# ORGANIZATIONAL STRATEGIES IN A GLOBAL ERA

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*One state's ability to employ capital and labor at improved productivity rates has a double outgrowth: it raises its citizens' standard of living, but it also improves its competitiveness in the realm of international relations. Such an output depends on the way that every state negotiates with transnational companies. Being mentioned just in passing a few decades ago, international companies have come to play a central role in the international business environment. A rapidly changing context has given birth to a new concept, the organization's strategy, which entwines economic analysis with military science.*

## I. UNDERSTANDING THE MODERN FIRM'S STRATEGIES: THEORIES AND CONCEPTS

### 1. ORGANIZATION'S STRATEGY AND STRATEGIC MANAGEMENT

"The traditional view of international relations holds that the object of study is the behaviors of states towards other states, and the outcome of such behaviors for states: whether they are better or worse off, less or more powerful or secure. Transnational corporations may be mentioned in passing, but they are seen as adjuncts or instruments of state policy. Our contention is that transnational corporations should now be put centre stage; that their corporate strategies in choosing host countries as partners are already having great influence on the development of global political economy, and will continue increasingly to do so."[1]
Such a context requires and makes possible to reconsider the relationship between the two concepts of the organizational analysis: firms and strategy. While the concept of the firm arose within the economic analysis, the notion of the strategy passed in the field of the organizational analysis being borrowed from the military

[1] According to Susan Strange, "States, Firms, and Diplomacy", in Jeffry A. Frieden, David A. Lake, eds., "International Political Economy. Perspectives on Global Power and Wealth", London, 2000, p. 66

Rom. Jour. Sociol., New series, n$^{os}$ 1–2, p. 55–77, Bucureşti, 2008

science. Having the two concepts put together there emerged a new one: *the organization's strategy.*

Organizational strategy is a "«game plan» management for positioning the company in its chosen market arena, competing successfully, pleasing customers, and achieving good business performance."[2]

The similarity between the organization's analysis perspective and military analysis perspective appears to us as a more than obvious one. Of course, the new perspective resulted from the synergy effect of getting together those two separate perspectives is much more than a mere addition of them, as the whole is much more than the sum of parts. *"An organization's strategy deals with how to make management's strategic vision for the company a reality - it represents the game plan for moving the company into an attractive business position and building a sustainable competitive advantage."*[3] Organization's strategy, therefore, is a process of improving organization's *strategic management function.*

*"The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate."*[4] Therefore, organizational strategy is a continuing process of positioning firm in the market for facilitating the best use of both organizational (i.e. internal) and external resources for achieving competitive advantage.

The term "competitive advantage", on its turn, refers to "the strategies, skills, knowledge, resources or competencies that differentiate a business from its competitors."[5]

There is a relationship between *organizational strategy*, *strategic management* and *competitive advantage* as the organizational strategic process involves all organizational resources, skills, knowledge and competences used in connection with present organizational positioning for moving towards a desired state of the business in order to build and sustain competitive advantages.

Thus, *the organizational strategy is a continuous process of searching the best options for achieving sustainable competitive advantages*. *The firm exists not only for generating maximum returns for its stakeholders, but, also, as a "vehicle" for generating sustained competitive advantages, i.e. securing returns at higher rates comparing to its competitors.* The organizational strategy is, also, a continuous process of fitting the internal organizational resources and capabilities

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[2] According to Thompson, Jr., Arthur A.; Strickland III, A. J. (1999). "Strategic Management – Concepts and Cases". International Edition: Irwin McGraw-Hill

[3] Online Learning System. (2003). McGraw-Hill Higher Education. Available from: http://highered.mcgraw-hill.com/sites/0072443715/student_view0/glossary.html

[4] Ibid.

[5] Canada's Business and Consumer Site (http://strategis.ic.gc.ca/epic/internet/insof-sdf.nsf/en/so03148e.html)

with the external opportunities and threats. *The strategic fit* plays a vital role in crafting, implementing and executing company's strategies. "Strategic fit indicates how well the firm's mission and strategies fit its internal capabilities and its external environment."[6]

## 2. A THEORETICAL CLUSTER OF STRATEGIC MANAGEMENT THEORIES: THE PIONEERS OF THE NEW PERSPECTIVE

When an interest is arising for the development of a new perspective in the dynamic of science, there emerge also the interest to find out who are the most influential initiators and promoters of that perspective. They appear to be the agents of making us aware of that perspective itself. The most influential pioneers in strategic management are considered to be Alfred Chandler, Philip Selznick, Igor Ansoff, and Peter Drucker.[7]

Alfred Chandler considered that a long-term organizational strategy "was necessary to give a company structure, direction, and focus."[8] He pointed to one of the main key elements of the organizational strategy, i.e. "determination of the basic long-term goals and objectives of an enterprise (…)."[9]

Philip Selznick, on his turn, argued that it should be a connection between internal, organizational influencing factors and external environment. This idea originated the "*SWOT Analysis*" developed by "Learned, Andrews, and others at the Harvard Business School General Management Group."[10] *SWOT Analysis* is a comparative assessment based on balancing strengths and weaknesses as internal, organizational influencing factors, on one side, and opportunities and threats as influencing factors coming from external, business environment, on the other side.

