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THE NATURE OF STRATEGIC MANAGEMENT

Branislav Djordjevic
University "Union-Nikola Tesla" - Beograd

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ABSTRACT

To define strategic management is very easy. It is an art and science of formulati- ng implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. As this definition implies, strategic management focuses on integr-ding management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organizational success.
The strategic-management process consists of tree stages: strategy formulation, strategy implementation, and strategy evaluation. Strategy formulation includes developi- ng a vision and mission, identifying an organization's external opportunities and threats, determining internal strenghts and weaknesses, establishing long-term objectives, gener- ating alternative strategies, and choosing particular strategies to pursue.
Strategy implementation requires a firm to establish annual objectives, device po- licies, motivate employees, and allocate resources so that formulated strategies can be executed.
Strategy evaluation is the final stage in strategic management. Managers despar- ately need to know when particular strategies are not working well, strategy evaluation is the primary means for obtaining this information
The strategic-management process is dynamic and continuous. A change in any of the major components in the model can necessitate in any or all of the other components.
International operations can be as simple as exporting a product to a single foreign cou- ntry or as complex as operating manufacturing, distribution, and marketing facilitatets in many countries. Firms are acquiring foreign companies and forming joint ventures with them and vice versa. This trend is accelerating dramatically. International expansion is no guarantee of success, however.

Keyword: Strategic Management , Defining Strategic Management , Stages of Strategic Management.

1. INTRODUCTION

What is Strategic Management?

Once there were two company presidents who competed in the same industry. Th- ese two presidents decided to go on a camping trip to discuss a possible merger. They li- ked deep into the woods. Suddenly, they came upon a grizzly bear that rose up on its hi- nd legs and snarled. Instantly, the first president took off his knapsack and got a pair of jogging shoes. The second

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president said:"Hey, you can't outrun that bear." The first pr- esident responded, "Maybe J can't outrun that bear, but J surely can outrun you!" This st- ory captures the notion of strategic management, which is to achieve and maintain comp- etitive advantage.

Defining Strategic Management

Strategic Management can be defined as the art and science of formulating, impl- ementing and evaluating cross-functional decisions that enable an organization to achieve its objectives.As this definition implies, strategic management focuses on integrating ma- nagement, marketing, finance/accounting, production/operations, research and developm- ent, and computer information systems to achieve organizational success. The term *strat- egic management* is used synonymously with the term *strategic planning*. The latter term is more often used in the business world, whereas the former the is often used in accade- mia. Sometimes the term *strategic management* is used to refer to strategy formulation, implementation, and evaluation, with *strategic planning* referring only to strategy formul- ation. The purpose of strategic management is to exploit and create new and different op- portunities for tomorrow; *long-range planning*, in contrast, tries to optimize for tomorr-ow the trends of today.

The term *strategic planning* originated in the 1950s and was very popular betwe- en the mid-1960s and the mid 1970s. During these years, strategic planning was widely believed to be the answer for all problems. At the time, much of the business world was "obsessed" with strategic planning. Following that "boom", however, strategic planning was cast aside during the 1980s as various planning models did not yield higher returns. The 1990s, however, brought the revival of strategic planning, and the process is widely practiced today in the business world.

A strategic plan is, in essence, a company's game plan. Just as a football team needs a good game plan to have a chance for success, a company must have a good strat- egy plan to compete successfully. Profit margins among firms in most industries have been so reduced that there is little room for error in the overall plan. A strategic plan resu- lts from tough managerial choices among numerous good alternatives, and it signals co- mmitment to specific markets, policies, procedures, and operations in lieu of others, "less desirable" courses of action.

The term *strategic management* is used at many colleges and universitates as the subtitle for the capstone course in business administration-Business Policy-which integra- tes material from all business courses.

Stages of Strategic Management

The *strategic-management process* consists of tree stages: strategy formulation, strategy implementation, and strategy evaluation. *Strategy formulation* includes develo- ping a vision and mission, identifying an organization's external opportunities and threa- ts, determining internal strenghts and weaknesses, establishing long-term objectives, gen- erating alternative strategies, and choosing particular strategies to pursue. Strategy- formulation issues include deciding what new business to enter, what business to aba- ndon, how to allocate resources, whether to merge or form a joint venture, and how to avoid a hostile takeover.

Because no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy-formulation decisions commit an organization to specify products, markets, resources, and technologies over an extend- ed period of time. Strategies determine long-term competitive advantages. For better or worse, strategic decision have major multifunctional consequences and enduring effects on an organization. Top managers have the best perspective to understand fully the ram- ifications of strategy-formulation decisions; they have the authority to commit the resour- ces necessary for implementation.

Strategy implementation requires a firm to establish annual objectives, device pol- icies, motivate employees, and allocate resources so that formulated strategies can be ex- ecuted. Strategy implementation includes developing a strategy-supportive culture, crea- ting effective organizational structure, redirecting marketing efforts, preparing budgets, developing and utilizing information systems, and linking employee compensation to or- ganizational performance.

Strategy implementation often is called the "action stage" of strategic manageme- nt. Implementing strategy means mobilizing employees and managers to put formulated strategies into action. Often considered to be the most difficult stage in strategic manage- ment, strategy implementation requires personal discipline, commitment, and sacrifice. Successful strategy implementation hinges upon managers' ability to motivate employ-ees, which is more an art than a science. Strategies formulated but not implemented serve no useful purpose.

