NEW PERSPECTIVES ON THE ORGANIZATIONAL PERFORMANCE IN THE BUSINESS ENVIRONMENT: METHODS AND TECHNIQUES

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Intangible assets, which are nowadays the major source of competitive advantage, require new tools for describing knowledge-based assets and the value-creating strategies. As a concept that designates a new perspective on the organizational performance, organization virtualism uses indicators that report on a "would-be-organization", that is on the future performances not on the "outcomes, the consequences of its past actions". The innovation that such a methodology has brought is its ability to capture the latent states of the organization, i.e., its virtual state, instead of using indicators that report on its situational state.

Key words*: competitive advantage, intangible assets, organizational virtualism, sinergy*

1. METHODS FOR ORGANIZATIONAL PERFORMANCES

When someone targets an implementation of a new conception as to the methods of leading companies, in order to enable them attaining their goals with the best results, he is forced to ask himself: "Why do organizations have difficulty implementing well-formulated strategies?" (Kaplan, Norton, 2001, p. 2). Consequently, he comes to think that more likely "the strategies are changing but the tools for measuring strategies have not kept the pace" (Ibid., p. 2).

It is obvious for us that the methods for studying and executing a firm's strategy focused on delivering performance range themselves in a crucial position as to the performance based management of a company. Shifting from the industrial age competition to a knowledge-based competition in the world economy is tantamount to a shifting from a classic conception of command within an economic organization to a postmodern conception of a company's "command-and-control" procedures.

Using the same reference we've already quoted, we find it highly relevant that from 1982 to 2000, for example, "the book value of tangible assets accounted for only 10 percent to 15 percent of companies' market values. Clearly, opportunities for creating value are shifting from managing tangible assets: customer relationship, innovative products and services, high-quality and

responsive operating processes, information technologies and databases, and employee capabilities, skills and motivation” (Ibid., p. 2).

What more exactly are we speaking about? We underline the idea that measuring methods of building and executing strategies have profoundly changed.

While in the classic organization cycle as to the way of making business “financial measurements were adequate to record investments in inventory, property, plant and equipment on companies’ balance sheets. Income statements could also capture the expenses associated with the use of these tangible assets to produce revenues and profits. But, today’s economy where intangible assets have become the major sources of competitive advantage, calls for tools that describe knowledge-based assets and the value-creating strategies that these assets make possible. Lacking such tools, companies have encountered difficulties managing what they could not describe or measure” (Ibid., p. 2).

Therefore, it is requested to rethink the methods of the measuring of a company’s performances so that we can invoke along with financial indicators a new set of non-financial indicators. Proceeding this way we are facing a new exigency as to the implementation of a new method of measurement which proves to be able to reveal the cumulative effect of tangible and, also, intangible assets as the sources of competitive advantages.

This new method is based on the idea that organizations need a management system “designed to manage strategy not tactics” (Ibid.) that is a management system which “requires that all business units, support units, and employees be aligned and linked to the strategy” (Ibid., p. 3).

The firm’s activity aims at delivering positive results through developing and improving organizational performances. Increasing firm’s market share, profit maximization, high customer satisfaction signal improved organizational performances.

“Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).”[1] Various decision makers in organizations are focused on delivering improved organizational performances in different functional areas, e.g., operational, marketing, human resources departments. It is the functional approach on performance in organizations. For instance, a certain marketing strategy proved to be successful and, consequently, the organization’s profitability indicators were improved. The marketing department of that organization, in our example, proved to have successfully implemented a marketing strategy. It is a signal that a functional area in an organization was able to develop new modalities for improving organizational performances.

Another approach on performance is the one focused on improving results in different business units in large, diversified, *multi-business organizations*[2]. It is the multi-business approach on performance.

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[1] Source: http://en.wikipedia.org/wiki/Organizational_performance

[2] *Multi-business organization* refers to “a corporation engaged in more than one class of business. Each business may be organized as a division of the corporation or as a subsidiary company.” Source: http://www.marketingpower.com/mg-dictionary-view2054.php

Whether the organization's performance may be regarded from a functional or multi-business perspective the final aim of any decision making process is to develop new methods for delivering superior results for various stakeholders.