Igor Ansoff, additionally, almost reinvented the vocabulary of strategy, "developing a *strategy grid* that compared *market penetration strategies*, *product development strategies*, *market development strategies* and *horizontal and vertical integration* and *diversification strategies."*[11] He pointed out that the organization should systematically develop and follow one of these strategies for leveraging organizational resources and achieving sustained competitive advantages. Ansoff developed, also, the method of "*gap analysis*" emphasizing the importance of

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6 Power, D. J. (2005). PlanningSkills.COMsm. Source: http://planningskills.com/glossary/84.php

7 Wikipedia – The Free Encyclopedia .(2005). "Strategic Management", Available from: http://en.wikipedia.org/wiki/Strategic_management

8 Ibid.

9 Chandler, Alfred. (1966). "Strategy and Structure: Chapters in the History of Industrial Enterprise", p. 16 apud "Economic Geography Glossary". Source: http://faculty.washington.edu/krumme/gloss/s.html

10 Wikipedia – The Free Encyclopedia. (2005). "Strategic Management", *op. cit*.

11 Ibid.

bridging the gap "between where we are currently and where we would like to be, then [you may] develop what he called <<*gap reducing actions*>>."[12]

Peter Drucker, another pioneer in strategic management, emphasized the strategic importance of *organizational objectives*. Any firm should clarify its objectives, according to his theoretical approach. Otherwise the organization would face difficulties in developing and implementing a certain strategic direction. He developed his famous theory called "management by objectives (MBO)"[13]. The organization should, firstly, develop a set of clear objectives and, then, articulate the entire organizational activity according to these objectives. Drucker predicted the emergence of so-called "knowledge worker" acting in non-hierarchical, team-based working processes. The rise of "intellectual capital" is related to the new concept of "knowledge worker".

Up to this point of presentation, we can say: in order that a firm should consider itself a modern unity, i.e. a unity capable to compete to any other comparable units, it has to transmute the new paradigm that requests from its personnel to use a team-based working process, a SWOT analysis as a tool for the staff orientation, a management by objectives, a "gap analysis", a strategy grid, into an appropriate way (pattern) of thinking on the organization, its problems and internal processes, and to adopt many other managerial instruments as the ones presented bellow. Such an instrument is, also, the portfolio theory developed by Markowitz.

### 3. GROWTH AND PORTFOLIO THEORY

The key concept such a theory relies on is that of the firm's portfolio. A portfolio, în the vision of the modern portfolio theory, is a collection of investments or financial assets.

"Modern Portfolio Theory", developed by Harry Markowitz, seems to be preoccupied of "how *rational investors* will use diversification to optimize their portfolios, and how an asset should be priced given its risk relative to the market as a whole."[14]

The rational investor is related to the concept of "homo economicus" (…) seen as "rational" in the sense that well-being as defined by the utility function is optimized given perceived opportunities."[15]

Markowitz' portfolio theory states that a broad portfolio of financial assets induces lower risks. The rationale of "modern portfolio theory" was extended to

[12] Ibid.

[13] Ibid.

[14] Wikipedia – The Free Encyclopedia. (2005). "Modern Portfolio Theory", Available from: http://en.wikipedia.org/wiki/Rational_investor

[15] Wikipedia – The Free Encyclopedia. (2005). "Homo Economicus", Available from: http://en.wikipedia.org/wiki/Rational_investor

include operating division portfolios. The corporation can be seen as a portfolio of operating divisions, each one having its own revenues, costs, objectives and strategic directions. When a corporation enlarges its number of operating divisions as an extended portfolio, its capability to gain a competitive advantage may increase. Here we are confronted with another group of competitive advantage theories, focused on *organizational competence* and the competitive advantage of a certain firm.

## 4. CORE COMPETENCES AND COMPETITIVE ADVANTAGES

Firms should capitalize those unique organizational capabilities in order to gain competitive advantages. Willing to explain such a process, C. K Prahalad and Gary Hamel introduced the concept of "*core competency*" defined as "an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity."[16] A core competence is referring to a process of "employing" "knowledge, skills, attributes, and behavioral traits required for individual and organizational success."[17] Core competences "can be anything, from *product development* to *employee dedication*."[18]

A firm's core competence should normally bring in long-term advantage to the company as a prerequisite for achieving *sustainable competitive advantages*. Core competence provides "potential access to a large variety of markets, increases perceived customer benefits and it is hard for competitors to imitate."[19] Core competences differentiate a company strategically, i.e. make firm's presence unique in the market.

*Individual and team's abilities to perform different tasks within the firm are not by themselves organizational core competences. Organizational capability of aggregating and leveraging all of these abilities, "where synergy is created that has sustainable value and broad applicability"[20] generate core competences*.

Michael Porter, the most influential strategist, introduced many new concepts, frameworks, theories used for explaining why some organizations are more competitive than others and why some nations became more competitive than others. He wrote one of the most influential treaties on the competitive advantages of nations: *"The Competitive Advantage of Nations"*.

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[16] Hamel, Gary; Prahalad, C. K. .(1990). "The Core Competence of the Corporation", Harvard Business Review, vol. 68, no. 3, May-June. (1990). cited in Wikipedia – The Free Encyclopedia, "Core Competence", Available from: http://en.wikipedia.org/wiki/Core_competency

[17] Competences Model, University of Rochester. (2004). Available from: http://www.rochester.edu/working/hr/performancemgt/competency.html

[18] Wikipedia – The Free Encyclopedia. (2005). Core Competence, Available from: http://en.wikipedia.org/wiki/Core_competency

[19] Ibid.

[20] Gallon, Stillman, and Coates. (1995). cited in Wikipedia – The Free Encyclopedia, 2005. *op. cit.*

## 5. NATIONS AND COMPETITION

"Nations don't compete. Companies compete. Nations can make it hard or easy for them to do so."[21] The principal aim of a nation is to raise the standard of living for its citizens. The ability of any nation to employ capital and labor at improved productivity rates is the key issue when addressing the problem of competition.

Nations do have a growing role in sourcing skills and knowledge that underpin competitive advantage within a globalized and more international business environment. Porter argues that the intensity of *domestic competition* is a key issue in fueling success on a global stage.[22] Porter introduces the concept of "*national diamond*" which is made up of four factors:

¾ "*Factor conditions*" – data communication, research activities performed by various institutions, specialized skills available in a particular industry sector or field of activity.