Interpersonal skills are especially critical for successful strategy implementation. Strategy-implementation activities affect all employees and managers in an organization. Every division and department must decide on answers to questions, such as "What must we do to implement our part of the organization's strategy?" and "How best can we get the jobs done?" The challenge of implementation is to stimulate employees throughout an organization to work pride and enthusiasm toward achieves stated objectives.

Strategy evaluation is the final stage in strategic management. Managers despera-
tely need to know when particular strategies are not working well, strategy evaluation is the primary means for obtaining this information. All strategies are subject to future mod- ification because external and internal factors are constantly changing. Three fundament- al strategy-evaluation activities are (1) reviewing external and internal factors that are the bases for current strategies, (2) measuring performance, and (3) taking corrective acti- ons. Strategy evaluation is needed because success today is no guarantee of success tom- orrow! Successfuly always creates new and different problems; complacent organizatio- ns experience demise.

Strategy formulation, implementation, and evolutionary activities occur at three hierarchical levels in a large organization corporate, divisional or strategic business unit, and functional . By fostering communication and interaction among managers and emplo- yees across hierarchical levels, strategic management helps a firm function as a competi- tive team. Most small business and some large business do not have divisions or strategic business units; they have only the corporate and functional levels. Nevertheless, manage- rs and employees at these two levels should be actively involved in strategic-management activities.

Business expert and icon Peter Drucker says the prime task of strategic managem- ent in thinking through the overall mission of a business:

> ....that is, of asking the question, "What is our Business?" This leads to the se- eting of objectives, the development of strategies, and the making of today's decisions for tomorrow's results. The clearly must be done by a part of the or- ganization that can see the entire business; that can balance objectives and the needs of today against the needs of tomorrow; and that can allocate resources of

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men and money to key results.

The Strategic-Management Model

The strategic-management process can best be studied and applied using a model. Every model represents some kind of process. The framework illustrated in figure 1.1. is a widely accepted, comprehensive model of the strategic-management process.[1] This model does guarantee success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies. Relationships, among major comp- onents of the strategic-management process are shown in the, which appears in all subse- quent chapters with appropriate areas shaped to show the particular focus of each chapter.

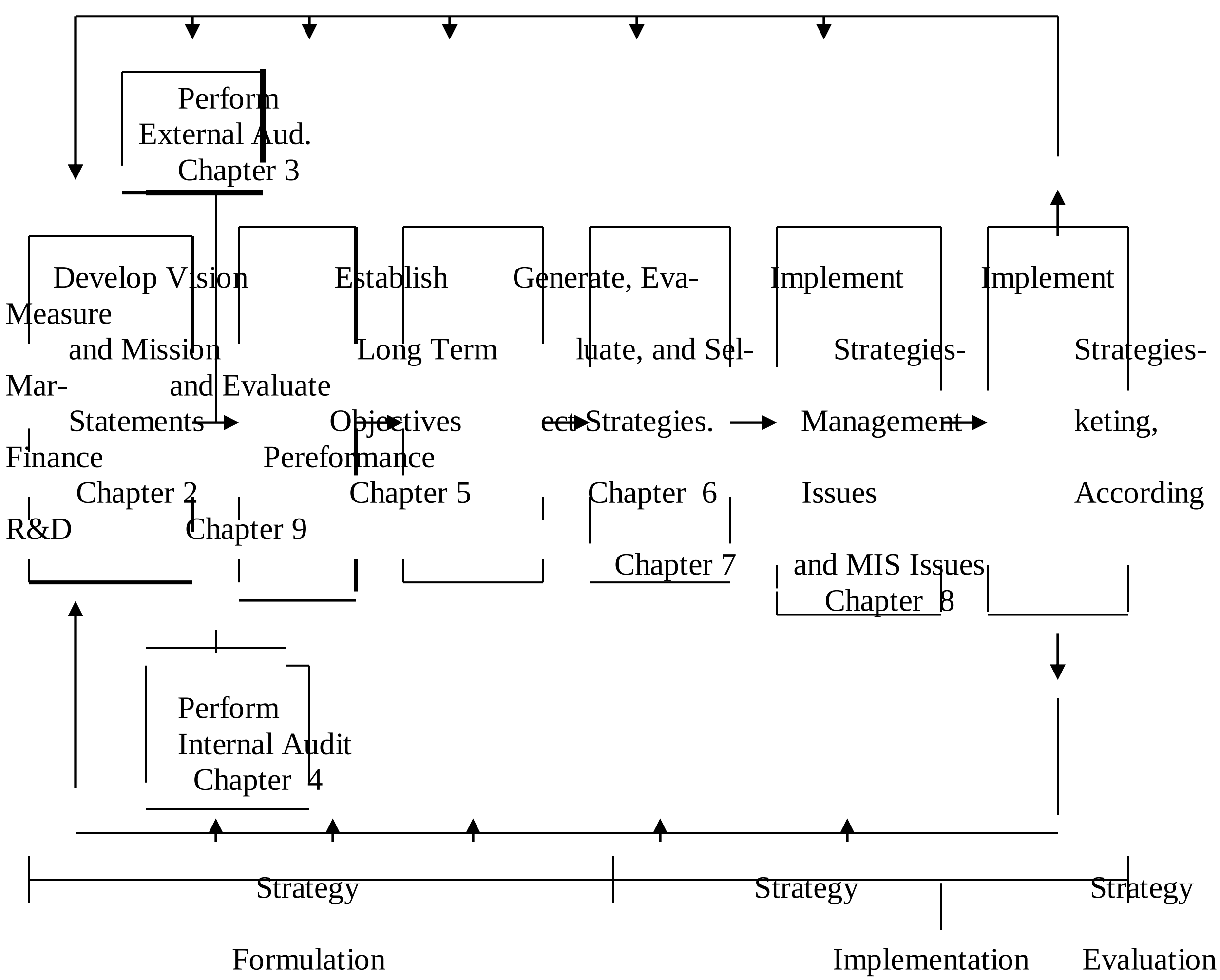

Figure 1.1. A Comprehensive Strategic – Management Model

Source: Fred R. David, " How Companies Define Their Mission," Long Range Planning 22, no.