The Balanced Scorecard is just one of the most innovative methods used for aligning and linking all organizational resources and capabilities to the strategy. The Balanced Scorecard posit as its premise the idea that we have to give up using indicators which cause an organizational lag for using of what the method's originators call the "*lead indicators*". The Balanced Scorecard approach requires supplementing the "financial lagging indicators" with the "lead indicators".

In Kaplan and Norton's view the financial indicators are lagging indicators just because the "financial measures" report "on outcomes, the consequences of past actions" (2001, p.3). The real problem is to use such indicators and types of measurements that make possible to "report on future financial performance" (Ibid., p. 3). To report only "on the outcomes, the consequences of past actions" means "to do the wrong things" (Ibid.). What does it mean to do the right things? The answer to such a question is: *"measures the strategy"* (Ibid., p. 3). We have to select the objectives and indicators to be evaluated and measured through a Balanced Scorecard – financial and non-financial. These objectives and indicators "should be derived from the organization's vision and strategy" (Ibid., p. 3), that is, from a *would-be-organization* ("strategy-focused organization"). It means to translate vision into reality, which is a new perspective on the organizations called *organizational virtualism*.

2. A NEW PERSPECTIVE ON THE ORGANIZATIONS : THE ORGANIZATIONAL VIRTUALISM

The concept of virtualism designates the "translation of abstract ideas and concepts into material forms"[3].

The organization virtualism as a concept designates a new perspective on the organizational performance. This new perspective requires using indicators that report on a "would-be-organization", that is on the future performances not on the "outcomes, the consequences of its past actions" (Kaplan, Norton, 2001, p. 3). The conception of the organizational virtualism involves exigency to renovate the research methods required to evaluate and execute strategy in order to secure organization's competitive advantage.

The clue of such a new methodology is its capability of capturing the latent states of the organizations, i.e., its virtual state, instead of using methods and indicators that report on its situational state. The conception of organizational

[3] See ESRC: Economic & Social Research Council. Source: http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/Plain_English_Summaries/work_organisation/innovation_change/index379.aspx?ComponentId=9714&SourcePageId=11707

virtualism requires, therefore, shifting from a situational state of an organization to a virtual, "would-be" situation of that organization.

There are methods facilitating the translation of strategic, abstract ideas, concepts and visions of the firms into reality, meaning that a latent organization becomes a manifest one.

The Balanced Scorecard is one of the methods created to execute a strategy, to study and to make from a latent or virtual organizational situation a manifest one.

We can, therefore, consider these new types of organizational measuring methods as being appropriate to the study of the organizations.

The structure of organization is not any longer the key concept of the new approach, being replaced by the organizational field[4] concept. Within this approach, the latent or future states of organization prove to be even more important than the manifest, situational ones. That is why we stressed out the importance of the new methods for studying organizations which are compatible with what the strategic management approach used to call "strategy-focused organization".

Let's see, furthermore, what kind of strategic and methodological tool appears to be the Balanced Scorecard method.

What we shall stress upon the new method is the shift from what the creators of this method called the "cause-and-effect linkage" to what we may call the "effect-to-cause-linkage", meaning that when we have predicted an effect we can force its fulfillment by acting upon the intermediary latent variables or parameters and so, in a way, we create its own cause. *When we succeeded to transmute a given variable from its latent state to its manifest one, instantly the cause having capacity to sustain the fulfillment of that effect became itself a manifest one.*

It deserves to present some of the case studies that Kaplan and Norton themselves display in order to make comprehensive the new approach.

The most outstanding case is referring to the Mobil North America Marketing and Refining Division (a $15 billion per year division of Mobil Oil Corporation). This corporation came to "be ranked last among its industry peers in profitability, producing an unacceptable low return on investment and requiring a cash infusion of about $500 million from the parent company just to maintain and upgrade facilities" (Kaplan, Norton, 2001, p. 4).

The new approach permitted to apply not the ideas of structure but to use the idea of the organizational field. That new perspective allowed to the management team to "decentralize the organization into eighteen market-facing business units

[4] The organisational field is one „created by a number of organisations, whose interrelations compose a system at the level of the field as a whole". The new concept originates in the organizational ecology, a new theoretical perspective developed by Eric Trist at the Management and Behavioral Science Center, The Wharton School, University of Pennsylvania. See *Australian Journal of Management,* Vol. 2, No. 2, pp.161–71, December 1977, © The Australian Graduate School of Management

with P&L accountability" (Ibid.). Following the same procedure the central staff functions were decentralized "into fourteen shared service groups" (Ibid.). The method invoked to collect data and to monitor the new strategy was just the Balanced Scorecard.