¾ "*Demand conditions*" – A head start of any industry or economic sector in a globalized business environment is based on a strong level of domestic competition.[23]

¾ "*Related and supporting industries*" – "Industries which are strong in a particular country are often surrounded by successful related industries."[24]

¾ "*Firm strategy, structure, and rivalry*" – "Domestic competition fuels growth and competitive strength."[25]

Porter refers, also, to the concept of "*clusters of industries*" as to the way how nations succeed in terms of competitiveness: "*Nations succeed not in isolated industries, but in clusters of industries connected through vertical and horizontal relationships.*"[26]

## 6. PORTER'S FIVE FORCES

Firms as well as nations, nations as well as firms, succeed only if they make use of the particular management strategies and strategy-focused organizations within their own internal dynamics. Porter refers to three such "*generic strategies*":

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[21] Porter, Michael. (1998). "The Competitive Advantage of Nations". 2nd Ed. London: Palgrave Macmillan cited by "Business – The Ultimate Resource". (2002) London: Bloomsbury Publishing Plc. p. 900.

[22] According to "Business – The Ultimate Resource", *op. cit.*

[23] Ibid.

[24] Ibid., p. 900.

[25] Ibid., p. 900.

[26] Porter, Michael. *Op. cit.*

¾ "*Cost leadership*" – Firms pursuing a "cost leadership" strategy should employ resources and capabilities in order to become the lowest-cost producer in the marketplace.

¾ "*Differentiation*" – Companies pursuing a "differentiation" strategy should focus their energies on providing something special, different or extra.

¾ "*Focus*" – Firms pursuing a "focus" strategy should target a niche market.

The "*Five Forces*" model describes the relationships between competitors within an industry, potential competitors, suppliers, buyers and solutions for minimizing potential risks induced by different competitors in the market as well as leveraging potential benefits by exploiting resources and capabilities for achieving competitive advantages. The company should choose the right generic strategy at the right time. "These generic strategies are driven by five *competitive forces* that the organization has to take into account."[27] These are:

¾ "*Bargaining Power of Buyers*" – Firm has to take into account that buyers may have the power to influence pricing and, consequently, reduce firm's margins.

¾ "*Bargaining Power of Suppliers*" – Firm's suppliers may have the power to impose their own distribution policies and, consequently, influence firm's pricing.

¾ "*Threats of Substitutes Products or Services*" – Some firm's competitors may offer similar products or services in the market. Thus, the company would have to reduce the prices of its products or services in order to maintain its competitiveness in terms of pricing.

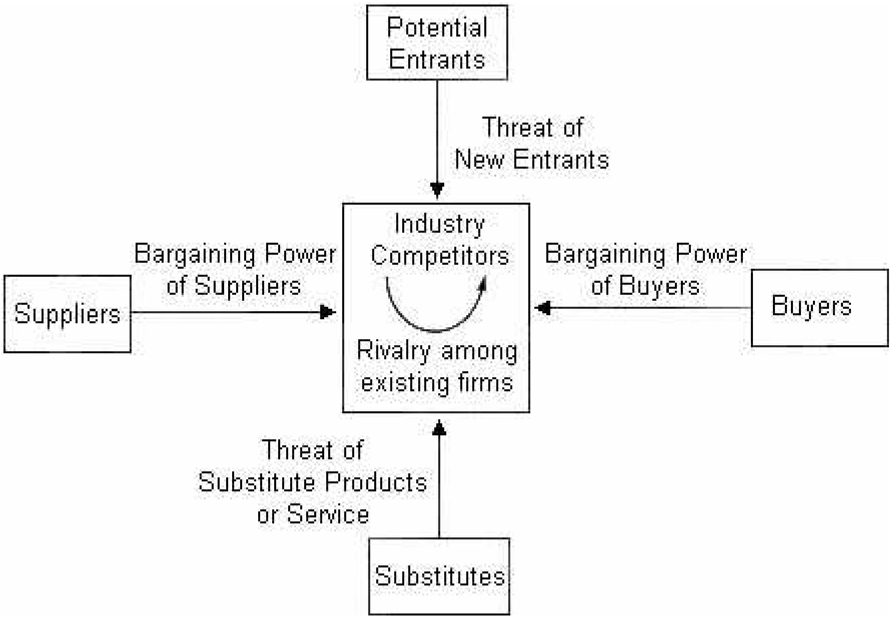
¾ "*Rivalry among existing firms*" – Some companies may compete in markets with high level of competition. Some firms have to make further investments in marketing and research. Others should reduce its profit margins in order to sustain their competitiveness.

¾ "*Potential entrants*" – For instance, some firms may compete in emerging markets with increasing rates of return. New firms might enter these markets due to the promising perspectives. Therefore, there is a high probability of increasing the level of rivalry in the emergent markets in the near future.

The firm should take into account all of these competitive forces as a condition for positioning itself in the market. Moreover, companies should "ask how the five forces can help to rewrite industry rules in the organization's favor."[28]

[27] "Business – The Ultimate Resource", p. 1038.
[28] Ibid., p. 1039.

**PORTER'S FIVE FORCES MODEL**




Source: "The Power of Perfect Strategy", "Michael Porter Five Forces Model", Available from: http://www.brs-inc.com/porter.asp

## 7. STRATEGIC VS. OPERATIONAL EFFECTIVENESS

The old strategic paradigm emphasized the role of productivity, increasing market share and lowering costs as conditions for achieving sustainable competitive advantages.

Managerial methods and concepts like total quality management, benchmarking, outsourcing and process re-engineer were seen as "key drivers for operational improvements"[29] in the 1980s. Porter argues that *managers failed to distinguish between strategic and operational effectiveness.*[30]

The strategic factors appears to be the mainly ones able to induce effectiveness on the firm's behavior, resulting in the comparative differentiation on the market, i.e. entailing the comparative advantages of that firm when compared with the others of the same profile. In Porter's view, firms should achieve *differentiation* based on the following *strategic factors*:

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[29] Ibid. p. 1039.