3 (June 1988): 40

Identifying an organization's existing vision, mission, objectives, and strategies is the logical starting point for strategic management because a firm's present situation and condition may preclude certain strategies and may even dictate a particular course of acti- on. Every organization has a vision, mission, objectives, and strategy, even if these elem- ents are not consciously designed, write, or communicated. The answer to where an org- anization is going can be determined largely by where the organization has been!

The strategic-management process is dynamic and continuous. A change in any of the major components in the model can necessitate in any or all of the other components. For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in the firm's mission. Therefore, strategy formulation, implemen- tation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semiannually. The strategic management process never really ends.

The strategic-management process is not as cleanly divided and neatly performed in practice as the *strategic-management model* suggests. Strategists do not go through the process in lockstep fashion. Generally, there is give-and-take among hierarchical levels of an organization. Many organizations semi-annually conduct formal meetings to disc- us and update the firm's vision/mission, opportunities/threats, strenghts/weaknesses, str- rategies, objectives, policies, and performance. These meetings are commonly held off-premises and are called *retreats.* The rationale for periodically conducting strategic-management meetings away from the work site is to encourage more creativity and cand- or from participants. Good communication and feedback are needed throughout the strat- egic participants. Good communication and feedback are needed throughout the strategic management process.

Application of the strategic-management process is typically more formal in larg- er and well-established organizations. Formality, refers to the extent that participants, re- sponsibilities, authority, duties, and approach are specified. Smaller businesses tend to be less formal. Firms that compete on complex, rapidly changing environments, such as tec- hnology companies, tend to be more formal in strategic planning. Firms that have ma- ny divisions, products, markets, and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively associated with the cost, comprehensiveness, accuracy, and success of planning across all types and sizes of organizations.[2]

Benefits of Strategic Management

Strategic management allows an organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence (rather than just respond to) activities – and thus to exert control over its own destiny. Small business owners, chief executive officers, presidents, and managers of many for-profit and nonp-rofit organization shave recognized and realized the benefits of strategic management.

Historically, the principal benefit of strategic management has been to help organizations formulate better strategies through the use of a more systematic, logical, and rati- onal approach to strategic choice. This certainly continues to be a major benefit of strate- gic management, but research studies now indicate that the process, rather than the decis- ion or document, is the more important contribution of strategic management. *Commun-ication is a key to successful strategic management.* Through involvement in the process, managers and employees become committed to supporting the organization. Dialogue and participation are essential ingredients.

The manager in which strategic management is carried out is thus exceptionally important. A major aim of then process is to achieve the understanding of and commitm- ent from all managers and employees. Understanding may be the most important benefit of strategic management, followed by commitment. When managers and employees und- erstand what the organization is doing and why, they often feel that they are a part of the firm and become committed to assisting. This is especially true when employees also un- derstand linkages between their own compensation and organizational performance. Ma- nagers and employees become surprisingly creative and innovative when they understa- nd and support the firm's mission, objectives, and strategies. A great benefit of strategic management, then, is the opportunity that the process provides to empower individuals. *Emprovement* is the act of strengthening employee' sense of effectiveness by encouragi- ng them to participate in decision making and to exercise initiative and imagination, and rewarding them for doing so.

More and more organizations are decentralizing the strategic-management process recognizing that planning must involve lower-level managers and employees. The notion of centralized staff planning is being replaced in organizations by decentralized line-manager planning. For example, Walt Disney Co. recently dismantled its strategic-plann- ing department and gave those responsibilities back to the Disney business divisions. Former CEO Michael Eisner had favored the centralized strategic-planning approach, but new CEO Robert Iger dissolved Disney's strategic-planning department within weeks of his taking over the top office at Disney. The process is a learning, helping, educating, and supporting activity, not merely a paper-shiffting activity among the executives. Stra- tegic-management dialogue is more important than a nicely bound strategic-management document. The worst thing strategists can do is develop strategic plans themselves and then present them to operate managers to execute. Through involvement in the process, line managers become "owners" of strategy. Ownership of strategies by the people who have to execute them is a key to success!

Although making good strategic decisions is the major responsibility of an organi- zation's owner or chief executive officer, both managers and employees must also be in- volved in strategy formulation, implementation, and evaluation activities. Participation is a key to gaining commitment for needed changes.

An increasing number of corporations and institutions are strategic management to make effective decisions. But strategic management is not a guarantee for success; it can be dysfunctional if conducted haphazardly.

Business Ethics and Strategic Management

Business ethics can defined as principles of conduct within organizations that gui- de decision making and behavior. Good business ethics is a prerequisite for good strate- gic management; good ethics is just good business!