"Results came quickly. After years of below average performance, including ranking at the bottom of its peer group in 1992 and 1993, Mobil moved to the number one position in 1995 with profits 56 percent above the industry average" (Ibid.). The conclusion is that the company just mentioned in our case-study enjoyed benefits not from increasing the investment or from a cash infusion but from its new strategy. "The Balanced Scorecard made the difference. Each organization executed strategies using the same physical and human resources that had previously produced failing performances." (Ibid., p. 7) The differential factor consisted of a "management team" "using the Balanced Scorecard to focus all organizational resources on a new strategy" (Ibid.) Kaplan and Norton assign the performance to a new management system that emphasizes three distinctive "dimensions": "strategy", "focus" and "organization".

Kaplan and Norton underline how "incredible" effect produces the implementation of a method as Balanced Scorecard to the rebuilding the management system of a company. The companies implementing a new management system were confronted themselves approximately with the same "pattern of achieving focus and alignment" of the different business units, but also of the other components of the organizational process induced by a complex activity such as the activity of a certain corporation. These other components of the organizational process, besides the business units, are the execution teams, human resources, information technology, financial resources and all of them are going to be focused and aligned to an organization's strategy by using the Balanced Scorecard as a proper tool for such a goal.

We can depict a consistent pattern of achieving such a target and we can approximate this pattern invoking the five common principles Norton and Kaplan (2001, p. 9) observed at work in their experiences with different companies: 1. "translating the strategy to operational terms"; 2. "align the organization to the strategy"; 3. "make strategy everyone's everyday job"; 4. "make strategy a continual process"; 5. "mobilize change through executive leadership".

The new method has the power of transfiguring the old organization into a new one proving that the new strategies and the Balanced Scorecard "had unleashed the capabilities and assets that were hidden (or frozen) within the old organization" (Idem, p. 10). Such an approach is tantamount with a process of making latent factors manifest as if "the scorecard provided the «recipe» that enabled ingredients already existing in organization to be combined for long-term value creation" (Ibid., p. 10).

Taking the example, given by Kaplan and Norton, of a food production company, we may underline that making a meal "requires a combination of raw

materials (the ingredients), tangible capital and assets (cooking implements, an oven and a stove), and intangible, human capital (the chef)" (Ibid., p. 10). The recipe "to taking advantage of all these tangible and intangible assets is the critical soft asset" (Ibid., p. 10) which allow to "transform the raw ingredient, physical assets, and intangible assets – each with little stand-alone value – into a great meal, with considerable value" (Ibid., p. 10).

Alongside with such a complex organizational process, the new method permitted the company "to implement and improve the recipe" (Ibid., p. 10) that is to make the latent manifest, to awake the dormant latencies by making them manifest, i.e. active, synergetic within the organizational process leading to a radical renovation of the old organization as if it had transformed itself into a new one. In our analysis, the latent variables equate essentially with that unused part of the intangible assets (unused human capital, ethos, knowhow, etc). The method that enables us to unveil this hidden, unused part of the intangible assets reveals to be the balanced scorecard.

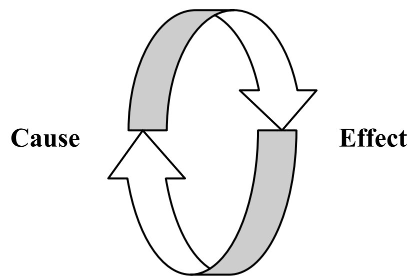
The Balanced Scorecard is a framework used to "describe and communicate" the links between internal resources and capabilities in the terms of a new strategy, which due to the scorecard method can "be described and communicate in a consistent and insightful way" (Ibid., p. 10). In any organizational field, there is a considerable stock of hidden, unused yet capabilities that can be set into working due to the balanced scorecard method, in proportion as it is implemented.

