A STUDY ON EVOLUTION AND STRUCTURE OF STRATEGIC MANAGEMENT

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Abstract

The strategic management is an essential function and a tool to be used and implemented by every organization to stay relevant and to beat the competition in an ever changing business environment. This paper attempts to look at the various stages in the development and evolutions of the strategy as a management tool to effectively gain competitive advantage. The paper also looks at the structure and models of various strategies that are prescribed by the thought leaders and originators of the concept of strategy. The models have been successfully tried and tested by various organization.

Key words: strategy, competitive advantage, models, evolution, management

Objectives

To understand the concept of Strategic Management

To Study the Evolution of Strategic Management

To illustrate the Structure of strategic Management

Introduction

The buzz word in business management and business conduct is the word “Strategy”. The essence of objectives of the top management is always to explore the right strategy to neat out the competition .Internally, within the organization the functional heads are always occupied strategizing the optimum use of the resources available and to be sourced. The role of planning evolved to the role of the strategist for the organization to be relevant in the highly competitive business world.

To understand the strategy and the process of strategy, the present study looks at the evolution of the concept of the strategy and also at the structure of the strategic management. This study will be helpful for a quick understanding of the concept and the process involving strategy.

Strategy Definition

Strategy can be defined as a plan, ploy, pattern, position and perspective and they are interrelated. The concept was in place right from prehistoric times and was mainly associated with military/war and diplomatic situations where the intent is to find the ways to defeat the enemy. It typically consisted of collection of the successful and unsuccessful experiences and passed on as teachings on how to deal with life and death situations presently and in future.

Time and again we witnessed the success of some organizations and failure of certain organizations and this keeps happening even though the reputation of the organizations are

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low/high respectively. This is due to the effective management of the strategy while running the business.

Strategic Management: Evolution

During the middle of the twentieth century, the industrialists and academicians have paid little attention in understanding and applying the strategic concepts developed by the military during the World wars, to the real life business situations. The increase in the demand for the products and rapid industrialization compelled them to focus more in developing efficient production systems. By the next decade, the attention shifted from efficient operations, budgeting and control to planning. The complexity of business environment and expansion into new markets put more stress in having an efficient planning and to focus on the future while dealing with increased competition.

The concept of Management by Objective MBO has been conceptualized by Drucker in 1950's.It is a process where the goals of the organization are defined and agreed to by the management and employees along with the ways to achieve them.

In a major wok, **Strategy and Structure,** Chandler(1962)had positioned the strategy as a concept of different business function from marketing, production, finance etc. Strategy has been defined as spelling out the long term goals of an organization followed by the adoption necessary actions and allocation of resources to realize these business goals. In the work, he postulated that structure follows strategy. Strategic decisions lead to the restructuring of the firm yielding a better competitive performance.

A model based on the analysis and measuring of strengths and weaknesses of an organization based on internal and external factors was suggested by Peter Selznick. This was the basis for further development of model and evolved as SWOT analysis proposed by Learned, Andrews, and others at the Harvard Business School. The strengths and weaknesses of the organization are assessed vis-a-vis the opportunities and threats faced by the organization in the business environment.

Igor Ansoff built on Chandler's work by adding concepts and inventing a vocabulary. He developed a grid that compared strategies for market penetration, product development, market development and horizontal and vertical integration and diversification. He felt that management could use the grid to systematically prepare for the future. In his 1965 classic Corporate Strategy, he developed gap analysis to clarify the gap between the current reality and the goals and to develop what he called "gap reducing actions".

In 1970's the strategic management has focused on growth, size and portfolio as it shifted focus from planning towards finding means to increase the operational performance and profits. Organisations started to understand the PIMS approach to find the relation between profitability and the strategy. The PIMS(Profit Impact of Marketing Strategies) study was a long-term study, starting in the 1960s and lasting for nearly two decades to understand the Profit Impact of Marketing Strategies. It was initiated at General Electric, then moving on to Harvard in the early 1970s, and then moved to the Strategic Planning Institute during the end of that decade and it now boasts of having decades of information on the relationship between profitability and strategy in an organization.