A rising tide of consciousness about the importance of business ethics is sweeping the world. Strategists are the individuals primarily responsible for ensuring that high eth- ical principles are espoused and practiced in an organization. All strategy formulation, implementation, and evaluation decisions have ethical ramifications.

Newspapers and business magazines daily report legal and moral breaches of ethi- cal conduct by both public and private organizations. The biggest payouts for class-acti-on legal fraud suits ever were against Enron ($7,16 billion),WorldCom ($6,16 billion), Cendant ($3,53 billion), Tyco ($2,98 billion) and etc.

Managers and employees of firms must be careful not to become scapegoats bla- med for company environmental wrongdoings. Harming the natural environment is unet- hical, illegal, and costly. When organizations today face criminal charges for polluting the environment, firms increasingly are turning on their managers and employees to win leniency for themselves. Employee firing and demotions are becoming common in pollut- ion-related legal suits. Managers being fired at Darling International, Inc., and Niagara Mohawk Power Corporation for being indirectly responsible for their firms polluting wat- er exemplifies this corporate trend. Therefore, managers and employees today must be careful not to ignore, conceal, or disregard a pollution problem, or they may find themsel- ves personally liable.

A new wave of ethics issues related to product safety, employee health, sexual ha- rassment, AIDS in the workplace, smoking, acid rain, affirmative action, waste disposal, foreign business practices, cover-ups, takeover tactics, conflicts of interest, employee pri- vacy, inappropriate gifts, security of company records, and layoffs has accentuated the need for strategists to develop a clear code of business ethics. *A code of business ethics* can provide a basis on which policies can be devised to guide daily behavior and deci- sions at work site.

Morely having a code of ethics, however, is not sufficient to ensure ethical busin- ess behavior. A code of ethics can be viewed as a public relations gimmick, a set of platitudes or window dressing. To ensure that the code is read, understood, believed, and remembered, organizations need to conduct periodic ethics workshops to sensitize peo- ple to workplace circumstances in which ethics issues may arise.[3] If employees see exam- ples of punishment for violating the code and rewards for upholding the code, this helps reinforce the importance of a firm's code of ethics.

An ethics "culture" needs to permeate organizations! To help create an ethics cul- ture, Citicorp developed a business ethics board games that is forty thousand employees in forty-five countries. Called "The World Ethic," this games asks players business ethi- cs questions, such as how do you deal with a customer who offers you football tickets in ex- change for a new, backdated retirement saving account? Diana Robertson at the Wharton School of Business believes the game is effective because it is interactive. Many organizations, such as how to prime Computer and Kmart, have developed a code-of-conduct manual outlining ethical expectations and giving examples of situations that commonly arise in their business. Harris Corporation's managers and employees are warned that failing to reprint ethical violation by others could bring discharge.

One reason strategists' salaries are high compared to those of other individuals in an organization is that strategists must take the moral risks of the firm. Strategists are res- ponsible for developing, communicating, and enforcing the code of business ethics for th- eir organizations. Although primary responsibility for ensuring ethical behavior rests with a firm's strategists, an integral part of the responsibility of all managers is to provide ethics leadership by constant example and demonstration. Managers hold positions that enable them to influence and educate many people. This makes managers responsible for developing and implementing ethical decision making. Gellerman and Drucker, respecti- vely, offer some good advice for managers:

All managers risk giving too much because of what their companies demand from them. But the same superiors, who keep prissing you to do more, or to do it better, or faster, or less expensively, will turn on you should you cross that fuzzy line between right and wrong. They will blame you for exceeding instructions or for ignoring their warnings. The smartest managers already know th- at the best answer to the question "How far is too far?, is don't try find out.

A man (or woman) might know too little, inform poorly, lack judgement and abi- lity, and yet not do too much damage as a manager. But that person lacks character and integrity-no matter how knowledgeable, how brilliant, how successful – he destroys. He destroys people, the most valuable resource of the enterprise. He destroys spirit. And he destroys performance. This is particularly true of the people at the head of an enterprise . For the spirit of an organization is created from the top. If an organization is great in spirit, it is because the spirit of its top people is great. If it decays, it does so because the top rots. As the proverb has it, "Trees die from the top. "No one should ever become a unless he or she is willings to have his or her character serve as the model for subordi- nates.

No society anywhere in the world can compete very long or successfully with pe- ople stealing from one another or not trusting one another, with every bit of information requiring notarized confirmation, with every disagreement ending up in litigation, or wi- th government having to regulate businesses to keep them honest. Being unethical is a receipt for headaches, inefficiency, and demography, environmental, political, goverme- ntal, legal, technological, and competitive opportunities and threats that face a multinatio- nal corporation are almost limitless, and the number and complexity of these factors increase dramatically with number of produced and the number geographic areas served.

More time and effort are required to identify and evaluate external trends and eve- nts in multinational corporations than in domestic corporations. Geographical distance, cultural and national differences, and variations in business practices often make commu- nication between domestic headquoters and other operations difficult. Strategy impleme- ntation can be more difficult because different cultures have different norms, and work ethics.