This new method along with the organizational virtualism brings about a new comprehensive model in the organizational studies. We are forewarned that the model of the development process within a firm is not a linear one. It is a cyclic and alternating one. In the first cycle a firm evolves based on the model of a "cause-and-effect linkage". Whenever we want to increase the efficiency of the firm that model appears as one that does not work any longer. We need to turn this model into an opposite and reversed one, i.e. based on the internal "effect-and-cause linkage". The increase in investments and cash flows, as the cause that ordinarily induces an increase in efficiency, does not operate any longer. We are obliged to change the management so that instead of acting upon financial or material factors (the tangible assets) we have to make a choice. In that situation we can choose to act upon the latent variables of the firm that is upon the virtual organization. A method like the balanced scorecard enables us to apprehend such latent variables and to turn them into manifest ones. It is as if we act on and within the virtual organization, i. e. within a virtual space. The organizational ecology along with the strategic management allows us to increase the efficiency while the resources and cash flows remained unchanged. It is the organizational virtualism which is the new perspective. It appears to be entirely operationalized given the merits of the new contributors in the strategic management field. Let's resume these ideas in a formal way. The linear form of the development process within a firm appears as follows:

ab → ab → ab…

The nonlinear form of the development process within the firm appears as follows:

ab → ba → ab → ba…., meaning that the “cause-and-effect linkage” momentum is being followed by the “effect-and-cause linkage” momentum. In the diagram form, the strategic process appears as follows:



3. TECHNIQUES USED FOR ASSESSING STRATEGIC CONTEXT

The techniques used for assessing strategic context “provides ways of thinking which help to link strategic intent, assessment, and choice” (Ibid., p. 86). They provide a rationale for building strategic choice (Macmillan, Tampoe, *op. cit.*). Some of the most used techniques in strategic planning process are presented in the following table:

Technique	**% Using**
Core competencies analysis	72
Scenario Planning	69
Benchmarking	56
Total Quality Management	44
Shareholder Value Analysis	44
Value Chain Analysis	44
Business Process Redesign	33
Time-based Competition	25

Source: Adapted from I. Wilson, “Strategic Planning Isn’t Dead – It Changed”, Long Range Planning, Aug. 1994, cited by Macmillan, Hugh; Tampoe, Mahen. op. cit.

“The purpose of the external analysis is to understand what may affect the future of the enterprise as a whole from outside itself” (Ibid., p. 95).

PEST ANALYSIS

It is a technique used for assessing political, economic, social and technological factors that would influence the business environment in which the organization operates. The reason for using PEST Analysis is that various decision makers in the company have to analyze all of those potential factors from the external environment that would positively or negatively influence the business.

Political influencing factors may profoundly affect the business environment due to new laws and regulations imposed by different governmental bodies. Using PEST Analysis for assessing political influencing factors may be really helpful in the process of strategic planning. For instance, new environmental regulations may induce high risks of organizational failures. The firms that would not make investments, for instance, in order to reduce various air pollutants may be fined for not complying with some environmental laws.

Economic influencing factors may, also, impact the strategic planning process. For example, unstable fiscal regulations can significantly influence firm’s market entry strategy. There is, also, a distinct group of international financial institutions (e.g. International Monetary Fund, World Bank, European Commission, etc.) that can significantly influence financial and economic policies in a country. It is the case of economies in transition whose economic and financial policies are significantly influenced by these institutions. Thus, organizational policy is, indirectly, influenced by the agreements made between these international institutions and different national government bodies.[5]

Social influencing factors like changes of demographic patterns, tastes and habits can affect the total number of available customers. The firm should adjust its strategy according to the dynamics of various social conditions.

Technological influencing factors can have a great impact on a wide range of strategic factors like processes and distribution channels. The emergence of new technologies can have a great impact for some organizations, sectors or even entire industries. Companies acting in technology-driven sectors or industries should even adjust their entire strategic planning process according to a rapidly changing technological environment.

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[5] See, also, the analysis of external actors modeling transition in Zamfir, Catalin (2004). *O analiză critică a tranziției* (“A Critical Analysis of Transition”). Bucharest: Polirom.

ANALYSIS OF RESOURCES, CAPABILITIES AND COMPETENCES

The analysis of business environment should be connected with the assessment of internal resources, capabilities and competences. The strategic context is an investigation process based on the followings:

- *external data* analyzed within one or more specific techniques (e.g. PEST analysis), and
- *internal data* based on internal, organizational sources of information. These data are investigated within one or more techniques (e.g. resource audit, analysis of costs and profits, benchmarking, value chain analysis, identifying core competences, portfolio analysis).

