspect of corporate strategy. Besides Five Forces Model, the other prescriptive approach tool Value Chain analysis provides an

Figure 2. Value Chain Analysis

in-depth understanding of the way in which resources are developed to achieve competitive advantage for identifying ways to create more customer value (Winfiled et al., 2004; Saunders et al., 2008). Figure 2 illustrates the basic idea of Value Chain Analysis and it suggests that activities must be examined separately in order to identify sources of competitive advantage (Winfield, et al., 2004). By adapting this analysis, Nestlé (2010), one of the leading nutrition and foods companies in the world, recognised each step in the value chain could have harmful consequences if not managed properly. For example, without sustainable agricultural practices the natural resources of farms worldwide might be damaged. By embedding corporate responsibility in its business practices in this way, like launching Nestlé Corporate Business Principles, which the company claimed that they " will continue to evolve and adapt to a changing world" and " reflects the basic ideas of fairness, honesty, and a general concern for people (Nestlé, 2010)", Nestlé is able to contribute positively to societies across the globe. Saunders and other writers (2008) emphasised Value Chain Analysis for its role in understanding competitive advantage and stated out that it cannot be understood by looking at an organisation as a whole, which leads to the major problem towards this analysis. Lynch (2009) argued that Value Chain seems works only to explore existing linkages and value-added areas within the existing structure of the business. Hamel and Prahalad (1996) supported the argument and suggested that revolution in management sector is required rather than to create the future.

Ansoff is one of theorists that frequently referred to by strategists, especially in the context of prescriptive approach. Ansoff (Baker, 2001) believes that it is essential to systematically anticipate future environmental challenges to an organisation in developing strategy and draw up appropriate strategic plans for responding to these challenges. The thought is the logical analytical approach allows those ' well-planning' companies to devise predictive and pre-emptive strategies from which they can meet new opportunities head on. For instance, in 1995 EasyJet introduced low cost flights to take advantage of a more cost-conscious European Market (easyJet, 2010). What is more, prescriptive approach enables companies to organise complex activities and exercise in control over different business units in a greater degree. For example, Tesco has seceded in achieving consistent growth and profit in its UK core business, retail service, non-food and international sectors over recent years (Accountancy Age, 2006). It was reported that its ' breathtaking performance' is as a result of its well defined long-term goals and clear boundaries for all their business activities. Ansoff (Baker, 2001) suggests that a firm needs direction and focus in its search for and creation of opportunities and the fact that it is to the advantage of the firm to seek entries with strong synergistic potential. In other words, strategy is emphasised on existing capability strengths to define itself and optimise its position, especially at a time of economic turbulence. For example, Motorola has successfully met the needs of emerging markets by using its fundamental technological strengths in electronic components to progress from supplying TVs and car radios to offering telecommunications services (Rich, 2006).

However, the prescriptive approach is often criticised to be highly discrepant between planned and real strategies within the business environment which there are increasing turbulence and chaos (Evans et al., 2003). As some writers believe that rigid plans prevent the flexibility which is required in an environment volatile change (Karami, 2007). Although Tesco is running outstanding, it won the sponsorship to England football team during the World Cup 2010 as the official food supplier (The Guardian, 2010), yet the finance and strategy director of Tesco Higginson (Accountancy Age, 2006) claimed that rules-based approaches the one-size-fits-all mentality is not always appropriate. Mintzberg (2000) criticised the prescriptive approach by highlighting that the actual strategy tends to be only 10 to 30 percent of the planned strategy. He pointed out that the theories of Ansoff are mostly based upon events can be predicted, such as the introduction of new legal regulations or technologies, and this would somehow force the original strategy off its course.