Advancements in telecommunications are drawing countries, cultures, and organi- zations world wide closer together. Foreign revenue as a percent of total company reven- ues already exceed 50 percent in hundreds of U.S. firms, including ExxonMobil, Gillete, Dow chemical, Citicorp, Colgate-Palmolive, and Rexeco. Unilever had $ 10 billion and $ 21,3 billion in domestic and foreign revenues, respectively, in 2006. A primary reason why most domestic firms are engaging in global operations is that growth in demand for goods and services outside the United States is considerable higher than inside. For example, the domestic food industry is growing just 3 percent per year, so Kraft foods, the second largest food company in the world behind Nestle, is focusing on foreign acquisitions. Shareholders and investors expect sustained growth in revenues from firms; satisfactory growth for many firms can only be achieved by capitalizing on demand outside their domestic countries. Computer shipments grew 21 percent in China in 2006, so Dell has greatly expanded its operations in China. Joint ventures and partnerships between domestic and foreign firms are becoming the rule rather than the exception!

The lineup competitors in virtually industries today is global. Global competition is more than a management fad. General Motors, Ford, and Crysler compete with with Toyota and Hunday. General Electric and Westinghouse battle Siemens and Mitsubishi. Caterpillar and John Deere comete with Komatsu. Goodyear battles Michelin, Bridgesto- ne/Firestone, and Pirelli, Boeing competes with Airbus. Only a few U.S. industries – such as forniture, printing, retailing, consumer packaged goods, and retail banking – are not yet greatly challenged by foreign competitors. But many products and components in these industries too are now manufactured in foreign countries.

International operations can be as simple as exporting a product to a single fore- gn country or as complex as operating manufacturing, distribution, and marketing facili- tates in many countries. Firms are acquiring foreign companies and forming joint ventu- res with them and vice versa. This trend is accelerating dramatically. International expa-nsion is no guarantee of success, however.

Advantages and Disadvantages of International Operations

Firms have numerous reasons for formulating and implementing strategies that in- itiate, continue, or expand involvement in business operations across natural borders. Perhaps the greatest advantage is that firms can gain new customers for their products and services, the greatest advantage is the firms can gain new customers for their produc- ts and services, thus increasing revenues. Growth in revenues and profits is a common organizational objective and often an expectation if shareholders because it is a measure of organizational success.

In addition to seeking growth, firms have the following potentially advantages re- asons to initiate, continue, and expand international operations:

1. Foreign operations can absorb excess capacity, reduce unit costs, and spread economics risks over a wider number of markets.
2. Foreign operations can allow firms to establish low-cost production facilities in locations close to raw materials and/or cheap labor.
3. Competitors in foreign markets not exist, or competition may be less intense than in domestic markets.
4. Foreign operations may result in reduced tariffs, lower taxes, and favourable political treatment in other countries.
5. Joint ventures can enable firms to learn the technology, culture, and business pra- ctices of other people and to make contacts with potential customers, suppliers, creditors, and distributors in foreign countries.

6. Many foreign governments and countries offer varied incentives to encourage foreign investment in specific locations.
7. Economies of scale can be achieved from operation in global rather than slowly domestic markets. Larger-scale production and better efficiencies allow higher sa- les volumes and lower-price offerings.

A firm's power and prestige in domestic markets may be significantly enhanced with various stakeholder groups if the firm competes globally. Enhanced prestige can translate into improved negotiating power among creditors, suppliers, distributors, and other important groups.

There are also numerous potential disadvantages of initiating, continuing, or expa- nding business across national borders. One risk is that foreign operations could be seized by nationalistic factions. Other disadvantages include the following:

1. Firms confront different and often little-understood social, cultural, demograp- hic, environmental, political, governmental, legal, technological, economic, and competitive forces when internationally doing business. These forces can make communication difficult between the parent firm an subsidiaries.
2. Weaknesses of competitors in foreign lends are often over stimulated, and strenghts are often underestimated. Keeping informed about the number and nature of competitors is more difficult when internationally doing business.
3. Language, culture, and value systems differ among countries, and this can cre- ate barriers to communication an problems managing people.
4. Gaining an understanding of regional organizations such as the European Economic Community, the Latin American Free Trade Area, the International Bank for Reconstruction and development, and the International Finance Corpo- ration is difficult but often required in internationally doing business.
5. Dealing with two or more monetary systems can complicate international busi- ness operations.
6. The availability, depth, and reliability of economic and marketing information in different countries vary extensively, as do industrial structures, business pra- ctices and the number and nature of regional organizations.

A Strategy of change: The gaps between theory and practice

As an intellectual investigation, understanding organizational change requires the appreciation of a vast network of competing theories, each drawn from many disciplines and perspectives. Some are covered in this text, although other areas of concern, such as morals and ethics, are not. No doubt other areas have been excluded or given only passi- ng reference (as my intellectual peers will inform me). But the point is that as a practical management guide all this change theory has a hard time in being convincing, especially to practicing managers. In the realm of management education it seems to be those with the loudest voices who are assumed to have the route-to-the-truth in change managem- ent. This is particularly true of the vendors of recipes of best business practice. These are not just any vendors, either. Their credibility (to practicing managers) comes from their having managed change themselves, or from being a resorected "guru", well informed in the arte of managing change. In the course of time this process has led to a considerable level of homogeneity both in the appreciation of and in approaches to managing change.

Those authors who have cought to emhasize the complexity of change at the organizational and contextual levels (e,g.) Pettigrew and Whipp, 1991) have understandably been unable to match the seeming immediacy of the analyses of their more practical skill-oriented colleagues. Contextual analyses requires the careful and rigorous examination of antecedents, frames of reference, busuiness sector characterictics – in short time it needs to address both the archeology and the geneology of change. Brushing up one's interpersonal skills or individual decision style has the apperence of greater relevance and is, of course, far more tangible than asking awkward questions about the nature of change and the context in which it operates. Most books on individual change include questionnaries through which the readers can "discover" their leadership style, appetite for working in groups, etc. In the extreme, this becomes just like reading one's horoscope – attractive at the level of individual curiosity but found warning in the analytical progress it makes to- wards understanding the concept of change.

