



Combination of different perspectives in strategy formulation

araoulanis Andreas, MBA, MsEng
andrekaroul@gmail.com

ABSTRACT

In this paper the author tries to outline some major strategy guidelines in terms of internal or external factors by following the paths of certain authors such as Porter, Dawar, Eisenhardt and Sull and Mankins. The author mainly focus on strategy to performance gap and strategy communication inside the company in order to underline their vast importance in formulating the company's strategy implementation.

Keywords

Strategy; Communication; Strategy to Performance gap; Competitive Advantage.

Academic Discipline And Sub Discipline

Economics; Strategy; Management; Marketing

TYPE (METHOD/APPROACH)

Literary Analysis



Council for Innovative Research

Peer Review Research Publishing System

Journal: Journal of Social Sciences Research

Vol. 9, No. 2

jssreditor.cir@gmail.com

www.jssronline.com



INTRODUCTION

According to Porter (1990), each nation establishes and operates a plexus for its industries which is called "the diamond of national advantage". This plexus is consisted of four factors which are the ones which create the competitive advantages for each industry that operates in a specific country. These factors are the following: the factor conditions which refer to the nation's production factors, the demand conditions which refer to the specific demand conditions as they are depicted in the specific nation's industries, the related and supporting industries which are the industries that will create value and shape the country's GDP on the long run, and finally the firm strategy, structure and rivalry (Porter, 1990, p.77). In this paper, the author will focus on this fourth factor in order to underline its importance in creating a competitive advantage for the company.

FIRM STRATEGY, STRUCTURE AND RIVALRY

According to Porter(2008) there are some external forces that can shape competition thus strategy of companies: Threat of new entrants, bargaining power of suppliers, threat of substitute products or services, bargaining power of buyers, rivalry among existing competitors. These external forces are creating a frame of external paragon that can reflect to the company's strategy. On the other hand, Eisenhardt&Sull (2001) argues that in order companies to achieve a more competitive profile, they must use certain internal rules of strategy.

As a first approach, one can argue that both authors are trying to focus on the same topic, which is the development of competitive advantage via certain strategy formulation, but from a different perspective. Porter from an outside to inside direction, while Eisenhardt and Sull from a vise versa direction.

The congruence

Eisenhardt&Sull(2001, p.116) argues that their perspective is more useful when markets are in a chaotic state. They believe that rules can drive companies to competitive advantage but not all the rules and certainly not so many rules. Managers should establish an equilibrium between rules and knowledge of how and when to act. Timing is important (Eisenhardt&Sull, 2001, p.112).

It is also important to underline that according to Eisenhardt&Sull (2001), rules are not a panacea. On the contrary, although companies should follow rules religiously, strategists should know when the right momentum is to change them. This is a point of congruence between them and Porter, as they all see the great role of managers -strategists. As Porter indicates (2008, p.79) "The job of strategist is to understand and cope with competition", which in simple words means that strategists should have the first and the last word in implementing the right company's strategy.

Dawar (2003) is trying to describe how companies can achieve competitive advantage by focusing downstream to their customers. So Dawar is more focused in just one direction.

The strategy to performance gap and the gap-closing rules

Mankins and Steele (2005.pp.66-68), offers some reasons indicating why there is a gap between strategy and performance, such as:

- ✓ Companies rarely track performance against long-term plans,
- ✓ Multiyear results rarely meet projections,
- ✓ A lot of value is lost in translation,
- ✓ Performance bottlenecks are frequently invisible to top management,
- ✓ The strategy-to-performance gap fosters a culture of underperformance.

In order to close this potential gap between strategy and performance, Mankins and Steele offering some rules (2005, pp.69-72):

- ✓ Keep it simple make it concrete,
- ✓ Debate assumptions, not forecasts,
- ✓ Use a rigorous framework, speak a common language,
- ✓ Discuss resource deployments early,
- ✓ Clearly identify priorities,
- ✓ Continuously monitor performance,
- ✓ Reward and develop execution capabilities.

In terms of the above provided rules, it is more than advisable that if we want to have a better execution of our strategic plans we definitely have to be specific about our strategy and to communicate it in the best possible way in order to make our subordinates understand and implement it in the right way in order to have the best possible performance.

In that direction, it is absolutely imperative that management should take early actions, such as discussing resource deployments and identify priorities, in order to create the right foundations upon which the company's strategy will be based. The common language paragon is a prerequisite as it is the only way in order to communicate management's will and make subordinates to understand the company's goals and the path they should follow in order to achieve them.



In terms of “assumptions and/or forecasts dilemmas”, it is important to underline that forecasts are based “upon assumptions reflecting the conditions the business expects to exist and the course of action reasonably expected to be followed”(WVCO,2011), so assumptions should be more secure to follow and debate.

Finally, the monitor rule is a reality in almost every company, and it has to be a prerequisite too. Rewards, is one of the incentives methods which should be used in order to motivate employees to follow the strategy described.

Although Mankins and Steele (2005), are quite in the heart of strategy, one can argue that in order to implement a great strategy and close the gap between performance and strategy, a good strategist should follow some more rules. Strategists should be ready to act and correct mistakes, something that will probably happen due to the continuous monitoring of strategy implementation. They should be ready to hear and understand all the signals coming from the markets and should be capable of interpreting them in order to foresee any potential alterations that should be implemented.