[30] Ibid. p. 1039 apud Porter, Michael. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* London: Free Press.

¾ The unique capabilities and activities of the firm, i.e. those capabilities and activities which are difficult to be imitated. Strategy rests on those unique capabilities and activities, "based on customers' needs, customers' accessibility, or the variety of a company's products or services."[31]

¾ "The company's activities must fit and link together. In terms of value chain, one link is prone to imitation but with a chain, [therefore] imitation is very difficult."[32]

¾ Companies should make a "conscious choice not to do others (…) Trade-offs deliberately limit what a company offers. *The essence of strategy lies in what not to do*."[33] If the firm chooses to be a "jack of all trades", it will be "lost" in the mass.[34]

We are on the fringe of invoking a parameter allowing us to measure the corporate success. In the view of J. Kay such a parameter could be the *value added* interpreted as a *value chain*.

## 8. ADDED VALUE AND CORPORATE SUCCESS

John Kay, Professor of Economics at London Business School, refers to the concept of added value as a "*key measure of corporate success* (…)"[35] He "took the idea of the value chain to a financial level claiming."[36] The added value, at corporate level, is "the difference between the (comprehensively accounted) value of a firm's output and the (comprehensively accounted) cost of the firm's inputs."[37] Added value is "both the proper motivation of corporate activity and the measure of its achievement."[38] Assembling a collection of assets that would add value to the business is a key issue in mobilizing firm's core competences. "He claims that there are three *types of capabilities* that can do it: *innovation*, *reputation* and *organizational structure*."[39] Before focusing on the value chain concept, we shall insist on the idea of the strategic process and on the different types of strategies as H. Mintzberg put them on.

[31] Ibid. p. 1039.

[32] Ibid. p. 1039.

[33] Ibid. p. 1039.

[34] According to "Business – The Ultimate Resource". *Op. cit*.

[35] Kay, John. (1993). "Foundations of Corporate Success – How Business Strategies Add Value". New York: Oxford University Press Inc., p. 19.

[36] Wikipedia – The Free Encyclopedia. (2005). "Strategic Management". *Op. cit*.

[37] Kay, John. (1993). *Op. cit*. p. 19.

[38] Ibid. p. 19.

[39] Wikipedia – The Free Encyclopedia. (2005). *Strategic Management. Op. cit*.

## 9. THE NATURE OF STRATEGIC PROCESS

Henry Mintzberg refers to *five types of strategies*:

- “*Strategy as plan* – a direction, guide, course of action – intention rather than actual;
- *Strategy as ploy* – a maneuver intended to outwit a competitor;
- *Strategy as pattern* – a consistent pattern of past behavior – realized rather than intended;
- *Strategy as position* – location of brands, products, or companies within the conceptual framework of consumers or other stakeholders – strategy determined primarily by factors outside the firm;
- *Strategy as perspective* – strategy determined primarily by a master strategist.”[40]

Thus, there are multiple facets of organizational strategy. The strategy is a continuous process of adjusting organization’s internal resources and capabilities to external, business environment. The nature of strategic process can, also, change as the strategy can be regarded in five different ways, according to Mintzberg. The organizational strategy can be seen as positioning, emphasizing the importance of brands and products within the *conceptual framework* of consumers. The main problem for a strategist is to make from the firm’s brand an important part of the conceptual framework of the consumers, as if they could not think any longer of certain products but in terms of brands the firm created and distributed on the symbolic market of the brands. This type of strategy is rather influenced by factors outside of the firm.

Strategy as plan, on its turn, is rather intentional in its nature, focusing on providing directions, course of actions. Strategy as ploy deals with competition, providing ways of outwitting competitors. Finally, strategy as pattern is less intentional in its nature, being rather focused on past behaviors. Such a strategy reveals the great importance of the cultural environment of a firm as a key factor of its success and legitimates a cultural approach of the firm and even of the strategic management. It has been frequently in the last century that a firm looked to achieve success on the market by creating top-down, in the uphill of the process, not only certain expectancies but also even customs, sustainable habitudes among the people, so that the firm’s products to become sustainable needs, as if they emerged from a proper way of life.

Constantinos Markides, also, reexamined the complex nature of strategic planning itself. Strategy is “an on-going, never-ending, integrated process requiring continuous reassessment and reformation.”[41]

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[40] Ibid.
[41] Ibid.

J. Moncrieff (1999) also refers to strategic planning. “He recognized that strategy is partially deliberate and partially unplanned. The unplanned element comes from two sources: *emergent strategies* (result from the emergence of opportunities and threats in the environment) and s*trategies in action* (ad hoc actions by many people from all parts of the organization).”[42]

## II. THE PROCESS OF STRATEGIC MANAGEMENT

### 1. WHAT IS A STRATEGY?

In order to understand what a strategy means we need to answer first to a question like this one: what is a strategic management process? This section is structured based on three inter-related stages of strategic management process as follows:

¾ *Strategy Formulation Process*
¾ *Strategy Content*
¾ *Strategy in Action*

Strategic management seen as a continuous process of adjusting organizational resources and unique capabilities to external business environment will be discussed based on a structured approach to strategic planning. Organizational strategy is seen as a continuing process based on three inter-related stages as follows:

¾ *Strategy Formulation Process* – It is the first stage of strategic process. The purpose of strategy formulation process is about assessing the followings:
  - o *Strategic Intent* – Any organization should formulate its intentions. “Without an underlying intent, strategy lacks an overall sense of direction and there is no reason to choose one direction rather than another.”[43]
  - o *Strategic context* – The analysis of both internal and external environment provides a first insight into the real life of the organization. It is the starting point before going further with formulating strategic choices.
  - o *Strategic Options* – It provides the link to strategic action. Which strategic options will the firm choose in order to fulfill its strategic

[42] Ibid.
[43] Macmillan, Hugh; Tampoe, Mahen. (2000). *Strategic Management – Process, Content, and Implementation*, New York: Oxford University Press, p. 64.

intent? The answer to this question is the nexus of potential strategic directions for business development.