If organizations are to survive the immense pressures upon them, their managers need to be more than good operators at the level of individual skills. They need to under- stand the complexities of the processes and the nature of change in order to steer their organizations through the dynamic of change. This means perhaps revisiting the analysis of change, perhaps changing the ways in which academics disseminate the subject as management trainers and extending the analysis outside the relatively narrow confines of interpersonal and group analyses. This text has deliberately taken a particular stance tow- ard the question of organizational change. The argument has been largely against skill-based approaches, ready-made models of good organizational practice (for example, the "excellence models) and reliance upon analysing change as primarily the outcome-oriented pursuit of great and charismatic individuals. The argument have, rather, favour- ed the potency of organizational structures, of economic determinism, of institutionalizat- ion within which the manager must operate. To operate successfully (and in the long te- rm) he or she must understand and learn from the wider context or organization. This is not to say that individual skills are unimportant, only that they cannot be considered in insolation from the wider factors of strategic change. Whether or not the reader agrees with such an analysis is not the point. It is the consideration of alternative views which promotes analysis, learning and the development of knowledge. The reader can then org- anize his or her own thoughts and come to a reasoned conclusion without over-depende- nce on redily accessible models and seemingly powerful metaphors.

Implications of a Macro-interdisciplinary analysis of change

Change is a phenomenon which cannot be restricted solely to the "behavioral" aspects of management learning. It needs a perspective which can blend the behavioral with the economic, the historical with future-oriented decision-making, and the political with the social and economic factors of change. Unfortunately, current developments in the analysis of change have developed along the either/or path of skills versus context. For virtually every management discipline currently taught, the implications of this split are far-reaching.

Again, the implications extend beyond the academic to land squarely at the feet of the practitioner. Depending upon which perspective is taken, the practitioner will be guided or will turn towards a particular set of solutions to effect change. Consider, for example, the familiar problem in corporate strategy where the range of products and services offer- ed by an organization does not align exactly with the vision of the strategic planners (or those responsible for planning). The pressure for change is acute, to try and change either the strategic plan or the range of products and services to achieve some state of congruence. On the one hand, one could argue that the solution for change might lie with the strategic planners, for it is they who have the “vision”. Along the way, this vision may have become subject to the politics of organizational change, in which the smooth transition of strategic planning becomes clouded by internal politics and conflict or by fiscal and regulatory pressures in the operating environment of the organization. Thus those products or services which do emerge are unlikely to be in line with the vision of strategic planners. Product and service range no longer match the articulated corporate strategy. The solution for change would thus be to keep the strategic vision constant, but try to reduce resistance and pressures from other sources during implementation. This could involve building teams in which planners and implementers worked together on the same problem, possibly in parallel teams (very like the Japanese process of product development). Or it could involve negotiating directly or indirectly with those who resist the strategy, perhaps co-opting them into the early stages of product development. The change solution is likely to be rooted in behaviouralism, trying to persuade others to accept new ideas. Currently, this is akin to internal selling, which occurs in very dece- ntralized firms or in organizations which are split up into strategic business units. New ideas generated by one part of the organization have to be “sold” to other parts (e.g. development teams have to convince the marketing function that a proposed product will sell). The process of persuasion could take a number of forms. Beyond co-optation, attention to management style, negotiating techniques and influencing skills might appear to be fruitful solutions to achieving change.

On the other hand, the solution for change might be found by analysing the politi- cal power balance in an organization (*Hickson et al.,* 1986) rather than trying to persuade others to accept any predeterminated strategic plan. Here the analysis of change would be less overtly behavioral, taking the view that result of the political inter-paly of factio- ns both onside and outside the organization. The solution for acieving change would app- ear to lie with the institutional feautures of organization, such as its structure, culture, context, technology or history. Increased persuasion by those who plan would seem poin-tless, since the organizational context will torpedo the vision. The key to handling strate- gic change is to understand the context and thus be able to predict the likely outcome of any action taken. Thus the system of organization itself allows change through the institu- tionalized context allows variation and experimentation to take place. But it need not inv- olve management development, the creation of terms, the decentralization of structures, the creation of strategic business units, or the intervention of an organizational developm- ent practitioners.

The above distinction is, however, only one dimension of a complex problem, ev- en though, on this dimensions alone, individuals would be tempted to take very different routes towards achieving change. What if the task were not just to align emergent outco- mes with intended strategies, but was also to achieve greater innovation and creativity in products and services, something marketing analysts such as Kotler (1988) hold central to achieving competitive advantage? According to Etzioni (1988), reliance on strategic planning (held dear by neoclassical economists) can place limits on innovation and can ration creative effort by individuals throughout the organization. A range of products and services emerges, but they are characterized by their similarity to what went before. Alternatively, non-economic analyses which accord primacy to the emergent and proce- ssual aspect of organization mean that change processes increase the level of organizatio- nal mean that change processes increase the level of organizational politics, but decrease the amount of co-operation and co-ordination. Creativity and innovation might be foster- ed, but the range of products and services which do emerge is likely to be the outcome of intuitive or political decisions. They may or may not be successful in achieving and sust- aining competitive advantage.