Emergent approach

Evans et al. (2003) believed that the emergent view of strategy adopts the position that strategy must be evolved incrementally over time, which is based in rapidly changing environments. It is demonstrated that under such circumstances, strategy will tend to evolve as a result of the interaction between stakeholder groups and between the business and its environment. Emergent approach has the advantage of increased organisational flexibility. It can form a basis in organisational learning and can provide an internal culture for managers to think and act creatively rather than have to act within the rigid framework of deliberate strategy. Goldschmidt and other writers (2003) characterised emergent approach as a ‘ learning by do’ process. Mintzberg (2000) defined ‘ strategy’ as a ‘ pattern’ and believes that strategies can be unplanned instead of meeting a premeditated plan in a changing reality. In some points of view (Lynch, 2009), change sometimes mean the whole process of developing the strategy as it involves experimentation, learning and consultation for those involved during the change. Hence, the thought of formulation of strategy is running parallel to implementation and managers at multiple organisational levels have a key input into the actual strategies pursued by the organisation.

An emergent approach is thought to be more creative and responsive strategy making that well suited to the hyper-competitive and unpredictable environments of today (Mintzberg, 2000; Burnes, 2004; David, 2006). Rollinson (2008) and Burnes (2004) view the continuous and dynamic ‘ change’ as an emergent process of experimentation and adaptation which is searching for ways that is able to cope with the exigencies of the uncertain environment. It can be said that the idea of emergent approach is there is not such routines for organisations to plan for the future. Hamel and Prahalad (1996) found that the most successful firms in the world such as Microsoft and Apple Macintosh do not always stick to their stated mission, goals and objectives or the predetermined plan.

In contrast with the prescriptive approach which focuses on creating a framework between established strengths and emerging opportunities, the emergent approach focuses on five organisational features during the change process, which is organisational structure, organisational culture, management behaviour, patterns of power and politics, and organisational learning (Burnes, 2004). Hence, it is more suited to instigating positive, transformational organisational change such as diversification or restructuring. It also has the added benefit of helping to reduce resistance to change as it allows time to build employee support while the strategy is taking shape. Lynch (2009) pointed out that there is no one single approach within emergent approach. Some emphasise the need for responsiveness in an increasingly turbulent world. Others concentrate on the longer-term need to change an organisational skill, style and operating culture fundamentally and over long time periods. It can be said that emergent approach to organisational change is more concerned with change readiness and change facilitation with specific pre-planned steps for particular change projects and initiatives (Pasmore, 2009).

Campbell et al. (2002) argued that the danger of the emergent approach is the possible result in a lack of purpose in strategy and it can make it difficult to evaluate performance. On another negative note, when formulation and implementation of strategy occurs simultaneously there is a risk that strategy development becomes too slow and jumbled a process. Burnes (2004) considered that emergent approach sometimes can be an ' afterthought'. This means that valuable opportunities may be missed along the way. Moreover, conflicting objectives from different departments can hinder strategy development, particularly when there are power shifts taking place during a major strategic change such as a merger (Pasmore, 2009). Without strict analysis and identifiable targets, objectives can be lack of clarity and there may be no real basis for evaluating performance. Therefore, it was pointed out by Brews and Hunt (1999) that an over-reliance on emergent strategy formation could result in underperformance.

Conclusion

Performing in the increasingly unpredictable and complex business environment, many organisations are forced to be more flexible and adaptive to change. In practice, the strategies of most companies are probably a combination of the prescriptive and the emergent (Hill and Jones, 2009). Campbell et al. (2002) stated that the prescriptive and emergent approaches are often presented as being diametrically opposed, which is by the reason of that the approaches are in many ways complementary as they present different perspectives of the same situation. Therefore, Campbell et al. (2002) suggested that strategy must be both inward- and outward-looking, planned and emergent. This supports the adoption of an emergent approach to strategy development which invokes a more intelligent capacity to respond to new opportunities.

In conclusion, Quinn (1998) stated that these two approaches can reinforce each other, that is to say, a greater use of strategic planning tools for internal and external analysis would in some ways improve organisational learning and enhances strategic thinking even while following an emergent approach.