

The origins of the strategy



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This domain has quickly evolved for the company in the same way: to reach the objectives. The corporate strategy today involved the specification over long term goals and objectives that will create add value. Every aspects of the organization have his own function (people, finances, productions, and environment).

A corporate strategy is driven by the company's goal which can be several purposes: for example provide works to his employees, distribute a dividend to the stakeholders or give a wider range of products to the customers.

The goal of any strategy, according to Porter, is to create a competitive advantage. In other words, a strategy would create an advantage regards as his competitors (low cost, differentiation....) and to create value for the customers.

“ Corporate Strategy is the pattern of mayor objectives, purposes or goals and essential policies or plans for achieving those goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be” Lynch, 1997.

Another role given to the corporate strategy is to make the link between the internal management of the organization's resources and the external relation between the different actors (suppliers, customers, competitors, economic environment...)

Today, two of the mains routes of corporate strategy are the Emergent and Prescriptive strategies. In the past, only the prescriptive strategy was used; but several environmental modifications (like oil price growing) have created

and developed more incertitude for companies with this planned approach. Thus, the emergence strategy appears.

These two strategies are going to be discussed and developed through this report. After that, I will explain with a relevant example, Maersk Line.

PARLER COMPETITIVE ADVANTAGE

The Prescriptive Strategy

PRESCRIPTIVE

According to Lynch, “ a prescriptive is one where the objective has been defined in advance and the main elements have been developed before the strategy commences.” (Corporate Strategy, Lynch, 2000, p. 52).

The prescriptive strategy involves a tight supervision of all the planning process by the top of the management. For example, the top management expresses its initial requirements and issues broad guidelines to the lower levels of the organisations, which are then, translate into concrete action plans. The head quarter, through careful analysis would think about how the resources are going to be coordinated and redistributed among the business. (Corporate Strategy, Roger Bennett, 1999, p. 356). So, the strategy would be developed into a linear system where everything is known. From the start to go, (where are we now), to the final objective.

The prescriptive approach process is divided in 3 steps:

Strategic Analysis – Strategic Development – Strategic Implementation

f These 3 steps are clearly separated:

The strategy would be developed according to the environment and the resources of the company (macroeconomic, political....) on an agreed objective.

Porter and Ansoff argue that the maximisation of the return on the capital is one of the main aims in a company. All the strategy will start from this point. The company will reconsider its missions/objectives if something would change and then works on all the options that the company will develop. But, before that the strategy commences. The company will select option(s) against the likelihood of achieving objective. To find the strategic route to reach the objectives will come out of the rational selection.

His development would be done according:

Consistency of the objectives

Financial f do we have the resources?

Suitability f how the options match with environment? (SWOT Analysis cf. Andrews)

Validity f is the strategy logical and reasonable?

Feasibility f do we have the environment to implement the options?

Risks f are they important?

Does it follow the stakeholders' expectations?

These essentials 7 points show that the evaluation is very important in the development process.

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The implementation of the strategy will be the final step according to the chosen strategy option.

“ Everything is going to be defined before than the company enters the market”

(Corporate Strategy, 2006, Lynch, p. 54-55)

Here an example of prescriptive strategy

Sources: <http://www.global-strategy.net/categories/Strategicmanagement>

Advantages

Complete overview of the organisation

There is a possibility to compare all the objectives.

Clear picture of different choices that the company can use regards to the resources.

The organisation has the possibility to observe the agreed plan as it is implemented. As well, the progression can be evaluated.

Source: (Corporate Strategy, 2006, Lynch)

Disadvantages & Difficulties

According to Mintzberg and Porter, there is no possibility to predict the future enough accurately to make rational and realistic choices. If the desire to organise the strategy is too developed, the creativity potential of the company and its members can be choked. (Strategy Safari, p58)

Define the long term strategy would not be possible.

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The strategies proposed present a logical and a capability to be managed in the way proposed. As well, to control all the variables can be a really difficult work.

It tends to favour a centralization and concentration of decision making at senior management. Only the chief executive has the power of the decision between all the options. Nobody needs to persuade him on his decision. This can lead to a bad decision.

It presents some very simplistic actions as the implementation phase that is separate and distinctive and only comes after than a strategy has been approved.