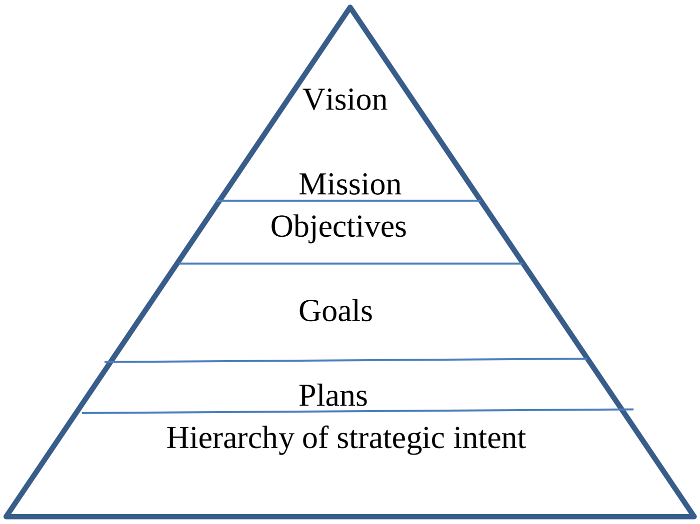
The theories and ideas of the previous decades have been used and applied in building the new strategic approaches during the decade of ‘80s.The thought leadership was provided by Harvard school with many leading theorists of the time like Porter, Andrews and Ghemawat. The practioners from Boston Consultancy group and consultants from the organization McKinsey added to the contributions. Initially they came out with the model SWOT analysis which identified and evaluated various factors both internal and external based on the industrial economics and assessed the factors against the threats and opportunities faced by the organization. However Porter came out with a model of strategy called competitive advantage which became a dominant model applicable to all industries. The competitive advantage model is based on the SWOT analysis and stresses upon the actions to be adopted by the firms to create an advantageous position against competitors. This approach is built on the relating and evaluation the organization with respect to its business environment.

The competitive advantage model of Five-Forces may not always by applicable for understanding the strategies of every organization. Thus with the need to look at the alternate models the birth of Value Chain Model took place Essentially, this model looks at the value adding primary or support activities available internally with the firm. This means that competitive advantage is inherent within an organization and this theme was central to the Resourced-Based View (RBV).

The Resource-Based View came into prominence in the late 1980s whereas the Dynamic Capabilities approach came to prominence in the mid-1990s.The RBV model is built on the premise that the competitive advantage for an organization can be built on the resources readily available with the firm in the form of primary and support resources and/or activities.

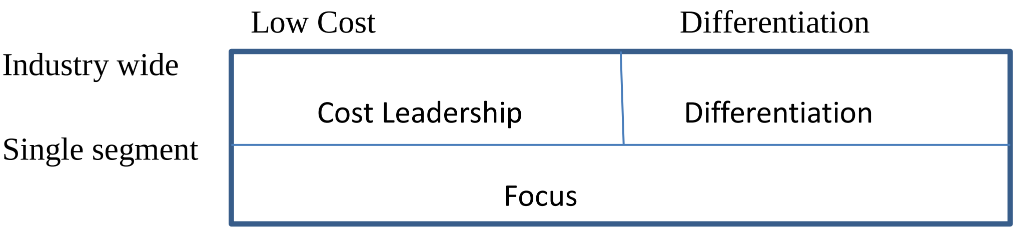
The structure of the Strategy

The structure of strategy refers to the ways and methods by which the strategy is designed and implemented by an organization. Effective strategic managements means that the organization is having a clearly defined vision for the future. The strategic intent as a concept has been postulated by Gary Hamel and C.K.Prahlad (1989) referring the purpose for the existence of the organization and the goals it wishes to pursue. It refers to the end the state the organization wishes to be in. The purpose of the organizations may vary from being broad and long term, as expressed in terms of vision and mission, to very narrow and short term objectives and goals.



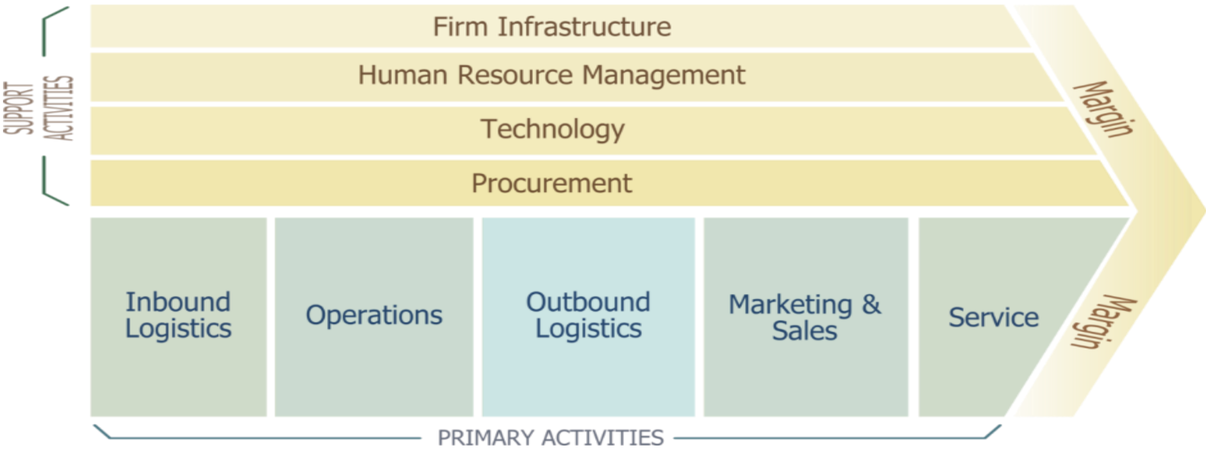
Michael Porter states that competitive advantage can be obtained by having low cost structure and differentiation as the two major factors as cost leadership strategy and differentiating strategy with industry wide segment or with a focused approach. Thus three strategies can be derived namely focus of the customer segment, cost leadership and differentiation strategy. These can be generic strategies as they are applicable to any type of industry including non-profit organization.