¾ *Strategy Content* – It is about "strategies that emerge from the process and constitute a blueprint of desirable actions that the organization should take to secure its future."[44]

¾ *Strategy in Action* – It is the last stage of the entire strategic process. S*trategy in Action* is about implementing what was conceived within the precedent stages of the strategic process, i.e. strategy formulation process and strategy content. The next three sections will highlight some of the most significant concepts, methods and techniques used for formulating each stage of the strategic process.

## 2. "STRATEGY FORMULATION PROCESS" AND ITS CHARACTERISTICS

The *strategy formulation process*[45] is a structured approach of strategic thinking conceiving the future state of the firm. This process should be "tailored to the current needs of the organization."[46] The strategy formulation process has several *characteristics* as follows:

¾ The strategy/process considers the company *as a whole*;

¾ There is a *long-term approach* when formulating the strategic process;

¾ Strategic thinking should "address both the relationship of the enterprise with its external and its own capabilities and resources."[47]

The strategy formulation process has three main "logical elements": *strategic intent, strategic assessment and strategic choice*.

### 2.1. STRATEGIC INTENT

"Strategic intent is concerned with the ends and purposes of the enterprise and combines a vision of the future with the intent to make that vision a reality."[48] Strategic intent is a way of reconciling firm's end to its means.[49]

Gary Hamel and C.K. Prahalad argue that strategic intent has three attributes as follows:

¾ "*Sense of Direction*": Strategic intent is a "view of the future conveying a unifying and personalizing sense of direction."[50]

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[44] Ibid. p. 163.
[45] Ibid.
[46] Ibid. p. 63.
[47] Ibid. p. 63.
[48] Ibid. p. 70.
[49] According to Hamel, Gary and Prahalad, C.K. Available from: http://www.valuebasedmanagement.net/methods_hamel_prahalad_strategic_intent.html
[50] Ibid.

¾ "*Sense of Discovery*": "A strategic intent is differentiated; it implies a competitively unique point of view about the future."[51]

¾ "*Sense of Destiny*": "Strategic intent has an emotional edge to it; it is a goal that employees perceive as inherently worthwhile."[52]

The *business mission* is an "organization's vision translated into written form."[53]

The business mission of any company should contain the following elements:

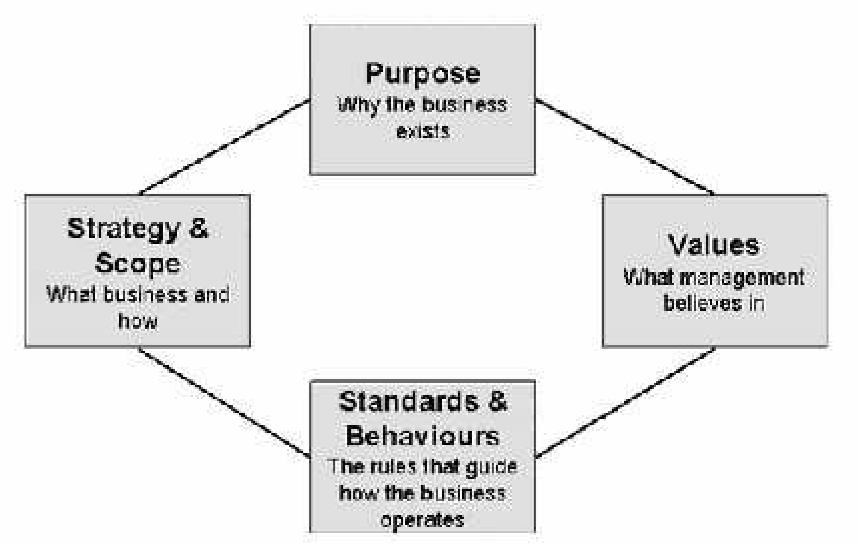
¾ "*Purpose*: Why the business exist?

¾ *Values:* What management believes in?

¾ *Standards and behaviors:* The rules that guide how the business operates.

¾ *Strategy and Scope:* What business and how?"[54]

**The Elements of a Clear Business Mission**




Source**:** Tutor2u (2005) "Strategic Planning – Mission", Available from: http://www.tutor2u.net/business/strategy/mission.htm

[51] Ibid.

[52] Ibid.

[53] "Corporate Vision, Mission, Goals and Strategies - Traditional and New Approaches", Available from: http://www.1000ventures.com/business_guide/crosscuttings/vision_mission_strategy.html

[54] Tutor2u (2005) "Strategic Planning – Mission", Available from: http://www.tutor2u.net/business/strategy/mission.htm

## 2.2. STRATEGIC CONTEXT

The strategic context refers to the analysis of both external and internal environment in which the firm operates. External assessment is concerned with changes in the business environment. Internal assessment is concerned with the organizational resources, i.e. physical resources (e.g., plants, equipments, etc.), unique capabilities, i.e. "capabilities, and competencies of the enterprise and the potential for these to meet future customer needs."[55]

The strategic context is the assessment of the "current position of the enterprise as a whole in its relationship with to the outside world."[56] There is a continuous interdependency between the strategic assessment and the following influencing factors:

- Internal, organizational environment;
- External, business environment in which the company operates;
- Strategic intent or the strategic purpose, i.e. organizational mission and vision;
- Strategic choice or the options made in relation with the strategic intent;
- Operational results;
- Triggers: "Occasionally (…) the gap between expectations and achievement requires more fundamental change. The awareness of this gap may act as a trigger for new thinking and new strategies."[57]

Thus, the strategic assessment or assessing the strategic context is based on:

- Organizational mission and vision;
- Assessing the organizational context, i.e. the starting point in crafting the strategic process;
  - Formulating strategic options depends on the reality perceived as a result of assessing both internal and external environment. Equally, strategic assessment may constrain or expand strategic intent.