Planning can be a source of strength and become a major obstacle for the flexibility and adaptability of the enterprise and thereby harm the development of innovative ideas.

Haut du formulaire

Source: (Corporate Strategy, 2006, Lynch)

The emergent strategy

EMERGENT

Lynch says that an emergent strategy is a strategy whose final objective is unclear and whose elements are developed during the course of its life, as a strategy proceeds. A strategy emerges and adapts her-self to the environment and the humans' needs. This idea is one of the fundamental lines of the emergent strategy. Nevertheless, it has to be noted that there

are an important number of variations possible. (Corporate Strategy, 2006, Lynch)

The emergent strategy process is not lock on Top Down schema (which is formed earlier, like the prescriptive strategy). This strategy build in bottom-top structure, can be developed from the ideas and constructions coming directly from the market reality. The participative management integer's tools like the management system control which promote the emergence of new strategy. (Simons, 1995) (Strategy Safari, Mintzberg – Ahlstrand – Lampel)

One of the recommendations, according Scott D. Anthony, Mark Johnson is to keep the door open for all the new ideas coming from the field and not to be too rigorous with the definitions of the objectives and be able to change the lines of the strategy at any time. Thank to the person working directly on the field whose brings essential information regard as the market expectations.

Henry Mintzberg

As we say, an emergent strategy is open for any changes. During this revision of the strategy, it allows to alter the course of the strategy judiciously or more radically, to redesign the strategy in order to take advantage of an opportunity.

“ The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.” Winston Churchill

There is not final objective with an emergent approach. This is more like a series of experimental approach and discussion developed than the strategy

goes ahead. The development and the implementation of the emergent approach are not distinct. These 2 stages work together.

Firstly, we are going to identify what are the objectives. The strategy emerges from the background and knowledge of the company. It has to be very clear. After the objectives are defined, we discuss about the different options/choices possible and argue with members within the company to develop and implement to strategy. If the strategy works, it will stay on the same way trying to optimize. However, if the strategy does not meet the objectives, all the members will discuss about another compromise.... And so on. We could say than this process has a circular structure.

(Corporate Strategy, 2006, Lynch)

Sources: <http://www.global-strategy.net/categories/Strategicmanagement>

Emergent STRATEGY

Advantages

The strategy evolves continuously. It is a very flexible approach that can be developed over time according the new resources, policy and market expectations. Very efficient into fast moving market.

It allows a constant development as more as the company learns about the strategy and market situation.

The implementation is redefined, so it is an integral part of the strategy development process.

The fact to work in a day by day approach allows the optimal culture to emerge instead of an artificial planning process

Source: (Corporate Strategy, 2006, Lynch)

Disadvantages & Difficulties

All the members of the company would have a very relevant knowledge about what the company does. The vision must be unified to avoid any muddle which can cost a lot to the company. The experience would be a really important point to counter this concern.

According to Mintzberg, it is more complex to develop than a prescriptive strategy because it is constantly changing and ask more implication in the long term.

Although the process of the strategy selection has to be softening according to the managers' acceptation, this does not make it wrong; rational decision making based on evidence has a greater chance than a premonition or a personal whim.

After the presentation about the emergent and prescriptive approach, I think interesting to take in consideration the debate between these two kinds of strategies. This is what I am going to speak about in the next part:

DISCUSSION

Today, according to March, a lot of companies are confronted to combine two conflicting ideas to survive: firstly, the capability and maintain of their aptitudes into a changing market, and secondly, the control and the

stabilization on certain strategic activity than reach their maturity. (March, 1991). We are actually between the emergent and prescriptive approach.

The idea of Jansen, in 2005, gives a good illustration of the combination: the adaptation into a changing environment, explore new ideas or new processes and to develop new products and service for emerging market. At the same time, they need to be stable to maintain and exploit their actual competences and operate into existing market. Thus, the management is between two sides: the exploration and the exploitation.

EXPLOITATION

EXPLORATION

Improvement

Choice

Production

Efficiency

Selection

Implementation

Execution

Research

Variation

Ventured Strategy

Game – Acting

Flexibility

Discovery

Innovation

MARCH 1991, p71

These two philosophies appear closely related. In 1934, Schumpeter developed a thesis saying that if the company creator stops innovating, he would lose, in opposition, his “ creator position”. (). Therefore, we can see that the prescriptive notion appears integral part of the emergent approach.