Some of the most influential techniques used for assessing internal data will be presented below.

RESOURCE AUDIT

Resource audit is the “analysis of the quantity and quality of the resources available” (Ibid., p. 115). H. Macmillan and M. Tampoe refer to “*four general headings*” (Ibid., p. 115) considered when making a resource audit, as following:

- “*Physical resources*: buildings, equipments, land, and so on;
- *Human resources*: skills, know-how, strong teams, good management, and so on;
- *Financial resources*: ability to raise cash, rich parent, and so on;
- *Other resources and intangibles*: goodwill, brand names, trade relationships, and so on.”

The resource audit is aiming at comparing “the quality and extent of resources with the resources of present and possible future competitors” (Ibid., p. 115).

ANALYSIS OF COSTS AND PROFIT

The analysis of costs and profit aims at understanding “where the business is making profit currently, the direction of profit trends, and the effects of allocations on reported profit” (Ibid., p. 116). This type of analysis is based on two types of information as following:

- Available information provided by financial and accounting databases. These are *raw data*, i.e. information provided as is by various sources like financial and accounting databases.
- *Remodeled information* for strategic analysis of financial data. Specialists, usually, recast financial information provided as raw data for testing hypothesis.

The specialists use raw data within specific modeling systems for recasting information in order to test various hypotheses. Remodeling financial and accounting information gives new useful insights based on testing hypothesis for improving decision-making process in organizations.

BENCHMARKING

Benchmarking is a "continuous measurement of a process, product, or service compared to those of the toughest competitor, to those considered industry leaders, or to similar activities in the organization in order to find and implement ways to improve it"[6].

Clubs of companies "agree the relevant processes or capabilities for comparison and the appropriate measures to apply" (Macmillan, Tampoe, *op. cit.,* p. 117). Each member of the benchmarking group collects and share information for analysis and comparison. The aim of benchmarking process is to improve performances of each member of the group.

In practice, benchmarking is difficult to achieve, as the information shared between different members of the group should be compared like-for-like. "Generally, the more detailed the comparison becomes, the more uncertainty there is about the basis of comparison" (Ibid., p. 117).

Strategic benchmarking is a way of leveraging strategic performances by "understanding and adapting successful strategies from external partners who participate in an ongoing business alliance"[7]. Strategic benchmarking "may require radical transformation of the enterprise to achieve the new standards"[8].

ANALYSIS OF CORE COMPETENCIES

The core competence is a complex organizational subsystem "which integrates diverse organizational resources, processes and know-how to deliver products and services which confer sustainable and unique competitive advantage and added value to an organization" (Macmillan, Tampoe, *op. cit.*, p. 120).

The main *characteristics* of organizational core competencies are as follows:

- *Uniqueness*: Core competence is unique, original, being originated in that complex organizational subsystem delivering products and services that confer sustainable and unique competitive advantage.

[6] Sentinel Event Glossary of Terms (2005) Joint Commission on Accreditation of Healthcare Organizations, Available from: http://www.jcaho.org/accredited+organizations/sentinel+event/glossary.htm

[7] Watson, G. H. (1993) "Strategic Benchmarking – How to rate your Company's Performance against the World's Best" cited by Macmillan, Hugh; Tampoe, Mahen. *op. cit*., p. 118.

[8] Macmillan, Hugh; Tampoe, Mahen. *op. cit*., p. 118.

- *Hard to imitate by competitors*: Core competencies are difficult to imitate by competitors. Nevertheless, some competitors can pull in some other organizations' core competencies. There are ways of redistributing core competencies between different organizations competing in the market. For example, headhunting is a way of redistributing managerial and technical expertise between different companies. Individuals having a wealth of both managerial and technical expertise are so-called "hunted" by other competing organizations. Managerial and technical expertise could be an example of core competence.