## 2.3. STRATEGIC CHOICE

The strategic choice is the "process of selecting one option for implementation."[58] "A strategic option is a set of related options (typically combining options for product/markets and resources) that form a potential strategy."[59] The chosen strategy is the result of the strategic process where various decision makers within the organization decide on a course of action based on the agreed strategic intent and the situational analysis, i.e. strategic context.

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[55] Macmillan, Hugh; Tampoe, Mahen. *Op. cit*. p. 81.
[56] Ibid. p. 82.
[57] Ibid. p. 83.
[58] Macmillan, Hugh; Tampoe, Mahen. *Op. cit*. p. 133.
[59] Ibid. p. 133.

There is a structure for making strategic choice based on formulating various options as following:

¾ "Options about products, markets, and services;

¾ Options to improve resources and capabilities;

¾ Option of method on how to progress."[60]

There are, also, various decision makers involved in the process of strategic choice that use criteria and theoretical frameworks for making strategic choice.

Finally, the chosen strategy is the result of a process concerning:

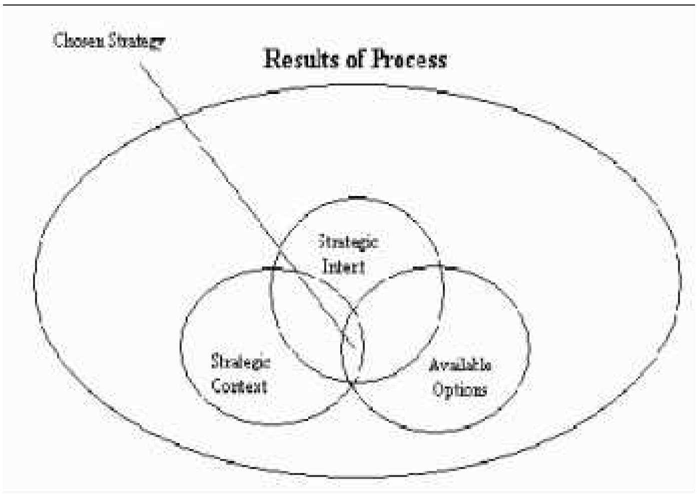
¾ Different kinds of options, i.e. options regarding products or services, options for improving resources and capabilities and options on how to progress;

¾ Various decision makers implied in the strategic process;

¾ Different criteria and theoretical frameworks used for making strategic choice.

Ansoff's Product/Market Grid is one of the most famous theoretical frameworks for determining strategic choice.

*Results of the Strategy Formulation Process*




Source: Macmillan, Hugh; Tampoe, Mahen. *Op. cit.* p. 134.

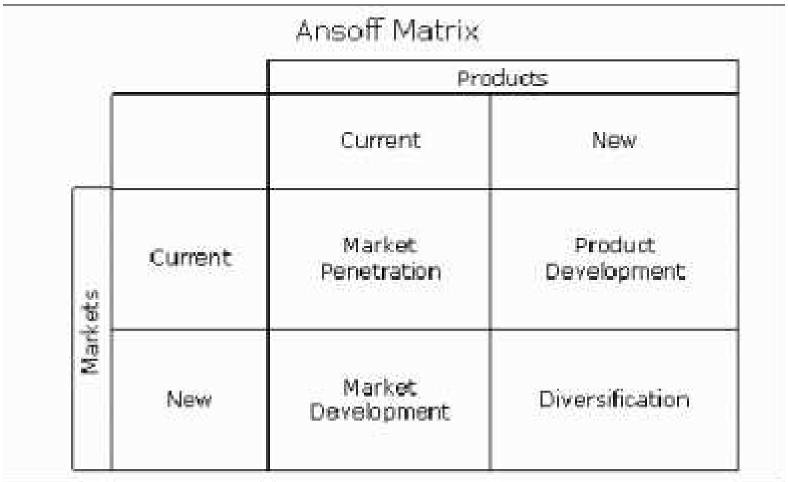
*2.3.1 ANSOFF'S PRODUCT/MARKET GRID*

Ansoff's Product/Market Grid is a model used in business unit strategy processes for determining business growth opportunities.[61] This model is based on two main dimensions:

[60] Ibid. p. 135.

[61] According to Value Based Management.net. (2005). "Product/Market Grid – Ansoff" Available from: http://www.valuebasedmanagement.net/methods_productmarketgrid.html

¾ *Products*
¾ *Markets*




Source: Value Based Management.net (2005) "Product/Market Grid – Ansoff" Available from: http://www.valuebasedmanagement.net/methods_productmarketgrid.html

The model defines *four growth strategies* as following:

- *Market penetration:* Firms pursuing a market penetration strategy "normally focus on changing incidental clients to regular clients, and regular client into heavy clients."[62] It is based on selling more of the same products or services in the current markets. Volume discounts, bonus cards and customer relationship management are systems used in connection with the market penetration strategy. Firms pursuing this kind of strategy want to achieve "economies of scale, more efficient distribution, more purchasing power, overhead sharing."[63]
- *Market development:* It implies selling more of the same products or services in new markets. "These strategies often try to lure clients away from competitors or introduce existing products in foreign markets or introduce new brand names in a market."[64]
- *Product development:* "Sell new products or services in current markets. These strategies often try to sell other products to (regular) clients. These can be accessories, add-ons, or completely new products."[65]

[62] Ibid.
[63] Product/Market Grid (Ansoff), 12manage.com. (2005). Available from: http://www.12manage.com/methods_productmarketgrid.html
[64] Ibid.
[65] Ibid.