Mintzberg says that the planning and the strategy are different. He argues that a bureaucratic or analytical planning process mislead the managers into thinking that they are planning strategically and hence developing and improving organizational for the future. He has received a lot of critics. Indeed, a lot of people say that his approach his very simplistic. D. Powell says:” Planning must involve both analysis and thinking. Changing labels won’t improve poor processes or teach planning skills to those who lack them. Mintzberg raises a valid issue, but he fails to offer any real solutions.”
<http://planningskills.com/askdan/11.php>

Parler que avoir les capacities peut faire la difference dans une organisation

The different management “ school” are

The company would be confronted to a dilemma between

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Le concept de stratégie émergente « ouvre la voie à l'apprentissage, parce qu'il reconnaît le droit de l'entreprise à faire des expériences. Une action isolée sera menée, des retombées seront observées, et le processus continuera jusqu'à ce que l'entreprise se rassemble sur un modèle, qui deviendra sa stratégie » (Mintzberg et al., 1999, p. 198). En d'autres termes : « L'entreprise a pris des mesures, l'une après l'autre, qui ont fini par converger pour donner une certaine cohérence, ou schéma » (Mintzberg et al., 1999, p. 21). Or, pour Mintzberg et ses co-auteurs, toute stratégie en prise avec le monde réel, se doit de conjuguer stratégies délibérées et stratégies émergentes : « exercer un contrôle tout en favorisant l'apprentissage » (Mintzberg et al., 1999, p. 22). Là encore, l'entreprise est confrontée au dilemme entre exploitation et exploration : mettre en oeuvre et contrôler des stratégies intentionnelles et délibérées et, dans le même temps, détecter et formuler de nouvelles stratégies dont il convient de favoriser l'émergence

« l'adaptation aux environnements compétitifs » et surtout, vers les stratégies émergentes : « les systèmes de contrôle interactif sont utilisés pour guider les processus bottom-up d'émergence de la stratégie » (Simons, 1995, p. 98). Cette distinction entre contrôle diagnostique et contrôle interactif traduit l'opposition désormais classique entre deux modèles de représentation du contrôle de gestion

http://www.wikiberal.org/wiki/Henry_Mintzberg

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Application with Maersk Line Strategy

“ From the start to go, Maersk has been a very innovative company” Nils Smedegaard Andersen (Maersk CEO)

In a former time (1920), Maersk Line was a shipping specialist within the chemical industry. They operated in United States and East Asia thank to 6 tankers. The company understood very quickly than the business could be more developed. So, they made up their fleet with news engines in order to have more productivity. They adapted them-self to the new environment asking for more efficiency and created a competitive advantage (cf. Porter). The competitors stayed with old engines.

30 years later, they started to build larger units' vessels to follow the market expectations. The new constructed port would provide more space in which bigger boats can operate. They adapted their strategy which was to transport more units at the same place because the market was growing. The strategies emerged from the market.

[http://www.maersk.com/AboutMaersk/WhoWeAre/Pages/History.aspx?
SSItemId= 8](http://www.maersk.com/AboutMaersk/WhoWeAre/Pages/History.aspx?SSItemId= 8)

Another plan used in the 60's was the diversification of his strategy thank to the container's revolution. Indeed, the standardization of the exchange would provide a very interesting future in this sector; where the company dedicated very important amount in the investment. The amount was around \$2 billion (the biggest investment of the company at this time) to follow an emerging market. They opened a new area in the company through this opportunity and implementing a emergent strategy.

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In 2008, Maersk Line drove his new strategy. The objectives were to drive the turnaround of the business and return to sustainable profitability based on the long term. More than everything, Maersk Line wanted to reinforce his leadership position in the shipping market. Maersk is today is 10 times largest than it was 10 years ago and as the CEO said “ The have lost focus... the way we operate today does not conform to our present size. With the growth we have had, the complexity has grown and so has the bureaucracy” (January 14, 2008, The Journal of Commerce)

[http://web.ebscohost.com.librouter.hud.ac.uk/ehost/pdfviewer/pdfviewer?vid=1&hid=105&sid=833f65f7-a644-40dc-b0dd-3c5c53fabf3d%40sessionmgr111](http://web.ebscohost.com/librouter/hud.ac.uk/ehost/pdfviewer/pdfviewer?vid=1&hid=105&sid=833f65f7-a644-40dc-b0dd-3c5c53fabf3d%40sessionmgr111)

This strategy is endorsed on the improved financial results and customer satisfaction seen in the closed past. Thank to that, we can see that the company has developed his strategy according to his good result's experience of the market in the recent months. Indeed, during the 6 previous months of this period the company had feedbacks from customers.