The implications for the "management" of change are fundamental. The essential task is either to achieve greater creativity in formal strategic planning, or to abandon the idea of rational economic decisions altogether and instead focus attention upon analysi- ng and managing the conflict and politics inside and outside the organization. But which way is the practicioner to jump? The current vogue for more behavioral solutions may be temting, but are they likely to achieve strategic change in the long time? The answer from the available empirical evidence would seem to indicate that solutions based broadly upon behaviouralism and/or organizational development are relatively short-term. Those based upon more macro analyses of culture, structure and power are more dificult to achieve, but are more likely to be sustained in the longer term (Cummings and Huse, 1989).

The reasons for this can be found in much earlier works (e.g.Blake and Mouton, 1964). Achieving short-term change in behavioral aspects such as management style is relatively easy in comparison to making it a permanent feature of the organization. That is what Cummings and Huse (1989:478) call "institutionalizing an organization deve- lopment intervention". In other words, making it part of the organizational culture. The same authors note that, often, change efforts based on organization development become reliant on a single individual (the sponsor) and that when the sponsor leaves (or is transferred to a position of less influence or direct power) the programme of change collapses abtuptly (p.480). In Lewin's (1951) terms, there is an unfreezing, a change.but no refreezing of the new state.

The above would seem to advocate against using Organization Development tech- niques totally. That is not the intention. Organization Development is a valuable approa-ch, provided it is viewed within the wider context of organization. Too often, OD and other change programmes such as Quality of Working Life and Socio-Technical Systems have been seen as an end in themselves without reference to the context in which they op- erate. Both programmes make similar assumptions to more individually based interventi- on (such as changing management style). That is, increased worker autonomy and part- icipation in work-related decisions leads to a more satisfied and therefore more producti- ve work force. Like the other programmes for change, they can also be beset with proble- ms, proffer short term solutions, and can be viewed as a way of keeping workers happy by apparently democratizing the workplace but at the same time retaining ultimate mana- gerial control. Yet some of the most carefully conducted experiments in organizational change also fall under the banner of OD. Whilst the results of many studies are largely in- conclusive, we should be careful not to dismiss such approaches too readily and sholuld recognize that many alternative approaches to change (such as creating excellent cultures; designing matrix organizational structures) are likely to have even less empirical support and are unlikely to have been subjected to the same intellectual rigours in research design.

The search for more macro solutions to organizational change leads straight back to some of the ideas outlined at the beginning. Fostering innovation in formal planning can be achieved by a number of apperently “managed” routes. Where organizational stru- ctures are bureaucratic and hierarchical, for example, they can be decentralized, blurring the differentiation between functions and thus engaging individuals in the spirit of the whole enterprise rather than in just their part of it. Yet we know that purely structural so- lutions are unlikely to achieve this without the supporting ideologies (or cultures) in whi- ch organizational change and learning take place (Argyris 1077; Argyris and Schon 1978).

The amount of such institutional support that can be achieved may vary accordi- ng to the amount of uncertainty facing the organization. The level of uncertainty can, it- self, change with time, requiring organizations to develop different learning strategies. drawing on the work of Argyris and Schon (1978), butler (1991) distinguishes between inner-loop and outer-loop learning. Inner-loop learning take place when organizations face a relatively stable and benign operating environment. Their macro context is stable. The prime goal of change becomes one of increasing efficency. Outer-loop learning refe- rs to changes which can no longer be handled by increasing efficiency but require deep, ideological changes to take place. The macro context is highly uncertain. It is worth noti- ng at this stage that highly efficient organizations are only definable as such by their con- text. The term “efficient” means they cope well with the current level of uncertainty in their operating environment. A major change in the operating environments means that such organizations can become progressively less effective and slide efficiently out of business in further learning does not take place. A macro analysis of change requires that the rate and level of change in the operating environment are monitored and counted in the overall equation.

Yet other common themes appear to emerge on a global scale among a mix of both manufacturing and service organizations. Britain may have its special problems in deciding the balance between manufacturing and services (compounded by the relative lack of availability of low-cost capital) but continental European and North Ameican org- anizations share some striking similarities at the contextual level of analysis (Barlett *et al*, 1990). These include acquisitioons and joint ventures (single operators are beginning to recognize the limits to going it alone); the globalization of business (supported by the rationalization of production, improved quality, the adoption of new technology and marketing); the achievement of a strong corporate identity (occasionally termed culture) and the support for a strong research and development focus.

These macro-level changes will determine to a large extent the efficacy of more micro strategies of change (such as OD), since they will influence the extent to which behavioral and structural changes in work design can be sustained. Equally, programm- es for change such as Total Quality, or Quality of Working Life, packages will be subject to the wider forces of determinism. Training managers to handle change through the learning of specific competences may achieve little more than enabling them to scope with change more easily (as opposed to being able to manage it). Joint ventures and acquisitions, for example, often involve organizations of very different cultures working together for the first time. Should the first step towards resolving the inevitable tension thus created be to try and create and manage a new super ordinate culture. The excellen- ce tradition would have us believe this is the first step, but empirical evidence weights heavily against tacking corporate culture head-on (Cummings and Huse, 1989).