"The ability to differentiate between general capabilities and true core competences can make the difference between success and failure. The tests for core competence include:

- Essential to corporate survival in the short and long term;
- Invisible to competitors;
- Difficult to imitate;
- Unique to the enterprise;
- Result from a mix of skills, resources and processes;
- A capability which the organization can sustain over time;
- Greater than the competence of an individual;
- Essential to the development of core products and eventually to end products;
- Essential to the implementation of the strategic intent of the enterprise;
- Essential to the strategic choices of the enterprise;
- Marketable and commercially viable;
- Few in number" (Ibid., p. 121).

Identifying core competencies in an organization is a difficult task. "Parsons suggested that the organization might be divided into three main subsystems:

- The Administrative Subsystem
- The Institutional Subsystem
- The Technical Subsystem"[9].

The Administrative Subsystem" is related to the coordination of organizational activities (Macmillan, Tampoe, *op. cit.*, p. 121). "The Institutional Subsystem" provides the linkage between the organization and the external environment, i.e. customers, suppliers and other stakeholders (Ibid.). "The Technical Subsystem" is: "The core of what the entity does and which accounts for its distinctive character"[10].

Tampoe and Macmillan argue that core competence "can reside in any one of these three subsystems" (*op. cit.*, p. 122). For example, an organization may possess core competencies based on developing strategic alliances with other

[9] According to Parsons, T. (1960) "Structure and Process in Modern Societies" cited by Macmillan, Hugh; Tampoe, Mahen. *op. cit*., p. 121-122.

[10] Parsons, T. op. cit. cited by Macmillan, Hugh; Tampoe, Mahen. *op. cit*., p. 122.

entities from the external environment. Other organizations may find new ways of integrating resources, expertise and processes within the "Administrative Subsystem" and, consequently, generate core competencies.

PORTFOLIO ANALYSIS

"The business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company's strengths and helps exploit the most attractive opportunities"[11].

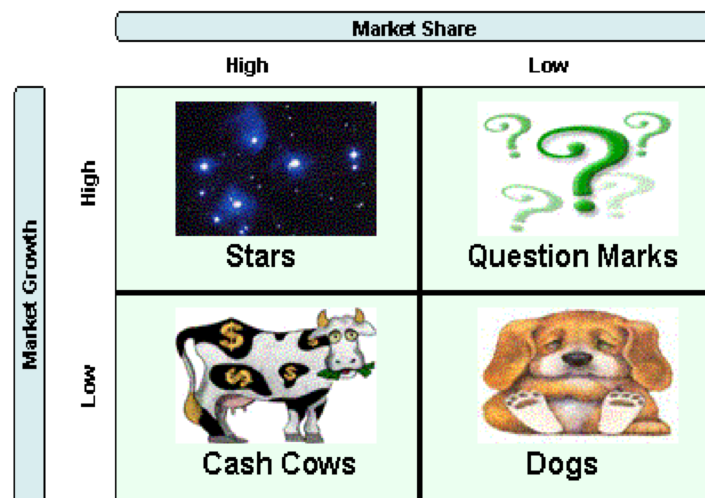
Thus, the business portfolio should be more than a collection of businesses and products. It should envision corporate success based on leveraging company's strengths and exploiting the most attractive opportunities available in the market.

The management of business portfolio is based on the "analysis of business by relative market share and market growth rate" (Macmillan, Tampoe, *op. cit.*, p. 127-128).

Market Share is regarded as a "surrogate indicator of likely relative cost level on the assumption that those with higher market share will have progressed down the learning curve and achieved economies of scale" (Ibid., p. 128).

Market growth rate is an "indicator of the expected future attractiveness of the market" (Ibid., p. 128).

The Boston Consulting Group Box ("BCG Box")



Source: Tutor2u Limited (2005) "Product Portfolio Strategy - Introduction to the Boston Consulting Box", Available from: http://www.tutor2u.net/business/strategy/bcg_box.htm

[11] Tutor2u Limited (2005) "Strategy – Portfolio analysis – GE Matrix", Available from: http://www.tutor2u.net/business/strategy/ge_matrix.htm

There are four areas, also, called “types of SBU[12]”[13] as follows:

- *“Stars”* – “Stars” are high growth businesses or products competing in the markets where they are relatively strong compared with the competition” (Ibid.). SBUs perceived as “Stars” “need heavy investments to sustain their growth” (Ibid.).
- *“Cash Cows”* – SBUs perceived as “Cash Cows” are mature businesses, generating strong cash flows. “Cash Cows” are low growth businesses or products. They don’t need heavy investments comparing with “Stars”. “Cash Cows” have relatively high market share (Ibid., *op. cit.*).
- *“Question Marks”* – They are “businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors” (Ibid.).
- *“Dogs”* – Businesses or products positioned in this area “have low relative share in unattractive, low-growth markets” (Ibid.).