The strategy had four core elements:

Filling the ship with profitable cargo

Provide the most reliable product demanded by our customers

Provide a faster, more responsive service closer to customers

Reduce complexity and cost

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First of all, to reduce the complexity and the cost, the global organization has reduced by 2, 000 to 3, 000 positions out of 25, 000, principally cut into the middle management. The main point is reducing the regional organizations into smaller teams. To reduce the impact and consider the human aspect of the firing, the organization informed long time ago to the concern people in order to them to find alternative solution and sometime come along them to find new positions.

As well, pushing decision-making out to the countries: as close as possible to the customers. With this new process, the company had reduced the bureaucracy and streamline processes. As expected, the complexity is reduced for a double benefice: for the customers because they will have a better proximity service and for the internal efficiency, less complex. Through this point, we can say than the company redesign his decision making process in order to be more reactive and close with the customers. In another word, the Maersk will be more empowered with his customers. It will be for example faster to take a decision into a part of the world; do not waiting for the head quarter to give his feedbacks...For the future; the decentralized management will develop the emergence of local strategy and give, again, more signification to the launched of this proximity service strategy. As well, the fact to work more closely with the customers and build long term relationship provide as well, a better visibility and allow a better anticipation. It is a brilliant solution for the future of the company. The strategy has been implemented in few months.

Journal Traffic World, January 21, 2008

[http://web.ebscohost.com/librouter.hud.ac.uk/ehost/pdfviewer/pdfviewer?vid= 1&hid= 105&sid= cb510fcd-112a-4c32-b25b-cb5f62f1c019%40sessionmgr113](http://web.ebscohost.com/librouter/hud.ac.uk/ehost/pdfviewer/pdfviewer?vid=1&hid=105&sid=cb510fcd-112a-4c32-b25b-cb5f62f1c019%40sessionmgr113)

Through this strategy, we have seen the importance of the market learning. The experience provides the better knowledge than a company can have. According to Eivind Kolding (CEO), “ the new management team, which will drive the strategy, has the experience and proven ability to deliver results”. As we have seen previously in the report, the experience of the market is a key factor for the competitiveness of the organization. Having the experience of the market and the customers’ expectations, they applied the better strategy as possible...

[http://www.maerskline.com/link/? page=lhp_news&path=/asia/taiwan/20100222](http://www.maerskline.com/link/?page=lhp_news&path=/asia/taiwan/20100222)

The benefits of this emergent strategy are today already visible. The activity of the Maersk Line is from now on good position. The result are better than expected and to reach a \$168 million net profit (1st trimester 2010) against a loss \$581 million (1st trimester 2009). The turnover as well gives a good idea of the progression: \$5. 743 billion (1st trimester 2010) against \$4. 661 billion (1st trimester 2009).

Eivind Kolding “ The market has been better and our efforts are gainful”.

Maersk has been able to develop all his strategy through the time and thus, take advantages of certain situation

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The company wants still to improve his competitiveness and they are ready to catch new opportunities bolting from the actual economic situation.

<http://www.meretmarine.com/article.cfm?id=113177>

<http://www.maerskline.com/link/?page=>

[Ihp&path=/africa/guinea/general/news](http://www.maerskline.com/link/?page=Ihp&path=/africa/guinea/general/news)

[http://www.maersk.com/AboutMaersk/WhoWeAre/Pages/History.aspx?](http://www.maersk.com/AboutMaersk/WhoWeAre/Pages/History.aspx?SSItemID=8)

[SSItemID= 8](http://www.maersk.com/AboutMaersk/WhoWeAre/Pages/History.aspx?SSItemID=8)

CONCLUSION

Through this project, we have studied the difference between the emergent and prescriptive approach in Strategic and Corporation Management through an academic discussion, his different point of view and a company example.

We have seen that the prescriptive approach is a strategy

The experience is a key factor.

JONK LOCKE Sentences