The globalization of business brings with it similar problems. Organizations must seek

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some way of adapting to operating as global players, yet the impact different nation- al cultures and of economies which are in different stages of advance or decline will be major factors in the change equation (Tayeb, 1989). Placing more emhasis on research and development will inevitably make these functions more "strategically contingent" and allow them the potential to exert greater influence over strategic decisions, both in their planning and in their outcomes (Hickson *et al.*, 1971, 1986). It is a debatable point whet- her other stakeholders in the organizations will let this change happen willingly. Wilson *et al.* (1986). provide empirical evidence of the inflexibility of organizations from both public and private sectors when a substantial shift un the power balance seems a likely outcome. Stakeholders defend their political position resolutely. This is what Wilson *et. al*. (1986) term the "bounding" of strategic decision-making. The institu- cioanalized fabric of organizations resists change until something out of the ordinary happens. Four out-of-the- ordinary conditions are:

1. The advent of new data or technology in a form to which the organization is unaccustomed.
2. A significant increase in conflict between powerful stakeholders (both inside and outside the organization).
3. A novel topic for decision (i.e. one which the firm has never previously enco- untered in that form, athough other firms may have taken similar decisions).
4. An unusual or unaspected source of new ideas which break through the tradi- tional information channels and open up discussion.

Pettigrew (1985) adds the onset of crisis to the above list, arguing that a common perceprtion among individuals that the organization in threatened with extinction also acts as a spur to "unbound" the institutioanalized context of the organization and overc- ome the inertia against change.

Yet the analysis of change can never be wholly deterministic. The degree, scope, pace and immediacy of change will all influence the extent to which the management of change is a proactive or largely deterministic exercise. Scarbrought and Corbett (1992) il- lustrate this point regard to the impact of new technologies and organizational design. Technology can be viewed as something "neutral" which organizations choose to use or not. On the other hand, technology can be interpreted as both a social and a political for- ce in the face of which organizations undergo often quite radical changes either to incorp- orate or to reject the "new" technology.

This duality or dialectic is inherent in the study of organizational change. Its anal- ysis gains potency from the tensions between voluntarism and determinism, and thus the knowledge base can be extended and developed. The danger lies in assuming change to be a simple phenomenon, attached as a finite list of behavioral recipes and managerial competences. The study of organizational change requires an interdisciplinary focus whi- ch allows an appreciation of the contexts in which strategies for change are conceived and enacted. As empirical evidence grows, such a view is likely to gain greater support. Until that time it is to be hoped that the field of study does not fragment, or worse still, refuse itself to change from its current unsatisfactory position. This text makes a pleas for a more general integration of approaches to the subject of organizational change, in particular not forgetting the intellectual traditions, contradictions and roots of analysis in our haste to try and solve the pressing problems of today's organizations.

2.CONCLUSION

All firms have a strategy, even if it is informal, unstructured, and sporadic.. The old saying: "If you do not know where you are going, then any road will lead you there!" accents the need for organizations to use strategic-management concepts and techniques. The strategic-management process is becoming more widely used by small firms, large companies, non-profit institutions, governmental organizations, and multinational conglo- merates alike. The process of empowering managers and employees has almost limitless benefits.

Organizations should take a proactive rather than a reactive approach in their industry, and they should strive to influence, anticipate and initiate farther than just respond to events. The strategic-management process embodies this approach to decision making. It represents a logical, systematic, and objective approach for determining an enterprise's future direction. The stakes are generally too high for strategists to use intu- ition alone in choosing among alternative courses of action. Successful strategists take the time to think about their businesses, where they are with their business, and what they want to be as organizations – and then they implement programs and policies to get from where they are to where they want to be in a reasonable period of time. It is a known and accepted fact that people and organizations that plan ahead are much more likely to become what they want to became than those that do not plan at all. A good strategist plans and controls his or her plans, while a bad strategist never plans and then tries to controls people!

Success in business increasingly depends upon offering products and services that are competitive on a world basic, not just on a local basic. If the price and quality of a firm's products and services are not competitive with those available elsewhere in the world, the firm may soon face extinction. Global markets have become a reality in all but the most remote areas of the world. Certainly throughout the United States, even in small towns, firms feel the pressure of world competitors. Nearly half of all automobiles sold in the United States, for example, are in Japan and Germany.

This analysis comes down heavily in favour of a macro-contextual perspective. Programmes and packages, or individual "blueprints for action" (Plant, 1987) may appear appeling in their apparent scope and immediacy in stimulating action towards change. Yet all of them are bound in the wider contexts of organizational environments. The relevance and efficacy of programmes will be coloured by the context in which thed are applied. Perhaps it is time for reflection and consideration, rather than pure application, which will ultimately lead towards a better understanding of the term "a strategy of change".

The notion of planned change, on the surface a seemingly rational and eminently appropriate task for managers, is not so unproblematic as it may seem Care has to be take to recognize the sociological and psychological assumptions that inform what is planned, by whom and in which ways it is implemented. The example at the beginning of this chapter indicates that perhaps a more contextually specific analysis would be appropriate. Certainly, differences in the analysis of change will dependent upon a wide range of factors, from differences in business sectors to different nation states.

Yet the notion of planned change should not simply be dismissed on the ground of its apperent academic paucity. It has immense potency drawn from practice. The domina- nt theory-in-use in British and American organizations is the achievement of planned ch- ange through managers trained in specific techniques who can develop specific skills to see the change

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through. This despite a growing weight of empirical evidence which indic- ates that the analysis of change is best understood in terms of its context and of political processes in organizations.(Hickson et.al.,1986; Pettigrew and Whipp, 1991). This analy- sis explores some of the tensions created by this apperent paradox.

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