The strategic model based on Porter's theory can be depicted as below



Another model of strategy is analysing the contribution of individual activities to the overall customer value an organization produces. This requires the breakdown of all the processes into detailed/minute activities so that the incremental value at each stage can be easily assessed. In a traditional value chain model, the activities adding value can be broadly divided into two classes as primary activities and supporting activities.

Typically the primary activities are inbound logistics, operations, outbound logistics, marketing and sales, services etc while support activities are procurement, technology enabling thee production of services with firm's infrastructure and human resource management.

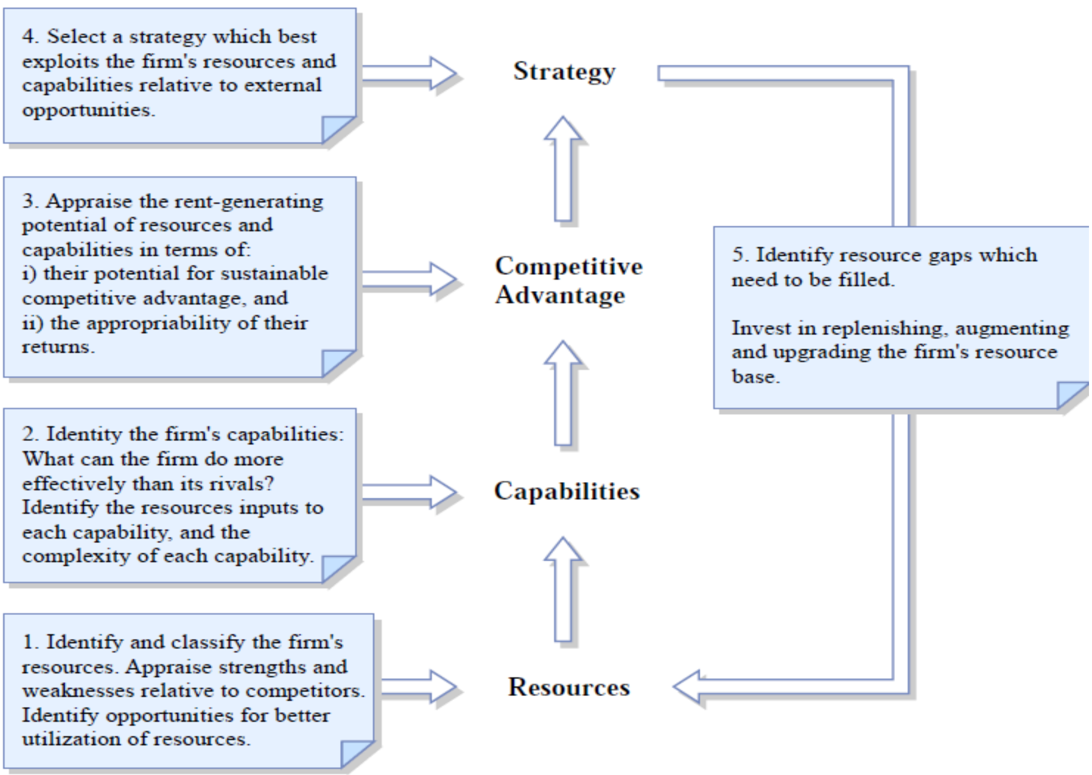


Source: Value Chain/ Wikipedia

Miller (1998) has stated the factors for assessment of the above various activities for the value chain model.

Macmillan and Tampoe (2000), have modified the traditional value chain with the advancement of information technology impacting various primary and support activities.

Another approach for gaining competitive advantage is resource based view of the firm. This is done through internal analysis where in the strengths of the organization are identified so that the same can be built along with the weaknesses which needs to be overcome. Competitive advantage can be generated by matching the internal strengths with the opportunities available



The resource based view for gaining competitive advantage. **Source: MIT OCW**

The assessment of the resource as to its value is very critical to enhance the strengths of the firm in the competitive landscape. Miller (1998), has prescribed a set of tests to assess the value of the resources.

Conclusion

The strategic management as a critical function in the conduct of the business has evolved over a period but with very quick adaptation by the organizations in order to beat the competition and to stay relevant in ever changing business and competition landscape. The subject started with focus on the production and creating the products and then evolved to the extent of analysing the each and every resource available with them. In the process the organizations have gone through various steps of reinventing themselves in terms of action points with respect to what they want to achieve and be in the future. In the process they were forced to look at the various options of reducing the redundancy in terms of the processes and by offering different services and products produced at a lower cost giving them the critical advantage of market leading to improved margins. The process of analysing the internal factors of an organization is a continuous one and will help the organization to adapt themselves to the emerging and evolving business landscapes in the future.

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