- *Diversification:* It is the most risky strategy as firms try to diversify its activities by selling new products and/or services in new markets. Large corporations can, actually, reduce risks by pursuing a diversification strategy as its associated risks can be spread over a large and diversified business portfolio made out of a multitude of products and/or services. There are four types of diversification strategies as following:
  - *Horizontal diversification.* "This occurs when the company acquires or develops new products that could appeal to its current customer groups even though those new products may be technologically unrelated to the existing product lines."[66]
  - *Vertical diversification.* The company moves up or down within its vertical chain by either developing its own capacities or acquiring existing businesses positioned upstream or downstream along the same vertical chain.
  - *Concentric diversification.* "This results in new product lines or services that have technological and/or marketing synergies with existing product lines, even though the products may appeal to a new customer group."[67]
  - *Conglomerate diversification.* "This occurs when there is neither technological nor marketing synergy and this requires reaching new customer groups."[68]

### 3. STRATEGY CONTENT

The strategy content is concerned with the emergence of organizational strategy that "constitutes a blueprint of desirable actions that the organization should take to secure its future."[69] It is the output of the strategy formulation process. The strategy content is, also, the input to the implementation process.[70]

Mahoney and McCue outlined the content of a strategy as following:

- "Select the right business or businesses to be in and get out of the rest;
- Understand what drives success in the business and do these things superbly;
- Constantly innovate to renew the business or to redefine it in new, attractive ways;
- Maintain financial flexibility to seize on opportunities;

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[66] Ibid.
[67] Ibid.
[68] Ibid.
[69] Macmillan, Hugh; Tampoe, Mahen. *Op. cit.* p. 163.
[70] According to Macmillan, Hugh; Tampoe, Mahen. *Op. cit.*

¾ Measure the success of the enterprise by creation of superior shareholder value now and over time. But don't forget the other stakeholders."[71]

Macmillan and Tampoe argue that the overall organizational strategy should be divided into *corporate, business and functional strategies*.[72] There is only one *corporate strategy* that "outline the general purposes and the core values of the enterprise and express the broadest strategy of the enterprise in a succinct form."[73]

Large, diversified organizations have more than one business unit. Each business unit should have its own *business strategy*.[74] This kind of strategy focus on how each business unit should compete in a particular market place. A large organization based on a multitude of separate business units "may have as many business strategies as it has separate businesses or activities."[75]

Sometimes, the term "business strategy" is used in relation with the overall purpose and core values of the entire organization. It is the case of the corporations that have one single business unit.

*Functional strategy* refers to each major organizational function. Thus, there are marketing strategies, information technology strategies, and human resources strategies. The functional strategy focuses on improving performances at each major functional level.

The organizational strategy regarded either at corporate, business or functional level is concerned with minimizing those potential risk factors coming from inside (organizational environment) or outside (business environment) and maximizing those potential benefits based on leveraging organizational resources and capabilities.

Therefore, all kinds of strategies have the same major goal, i.e. achieving sustained competitive advantage. The difference between different types of strategies is based on the way that various decision makers are implied in the process of delivering superior results for the business. There are different types of decision makers within the firm who are in charge with crafting and implementing a certain strategic architecture. Decision makers positioned at the highest managerial level within the organization are concerned with crafting the corporate strategy process. The decision makers positioned at lower managerial levels within different business units in large, diversified organizations are in charge with building and implementing business strategies. Other decision makers like managers being in charge with coordinating major organizational functions are

[71] Ibid. p. 164 apud Mahoney, R.J. and McCue, J. A. (1999). "Insights from Business Strategy and Management: "Big Ideas" of the Past Three Decades: Are They Fads or Enablers". Report published by the Centre for the Study of American Business, Washington University in St. Louis. CEO Series Issue No. 29, Jan.

[72] According to Macmillan, Hugh; Tampoe, Mahen. *Op. cit*.

[73] Ibid. p. 165.

[74] According to Macmillan, Hugh; Tampoe, Mahen. *Op. cit*.

[75] Ibid. p. 165.

concerned with improving the performance of these functions. They are concerned with building and implementing specific functional strategies. Let's examine the various characteristics of different types of strategies.

### 3.1. THE BUSINESS STRATEGIES

"A business strategy describes how a particular business intends to succeed in its chosen market place against its competitors."[76] The management of the company should provide answers to the following questions when defining and securing its future as outlined below:

- "What is the scope of the business to which this strategy applies?
- What are the current and future needs of customers and potential customers of this business?
- What are the distinctive capabilities or unique competence that will give us competitive advantage in meeting these needs now and in the future?
- What in broad terms needs to be done to secure the future of our business?"[77]

Therefore, the business strategy of the corporation should be based on five qualitative factors as following:

- *Defining a proper scope of business strategy*: "There is a need for a balance in choosing the scope for each 'business'."[78] Large corporations have to define a scope for each business unit. Mathur and Kenyon suggest that "there should be a separate competitive strategy for each "offering" defined as the unit of customer choice."[79]
- *Using appropriate documentation having five headings as outlined below:*
    - "Statement of strategic intent for the business"[80]: A clear strategic intent should be described, outlining in practical and tangible terms how the future of the company is different from the present.[81]
    - "Principal findings of strategic assessment"[82]: A detailed analysis of both the external and internal environment should be provided.[83] "However, this section should provide a reasoned assessment of current status and future prospects of the business if present strategies were to be continued."[84]

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[76] Ibid. p. 170
[77] Ibid. p. 170
[78] Ibid. p. 171
[79] Ibid. p. 171 apud Mathur, S. S. and Kenyon, A. (1997). *Creating Value: Shaping Tomorrow's Business* (Oxford: Butterworth Heinermann)
[80] Macmillan, Hugh; Tampoe, Mahen. *Op. cit*. p. 172
[81] According to Macmillan, Hugh; Tampoe, Mahen. *Op. cit*.
[82] Ibid. p. 172
[83] Ibid.
[84] Macmillan, Hugh; Tampoe, Mahen. *Op. cit*. p. 172.