Various decision makers within organizations use the “Boston Consulting Group Box” in order to re-configure their strategies for leveraging their current resources and capabilities.

“In the diagram above, the company has one large cash cow (the size of the circle is proportional to the SBU's sales), a large dog and two, smaller stars and question marks” (Ibid.).

Thus, those SBUs perceived as being “Cash Cows” are mature businesses or products, generating strong cash flows. The corporation from our example should create those favorable conditions for maintaining “Cash Cows” businesses in order to continue to generate profits. The SBU regarded as “Star” should receive heavy investments in order to optimize the potential benefits. “Stars” may loose market share in the future. The management of the corporation should focus on re-directing investments’ flows towards “Stars” as they have a high potential of generating heavy cash flows for the business. Therefore, “Stars” might become “Cash Cows” in the future and the agreed strategy should focus on leveraging those potential benefits, i.e. possibility of generating cash flows in the future. The firm should, normally, get rid of businesses or the SBU perceived as being a “Dog” as having low relative share in unattractive, low-growth markets. “Question marks” indicate that businesses have a growing potential but requires heavy investments.

In conclusion, in the example above mentioned, the firm may pursue *four potential strategies for each SBU*:

- ***“Build Share”***: here the company can invest to increase market share (for example turning a “question mark” into a “star”)” (Ibid.);

[12] SBU = Strategic Business Unit.

[13] Tutor2u Limited (2005) “Product Portfolio Strategy – Introduction to the Boston Consulting Box”, Available from: http://www.tutor2u.net/business/strategy/bcg_box.htm

- ***"Hold"***: "here the company invests just enough to keep the SBU in its present position" (Ibid.);
- ***"Harvest"***: "here the company reduces the amount of investment in order to maximize the short-term cash flows and profits from the SBU. This may have the effect of turning Stars into Cash Cows" (Ibid.)
- ***"Divest"***: "the company can divest the SBU by phasing it out or selling it – in order to use the resources elsewhere (e.g. investing in the more promising "question marks")" (Ibid.).

4. SYNERGY

When the whole resulting from a new management process exceeds the sum of the parts we may speak of a special global effect that by aligning our own view to Kaplan and Norton's perspective we can call it *synergy*.

The synergy allows the organization to transform the sum of its numerous sectors, business units, departments, different functional areas such as finance, manufacturing or sales into a whole exceeding their mere sum, resulting into a new type of organization that display a new feature of being a strategy-focused organization. Synergy has the power of transforming an institution "traditionally designed around functional specialties", each function having its own "body of knowledge, language and culture", therefore, being fragmented by major barriers, into a *strategy-focused organization*. It is surprising to see how a sharp functional divided organization leaves its place to a highly focused organization that break through the former barriers between the functional specialties of the same company. "Executives replace formal reporting structures with strategic themes and priorities that enable a consistent message and consistent set of priorities to be used across diverse and dispersed organizational units. Business units and shared service units become linked to the strategy through the common themes and objectives that permeate their scorecards. Often, the ad hoc organizations emerge to focus on scorecard strategic themes" (Ibid., p. 12)

We have to underline the new concepts arising from such an approach: the organizational process, the strategy-focused organization, the ad-hoc organizations (emerged to focus on *strategic themes*). These concepts add themselves to the traditional approach of the organizations and together with the above mentioned concepts required by the strategic management approach of a company – the strategy map, the Balanced Scorecards, the cause-and-effect linkages, the synergy as an overarching goal of the organization – lead to rethinking of the science of the organization in a revolutionary way. The science of organization keeps its pace with the new type of economy that emerged with the beginning of the new millennium. This new approach which is tantamount to a new paradigm sanctions the triumph of Weberian perspective on the economy and organizations. The ethos

has a crucial role in promoting a new historical type of economy. The new operating management system focused on the strategy and on the intangible assets is the equivalent within the organizational strategic approach of the Weberian concept of ethos.

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