Another potential rule is to be able to have a daily collaboration with the employees-managers that implement the strategy. This is something more than continuously monitor. Is more like a personal intervention in order to be able to have the control and confront any potential problem in its birth and not to take actions later when the problem will become reality.

Finally another potential rule, should be to focus on technology and innovations in order to follow and adopt them and not to become a chaser of the companies that did that first. This kind of behavior will help the company to acquire the competitive advantage in pursuit or, in the worst scenario, to prevent rivals from acquiring it first.

Strategy communication

Communicating the company's strategy should be one of the major priorities of corporate management in all kinds of companies. This communication can be achieved via several channels and depends on the structure and the size of the company. So, in that direction, e-mails, blogs, or meetings with the corporate management, tele-conferences and skype can be of the greatest help.

One problem that is very common in many companies, is that there is a breakdown in strategy communication from corporate management to lower level managers and employees. This breakdown can create a significant gap between performance and strategy (Mankins and Steele,2005,p.67). This unfortunate event can affect the company's performance in a very bad way. While strategy is not communicated in a clear and concise way, employees are not in a position to quite understand the company's goals and how they are going to achieve them. In that sense, corporate management should communicate strategy in a clear and concise way and should be able to help lower level managers in order to direct their subordinates in the right way.

Corporate managers can sometimes be unwilling or reluctant to communicate strategy inside the company. This attitude can be explained in several ways: For instance, corporate management in some occasions just don't realize the importance of the communication per se. Another possible reason of bad communicating behavior could be that due to confidentiality reasons, corporate managers tend to keep some strategy planning secrets. Also, corporate managers, due to heavy work load, tend to leave the communicating matter to subordinates, who are held responsible for the task.

There are companies in which the strategy communication is the responsibility of regional management, which accordingly transfers the responsibility to lower level managers. With so many go-betweens who are leveled in management hierarchy in different levels of responsibility and confidentiality, a part of the strategy thinking could be misinterpreted or lost. Generally speaking, a very good and effective way a company can use in order to communicate its strategy while addressing to all employees and stakeholders, is by a clear strategy statement (Collis and Rukstad,2008, p.84).

SAS is a company, which was voted as nr.1 place to work in Fortune's list, in which, internal communication is multichannel and tries to evolve the 11,000 employees in a more intimate way, by the use of internet, intranet (SAS Wide Web), blogs etc. As global software company's Internal Communications Manager, Becky Graebec said “It's all about being willing to get out there and loosen up some of the corporate stuffiness – even just a tad” (Simply- communicate.com, 2012).

Finally it is very important to underline that companies, especially the ones that are publicly traded, have to inform investors and stakeholders, in general, of their strategic goals. This is very important in order to retain their interest and to make them aware of the company's intentions. One very important strategic goal of the companies is to retain their good public image, something that can be achieved by a good outside strategy communication, which can build strong trust bonds between stakeholders and the company.

CONCLUSIONS

It is the author's prevalent idea that a combination of all the above mentioned strategic measures is essential in order the company to achieve the competitive advantage needed. External factors that can shape strategic decisions in stable and predictable environments should be considered, while setting rules and be ready to act, and sometimes even change the rules, when environments are uncertain, or circumstances are such, is very important too. Finally, another paramount focal point should be, for managers and strategists, to be able to focus on their customers. The potential strategy to performance gap can be closed if the company that implements the strategy is ready to adopt, change and correct and don't stand rigid in preordained decisions that never change. According to Best (2014, p.83), one of the greatest threats to a business survival is to have a narrow focus on existing product –markets. So in order a business to survive and to



expand, has to have a broader definition of the market in which it competes and to be ready to change and adopt when circumstances needed, something which sometimes even means a possible alteration of the implemented strategic plans .

REFERENCES

- [1] Best, Roger, 2014, Market-based Management.6th ed. Pearson new international edition USA: Pearson Education Limited.
- [2] Collis, David J. and Rukstad, Michael G, 2008. Can you say what your strategy is? HBR, 86(4), PP.82-90.
- [3] Dawar N. (2003)." When marketing is strategy". Harvard Business Review", 91(12), pp.100-108.
- [4] Eisenhardt K.M. and Sull D.N. (2001)."Strategy as simple rules". Harvard Business Review, 79(1), pp.106-116.
- [5] Mankins, M.C. and Steele, R. (2005).Turning great strategy into great performance. Harvard Business Review. 83(7/8), pp. 64-72.
- [6] Porter M.E. (1990).The competitive advantage of nations. London: Macmillan
- [7] Porter M.E. (2008). "The five competitive forces that shape strategy". Harvard Business Review".86(1), pp.78-93
- [8] Simply-communicate.com, 2012.SAS delivers an internal communication strategy for employees [online]. Available at:<<http://www.simply-communicate.com/case-studies/internal-communications/sas-delivers-personalized-internal-communication-strategy-employees>>[Accessed 15 April 2014]
- [9] WVCO, 2011. Costing for profitability [online]. Available at: <http://www.costingblog.wvco.com/2011/03/04/forecast-or-projection-who-cares/> [Accessed 12 April 2014].



Andreas Karaoulanis, MBA, MsEng is currently working in the banking sector in Greece. He has an MBA degree in Industrial Management and Economics from Blekinge Institute of Technology Sweden and a MSc in Engineering from Aristotle University of Thessaloniki. He is very experienced after 25 years of working in several industries like engineering, banking, retail and consulting. He is a Linked In blogger with many managerial posts.