- o “Strategic choices which have been made and supporting rationale”[85]: Summarizing the options identified and choices made provide the path towards achieving the ultimate goal of any organizational strategy, i.e. achieving competitive advantage.
- o “Statement of goals and objectives”[86]: It is the starting point in the process of moving towards the realization of the overall strategic goal.
- o “Outline of strategic initiatives.”[87]

¾ *Understanding customers’ needs is a major driver of the business strategy*: “Business strategy is therefore market driven (…).”[88]

¾ *Exploiting firm’s core competences*: Identifying a unique core competence that can provide the basis for differentiating firm’s own products or services away from that of its competitors is a key issue in accomplishing the objectives outlined in the business strategy.

¾ “*Providing sustainable competitive advantage:* “The best business strategies are those which use the capabilities of the firm to address customer needs in a way which leads to sustainable competitive advantage.”[89]

## 3.2. CORPORATE-LEVEL STRATEGY

“Corporate strategy seeks to create value beyond the sum of the individual parts. It is thus concerned with corporate advantage much as business strategies are concerned with competitive advantage.”[90]

The main goal of corporate-level strategy is adding value to every business in the company’s portfolio.

The corporate-level strategy is about:

¾ *Finding the path towards accomplishing corporation’s goals*: “Where is the business trying to get to in the long-term (direction).”[91]

¾ *Defining the markets and the scope of the business*: “Which markets should a business compete in and what kind of activities is involved in such markets? (markets; scope).”[92]

¾ *Clarifying the nature of corporate advantage*: “How can the business perform better than the competition in those markets? (advantage)?”[93]

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[85] Ibid. p. 172.
[86] Ibid. p. 172.
[87] Ibid. p. 172.
[88] Ibid. p. 173.
[89] Ibid. p. 174.
[90] Ibid. p. 182.
[91] Tutor2u Limited .(2005). “Strategy - What is Strategy?” Available from: http://www.tutor2u.net/business/strategy/what_is_strategy.htm
[92] Ibid.
[93] Ibid.

¾ *Finding out what are those resources that may be used for building unique capabilities, i.e. core competencies required for generating competitive advantage:* "What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (resources)?"[94]

¾ *Coping with those influencing factors coming from the business environment that would affect corporation's competitive position in the market:* "What external, environmental factors affect the businesses' ability to compete? (environment)?"

¾ *The added value at corporate-level should satisfy the needs of different stakeholders' groups:* "What are the values and expectations of those who have power in and around the business? (stakeholders)."[95]

## 4. STRATEGY IN ACTION

Strategy in action is about implementing strategy as the last element of the strategic management process. All the elements of the strategic management process, i.e. the *strategy formulation process*, the *strategy content* and the *strategy implementation* have to fit together. "Strategic thinking, strategy content, and strategy implementation must all be valid within the constraints of the context."[96]

"If implementation is poor, all other elements of strategic management become a waste of time and effort."[97] Appropriate capabilities are needed in order to make the strategy work. "Trained and motivated managers, strategic information, fluid and responsive systems and structure"[98] are all required capabilities for successfully implementation of the organizational strategy.

### 4.1. THE SCOPE OF STRATEGY IMPLEMENTATION

Strategy implementation brings in changes in systems, processes, culture and organizational structure. Above all, the strategy implementation affects the way that different individuals, either managers at different levels or people from "execution levels", think and act in organizations: "Strategic change causes significant upheaval to people as they struggle to find their feet with the new arrangements."[99]

[94] Ibid.
[95] Ibid.
[96] Macmillan, Hugh; Tampoe, Mahen. *Op. cit*. p. 185.
[97] Ibid. p. 185.
[98] Ibid. p. 185.
[99] Ibid. p. 187.

Macmillan and Tampoe suggest that changes due to strategy implementation "may be classified under three headings"[100]:

¾ "*Change in systems and processes*"[101]: For example, one retailer may decide to pursue a vertical integration strategy. The chosen strategy, in this hypothetical example, requires developing distribution capabilities in order to increase efficiency of distribution channels situated upstream along the vertical chain. Assuming that the retailer from our example successfully managed to vertically integrate by developing its own distribution capacities, it would control better the costs by streamlining the distribution flows. The implementation of this strategy requires major re-configuration of systems and processes. It, also, implies significant financial resources for developing distribution capabilities.

¾ "*Change in culture*"[102]*:* The strategy implementation may require changes that would contradict the old values of the firm. "The rules and regulations that sustained the old values may have to be changed to reflect the new behaviors expected from staff."[103]

¾ "*Change in organizational culture*"[104]*:* Implementing a new strategic architecture affects the organizational structure as people "may have to be moved, either physically and in terms of whom they report to."[105] Implementing strategy can lead to disruptions of networks based on relationships between people working at different organizational levels. People, usually, build support networks in order to facilitate their works in organization. The change process "often breaks these support networks and introduces inefficiencies and ineffectiveness to a dynamic situation. The result may be chaos and failed strategy."[106]

In conclusion, the process of implementing a new strategic architecture may cause various changes of organizational settings. The implementation of strategy should be properly managed in order to reduce those potential risk factors that would bring in failures in managing change.

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[100] Ibid. p. 187.
[101] Ibid. p. 187.
[102] Ibid. p. 187.
[103] Ibid. p. 187.
[104] Ibid. p. 187.
[105] Ibid. p. 187.
[106] Ibid. p. 194.

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